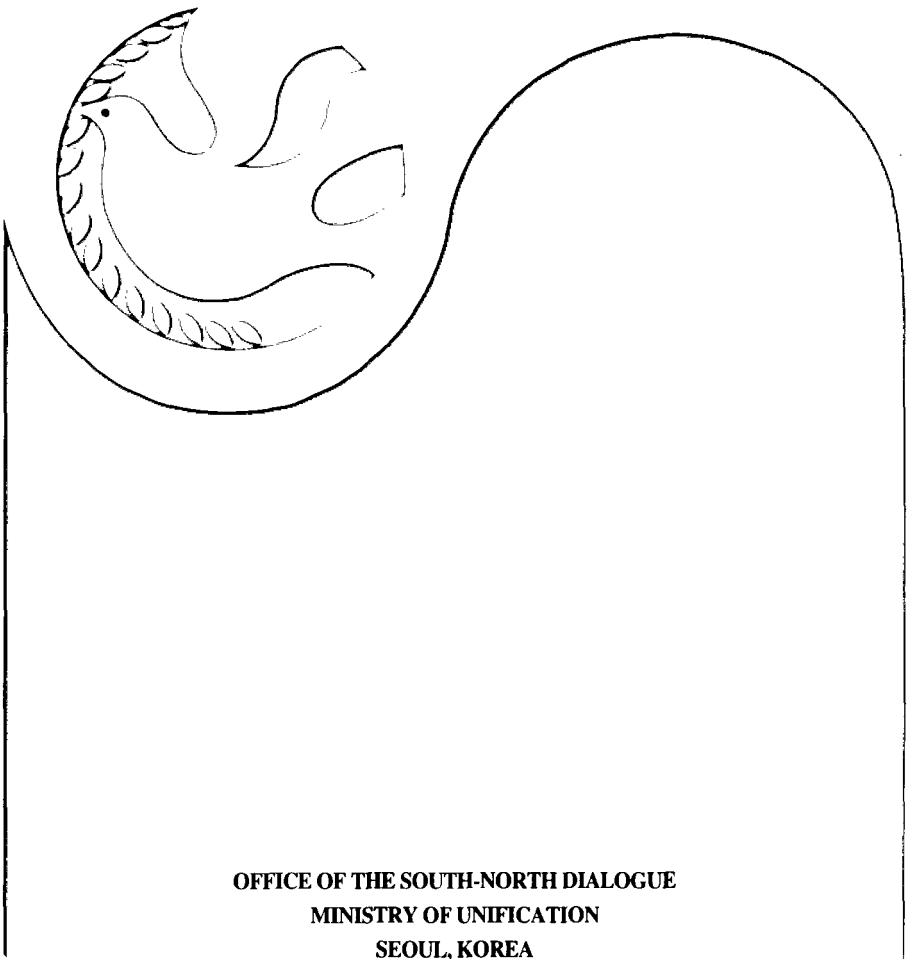


SOUTH-NORTH DIALOGUE IN KOREA

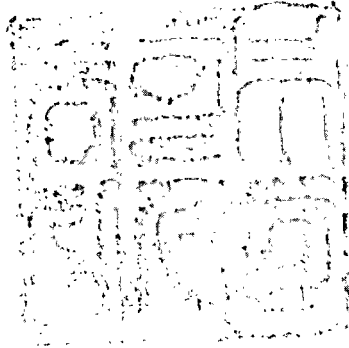
No. **66** November 1999



OFFICE OF THE SOUTH-NORTH DIALOGUE
MINISTRY OF UNIFICATION
SEOUL, KOREA

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Part I

Base of the People's
Government's Engagement
Policy Toward North Korea

1. Goals and Three Principles for North Korea Policy

In his inaugural address on February 25, 1998, President Kim Dae-jung said, “South-North relations should be developed on the basis of reconciliation, cooperation and durable peace.”

The President was setting the improvement of inter-Korean relations through “peace,” “reconciliation” and “cooperation” as the goals of the North Korea policy for his People’s Government.

The President believes that, at the present juncture, what is more important than bringing about national unification is to promote an inter-Korean relationship of peaceful coexistence, reconciliation and cooperation through the disintegration of the Cold-War confrontational structure on the Korean peninsula.

Besides, the three principles for the government’s North Korea policy are “intolerance of any armed provocation destructive to peace,” “no absorption of North Korea in unification” and “positive promotion of reconciliation and cooperation.” The three principles manifest the determination of the People’s Government to help North Korea change itself, assisting the North from the position of engagement and improving inter-Korean relations by energizing South-North exchanges and cooperations based on firm security preparedness.

2. Base of North Korea Policy

A. Parallel Promotion of Security, Reconciliation and Cooperation

North Korea is a hostile entity that threatens the security of South Korea. On the other hand, however, North Korea is a partner with which South Korea ought to promote unification through reconciliation and cooperation. Due to this duality of inter-Korean relations, the South's North Korea policy cannot help but be of a dual nature. This is why the government's North Korea policy calls for the promotion of reconciliation and cooperation based on solid security preparedness.

What is most crucial on the Korean peninsula is to nurture peace while thwarting North Korea's military adventure and tension building. Inducing North Korea to give up its scheme to unify the Korean peninsula under Communism is the short cut to securing peace on the peninsula.

Together with firm national security, South Korea should help North Korea change itself through reconciliation and cooperation and should pursue the restoration of national homogeneity. For the South and the North to forge their bilateral relationship of reciprocity through exchanges and cooperation will be a way to ensure enduring peace on the Korean peninsula.

Therefore, efforts are needed to promote exchanges and cooperation while maintaining a solid security posture and thereby turning

inter-Korean relations into a reciprocal and inter-dependent relationship.

B. Peaceful Coexistence and Exchanges First

The South Korean government has set peaceful coexistence as one of the bases for its North Korea policy. The first step toward transforming the South-North confrontational mechanism into a reconciliatory and cooperative one will be to peacefully and stably manage the state of national division by bringing about durable peaceful coexistence.

However, the South should not focus only on the stable management of the state of national division but also make parallel efforts to alter that state; that is, to improve inter-Korean relations and pursue unification. It is this belief by the South Korean government that has produced a policy of comprehensive approach toward resolving the Cold War structure of the Korean peninsula through international cooperation. The approach is designed to energize exchanges and cooperation on the basis of durable peace and thereby peacefully manage the state of national division and steadily move toward unification

C. Creation of Conditions for Change within North Korea through Reconciliation and Cooperation

Change within North Korea is vital to improving South-North

relations and achieving unification. The superiority of democracy and the market economy system has already been proved historically. Many socialist countries have chosen the path of affirmative changes such as reform and openness. North Korea, too, is recognizing the need for a change so as to overcome the problems facing its system. In fact, signs of a partial change have begun to appear inside the North.

The problem is how to expedite such a change in North Korea. In view of the uniqueness of the North Korean system, any effort to force a change upon the North is apt to be taken as an attempt to overthrow system, leading to its angry repercussion. It is important, therefore, to make North Korea feel the need of a change by itself and come along the path of reform and openness. This is why the South Korean government has decided to positively foster through reconciliation and cooperation, an environment in which the North can change itself. The government will promote more contact, dialogue and cooperation with the North in an effort to create conditions conducive to North Korea's change

D. Promotion of Mutual Interests

Exchanges and cooperation between the South and the North do not represent a one-sided support or benefit but serve the mutual interests of both sides, as well as the broader goal of common development and prosperity for all Korean people. To develop South-North relations, it is important that the two sides give and

receive help mutually. It is in this context that the South Korean government emphasizes the principle of reciprocity in inter-Korean government authorities' talks or adopts the policy of separating economy from politics, based on the concept of market economy in private-sector dealings between the two sides.

Of course, given the conditions of the two Koreas, the quantity, kinds and times of such interactions cannot be the same, but, it is important to display sincerity toward each other. Moreover, exchanges and cooperation between the South and the North should more toward the creation of a national economic community based on mutual economic cooperation and support.

E. Securing International Support for the Resolution of the Korean Peninsula Question by the Parties Involved

Since the inter-Korean question is an issue that is directly linked to the lives of the Korean people, as well as to the future of the Korean nation, it should be resolved through dialogue and negotiations between the South and the North, based on the will of the 70 million Korean people. In particular, dialogue between the two sides' government authorities with due competence and authority will be the short cut to resolving the inter-Korean question. Herein lies the reason the South Korean government efforts to resume government authorities' talks.

Moreover, in view of the uniqueness of the Korean peninsula

question, international support and cooperation will be needed to bring tangible results to the Korean's efforts. Peace and stability on the Korean peninsula is closely linked to stability in the entire area of Northeast Asia. It is in this context that the South Korean government has been steadily promoting the four-way talks to bring about durable peace and the alleviation of tension on the Korean peninsula

F. Promotion of a North Korea Policy Under National Consensus

There should be firm public support for the North Korea policy so that it can be promoted effectively and can result in substantial achievements. The government has been exerting steady efforts to lay a solid groundwork for public support of the North Korea policy. To this end, the government carries out policies with transparency and steadily samples public opinion for reflection in policy making. Efforts are also being made to consolidate the people's will and energies and thereby to build a national consensus for unification.

3. Direction of North Korea Policy

A. Implementation of South-North Basic Agreement Through Inter-Korean Dialogue

Issues pending between the South and the North should be discussed and resolved through inter-Korean dialogue, in particular through talks between the two sides' government authorities with due competence and authority.

Since 1971, the South and the North have had talks on a number of issues, such as the South-North Red Cross Conference. In 1992, in particular, the two Koreas concluded the Agreement on Reconciliation, Non-aggression, and Exchanges^{*} and Cooperation between the South and the North (hereinafter referred to as the South-North Basic Agreement) and auxiliary agreements in various areas. The signing of the historic documents was made at a South-North high-level meeting.

The South-North Basic Agreement covers all matters necessary for improving inter-Korean relations and advancing the time of unification. Therefore, the faithful implementation of the basic agreement will be the short cut to that end. In this respect, the South Korean government will do all it can to implement the South-North Basic Agreement through dialogue between the two sides' government authorities. The government intends to carry out the agreement in practicable areas first and then promote the overall implementation of the agreement.

B. Energizing of Inter-Korean Economic Cooperation Based on the Principle of Separation of Economy from Politics

Exchanges and cooperation between the South and the North will serve mutual interests and, at the same time, will function as a driving force in removing a half-century's distrust and restoring national homogeneity. In particular, South-North economic cooperation will help North Korea realize the efficacy of the principle of market economy and will promote national wellbeing through the creation of a national economic community.

The South Korean government seeks to spur South-North economic cooperation by separating economy from politics with a view to allowing private-level economic cooperation managed by businesses themselves, according to the principle of market economy and without being bound by political conditions of the two Koreas. The government will continue to promote inter-Korean economic cooperation based on the separation of economy from politics. At the same time, it will coordinate the effort to prevent cut-throat competition and maintain a proper order.

Meanwhile, for the two sides to promote inter-Korean economic cooperation in earnest, necessary agreements should be signed between the two government authorities. These agreements include investment guarantees and the avoidance of double taxation. In the future, the South Korean government will endeavor to prepare legal and institutional devices so that South-North economic

cooperation can be achieved.

C. Prior Resolution of the Dispersed Family Issue

Families dispersed in the South and the North are victims who directly experience pains stemming from the national division. The fact that dispersed family members have not been able even to exchange letters or otherwise discover the fate of their missing families for half a century cannot be justified by any excuses. Moreover, the dispersed family question has become an exigent issue that cannot be put off any longer, because as time passes, many are dying of old age.

Therefore, the South Korean government has set the dispersed family issue as the top priority for its North Korea policy. Through authorities' talks or Red Cross meetings between the two sides, the government seeks the fate and whereabouts of missing families, and promotes an exchange of letters and reunions. In addition, the government plans to introduce various administrative and institutional devices to support exchanges between dispersed families.

D. Support to North Korea for the Resolution of Food Difficulties

The economy of North Korea has deteriorated since the beginning of the 1990s due to the loss of market prompted by the collapse of the East European Communist bloc as well as structural problems

lurking in its system. Beginning in 1995, food production has further declined due to natural disasters like floods aggravating the food crisis in the North.

The South Korean government has been providing humanitarian assistance to help ease the food difficulties facing its North Korean compatriots. At the same time, the government has been encouraging private-level assistance to North Korea while respecting the voluntary decisions by the private sector. Inasmuch as the food difficulties stem basically from structural problems, the government promotes inter-Korean agricultural cooperation to enhance agricultural productivity in North Korea.

E. Continuous Support for the Light-Water Reactor Project

South Korea continues to support the construction of light-water nuclear plants in North Korea in an effort to keep the North from developing nuclear arms. As the project entails exchanges of personnel and material between the two Koreas, it is bound to contribute much to improving inter-Korean relations. The basic position of the government is to carry on the light-water reactor project faithfully, in order to realize reconciliation and cooperation between the two Koreas and abide by international commitment.

F. Fostering of a Peaceful Environment on the Korean Peninsula

Creation of a peaceful environment on the Korean peninsula is essential to stability on the peninsula and improvement in South-North relations. If tension increased up and peace was threatened in Northeast Asia, including the Korean peninsula, inter-Korean reconciliation and the cooperation and better South-North relations the South pursues would become more difficult. There fore, it is important to promote regional security and cooperation in the entire area of Northeast Asia.

The South Korean government will, as a long-term policy, steadily exert efforts to promote peace, stability and cooperation in Northeast Asia. The government is placing emphasis not merely on security but also on strengthening regional cooperation in the conviction that genuine peace can be achieved only when relevant countries expand the scope of reciprocal inter-dependence through partici-pation and cooperation. Aware of this, the government intends to explore, through discussion with other relevant countries, the possible creation of a regional cooperative system for security and cooperation in Northeast Asia.

4. Achievements of Engagement Policy

The People's Government has consistently promoted an engagement policy toward North Korea, convinced that, given the flow of international situations and North Korean conditions, an engagement policy is the most realistic option to improve inter-Korean relations. As a result, inter-Korean exchanges and cooperation have become brisk and an environment for peace has improved on the Korean peninsula. A base is thus being formed for the turn of inter-Korean relations from half-a-century of enmity and confrontation to a relationship of reconciliation and cooperation.

Above all the government has strived to, resume South-North dialogue in the belief that the implementation of the South-North Basic Agreement will be the short cut to developing inter-Korean relations and establishing durable peace on the Korean peninsula. In particular, after setting the implementation of the basic agreement as one of its major national tasks, the government urged North Korea to fulfill the basic agreement at every opportunity, such as in the presidential inaugural address, Samil Independence Day message and Liberation Day message.

Thanks to such positive efforts by the government to resume South-North dialogue, a set of inter-Korean talks was held in Beijing in 1998. Red Cross delegates discussed procedural matters for the delivery of relief materials to the North in March and the South-North authorities' held talks in April. In June and July this year, two rounds of South-North vice-minister-level talks were

held to discuss the dispersed family question and other issues pending between the two sides.

On August 15, 1998, in his commemorative address on the 50th anniversary of the founding of the Republic President Kim Dae-jung called for early normalization of the area-by-area joint commissions, agreed on between the two sides, and the creation of a permanent South-North dialogue organization to be headed by either minister- or vice-minister-level officials. President Kim said that if North Korea so wished, he would be willing to send a presidential envoy to Pyongyang to discuss the matters. Again during a press conference held on February 24 this year to mark the first anniversary of his inauguration and in his Liberation Day message on August 15, the President emphasized the importance of resolving the Korean question by the direct parties involved, South and North Korea, as well as opening of government-level talks between the two Koreas.

To improve inter-Korean relations, it is important to put the area-by-area joint commissions into operation soon, so as to implement of the South-North Basic Agreement. If North Korea finds it hard to do it forthwith, an inter-Korean dialogue channel is needed to steadily discuss and resolve urgent issues. The government will keep the door to South-North dialogue wide open to resolve issues pending between the two Koreas, inducing Pyongyang to show an affirmative response.

The South Korean government has set the resolution of the dispersed family issue, a crucial humanitarian question that stands

above the issues of ideology or system, as the topmost task of its North Korea policy. To the fate of missing families or arrange reunion between dispersed families, there should be an inter-Korean agreement reached through authorities' or Red Cross talks. In parallel, many-angled measures have been taken to support exchanges between displaced families. Since September 1, 1998, aged dispersed family members have been allowed to visit North Korea only with notification to the government. Additionally, when dispersed families meet in third countries, the government covers part of expenses arising therefrom.

As an organization supporting exchanges between dispersed families, the Council for Exchanges Between Dispersed Families in the South and the North was inaugurated on May 28 last year. The Dispersed Family Information Center was subsequently opened December 18, with the duty of managing information on dispersed families and providing assistance to them. Thanks to such positive government support, there have been a total of 769 cases of the discovery of the fate of missing family members and 253 family reunions in third countries, from the time of the inauguration of the incumbent administration through September 20, 1999. Visits by dispersed family members to North Korea for family reunion occurred in three instances.

To remove distrust and enmity accumulated between the two sides over the past half century and to restore national homogeneity, it is important for the South and the North to have more contact, more dialogue and more cooperation. Inter-Korean economic

cooperation, in particular, is a way to promote a single economic community, mutual interests and national well-being. In this context, the government has positively promoted the energization of inter-Korean economic exchanges and cooperation.

On April 30, 1998, the government announced a set of measures to perk up South-North economic cooperation based on the principle of separating economy from politics. The measures were designed to allow economic cooperation to take place between the two sides based on voluntary decisions by businessmen under the principle of market economy.

Owing to the government's effort to stimulate inter-Korean exchanges and cooperation, the historic Mt. Kumgang tourism venture materialized. From November 18, 1998 to september 1999 when the first Mt. Kumgang cruise ship sailed out, about 110,000 tourists visited the scenic mountain on 186 occasions. In addition to Mt. Kumgang visitors, 6,728 South Koreans visited North Korea from 1998 through September 1999 to discuss issues of economic cooperation. This figure far exceeds the number of North Korea visits, 2,408, reported in nine years from 1989, when private citizens' visit to North Korea was permitted for the first time, to 1997. In addition, the areas in which exchanges and cooperation take place are diversifying to include art, academy and journalism, as well as economy.

At the same time, the government has steadily provided humanitarian assistance to North Korea, with a view to easing the food difficulty facing the North Korean people. In the belief that pro-

viding assistance will expand contact between South and North Korean people and enlist positive participation of civil organizations, the government announced measures twice in 1998 to encourage private-level assistance to North Korea.

In the first-phase measures announced on March 18, the government allowed assistance in the form of and cooperative projects visits to the North. In the second-phase, made public on September 18, the government allowed individual private organizations to provide assistance to the North through the Republic of Korea National Red Cross. Despite the economic crisis in South Korea, assistance worth \$74,710,000 was provided to the North from March 1998 through August this year, which broke down to \$39,420,000 in government funds and \$35,290,000 in contributions from the private sector.

The government also continued to support the construction of light-water nuclear plants in North Korea with the intent of keeping Pyongyang from developing nuclear arms. On November 9, 1998, the Executive Board of the Korean Peninsula Energy Development Organization(KEDO) decided on fund sharing among KEDO member countries to lay a financial base for the full-fledged implementation of the KEDO project. South Korea was to bear 70 percent of the actual project costs. In view of South Korea's difficult foreign exchange condition, the share was to be paid in the local Korean won. Presently ground levelling is going on for construction of the nuclear plants. Main work will begin as soon as a major contract is signed between the KEDO and Korea Electric Power Corp.

Six rounds of the four-way talks between South and North Korea, the United States and China were held in Geneva, Switzerland to discuss a durable peace regime on the Korean peninsula. Since the fourth-round meeting held in January 1999, the four-way talks have entered a stage where substantial issues are discussed in two subcommittees formed for “the question of easing tension on the Korean peninsula” and “the question of creating a peace regime on the Korean peninsula.” However difficulties are being experienced because North Korea insists on the withdrawal of U.S. forces from Korea and the conclusion of a U.S.-North Korea peace agreement. The South Korean government, nonetheless, will continue exerting patient efforts to realize an effective peace system on the Korean peninsula.

The international community has been extending broad support to South Korea in connection with its engagement policy toward North Korea. Countries around the world, not only neighboring countries, have promised positive support and cooperation in the engagement policy. The support has been expressed during President Kim Dae-jung’s state visits to the United States, Japan, China and Russia and also during his participation in summit talks of the ASEM, APEC and ASEAN.

South Korea is confident that, though it may take some time, the engagement policy toward North Korea will surely pay off in the long run. The government will continue promoting the policy based on a firm national security posture and, thereby, an age of inter-Korean reconciliation and cooperation will unfold.

Part II

**South-North Authorities'
Talks**

1. Background

At the fifth South-North Red Cross delegates' meeting held in Beijing on March 25-27, 1998 to discuss the provision of relief goods to the North, the North Koreans asked the South for 200,000 tons of fertilizer. Earlier, January 1998, the North also asked for 200,000 tons of fertilizer through Professor Kim Sun-kwon of Kyongbuk University, better known as the "corn doctor," during his visit to the North.

The North Korean request for South Korean fertilizer was due of course, to the acute food crisis facing the North. Another reason appears to be that the 2,000 tons of fertilizer, which the South provided to the North in June 1997 through the Republic of Korea National Red Cross (ROKNRC), was found to have been well suited to North Korean soils.

The 200,000 tons of fertilizer North Korea wanted was enough in quantity to fertilize about 200,000 hectares of farmlands or 13 percent of the North Korean crop fields totaling 1,485,000 hectares. Not including transportation cost, the amount, if furnished, would have cost the South about 60 billion won.

In reaction, the ROKNRC delegates said, "The fertilizer North Korea asked for is too large an amount for the ROKNRC to handle by itself. Since this is an issue that ought to be resolved at a government level, the North should make a formal request to South Korean government authorities."

Here, in a telephone message on April 4, 1998, North Korea

then proposed a South-North authorities' meeting, suggesting that "We will send a delegation headed by a vice-minister-level official to Beijing on April 11 to discuss the fertilizer issue and other questions of mutual interest". The full text of the North Korean telephone message, which was signed by Ri Song-ho, acting chairman of the Central Committee of the North Korean Red Cross, and addressed to Chong Won-shik, ROKNRC president, was as follows:

Expressing the confidence that the items agreed on at the 5th North-South Red Cross working-level contact held in Beijing toward the end of last March will be faithfully carried out, I, with authority delegated to me, make the following proposal in connection with what was mentioned in your separate message handed to our delegates. I hope you will convey this to a relevant office of your side.

To discuss the fertilizer issue between the North and South, which some members of the South's Unification Ministry proposed in Beijing toward to the end of last March and other questions of mutual interest, our side will send a five-member delegation headed by a vice-minister-level official to Beijing, as in the past, on April 11 (Saturday).

It is hoped that your side, too, will take a corresponding measure.

We believe that it will be convenient to make China World Hotel the venue of the meeting, where the Red Cross delegates from the North and the South already met.

I look forward to your reply.

In response, the South, in a telephone message to the North on April 6, 1998, expressed acceptance of a South-North viceminister-level meeting as proposed by the North. In the message, the South said the time of the meeting can be on April 11 as the North proposed, but said it was desirable to make Panmunjom or some other place on the Korean peninsula the venue of the meeting instead of Beijing. The South said that it would send a five-member delegation headed by the vice unification minister. The message was signed by ROKNRC President Chong Won-shik and addressed to Ri Song-ho, acting chairman of the North Korean Red Cross. The full text of the telephone message was as follows:

I received your telephone message dated April 4.

With the authority delegated to me by our side's authorities, I let you know the following, hoping you will convey it to your side's relevant organization.

Our side will send a five-member delegation headed by the vice unification minister so as to discuss items of mutual concern including ways to improve South-North relations and the fertilizer issue.

The time of the meeting can be April 11 (Saturday) as your side proposed. But we believe it is desirable that the venue of the meeting be Panmunjom or another convenient place on the Korean peninsula your side selects to symbolize that the talks will be the first meeting between the authorities of the South and the North.

I look forward to an affirmative response from your side.

In a telephone message on April 7, 1998, however, North Korea insisted that the meeting be held in Beijing as originally suggested, asserting, “We recognize that, in view of various factors, the venue of the contact should be Beijing as in the past. We look forward to an affirmative response.” The full text of the message signed by Acting North Korean Red Cross Chairman Ri and addressed to ROKNRC President Chong was as follows:

On receiving your telephone message dated April 6, I, with the authority delegated to me, let you know the following, hoping that it will be conveyed to a relevant organization of your side.

Your reply to our side April 4 proposal has been received. In view of various factors, we recognize that it is reasonable to make Beijing the venue of the contact as in the past. I look forward to an affirmative response.

The South sent a telephone message on April 8, 1998, agreeing to have contact in Beijing as suggested by North Korea. In the message, the South said, “Though there is no change in our belief that it is not desirable to have authorities’ talks in a third country, we agree to have the meeting in Beijing in consideration of your side’s position.”

Also in the message, the South, giving the list of five delegates including Vice Unification Minister Chong Se-hyon, asked the North to let the list of its delegates be known in advance. The full text of the April 8 telephone message from ROKNRC President

Chong to North Korean Red Cross Chairman Ri was as follows:

In connection with your side's April 7 telephone message, I, with the authority delegated to me by our side's authorities, let you know the following, hoping that you will convey it to your side's authorities.

Though there is no change in our belief that it is no desirable to hold a meeting between the authorities of the two sides in a third country, our side decided to agree to hold the meeting in Beijing in consideration of your side's position.

Accordingly, while I notify your side that our side will make preparation for the two delegations to meet at the China World Hotel at 10 a.m. April 11 (Saturday), I, at the same time, convey the list of our side's delegation as follows:

Chief delegate: Chong Se-hyon, Vice Unification Minister

Delegate: Cho Kon-shik, Secretary at the Presidential Secretariat

Delegate: Kim Tong-kun, Bureau Director of the Agriculture and Forestry Ministry

Delegate: Son In-kyo, Bureau Director of the Unification Ministry

Delegate: Suh Yong-kyo, Bureau Director of the Unification Ministry

It is hoped that your side, too, will convey the list of your side's delegation before the meeting.

In a telephone message on April 10, 1998, one day before the scheduled meeting. When the South Korean delegation arrived in

Beijing, North Korea informed the South of the list of its five-member delegation headed by Chon Kum-chol, chief councilor of the Administration Council. The full text of the message signed by NKRC Chairman Ri and addressed to ROKNRC President Chong was as follows:

With the authority delegated to me, I let you know the list of our side's delegates to the North-South vice-minister-level contact to be held in Beijing on April 11 (Saturday) as follows:

Chief delegate: Chon Kum-chol, Chief Councilor, Administration Council

Delegate: Ri Song-dok, Bureau Director, External Economic Affairs Commission

Delegate: Ri Chang-ho, Vice Chairman, Kwangmyongsong Economic Association

Delegate: Kim Song-rim, Office Director, Kwangmyongsong Economic Association

Delegate: Ri Chi-hun, Head of Representative's Office in China, Kwangmyongsong Economic Association

We believe it will be good to meet your side's delegation at the China World Hotel at 3 p.m. April 11.

The two sides exchanged a total of five telephone messages (two from the South and three from the North) to set the stage for the meeting of delegates of the South and North Korean authorities in Beijing, China.

2. Proceedings

The South-North authorities' talks, designed to discuss ways to improve inter-Korean relations and matters of mutual concern including the fertilizer question, were held at the China World Hotel in Beijing, China from April 11 through April 17, 1998.

The meeting drew much attention at home and abroad as it was the first formal conference aimed at resolving matters of mutual concern to the authorities of the South and the North after the birth of the People's Government in the South.

A five-member delegation from each side attended the meeting. The South's delegation was headed by Vice Unification Minister Chong Se-hyon and the North's by Chon Kum-chol, chief council of the Administration council. The meeting was a marathon conference that lasted eight days, during which three plenary sessions and four chief delegates contacts took place.

A. First Plenary Session

The 1st plenary session, held on the afternoon of April 11, 1998, proceeded in the order of keynote speeches, presentation of opinions on major issues, and debate. In his keynote speech, Chief Delegate Chong Se-hyong from the South proposed the creation of a dispersed family reunion center and post exchange office, promotion of individual visits and reunion between aged persons, and the exchange of hometown visitors' groups as a pilot project.

Also proposing the exchange of special envoys appointed by the top leaders of the two sides so as to provide a breakthrough in the effort to improve bilateral relations, the South's chief delegate stressed that the area-by-area joint commissions should be put into full operation to implement the South-North Basic Agreement. He also asked the North to normalize the South-North Panmunjom Liaison Office whose function has been suspended since November 1996 when North Korean members unilaterally withdrew from the office.

In addition, the South's chief delegate said the South was willing to positively promote assistance and cooperation in such agricultural areas as farm chemicals, fertilizer, seeds and farm implements so as to fundamentally help the North resolve the chronic food problem. He said the South intended to steadily expand inter-Korean economic cooperation by, for instance, permitting large-scale investment in the North based on the principle of separating economy from politics.

Chief Delegate Chong emphasized that in order to materialize the provision of fertilizer as North Korea wishes, the North should take a corresponding step to improve South-North relations.

In his keynote address, North Korean Chief Delegate Chon Kum-chol asserted, "Provision of fertilizer by the South will be a first step toward improving North-South relations, and provision without any strings attached will contribute to opening a new chapter of reconciliation, unity and dialogue between the North and the South."

The North's chief delegate also said the issue of fertilizer should be discussed first, demanding that 500,000 tons of fertilizer be provided to the North. He said that as for procedural matters relating to the delivery and receipt of fertilizer, the practices employed at the time of the delivery of flood relief goods in 1984 and the recent shipment of Red Cross relief goods could be used.

Following the exchange of the keynote speeches, the two sides exchanged opinions on matters of mutual interest. However, no accord could be reached due to conflicting positions. The South wanted the two sides to simultaneously discuss the fertilizer issue and ways to improve South-North relations, such as the questions of dispersed families, exchange of special envoys and the implementation of the South-North Basic Agreement; whereas the North insisted that the fertilizer issue should be handled on a priority basis.

The first session adjourned after the two sides decided to hold a second session at the same place at 10 a.m. April 12, 1998. The gist of the two sides' keynote speeches delivered at the first session was as follows:

< Gist of the South's Keynote Speech >

- I will discuss our side's stand toward this meeting as follows:
- The first is the question of creating a dispersed family reunion center and a postal matters exchange center.
 - If a dispersed family reunion center and a postal matters

exchange center were created and operated at Panmunjom or another place acceptable by the South and the North, more dispersed family members could easily contact each other and meet.

- The second is the question of promoting the exchange of hometown visitors' groups as a pilot project along with individual visits and reunion between aged dispersed family members.
 - Since our side has already been positively promoting visits to your the North by aged dispersed family members, this question can be resolved smoothly only if your side cooperates in discovering the fate and whereabouts of missing families and in extending invitations to them.
 - We believe there will be no particular problems in the exchange of hometown visitors' groups because such an exchange was made once in the past.
- Another project our side is thinking about as one of immediate projects to provide a breakthrough in the improvement of inter-Korean relations is the issue of exchanging special envoys named by the top leaders of the two sides.
 - Given the reality of South-North relations, the intention of the two sides' top leaders with regard to overall inter-Korean relations including the issue of the nation's future must be highly important.
 - If and when the exchange of special envoys was realized, it would improve South-North relations through mutual confidence building since such an exchange would convey the

- frank opinions of each side's top leaders without any distortion.
- We believe that to institutionally promote the improvement of South-North relations, it is most important to implement, the South-North Basic Agreement.
 - The South-North Basic Agreement, which took effect on February 19, 1992 is a common national charter covering all measures to improve South-North relations and outlining the formation and operation of consultative organizations for its concrete implementation.
 - What remains to be done is only to discuss and implement the agreed-on items, one by one, by putting area-by-area joint commissions into full operation.
 - We believe that if your side is truly interested in improving South-North relations, there will be no difficulty in putting the joint commissions into operation right away.
 - One thing that must be resolved prior to the operation of area-by-area joint commissions is the question of normalizing the South-North Panmunjom Liaison Office whose function has been suspended due to your side's unilateral withdrawal from it in November 1996.
 - The South-North Panmunjom Liaison Office is the sole liaison conduit at the present stage through which opinions of the two sides' authorities can be directly conveyed. This is an organization indispensable to working-level discussions on implementation of issues agreed to by the two sides.

- Lastly, we would like to disclose our position on the issue of providing fertilizer to your side, which your side wishes.
 - Our side has positively promoted the provision of foods to your side through various routes. Our side has several times expressed the willingness to assist and cooperate in the agricultural area with a view to fundamentally resolving the food problem.
 - The basic position of our government is that we can positively provide fertilizer as your side wishes, as part of inter-Korean cooperation.
 - However, we are emphasizing that, given the amount of the fertilizer your side wishes to have, there should above all be your side's corresponding measure to improve South-North relations.

〈 Gist of the North's Keynote Speech 〉

- I will discuss our position and opinions in connection with this contact.
- The first is the issue of contact topics.
 - We believe that, as already discussed in our telephone message sent to your side, the agenda topics of this contact should be to discuss issues of mutual interest including the question of the provision of fertilizer.
- The second is the order of discussion of agenda topics.
 - Since this contact has been arranged after your side

expressed the intent of providing fertilizer to our side, we consider it reasonable to discuss issues beginning with the question of fertilizer.

- We believe that since now is the farming season, your side, also must realize that the question of fertilizer assistance ought to be resolved at an early date.
- The third is the issue of the amount of fertilizer to be provided and the question of delivery and receipt of fertilizer.
 - We hope that since your side, in a good-intentioned move, offered to provide fertilizer to us, your side will increase the amount a little and give us about 500,000 tons.
 - We are of the view that if your side is in the state of genuine brotherly love, there would be no particular problem with this amount because your side has stated your side have this amount of reserve fertilizer.
 - As for the issue of working-level matters related to the delivery and receipt of fertilizer, past practices such as used in the delivery and receipt of flood relief goods in 1984 and the delivery and receipt of food and relief materials now underway through the Red Cross.

B. Second Plenary Session

At the second plenary session held on April 12, the South Korean delegation again emphasized that “the question of fertilizer should be discussed in linkage with questions of improving inter-Korean

relations such as the issues of dispersed families, exchange of special envoys and implementation of the South-North Basic Agreement based on the principle of reciprocity.”

On this regard, the North said, “We do not say that we will not discuss the issues raised by the South, such as the questions of dispersed families, exchange of special envoys and implementation of the North-South Basic Agreement. We have the willingness to positively cooperate in resolving these issues raised by the South if the South provides fertilizer to the North.”

The Pyongyang delegation said that “the fertilizer issue should be discussed, agreed on and implemented before other questions at this meeting. And, the two sides should discuss the issues raised by the South and other matters of mutual concern parallel with the implementation of the fertilizer issue.”

In particular, North Korea asserted that the South was trying to politicize the fertilizer issue which, it argued, is an economic and humanitarian issue. “Even though the South would not link the fertilizer question to politics, what the South seeks will occur only if the South provided fertilizer,” the North Korean delegation said.

In reaction, the South said, “Our people do not approve of one-sided assistance especially in view of the fact that there was no progress in inter-Korean relations after the repatriation of Lee In-mo and the delivery of rice to the North in 1995. This time, the North should take steps that can convince our people.”

The South also urged the North “not to misunderstand the intent behind in the North Korea policy of the new South Korean govern-

ment and thereby miss a rare opportunity to improve inter-Korean relations.”

C. First Chief Delegates' Contact

The chief delegates contact held on the afternoon of April 12, the same day as the 2nd plenary session, was attended by Chief Delegate Chong Se-hyon and Delegate Shon In-kyo, from the South, and, from the North, Chon Kum-chol, chief delegate, and Kim Song-rim, a delegate.

The two sides carried on talks on the controversial issues that were discussed at the 2nd plenary session in the morning but failed to narrow their difference.

The North held fast to the provision-of-fertilizer-first stand, saying, “We can hardly accept conditional fertilizer assistance. We can trust the South’s policy change only when it provides fertilizer to us.” The South urged the North to reconsider its position, stressing, “Even if an agreement were reached on the provision of fertilizer, it cannot be implemented unless the issue is linked to steps to improve South-North relations, due to worsened public opinions in the South.”

D. Second Chief Delegates' Contact

At the 2nd chief delegates' contact held on April 13, the North Koreans concentrated on trying to get the fertilizer handled ahead

of other issues, arguing, “Let us discuss the dispersed family issue and other questions to improve South-North relations after first discussing and resolving the fertilizer assistance issue.”

The South made it clear that “the issue of fertilizer assistance should be resolved in linkage with other issues to improve South-North relations such as the dispersed family question and the issue of the exchange of special envoys. We cannot resolve the fertilizer issue separately from other questions.”

The North Korean delegation displayed its old-fashioned dialogue posture by hinting at the possible breakup of the talks. The North Koreans said that although the policy of the new government is good, no change appears in the attitude of the South Korean delegation.

Refuting the North Korean claim, the South Korean delegation said that the suggestion the South made at the talks was a South Korean government position. Emphasizing that the South Korean people would no longer accept the method employed at the time of the rice talks of 1995, the South’s delegation said sternly, “we do not beg for dialogue.”

E. Third Plenary Session

At the 3rd plenary session held on April 14, the South offered a modified plan for the package deal method with a view to overcoming difference and making progress in the talks. The modified plan featured:

- 1) 30,000 tons of fertilizer shall be shipped to the North at the soonest possible time (by the end of April) with the remainder to be delivered in May and June.
- 2) The two sides shall agree on the principle of establishing a dispersed family reunion center and shall hold South-North Red Cross delegates' contact at Panmunjom on April 25 to meeting working-level issues.
- 3) The two sides shall carry on discussions of matters of mutual concern such as the dispersed family issue and exchange of special envoys.
- 4) A working-level contact shall be held to draft an agreement containing these points.

However, the North rejected the modified plan suggested by the South, insisting on the discussion of matters of mutual concern after agreeing on the fertilizer issue first.

North Korean Chief Delegate Chon Kum-chol said, "Provision of 200,000 tons of fertilizer should be specified in an agreement. We can discuss the issues of dispersed families and the exchange of special envoys, but cannot accept the time table suggested by the South."

The North also said, "The issue of a dispersed family reunion center should be deleted because it is not the business of the South-North authorities' talks and it ought to be discussed between Red Cross organizations. When the dispersed family issue is discussed through Red Cross channels, the issue of creating a reunion center

can be discussed within that framework.”

When the South suggested that the second-round authorities’ talks be held on April 29, the North Koreans gave a negative response. However, they showed an unusual attachment to obtaining fertilizer by saying, “As we can stay in Beijing for about two more days, there is time to prepare an agreement.”

The two sides failed to iron out their difference before adjourning the 3rd plenary session. They agreed, however, to discuss the time and format of further contact through mutual liaison within two days.

F. Third Chief Delegates’ Contact

After observing Kim Il-sung’s birthday (Sun Day) on April 15, a major national holiday of North Korea, on the morning of April 16 the North Korean delegation proposed a chief delegates’ contact. The South accepted the offer and the 3rd chief delegates’ contact took place on the morning of April 16.

While holding fast to its stand that the fertilizer issue should be resolved together with measures to improve inter-Korean relations such as the questions of dispersed families and the exchange of special envoys, the South urged the North to affirmatively respond to the modified plan offered at the 3rd plenary session on April 14.

The South Korean delegation also said that if the North agreed to hold a South-North Red Cross delegates’ contact at Panmunjom on April 25 to discuss the issue of establishing and operating a

dispersed family reunion center, the South could specify the delivery of 200,000 tons of fertilizer in an agreement.

Here, the North Koreans, while sticking to their “agreement on the delivery of fertilizer first, and discussion of matters of mutual concern later” position, offered the following “compromise plan:”

- 1) Provision of 300,000 tons of fertilizer by the South.
- 2) Discussion of the dispersed family issue at the 6th South-North Red Cross delegates’ contact.
- 3) Continuous discussion of matters of mutual concern.
- 4) Holding of second-round South-North authorities’ talks in Beijing on April 29, 1998 (Wednesday).

The two sides discussed questions at issue but failed to narrow their basic differences. The 3rd chief delegates’ contact was adjourned without any progress. On the evening of the same day, the North Korean delegation proposed that the 4th chief delegates’ contact be held on the morning of April 17. The South accepted the offer.

G. Fourth Chief Delegates’ Contact

At the 4th chief delegates’ contact held on April 17, the South Korean chief delegate continued to call for simultaneous discussion of the issues of fertilizer and measures to improve inter-Korean relations on the basis of the principle of reciprocity. He also said that the South would specify the provision of 200,000 tons of

fertilizer in an agreement if the North agreed to hold a separate Red Cross delegates' meeting at Panmunjom on April 25 to discuss the question of creating a dispersed family reunion center.

On the other hand, the North held fast to its stand that matters of mutual concern could be discussed only after an agreement was reached on the provision of fertilizer. It insisted that the issue of creating a reunion center could be discussed along with other issues related to the dispersed family question at the 6th South-North Red Cross delegates' meeting.

As no progress was recorded due to a difference between the two sides, North Korea Chief Delegate Chon Kum-chol tried to shift the blame for the sluggishness of the talks to the South, asserting that "the South is not interested in the provision of fertilizer." He then raised the tone of charges against the South, denouncing the North Korea policy and dialogue posture of the South,

"There is no need to continue chief delegates' contact any further and there will be no talks either," Chon said, suggesting, "The two sides hold a plenary session on April 18 to wind up the talks and announce the breakup of the meeting."

H. Breakup of the Talks

A North Korean delegate, Kim Song-rim, informed the South Korean delegation over the phone on the evening of April 17 that "the North Korean delegation will not attend the plenary session slated for April 18 and the talks are finished."

Thus, the South-North authorities' talks, held for the first time in three years and nine months after they met in 1994 in connection with an abortive South-North summit meeting, ended without any achievement.

As the talks broke up in a one-sided notification over the phone, the South and the North failed even to secure the minimum achievement of maintaining an "authorities dialogue channel" between them.

The two sides expressed their respective stands over the breakup of the talks in separate press conferences held at their respective hotels, the China World Hotel and the Kyongryun Hotel, on April 18.

In the press conference, South Korean Chief Delegate Chong Se-hyon said, "Though we have made much efforts for an inter-Korean agreement, it is regrettable that we have to end the talks without any tangible achievement due to differences between the two sides."

Chon urged the North to change its attitude, saying, "The dispersed family issue is an elementary matter. Nonetheless, the North, turing a deaf ear to the issue, made one-sided demand only, which can hardly be of any help to the normalization of South-North relations."

The North's Chief Delegate Chon Kum-chol tried at his press conference to shift the blame for the breakup of the talks to the South, arguing that "the South has politicalized the issue of fertilizer assistance. Unless there is a change in the South's attitude, we cannot carry on the talks."

Part III

**South-North Vice-Minister-
Level Talks**

1. Background

Official talks between South and North Korea were suspended after the South-North authorities' talks held in April 1998. In the belief that authorities' dialogue is essential to substantially improving inter-Korean relations, the South Korean government urged North Korea on every opportunity to return to the table of dialogue.

North Korea, too, expressed willingness to have authorities' talks by proposing a South-North high-level political meeting on February 3, 1999, and informing the South through various channels of its interest in talking with the South.

Considering these situations in April 1999, the South proposed a backstage contact to the North, which North Korea accepted. Thus a vice-minister-level contact took place behind closed doors in Beijing from April 23 through June 3.

In a press conference on June 3, National Unification Minister Lim Dong-won made public what was agreed on at the behind-the-scene talks. The contents of the agreement announced on June 3 were as follows:

Based on brotherly love and humanitarian spirits, the South and the North held three rounds of contact in Beijing from May 12 to June 3, 1999 to agree on the following:

1. The South shall provide 200,000 tons of fertilizer to the North in the period of June and July. Of the total, 100,000 tons shall

- be delivered by June 20.
- a. The type of fertilizer shall be adjusted depending on the South's production plan. However, the North's wishes shall be taken into consideration.
 - b. Transportation procedures shall be in accordance with the procedures employed for the delivery of relief goods on May 26 and July 25, 1997. However, the ports of delivery shall additionally be the Haeju, Wonsan and Chongjin harbors.
2. The South and the North shall hold bilateral vice-minister-level talks beginning June 21.
- a. Agenda topics of the talks shall be "current issues which are matters of mutual concern, including the dispersed family question." However, the question of dispersed families shall be preferentially discussed.
 - b. The venue of the talks shall be Beijing for the first meeting. The venue shall be discussed again for subsequent meetings.
 - c. Each delegation shall consist of three members with a vice-minister-level official acting as chief delegate. The number of delegation members may be increased if necessary.
 - d. As for the method of the talks, they shall be open to the public in principle. However, they may be held behind closed doors when both sides so agree.

June 3, 1999

Kim Po-hyon
Special Assistant to
the Prime Minister
Representative
The South's Authorities

Chon Kum-chol
Vice Chairman, Korea Asia-Pacific
Peace Committee
Representative
The North's Authorities

2. First-Round Talks

A. Background of First Session

Beginning June 7, 1999, four days after the two sides agreed to hold vice-minister-level talks, North Korean patrol boats violated the Northern Limit Line in the West Sea. On June 9, there was a clash in which South Korean speed boats pushed North Korean patrol boats back to the North.

Amid unceasing intrusion of North Korean patrol boats across the Northern Limit Line, a North Korean patrol boat opened fire at a South Korean naval craft on June 15, setting off a naval skirmish between South and North Korean naval vessels.

Despite the situation, the South, in a bid to open the vice-minister-level talks as planned, sent a telephone message to the North, letting it know about the list of South Korean delegates and the time and place of the talks. The telephone message dated June 17 was signed by Kim Po-hyon, the South's representative at the South-North contact in Beijing and addressed to Chon Kum-chol,

North Korean representative at the Beijing contact. The full text of the message was as follows:

I am notifying your side of the list of our side delegates, who will attend the South-North vice-minister-level talks agreed on during the behind-the-scene contact I held with you in Beijing last June 3, as follows.

Chief Delegate: Yang Young-shik, Vice Unification Minister

Delegate: Seo Young-gyo, Bureau Director, Unification Ministry

Delegate: Cho Myong-kyun, Deliberations Officer, Unification Ministry

At the same time, three or so attendants will accompany the delegation to the talks. We also let you know that our side will make preparation for the two delegations to meet and open talks at the Kempinski Hotel at 10 a.m. June 21 (Monday) local time.

It is hoped that your side, too, will provide its list of delegates in advance.

As there was no counterproposal from the North on what was suggested in the South's telephone message, the South sent its delegation to Beijing on June 20. On arrival in Beijing, the South Korean delegation informed the North of its arrival, letting it know matters relating to the escort of the North Korean delegation for the of June 21 talks.

On the morning of June 21, however, the North asked the South to put off the opening of the talks slated for 10 a.m. that day until 3

p.m. It didn't inform the South of even the list of its delegation who had already arrived in Beijing.

Here, the South Korean delegation expressed displeasure at the insincere posture the North displayed with regard to the planned vice-minister-level talks.

On the afternoon of the same day, the North told the South over telephone that 22,000 tons of fertilizer out of the 100,000 tons set to be delivered to the North by June 21 had not reached the North and, therefore, the North was postponing the scheduled talks until the arrival of the remainder. The North Koreans then asserted that the South was to be blamed for the failure of the talks to take place on schedule.

In reaction, the South said that it had taken all available steps to ensure the delivery of 100,000 tons of fertilizer by June 20, adding that it had already been pointed out, in a telephone message, that the delivery could be delayed due to heavy rains. The South informed the North that a freighter carrying 22,000 tons of fertilizer would sail into the North Korean area on the morning of June 22, after passing the Northern Limit Line at 9 p.m. June 21.

The South Korean delegation expressed regret over the postponement of the talks made by North Korea on the excuse of a delay in the delivery of fertilizer. It then proposed that the first session of the South-North vice-minister-level talks be held at the Kempinski Hotel at 10 a.m. June 22.

Around 7 a.m. June 22, the North Korean delegation said it was agreeing to the South's offer and expressed its intent to lay an

obstacle to the talks by demanding that Taegukki, the national flag of the Republic of Korea, displayed the entrance of the Hotel be lowered before the arrival of the North Korean delegation. Taegukki has always been displayed at the hotel because the South's Daewoo Group invested in the hotel.

The issue of the flag was resolved as a matter of course when the hotel did not hoist any flag of the investment countries(Germany and China, in addition to South Korea) because it rained.

B. First Session

The first session of the talks proceeded in the order of the delivery of both sides' keynote speeches, presentation of opinions and debate at the Kempinski Hotel in Beijing, China, on the morning June 22, 1999.

The session was attended by Vice Unification Minister Yang Young-shik who was chief delegate, and two delegates, Seo Young-kyo, a bureau director, and Cho Myong-kyun, a deliberations official, from the South. Attendees from the North were Pak Yong-su, chief councilor of the Cabinet who served as chief delegate, and two delegates: Choe Song-ik, a Cabinet division chief, and Kwon Min, a councilor at the Korea Asia-Pacific Peace Committee.

The South Korean delegation offered concrete ideas in the posture that tangible dispersed family measures should be taken in view of the exigency of the dispersed family issue.

The ideas included reunion between dispersed families once

every month, with the first reunion taking place in September 1999. The South suggested that, to this end, the two sides exchange lists of a specific number of those trying to find out the fate and whereabouts of their missing families once every month and the amount be expanded steadily thereafter. It proposed that the first exchange of the lists be made in early August, one month before a reunion.

The South also suggested that, to facilitate the project smoothly, a dispersed family reunion center be created and run at Panmunjom beginning early August 1999 and that groups of hometown visitors be exchanged in late September and in October in Seoul and Pyongyang as a pilot project.

With regard to the “current issues of mutual concern,” the South stressed that, to prevent the recurrence of incidents similar to the recent West Sea naval skirmish between the two sides of Korea, the area-by-area joint commissions should be put into operation at an early date in a move to implement the South-North Basic Agreement and, in addition, the function of the South-North Panmunjom Liaison Office should be normalized as soon as possible.

The South Korean delegation further suggested that the vice-minister-level talks be maintained as a dialogue mechanism to discuss and resolve issues pending between the two sides and that the talks be elevated to minister-level or prime ministers’ talks in due course.

Meanwhile, the South emphasized that the vice-minister-level talks being held in Beijing should in the future be held at Panmunjom

or some other place on the Korean peninsula.

North Korea, however, filled its keynote speech almost entirely with the West Sea incident, which had nothing to do with the agreed-on agenda topics, thus turning a deaf ear to the discussion of the dispersed family issue.

The North asserted that South Korean naval ships had threatened its fishing boats peacefully engaged in fishing operation in violation of the North's territorial waters, obstructed the patrol activities of its naval vessels, and deliberately committed provocative acts. The North Koreans claimed that South Korea should be held responsible for the incident and should make an apology before the Korean people.

In reaction, the South urged the North to agree to discuss and resolve the dispersed family issue first, as it had earlier promised to "promote the dispersed family issue broadmindedly, practically and totally." But, the North insisted that it could handle the dispersed family issue only after the West Sea incident was resolved.

The South made its position clear over the naval skirmish. It said that North Korean vessels violated the Northern Limit Line in express breach of the Military Armistice Agreement and South-North Basic Agreement. The West Sea incident could be discussed and resolved through the general officers meeting of Panmunjom and the question of a sea boundary studied through the South-North Joint Commission pursuant to the provisions of Article 10 of the Nonaggression Supplementary Agreement.

The North Korean delegation said that although the resolution of

the West Sea incident is not a prerequisite to progress in the vice-minister-level talks, the naval skirmish was a reality, asking the South to reconsider its position expressed in the keynote speech a little more.

As the talks hit deadlock, the South proposed that the two sides either have a chief delegates' contact on the afternoon of the same day (June 22) or open a second session on the morning of June 23. However, the North asserted that the two should meet after the South examined the West Sea incident a little more. The first session was thus adjourned.

The gist of the keynote speeches made by the two sides at the first session was as follows:

〈 Gist of the South's Keynote Speech 〉

- I find it significant that the South-North vice-minister-level talks are held to discuss issues of mutual concern such as the dispersed family issue.
- I would like to discuss our side's posture on the issue of resolving the dispersed family question.
- The first is the issue of exchanging lists of missing family members to discover their fate and whereabouts, the exchange of letters between dispersed families, and their reunion.
 - We suggest that reunion between dispersed families be held once every month, and the first reunion be held in the middle of September this year.

- To this end, we suggest that lists of a certain number of missing family members be exchanged once a month to a certain extent so as to find out their fate and whereabouts, that the extent of such lists be expanded steadily and that the first exchange of such lists be made early August, one month before the first reunion.
- We propose that, to smoothly facilitate these projects, a dispersed family reunion center be opened and operated at Panmunjom beginning August this year.
- The second is to exchange hometown visitors' groups among dispersed family members between Seoul and Pyongyang as a pilot project.
 - As for the time of the visits, we believe it will be good for a South Korean visitors' group to visit Pyongyang first in late September and a North Korean visitors group to visit Seoul in October.
- We propose that the two sides agree on these items and hold a South-North Red Cross working-level meeting at Panmunjom in early September to discuss details related to their implementation.
- Now I shall discuss the issues of mutual concern that will be discussed after settling the dispersed family issue.
- In addition to the dispersed family question, there are many current tasks that must be resolved to improve South-North relations. But, I would propose only three today.
 - The first is the issue of implementing the South-North Basic Agreement.

- As your side, too, once recognized, what is most fundamental and important to resolving inter-Korean issues is the implementation of the South-North Basic Agreement
 - To put the basic agreement into practice, the area-by-area joint commissions, its implementation organizations, should be operated.
 - If it is difficult to put all the joint commissions into operation, those commissions that can be operated without much difficulty and that are necessary for the discussion and resolution of current issues should be normalized first.
 - Even to prevent the recurrence of incidents similar to the recent West Sea clash, relevant joint commissions should be operated at an early date.
- The Second is the issue of normalizing the function of the South-North Panmunjom Liaison Office.
- The function of the Panmunjom Liaison Office has been paralyzed since your side temporarily suspended the business of the liaison office in November 1996.
 - Given the fact that exchanges and cooperation are presently going on briskly between the South and the North and that authorities' dialogue has resumed, the function of the South-North Liaison Office should be normalized at an early date to facilitate smooth execution of various liaison programs.
- The Third is the question of developing the vice-minister-level talks.
- We believe it is desirable to maintain the vice-minister-level

talks as a dialogue mechanism to steadily discuss, and seek ways to resolve, current issues facing the two sides.

- We expect that the vice-minister-level talks will be developed into minister-level talks and further into prime ministers' talks in the course of resolving current issues pending between the South and the North.
- We believe that though the current talks are taking place in Beijing, future South-North talks should be held at Panmunjom or some other place on the Korean peninsula rather than in a third country.
- Next, now that your side mentioned the West Sea incident, I will discuss our basic stand.
 - Our government has been promoting its North Korea policy based on three principles: 1) intolerance of armed provocation, 2) elimination of any absorption of North Korea, and 3) promotion of inter-Korean reconciliation and cooperation.
 - Our position over the Northern Limit Line is clear. The South and the North already agreed on it in Article 11 of the Basic Agreement and Article 10 of the Non-aggression Auxiliary Agreement.
 - Therefore, our side will firmly safeguard the Northern Limit Line as we do the Military Demarcation Line.
 - Your side's violation of the Northern Limit Line in the West Sea was in express violation of the Armistice Agreement and the South-North Basic Agreement. Therefore, your side should be held entirely responsible for the incident.

- Your side should take necessary steps to prevent the recurrence of similar incidents. And, all issues should be resolved peacefully through dialogue.
- The recent West Sea incident of violation of the Northern Limit Line should be resolved through the general officers meeting at Panmunjom in the sense of managing the armistice system.
- We hope that the current vice-minister-level talks will not discuss the matter any further. Our position is that, in accordance with the provisions of Article 10 of the Non-aggression Auxiliary Agreement stipulating that sea boundary lines for non-aggression shall continue to be discussed in the future, discussions on the matter should be made by convening the South-North Joint Military Commission.

〈 Gist of the North's Keynote Speech 〉

- As your side perpetrated a grave military provocative incident against us prior to the North-South vice-minister-level talks, this endangers the fate of this conference.
- As is well known, your side's grave military provocation had gone on from last June 4 to June 22 in the West Sea.
- Your side infiltrated naval vessels deep into our territorial waters southwest of the Kangryong peninsula, South Hwanghae Province, threatening our fishing boats engaged peacefully in fishery work and obstructing the routine patrol activities of our People's Army naval vessels. On June 9, your side committed

adventurous maritime provocation by deliberately ramming our patrol boats on patrol duties.

- Due to your side's premeditated provocative incident, a serious obstacle lies ahead of our North-South vice-minister-level talks, recklessly endangering the future of the talks.
- No dialogue can be held properly when deliberate military clashes take place.
- The two sides can resolve nothing even if they sit face to face at a conference table at a time when situations turn serious and confrontation grows fiercer. This is a serious lesson taught by the history of past dialogue ridden with breakups and suspension.
- If your side is really interested in South-North dialogue and values the rare North-South vice-minister-level talks, your side should naturally find a lesson from the past dialogue and should not have laid an obstacle ahead of dialogue.
- Your side should take responsible steps without any delay to remove this obstacle to the vice-minister-level talks under the principle that the person who made a knot should untie it.
- We recognize that your side should be held responsible for the recent incident and apologize before the nation.

C. Background of Second Session

As the two sides decided at the first session to discuss the time of the second session over the phone, the South on June 22 pro-

posed that a chief delegates' contact be held on June 22 or 23 at a place and at a time convenient to the North Koreans. But, the North was negative.

On June 24, the North Korean delegation said that the West Sea incident, which they raised at the first session on June 22, was a "question of principle." The delegation asked the South to study the matter a little further, proposing that the second session be held at 10 a.m. June 26, at the Kempinski Hotel.

In the telephone contact, the North argued that if the South raised its national flag at the hotel entrance, "there would occur a complex issue," adding that "if the flag appears at the hotel on the date of the session, we will not attend it."

Here, the South, under the basic position that the national flag cannot be lowered under any circumstances, offered to have the session at another place, to which the North agreed. Thus, the two sides decided to hold the second session at the China World Hotel at 10 a.m. June 26.

D. Second Session

The second session was held at the China World Hotel in Beijing, China at 10 a.m. June 26, 1999. In an opening speech, the South said that it was due to the insincere attitude of the North that the two sides had failed to discuss agenda topics. It noted that the North informed the South of the list of its delegates only two hours before the meeting and put off the time of the meeting on the

excuse of a delay in the delivery of fertilizer.

Also setting forth as follows a detailed plan to resolve the dispersed family issue, the South strongly asked for the discussion of the dispersed family plan:

Reunion of dispersed family members: Once or twice a month involving about 100 persons; implementation of the first reunion in the middle of September this year.

Exchange of lists of missing persons to find out their fate and whereabouts: Exchange of lists of about 300 persons of both sides each month; implementation of the first exchange of lists in early August.

Exchange of postal matters: Twice a month. Implementation of the first exchange of postal matters in September this year.

Creation of reunion center: Creation and operation at Panmunjom in early August this year.

Exchange of visitors' groups: In September and October this year as pilot projects involving about 100 aged dispersed family members from each side. Visits to be made to Seoul and Pyongyang by turn.

The South asked that, following the morning session, a meeting also be held in the afternoon, to bring about a tangible progress in the dispersed family question. It also pointed out, item by item, the background of the West Sea incident caused by the North's provocation, first as well as the unreasonableness of the North

Korean claim.

Although asserting that the resolution of the West Sea incident is not a prerequisite to a progress in the talks, the North called on the South to take “acceptable measures,” raising an issue of the fact that during the incident, high South Korean military officers and politicians encouraged naval officers and men involved in the incident.

Contrary to their assertions that they were faithfully respecting the agreement reached at the backstage contact of June 3, the North Koreans shunned the dispersed family issue at the second session in favor of concentrated discussions of the West Sea incident.

The North wanted the South to express an “appropriate” posture over the West Sea incident. As their wish had gone unheeded, the North proposed an end to the second session, asserting that it was meaningless to carry on the session when both sides’ positions contravened each other.

The two sides ended the session without even touching on the agenda topics. They, however, decided to hold a next meeting at the China World Hotel at 3 p.m. July 1. The gist of the opening speeches made by the two sides at the second session was as follows:

〈 Gist of the South’s Opening Speech 〉

- To smoothly carry out today’s discussion, we would like to present a little more concretely the idea we laid down at the

first session to resolve the dispersed family question.

- The first is the question of discovering the fate and whereabouts of dispersed family members and carrying out the exchanges of letters and reunion between them.
 - We hope that the lists of missing family members will be exchanged once a month to discover their fate and whereabouts, and that the first exchange of lists will be made in early August 1999.
 - We believe it would be good that the volume of the lists of missing family members be set around 300 persons from each side.
- We hope that postal programs will occur twice a month for the exchange of letters between dispersed families.
 - We propose that the first exchange of postal matters be made in the middle of September 1999.
- We propose that, to ensure the smooth implementation of the exchange of lists of missing persons to discover out their fate and whereabouts and programs related to the exchange of postal matters and reunions, a dispersed family reunion center be created and operated at Panmunjom in early August.
- We propose the exchange of dispersed family visitors' groups between Seoul and Pyongyang as a pilot project.
 - As for the time of the exchange, our side's visitors' group can visit Pyongyang first around late September this year and your side's visitors' group can visit Seoul at a time convenient to your side within October.

- Visitors' groups can be formed with emphasis on aged dispersed family members and the size can be about 100 persons from each side.

〈 Gist of the North's Opening Speech 〉

- Needless to say, it is due to the armed skirmish in the West Sea that flared up after the adoption of an agreement at the past backstage talks that, although we opened the vice-minister-level talks, we failed even to begin discussing agreedon agenda topics.
- As our side made clear at the first session, the armed clash in the West Sea was a highly dangerous incident that was prepared, set off, abetted and escalated by your side.
 - The point to which we attach most particular importance is the fact that instead of taking steps to resolve the clash, your side's authorities rather chose escalation of the incident.
 - This was well proven by the fact that your side's high military authorities personally went to the scene to congratulate the officers and men involved on their so-called success and encourage the acts of clash.
- The grave lesson shown by the past 28-year history of North-South dialogue shows that North-South dialogue cannot proceed properly and acute questions raised by the two sides, including the dispersed family issue, cannot be resolved properly at a time when the country is at the threshold of a war.

- If your side behaves as if your side does not care about the danger of there is a war between the North and the South or whether there are obstacle to dialogue, asserting that the North-South vice-minister-level talks are supposed to discuss the dispersed family issue first and that there is a general officers meeting at Panmunjom, you cannot be called responsible authorities nor can these meetings be called authorities' talks.
- It is senseless to argue that the issue of the armed clash in the West Sea does not fall on the duty imposed on this vice-minister-level talk.
 - Your side said that if the North-South Military Joint Commission were put into operation, it could discuss measures to resolve the West Sea incident. But, we believe this is nothing more than an excuse to shun responsibility.
 - Your side's call for the operation of the North-South joint commission while rejecting our proposal for North-South high-level political talks to discuss the issue of implementing the North-South agreement is none but irresponsible conduct designed to avoid things here.
- Our side's position is clear.
 - If your side responsibly fulfills obligations pursuant to agreed matters, our side, too, will faithfully carry out agreed items.
 - Your side should be willing to begin new talks by providing an answer acceptable to our side's urging in connection with the West Sea clash.

3. Second-Round Talks

A. Plenary Session

The second-round of South-North vice-minister-level talks were held at the China World Hotel in Beijing, China on July 1-3, 1999 in the form of a plenary session and two chief delegates' contacts.

At the plenary session held on July 1, the South suggested that no time more should be squandered on the West Sea incident as the South had fully disclosed its stand over the incident at the first-round talks. They called for discussion of the dispersed family issue in accordance with the agreement reached at the backstage contact of June 3. The South again produced the idea to resolve the dispersed family issue which it had first offered at the time of the first-round talks.

Touching on the issues of mutual concern, the South asked the North to share its opinion on the question of implementing the South-North Basic Agreement which the South had raised at the first-round talks. It further proposed, as an emergency topic, the issue of forming a special committee on the guarantee of personal safety.

The South offered the emergency topic in view of the fact that Ms. Min Young-mi, a South Korean visitor to Mt. Kumgang, had been held by the North on June 21-15, being freed only after writing a "letter of apology" under duress. Despite the fact that various violations of personal safety are possible due to various infractions of the statutory order because the number of people like

Mt. Kumgang visitors traveling back and forth between the two Koreas is on a steady increase, there is no institutional device between the two side's authorities to handle these issues.

The North turned down the offer, asserting that issues related to Mt. Kumgang tourism are to be discussed pursuant to a contract concluded between the Asia-Pacific Peace Committee of the North and Hyundai of the South and therefore have nothing to do with the authorities' talks.

In connection with the issue of fertilizer assistance, the South emphasized that there is no change in the posture to faithfully carry out the June 3 agreement, urging the North to positively cooperate in the dispersed family issue in accordance with the agreement, so that fertilizer can be delivered without any setback.

In particular, the South said that it was ready to ship the remaining 100,000 tons of fertilizer out of the 200,000 tons promised for the North, and set to be delivered by the end of July. It added, however, that to make the delivery of the remaining portion of fertilizer by the pledged deadline, there should be tangible progress at the talks on the dispersed family issue.

However, the North asserted that there is no clause in the June 3 agreement stipulating that delivery of the 100,000 tons of fertilizer is conditional on the resolution of the dispersed family issue, and charged that it was a serious problem for the South to try to handle inter-Korean relations strictly on the principle of reciprocity.

The North Korean delegation then made a proposal which it described as a "forward looking" plan to resolve the deadlock of

the talks. The offer was: 1) the South apologize over the West Sea incident and guarantee the prevention of the recurrence of similar incidents, and 2) a schedule for the transportation of the remaining portion of the fertilizer be Provided to the North, and discussion of basic topics begin simultaneously with the sail of the first vessel carrying part of the remaining portion.

As the two sides thus failed to narrow their difference, the North proposed that the plenary session be adjourned and instead a chief delegates' contact be held. The two sides promptly had a chief delegates' contact.

The gist of the keynote speeches the two sides made at the plenary session was as follows:

〈 Gist of the South' s Keynote Speech 〉

- To facilitate the smooth proceedings of today' s talks, we again invite your side' s attention to our position with regard to the issue of dispersed families which we disclosed at the first-round talks.
- The first is the issue of exchanging the lists of missing family members in order to discover their fate and whereabouts, exchanging letters between them, and arranging their reunion.
 - We believe it will be good to enable about 100 dispersed family members to have family reunion once or twice a month and to arrange the first family reunion in September 1999.
 - To this end, lists of about 300 missing family members from

- each side should be exchanged once a month to discover out their fate and whereabouts. The first exchange of such lists can take place in early August 1999.
- Postal programs for the exchange of letters between dispersed family members can be made twice a month. We suggest that the first exchange of postal matters be made in the middle of September 1999.
 - To carry out these programs smoothly, a dispersed family reunion center can be created and run at Panmunjom in early August 1999.
- We propose the exchange of dispersed family visitors groups between Seoul and Pyongyang as a pilot project.
 - As for the time of the exchange, our visitors' group can visit Pyongyang first in late September this year with your side visitors' group coming to Seoul in October.
 - A visitors' group can be comprised of about 100 persons from each side with emphasis on aged persons.
 - There is no change at all in our side's position that we will faithfully carry out the agreement on the provision of fertilizer. To have the fertilizer we are providing reach your side without any setback, your side, too, should step forward positively toward progress in the dispersed family issue pursuant to the earlier agreement.
 - As for current issues of mutual concern, we look forward to hearing from your side on the issues of implementing the South-North Basic Agreement, normalizing the function of the

Panmunjom Liaison Office, and developing the vice-minister-level talks.

- At the same time, it is highly regrettable that one of our side's visitors to Mt. Kungang was held by your side and forced to write a "letter of apology" under duress.
 - Our side, emphasizing that such an incident should never recur, proposes that an institutional device be worked out between the authorities of the South and the North to prevent the occurrence of similar incidents.
 - We believe that, to this end, a relevant joint commission, an implementation organization of the South-North Basic Agreement, should be put into operation to discuss this matter in earnest. As a large number of people travel back and forth between the South and the North, various problems can occur. In view of the urgency of this issue, we propose that the vice-minister-level talks discuss in emergency the issue of forming a special committee for the guarantee of personal safety with a view to guaranteeing the personal safety, of those traveling back and forth between the South and the North.
- We believe that with regard to the recent armed clash between the South and the North in the West Sea, the two sides fully presented their respective basic stands at the first-round talks on last June 22 and June 26. However, since your side again raised this issue at today's session, our side feels compelled to make clear once again our side's position.

- First, your side is to be blamed entirely for the West Sea incident.
 - When your side vessels crossed the Northern Limit Line in the West Sea on last June 7, our side, according to battle rules, gave several warnings through the public address system and demonstrated maneuvers to require your side vessels' withdrawal.
 - Nonetheless, your side vessels kept committing acts of intrusion.
 - Finally on June 15, your side patrol vessels made a preemptive attack on our side patrol boats, obliging our side to return fire in an act of self-defense. The clash then ensued.
- Second, as your side, too, realizes, the Northern Limit Line has functioned as a maritime boundary line from the time of the armistice to date.
 - Your side, too, affirmed this in the South-North Basic Agreement and the non-aggression auxiliary agreement.
 - Your side's violation of the Northern Limit Line was in express violation of the Military Armistice Agreement and the South-North Basic Agreement. There is no denying that your side alone should be held responsible for the incident.
- Since the two sides have already expressed their respective stands on the West Sea incident, we should not squander precious times any further.
 - The West Sea incident is being discussed at the general officers meeting at Panmunjom and is scheduled to be

discussed tomorrow.

- We also make it clear there is no change in our side's basic stand that to prevent the recurrence of a similar incident, the South-North Military Joint Commission should be put into operation at an early date.

〈 Gist of the North's Keynote Speech 〉

- The West Sea incident was a premeditated and deliberate armed clash set off and escalated to a serious stage by your side's authorities.
- It goes without saying that the incident was not an inadvertent armed clash committed by several military persons but a direct product of your side's North Korea policy that places national security and confrontation between the same people above any other thing. The clash was organized directly by your side's military under the protection and coordination of alien forces, commanded personally at the scene by high officers, and gravely escalated amid encouragement by those in power.
 - Nonetheless, your side does not apologize over the Provocative West Sea incident. This cannot be other than an irresponsible act.
- To break through the deadlocked state of the North-South vice-minister-level talks, we would like to produce an important and forward-looking plan, as follows, at today's session.
 - First, your side should offer an apology to our side for the

West Sea incident of armed provocation in the form our side has demanded and should guarantee that there will be no act further of armed provocation endangering North-South dialogue and peace of the country.

- Second, your side should notify our side at an early date of a schedule for the transportation of the remaining fertilizer set to be delivered by the end of July, as agreed between the two sides. The two sides can begin discussing the basic topics at a full-dress session simultaneously with the sailing of the first vessel carrying part of the remaining fertilizer.

B. First Chief Delegates' Contact

As soon as the 1st chief delegates' contact opened on heels of the plenary session, the North Korean delegation read out a statement in connection with an article based on a telephone interview with Hwang Jang-yop which appeared in the July 1999 issue of the monthly *Wolgan Chosun*. The delegation said it was disclosing its position on a "newly developed grave incident."

In the statement, the North Koreans, asserting that the South Korean government partook in Hwang's defamation of the North Korean (Kim Jong-il) system, asked the South to make a "responsible answer."

In reaction, the South repeatedly said that "under our system, the government cannot meddle in press media." Nonetheless, the North Korean delegation one-sidedly walked out of the conference room

without even setting the time of a next meeting. The chief delegates' contact was thus ended in 14 minutes.

C. Background of Second Chief Delegates' Contact

As the North concentrated on non-topic issues such as the West Sea incident and disputing a telephone interview of Hwang Jang-yop, the South asked the North that evening to inform the South within the morning July 2 as to whether they were interested in carrying on the talks.

The South told the North Koreans that if there was no affirmative response from the North within the given time, the South Korean delegation would return to Seoul, where it would wait for word from the North.

Despite the withdrawal notification from the South, the North made no response on the morning of July 2. Here, the South notified the North of the following at 2:20 p.m.:

Our delegation hereby informs your side that we will return to Seoul as your side did not notify us of the resumption of the talks by this morning as our delegation stated last night.

As our side stated at the talks, we cannot provide fertilizer unless there is a considerable progress in the resolution of the dispersed family issue.

It is hoped that, if your side is interested in discussing the resolution of the dispersed family question, your side will inform us

thereof through the direct telephone at Panmunjom.

In reaction, the North, saying that they were waiting for the South's reply to the "epochal plan" they offered for the resumption of the talks, asserted that if the talks broke up, the South should be held responsible.

After formally notifying the North of its withdrawal, the South Korean chief delegate held a press conference to explain the South's position in a "statement of the South Korean delegation to the South-North vice-minister-level talks." The gist of the South Korean delegation's statement made at the press conference was as follows;

We have done all we could do to bring about progress at the talks by, for instance, producing a concrete implementation plan for the prior discussion and resolution of the dispersed family issue in accordance with the June 3 agreement.

However, the North, while raising non-topic matters such as the West Sea incident, shunned the discussion of the dispersed family question and laid down a prerequisite to agreeing to discuss the dispersed family question. The North Korean delegation has thus persisted in unreasonable and insincere conducts.

It is highly regrettable that the North persisted in such behavior in express violation of the June 3 agreement reached by the two sides.

The position of our government is clear. The June 3 inter-Korean

agreement should be faithfully implemented and respected under all circumstances.

We hope that the North will return to the spirit of the June 3 agreement and faithfully respond to the resolution of the dispersed family issue so that a breakthrough can take place in the dispersed family question and the provision of additional fertilizer can be made.

At the same time, in view of the sharp increase in personnel exchanges between the South and the North, preparation of a authorities-level institutional device to ensure personal safety is critical. In this respect, the North should affirmatively respond at an early date to our proposal for the creation of a Special Committee for the Guarantee of Personal Safety.

As the South thus formally notified the North of the withdrawal plan, making this public in a press conference, the North proposed to the South, on the evening of July 2, that a chief delegates' contact be held on the morning of July 3.

The South agreed to have the 2nd chief delegates' contact but made it clear that the North could not unilaterally walk out of the conference room after reading out a statement as it did on July 1.

The also South understood that the North Korean chief delegate would bring a new plan on the dispersed family issue with him.

D. Second Chief Delegates' Contact

The 2nd chief delegates contact took place at the room of the South Korean chief delegate from 9 a.m. to 10:26 a.m. July 3, 1999.

Reminding the North of the agreement made at the June 3 backstage contact and the verbal pledge the North had made, the South again urged the North to produce a concrete plan to resolve the dispersed family issue.

With regard to the issue of remaining fertilizer, the South said it would let the North know of a fertilizer transportation schedule if the North produced a positive plan and actively discussed the plan actively to resolve the dispersed family question.

On the other hand, the North, though saying there was no change in its position to fulfill the agreement made at the June 3 backstage contact, simply repeated that they could begin discussing the displaced family issue when the South informed them of a transportation schedule and the first fertilizer vessel sailed out.

The North Korean delegation also asserted that it was a violation of the June 3 agreement for the South to insist that fertilizer could be provided only when the dispersed family issue was resolved, arguing that the June 3 agreement provided for "the provision of fertilizer first and discussion of the dispersed family issue later."

In connection with the West Sea incident, the North, while again asking for the South's apology and pledge to prevent the recurrence of similar incidents, said that every possible method should be

employed in resolving the issue.

The South, however, restated its existing stand on the West Sea incident, urging the North not to raise the issue of the West Sea incident any further.

The North Koreans also argued that the interview article on Hwang Jang-yop in the July issue of the monthly *Wolgan Chosun* could not be tolerated, insisting that the South Korean authorities had some part in the article.

The South said that freedom of the press is guaranteed under the South's system, stressing that the article at issue was strictly a private-level matter with which the South Korean government had nothing to do whatsoever.

In connection with a next meeting, the South suggested that the third-round talks be held on July 8 or July 10 on the condition of full-fledged discussion of the dispersed family question. The North insisted, however, that they could open the next-round talks July on 8 if only the South informed the North of a fertilizer transportation plan and carried out fertilizer transportation by July 7.

In reaction, the South proposed that the time of the next-round talks be set through Panmunjom later. But, the chief North Korean delegate said, "I didn't hear what you said." The two sides thus ended the second-round vice-minister-level talks without agreeing on the time of next talks.

The first- and second-round vice-minister-level talks thus came to an end, without even beginning the discussion of the dispersed family issue pursuant to the June 3 agreement. The failure was

because the North Korean delegation persisted in raising non-topic issues such as the West Sea incident and the question of Hwang Jang-yop interview.

The South Korean delegation issued a statement as it flew back to Seoul on July 3 as scheduled. Meanwhile, the North Koreans held a press conference at the China World Hotel for the first time during the conference period to shift the blame for the breakup of the talks to the South.

The gist of the statement of the chief South Korean delegate and the opening speech made by the chief North Korean delegate at the press conference were as follows:

〈 Gist of the Statement of the South's Chief Delegate 〉

1. Our side expresses regret over the failure of the North Korean delegation to fulfill the June 3 agreement reached between the South and the North.
2. Our side affirms that the inter-Korean agreement should be fulfilled as it is, and once again urges the North to carry out the pledge it made.
3. Our side will keep the door to South-North dialogue open and expects that the North will return to talks to fulfill agreed matters.
4. Our side deplors the fact that the North did not abandon its posture of confrontation even at the recent talks, on the excuse of the West Sea incident which the North itself provoked. We

urge the North to cooperate at an early date in establishing South-North relations of coexistence and co-prosperity. At the same time, we hope that the North will display brotherly love and humanitarianism by taking resolute steps to resolve the dispersed family issue.

〈 Gist of the Opening Speech of the North's Chief Delegate at
His Press Conference 〉

- Contact took place behind the closed doors after the South said it would provide 300,000 to 500,000 tons of fertilizer, and the June 3 agreement was reached after meandering.
- As no time of a next meeting was fixed, the talks are entering the state of complete breakup. The cause and blame lie entirely with the South.
- The West Sea incident was a highly dangerous incident which could have been escalated into an overall armed clash between the North and the South. The incident will sway the success of the current talks.
- We said that the dispersed family issue could be discussed in earnest only when the West Sea incident and the question of a Hwang Jang-yop interview, which were basic obstacles to the vice-minister-level talks, were resolved. But, there was no change in the South's attitude.
- We offered two epochal plans. But, the South, saying that the dispersed family issue should be resolved first, refused to

accept our side plans.

- In our part, coming to the vice-minister-level talks itself was a heroic decision and act of magnanimity.
- In a circumstance in which the South violated agreed matters and laid obstacles to the talks, we will not beg for talks.

Part IV

South-North Red Cross
Delegates' Contact for the
Delivery of
Relief Goods to North Korea

1. Background

To help North Korean kinsmen suffering from food difficulties, private organizations of the South provided large amounts of relief goods, totaling 106,729 tons in corn equivalence, to the North through the single conduit of the Republic of Korea National Red Cross (ROKNRC), in June and October, 1997.

At the 4th South-North Red Cross delegates' meeting held in December 1997 to discuss the provision of third-round assistance, the North suddenly asserted that it could no longer accept the clause included in an existing agreement, that "the North shall guarantee that local representatives of the International Federation of Red Cross (IFRC) check the outcome of distribution of relief goods in areas to which relief goods from the South were transported." As a result, the 4th Red Cross meeting ended without preparing any procedures for the delivery of relief goods to the North.

Subsequently on March 2, 1998, the North, through the government-controlled Central News Agency, said, "Food stocks will dry up in the middle of March," asking the international community for food assistance again as it had done in 1995. Additionally, the World Food Program (WFP) urged the international community to expeditiously and generously respond to the North Korean call, saying that it con-firmed urgency of the North Korean appeal.

In consideration of the North Korean situation, on March 10, 1998 the South proposed a South-North Red Cross delegates'

contact to finalize procedures for the delivery of third-round relief goods to the North. In the proposal, made in the name of the ROKNRC president, the South suggested that the 5th South-North Red Cross delegates' meeting be held at Panmunjom on March 18.

The text of the telephone message, signed by ROKNRC President Chong Won-shik and addressed to Ri Song-ho, acting chairman of the Central Committee of the North Korean Red Cross (NKRC), was as follows:

With a view to concluding discussions with your side on procedural matters for the delivery of third-round relief goods, I propose that the 5th delegates contact be held on March 18 (Wednesday).

As for the venue of the contact, I hope that the two sides will meet at Panmunjom, convenient to both sides or another place on the Korean peninsula your side selects, instead of bothering to go to a third country.

I look forward to an affirmative response from your side.

Responding to the message, on March 11 the North counter-proposed that the venue of the contact should be Beijing as in the past and also that the contact be held on March 25. The text of the March 11 North Korean message signed by NKRC Acting Chairman Ri and addressed to ROKNRC President Chong was as follows:

I received your side's telephone message of last March 10. I

inform you of our side's position as follows:

1. We shall receive the fertilizer which your side said will be sent to the Nampo harbor.
2. We consider it reasonable to hold the 5th Red Cross working-level delegates contact for the provision of third-round foods on March 25 (Wednesday) in Beijing as the contact is a continuous part of the existing contact.

We look forward to an affirmative response from your side.

The South accepted the North Korean counterproposal, considering the fact that the 5th Red Cross delegates' meeting itself was a matter of brotherly love and humanitarianism. The stage was thus set for the 5th South-North Red Cross delegates' contact in Beijing.

The South's telephone message accepting the counterproposal was signed by ROKNRC President Chong and addressed to NKRC Acting Chairman Ri. The full text of the message was as follows:

I received your side's telephone message of March 11.

It is desirable that a meeting between South and North Korean Red Cross delegates be held on the Korean peninsula. However, in the effort to deliver 3rd-round relief goods to your side early, we have decided to consider your side's suggestion on the place and time of the contact.

The 5th delegates contact can be held in Beijing, China, as was the case with the previous contact, at 10 a.m. March 25 (Wednesday) between three delegates from each side with each side's

secretary general (chief secretary) acting as chief delegate. We will let you know the exact place of the contact later.

2. Fifth Red Cross Delegates' Contact

The 5th South-North Red Cross delegates' meeting took place at China the World Hotel in Beijing on March 25-27, 1998.

The meeting was attended by ROKNRC Secretary General Lee Pyong-wung who acted as the chief delegate, and Cho Mong-kyun and Kim Chang-kyun, both Steering Committee members of the ROKNRC Emergency Relief Center, from the South. The North Korean delegation included Choe Kyong-rin, chief secretary of the NKRC Central Committee, and Kim Yong-song and Kim Song-rim, both members of the NKRC Flood Rehabilitation Committee.

At the meeting, NKRC Chief Delegate Choe, asking for the right to speak first, disclosed the following basic stand of North Korea with respect to the third-round relief goods assistance:

First, assistance should be made based truly on brotherly love and the principle of humanitarianism. Inasmuch as assistance will be an intra-national cooperative project designed to help the same brethren, there should be no selfishness or preconditions whatsoever.

Second, this new assistance program should begin in a way that does not place any requirement or burden on the recipient side so that it can be of literal help to the brethren and can lead to a

national bond.

Third, the new assistance program should be a more developed one, with new aspects suitable to changing situations.

The NKRC urged the South to discuss and resolve the issue of fertilizer along with the provision of foods.

ROKNRC Chief Delegate Lee Pyong-wung explained about the policy determination of the new government to improve inter-Korean relations and resolve the dispersed family question. He said that since the planned relief goods assistance is purely private-level assistance, an agreement on the assistance should contain the private donor organizations' request for confirmation of the distribution.

The South then produced a draft amendment to an agreement on procedures for the delivery of relief goods, asking that the two sides begin discussing the draft agreement.

The following is the text of the draft Agreement on Procedures for the Delivery of Third-Round Relief Materials between the South and North Korean Red Cross:

The Republic of Korea National Red Cross and Democratic People's Republic of Korea Red Cross had a meeting in Beijing from March 25, 1998 to March __, 1998 to discuss and agree as follows on the issue of procedures for the direct delivery of the South's third-round relief goods.

1. Size, Kinds and Delivery-Receipt Time of Relief Goods

- a. The size of relief goods shall be of the same level as the

- first- and second-round relief goods
- b. The kinds of relief goods shall be foods like flour, blankets, medicines, edible fats and salt.
 - c. The third-round relief goods shall be delivered and received by the end of June 1998.

2. Additional Designation of the Points of Shipping, Delivery and Receipt of Goods

As for the points of delivery and receipt, the Najin harbor shall be additionally designated for maritime shipping.

3. Witnessing of Distribution and Notification of the Outcome of Distribution

a. The North shall guarantee that local representatives of the International Federation of Red Cross (IFRC) confirm the outcome of distribution in areas where the South's relief goods were transported other than the areas subject to relief by the IFRC.

b. The South shall be notified in writing within 20 days of each delivery on the outcome of the distribution of relief goods. Such written notification shall include details of distribution such as cities and counties.

4. Relations with Existing Agreements

The two agreements, Agreement on Procedures for the Delivery of Relief Goods between South and North Korean Red Cross of May 26, 1997 and Agreement on Procedures for the Delivery of Second-Round Relief Goods between the South and North Korean Red Cross of July 25, 1997, already agreed to between

the two sides shall continue to remain in force.

However, the North demanded that the draft agreement be rewritten on the premise that the proposed relief goods delivery would be made in a changed atmosphere characterized by the birth of a new government in the South.

The South's chief delegate, rejecting the North Korean demand for the new preparation of a draft agreement, pointed out that the North's demand for a new agreement due to a change in the atmosphere runs counter to the Red Cross principle since, he said, Red Cross activities are supposed to be done from a humanitarian approach, apart from politics and ideology.

After the two sides started to discuss the contents of the agreement, the North, citing the delivery of flood relief goods to the South in 1984, insisted that in the issue of guaranteeing distribution transparency, the South should take into account the position of the recipient side.

Reacting to the North Korean demand, the South explained that the current assistance to the North was different in nature from the North Korean flood relief goods provided to the South in 1984 because the North Korean relief goods were arranged by the North's government authorities whereas the current relief goods were donated by private organizations. The South said the third-round relief goods would be in the same amount of the first- and second-round delivery. The North Korean delegates, however, said they had come to the contact assuming that the aid amount could

be about 100,000 tons. They asked the South to increase the amount and kinds of relief goods.

A sizeable difference thus appeared from the beginning of the first session in the issue of procedures for relief goods delivery and the amount of goods to be provided. The South, reminding the North that it was an extension of the 4th Red Cross delegates' meeting, asked that an agreement be drafted based on the draft agreement that was discussed at the 4th meeting. The North accepted the offer and agreed to work out the agreement through a working-level meeting.

Four working-level meetings to adjust the wording of a draft agreement took place four times at the hotel of the ROKNRC delegation, the China World Hotel. Even at the working-level contact, the North asked for the additional provision of 200,000 tons of fertilizer, pushing aside the main task of adjusting the wording of an agreement. But the matter was resolved when the South persuaded the North Koreans, telling them that the provision of such a large amount of relief goods was beyond the authority of the ROKNRC and ought to be discussed and resolved between the government authorities of the two sides.

At the working-level meeting, the two sides arrived at a substantial agreement although there were differences in such matters as the size and kinds of the third-round relief goods to be delivered, the time of the delivery, and the issue of increasing the locations of delivery.

However, there was no progress on the issue of confirming the

outcome of distribution. The South wanted that the North allow local IFRC representatives to confirm the outcome of distribution, but the North continued to reject the idea. The working-level delegates, thus, decided to refer the issue to a chief delegates' meeting.

A chief delegates' meeting was held at the hotel of the North's chief delegate on the evening of March 26. At the meeting, the two sides' chief delegates compromised on the matter, deciding to handle the issue of IFRC confirmation of distribution as a "matter of understanding" instead of including it in an agreement. The chief delegates also approved, in general, a tentative accord on such issues as the size and items of relief goods, the time of delivery, and the issue of the locations of delivery and receipt. They agreed to draft the agreement during the following day's working-level meeting.

At the second working-level delegates' meeting, drafting of the agreement was completed. It was signed by the two chief delegates at a plenary session held on March 27. The Agreement on the Delivery of Third-Round Relief Goods between the South and North Korean Red Cross stipulated that relief goods in the same amount as the first- and second-round relief goods would be delivered to the North by the end of May 1998.

The full text of the agreement and "Matters of Understanding" signed at the 5th South and North Korean Red Cross delegates' contact on March 27, 1998 was as follows:

〈 Agreement on Procedures for Third-Round Delivery of Relief
Goods between South and North Korean Red Cross 〉

The Republic of Korea National Red Cross and the Democratic People's Republic of Korea Red Cross had a delegates' meeting in Beijing, March 25 through March 27, 1998, to discuss the issue of procedures related to the direct delivery of third-round relief goods by the South to the North, and agreed as follows:

1. Size and Items of Relief Goods and Time of Their Delivery and Receipt
 - a. The size shall be same as the first- and second-round relief goods delivered.
 - b. The items shall be foods consisting mainly of flour, edible fats and salt. In addition, fertilizer will be included.
 - c. Goods of third-round assistance shall be delivered and received by the end of May 1998.
2. Transportation of Goods and Points of Delivery and Receipt

As for the locations for delivery and receipt, the Nampo and Hungnam harbors shall be used basically. But, the Najin harbor may be used additionally.
3. Notification of the Outcome of Distribution

The outcome of distribution of relief goods shall be presented to the South in writing within 20 days of each delivery. Written notification shall specify details of distribution down to the province, city and county level.
4. Relations with Existing Agreements

The Agreement on Procedures for the Delivery of Relief Goods between the South and North Korean Red Cross (May 26, 1997) and the Agreement on Procedures for the Second-Round Delivery of Relief Goods (July 25, 1997), to which the two sides have already been agreed, shall continue to remain in force.

〈 Matters of Understanding on Procedures for Third-Round
Delivery of Relief Goods between South and
North Korean Red Cross 〉

Confirmation by local representatives of the International Federation of Red Cross of the outcome of distribution of relief goods provided by the South shall be made by making confirmation in one to two areas selected in addition to the areas subject to relief by the International Federation.

3. Third-Round Delivery of Relief Goods

As an agreement was reached between the South and North Korean Red Cross on procedures for the third-round delivery of relief goods to the North at the 5th South-North Red Cross delegates contact in Beijing on March 27, 1998, delivery of relief goods to the North resumed immediately.

Under the agreement, the South, through a liaison officials' contact at the permanent Red Cross liaison office at Panmunjom,

informed the North on April 7, 1998 of the first schedule for the transportation of relief goods. The first transportation vessel left Inchon harbor on April 15.

Under the procedures, relief goods were transported to the North in eight separate shipments through land routes linking the northeastern China area to Shinuiju or Namyang, North Korea, and also through sea routes connecting Inchon or Pusan in the South to Nampo, Wonsan, Hungnam or Chongjin in the North. The relief goods delivered during this period exceeded the pledged amount by some 1,400 tons, worth approximately 13,090 million won (\$9.3 million). In the equivalence of corn, they totaled 51,287 tons.

Even after the pledged third-phase delivery was completed, shipment of relief goods went on in the form of “additional assistance” under the procedures for the delivery of third-phase relief goods. Such assistance totaled 22 shipments as of July 31, 1999 and amounted to about 31,340 million won (approximately \$25.6 million).

During the same period, the South Korean government, in a move to spur assistance for North Korea and to respect the voluntary activities of private organizations, allowed private organizations on February 10, 1999 to individually provide assistance to the North. In the past, all private-level assistance to the North was made through the single conduit of the ROKNRC.

Meanwhile, the additional assistance included 55,000 tons of composite fertilizer which the South Korean government provided through the ROKNRC to have an indirect effect on food assistance

to the North. The fertilizer assistance cost about 18 billion won, twice as much as the amount of food assistance - 50,000 tons of corn equivalence - that the ROKNRC furnished to the North in all phases of assistance.

A. Routes of Delivery and Items Provided

The delivery of relief goods to the North was made in two forms: first, relief goods were purchased in the areas of their production or in areas where their purchase was convenient for delivery to those areas of North Korea believed to need assistance most acutely, and second, relief goods donated by individual organizations were delivered to the organizations or areas designated by donor organizations.

A feature of the third-phase assistance was the delivery of cattle donated by the Hyundai Corp. to the North through Panmunjom. Throughout the five rounds of Red Cross working-level delegates' meetings and its receipt of relief goods in three phases, North Korea had steadfastly refused the delivery of relief goods through Panmunjom, despite suggestion by the South North Korea recognized the convenience of the use of Panmunjom, but had rejected it on the ground that "the atmosphere is yet to be ripe for the use of Panmunjom."

By routes of delivery, 3,000 tons of corn were transported to Shinuiju and Namyang in North Korea from the three northeastern provinces of China. In the country, foods, plow oxen, medical and

health equipment were delivered from Inchon, Pusan, Yosu, Kunsan and Ulsan harbors in the South to the North's Nampo, Wonsan, Hungnam, Najin and Chongjin harbors.

Relief items delivered were more diverse than those of the first- and second-phase assistance. Foods donated consisted mainly of corn, flour and rice. Other items included non-fat milk for children, dried milk, baby food, biscuits and sugar. Also included were edible fats like soybean fat and corn fat, tangerine and cider.

In addition, 1,001 head of Korean plough cattle along with some feed and water containers were transported to the North through Panmunjom. Items provided through sea routes were seed potatoes, fertilizer, vinyl for farm use, glass panes, milk cow, milk cows, feed, green-house steel bars, wires, water tanks, materials for hydroponic farming, pumps and green-house vinyl sheets.

The medical supplies and equipment delivered included a tuberculosis diagnosis vehicle, an ambulance, vitamin tabs, antibiotics and antifebrics. Miscellaneous goods donated were clothes, socks, children's blankets and diaper cloth.

The state of the third-phase and additional assistance was as follows:

< State of Third-Phase and Additional Assistance >

Phase	Items and Quantity	Period	Amount
Third-phase assistance	Corn 6,090 tons, Flour 13,500 tons	April -	13,090,450,000 won (\$9.35 million)
	Rice 57 tons, Edible fats 259,080 liters	May 31,	
	Fertilizer 2,500 tons, Socks 26,000 pairs	1998	
	Seed potatoes 5. 1 tons, Salt 1,000 tons		
	Chocolate 14.06 tons, Vinyl house 10 sets		

Phase	Items and Quantity	Period	Amount
	Dry milk 95.82 tons, Medical supplies 3,274 boxes Ambulance 1, Baby foods 15.47 tons		
Additional 3rd-phase assistance (1998)	Korean cattle 1,001 head, Corn 54,014 tons Cattle feed 135 tons, Dry milk 128 tons Sugar 34 tons, Flour 2,000 tons Edible fats 356,706 liters, Milk cow 200 head Rice 60 tons, Milk cow feeds 46 tons Medical supplies 240 boxes, Tuberculosis vehicle 1 Children's blankets 3,000 sheets, Children's clothes 25,654 pieces Diaper cloth 1,000 rolls, Hydroponic materials 6 kinds Greenhouse vinyl 50 tons, Greenhouse glass 3,000 cubic meters	June - September 12, 1998	14,162 million won (\$11.33 million)
Additional 3rd-phase assistance (1999)	Flour 2,060 tons, Tangerine 100 tons Cider 60 tons, Sugar 10.02 tons Biscuits 1,700 boxes, Clothes 59,600 pieces Dry milk 27 tons, Chinese-produced flour 140 tons Medical supplies 400 boxes, Fertilizer 55,000 tons Corn 2,015 tons	January - July 31, 1999	17,185,190,000 won (\$14.32 million)
Total			44,437,640,000 won (\$35 million)

B. Donor Organizations and Distribution Areas

A total of 57 organizations and individuals participated in the third-phase and additional assistance to North Korea. In addition to the ROKNRC, the donor organizations included the Campaign for Help to the North Korean Brethren, various other social organizations, Christian, Buddhist and other religious organizations and individuals including Hyundai Group Honorary Chairman Chung Ju-yung.

The goods donated by these organizations and individuals were promptly transported to North Korea. They were equally distributed

to all areas of North Korea. Notices were received from the NKRC saying that the goods, in particular those donated for delivery to designated offices, organizations and areas, were correctly delivered to their designated recipients.

The outcome of the distribution was based on verification made by those personnel sent by the IFRC to the North, who confirmed the distribution in two areas in Kaesong they had selected in accordance with an agreement made between the South and North Korean Red Cross. However, the verifying of the distribution was rather superficial compared with that done directly by the resident officials of the WFP and IFRC, causing discontent among some donor organizations.

C. Visits to the North by Delivery Officials

The South Korean officials who visited North Korea during the period of the third-phase and additional assistance numbered some 90 on 28 occasions, including members of private donor organizations who visited the North an individual basis. When the crew members of transportation vessels were counted, the number reached about 200.

As agreed on, the North provided the delivery officials with boarding, transportation and communications by way of China.

Despite the South's expectation, however, the North did not assure the convenience of using the communications line existing between the South and North Korean Red Cross. It was also

regrettable that in the delivery and receipt of the relief goods, proper inspection and quarantine checks were not made as had been agreed.

Part V

Four-Party Talks to Establish
a Peace Regime on the Korean
Peninsula

1. Proceedings

Since North Korea called for the establishment of “a New Peace Mechanism” to replace the armistice system on April 28, 1994, Pyongyang has steadily taken steps to leave the armistice system powerless by building up military tension on the Korean peninsula. The move has been to draw U.S. attention to the “need” of concluding a peace agreement between the United States and North Korea.

North Korea has encouraged instability on the Korean peninsula by trying to dismantle the basis of the armistice system by renouncing on April 4, 1996 its obligation for the upkeep and maintenance of the Demilitarized Zone and staging a show of force in the Joint Security Area of Panmunjom after it proposed “a Provisional Agreement” with the United States on February 22, 1996.

On the other hand, the South Korean government has explored realistic, concrete and multi-angled measures to thwart the unilateral attempt of North Korea to undermine the armistice system as well as its call for the a peace agreement with the United States. Through its measures, South Korea seeks to maintain peace and stability on the Korean peninsula and induce North Korea to return to the table of dialogue.

At the South Korea-U.S. summit meeting held in Cheju on April 16, 1996, the presidents of the two countries seriously discussed the situation and in a joint Korea-U.S. announcement proposed,

four-party talks among the two Koreas, the United States and China as a means of ensuring peace and stability on the Korean peninsula.

The Plenary Session of the four-party talks could be held only in December 1997 after the talks had gone through various preparatory stages that included a joint briefing session held on March 5, 1997; follow-up talks of the joint briefing session, April 16-21, 1997; a deputy-minister-level tripartite conference on June 30, 1997; and three rounds of preliminary talks, the first round on August 5-7, 1997, the second round on September 18, 1997, and the third on November 21, 1997.

At the first Plenary Session of four-party talks held December 9-10, 1997, South Korea stressed that the establishment of a peace regime on the Korean peninsula is an exigent task which should take place at the initiative of South and North Korea, with backing from relevant countries. The South then proposed a five-point basic groundwork for the establishment of a peace regime: the respect for the principle of resolving issues between the direct parties involved; tension reduction and promotion of confidence building; respect for and implementation of existing agreements such as the South-North Basic Agreement and the Military Armistice Agreement; phased discussion and implementation of measures to establish a peace regime and tension reduction; and the formation of sub-committees for the effective operation of talks.

North Korea, on the other hand, reiterated its existing stand that to establish a peace mechanism, ease tension and promote confidence

building on the Korean peninsula, the four-party talks should first discuss the conclusion of a U.S.-North Korea peace agreement and the withdrawal of U.S. forces from Korea.

The United States, while pointing out that the four-party talks would become a historic occasion to establish a peace regime, ease tension and improve relations among the four countries involved, emphasized that in the course of the talks, the existing armistice system should be respected.

In connection with the question of tension reduction on the Korean peninsula, the United States said it was highly important to fulfill the agreed items envisaged in the South-North Basic Agreement. Countering the North Korean call for the withdrawal of U.S. forces from Korea, Washington said that threats posed to security by North Korea were the very reason why U.S. troops remain in Korea.

China, meanwhile, emphasized that inter-Korean and U.S.-North Korea relations have to be improved through the four-party talks, expressing support for peaceful unification of the Korean peninsula and improved relations between the two Koreas.

The 1st Plenary Session of four-party talks agreed on the creation of an Ad Hoc Committee to prepare for the 2nd plenary session in Beijing in the middle of February 1998 and agreed on the order of future chair countries (the United States, China, South Korea and North Korea in that order), announcing the outcome of the meeting in a chairman's statement on December 10, 1997.

2. Second Plenary Session

A. Background

Despite the fact that North Korea agreed at the 1st Plenary Session of December 9-10, 1997 to open an Ad Hoc Committee meeting in Beijing in mid-February 1998, Pyongyang one-sidedly boycotted the meeting in January 1998, contending that it was meaningless to hold the meeting before the Presidentelect of South Korea was inaugurated.

South Korea and the United States called the boycott an act of ignoring international practices. They urged the North to agree to open the meeting as scheduled or give an official explanation about the boycott. At a four-party working-level session held in New York on February 6, 1998 they agreed to hold a preparatory meeting prior to the 2nd Plenary Session of four-party meeting.

At the preparatory meeting held in Geneva on March 14, 1998, South Korea and the United States proposed the formation of two subcommittees, the address issues not resolved at the 1st Plenary Session. The two countries stressed that, to make the talks a success, two subcommittees should be created to discuss in depth the issues of “the establishment of a peace regime” and “tension reduction and promotion of confidence building” in accordance with the already agreed-on topics.

North Korea, however, held fast to its stand that detailed topics, such as the withdrawal of U.S. troops from Korea, should be

adopted prior to the formation of subcommittees. As a result, delegates decided to discuss the matter again at the 2nd Plenary Session of four-party talks.

Meanwhile, with regard to the order of seats, North Korea argued that seats should be in the alphabetical order, with the exception of the chair country (China). South Korea accepted the demand on the condition that the demand did not carry any political implication. The South believed that, although the North Korean contention was in compatible with international practices, the meeting could not waste time over an procedural matter. Thus, the stage was set for the 2nd Plenary Session of four-party talks held in Geneva, Switzerland on March 16-21, 1998 with China as the chair.

The lists of the four countries' delegations to the 2nd Plenary were as follows:

South Korea

Chief delegate: Song Young-sik, Deputy Minister, Foreign Affairs and Trade Ministry

Deputy chief delegate: Moon Moo-hong, Assistant Minister, Office of South-North Dialogue, Unification Ministry

Delegate: Yu Myung-hwan, Director-General, North American Affairs Bureau, Foreign Affairs and Trade Ministry

Delegate: Ryoo Jin-kyu, Director-General, Arms Control Office, National Defense Ministry

Delegate: Kwon Jong-rak, a Secretary to the President for Foreign Affairs, Presidential Office

Delegate: Lee Soo-hyuck, Political Counselor, ROK Embassy in the United States

Delegate: Rhee Bong-jo, First Policy Officer, Unification Ministry

Delegate: Jun Ok-hyun, Counselor, Office of the Prime Minister

North Korea

Chief delegate: Kim Gye-gwan, Vice Minister, Foreign Ministry

Deputy chief delegate: Ri Gun, Deputy Representative, Permanent Mission to the United Nations

Delegate: Park Sok-gyun, Deputy Director-General, American Bureau, Foreign Ministry

Delegate: Kim Gyong-nam, Councilor, National Reunification Committee

Delegate: Park Myong-guk, Director, American Bureau, Foreign Ministry

United States

Chief delegate: Stanley Roth, Assistant Secretary for East Asia and Pacific Affairs, Department of State

Deputy chief delegate: Charles Kartman, Principal Deputy Assistant Secretary for East Asia and Pacific Affairs, Department of State

Delegate: Wallace Gregson, Director for Asian and Pacific Affairs, Department of Defense

Delegate: Norman Wulf, Deputy Assistant Director for Non-proliferation and Regional Arms Control, Arms Control and Disarmament Agency

Delegate: Jack Pritchard, Assistant for Asian Affairs, National Security Council, White House

Delegate: Mark Minton, Director for Korean Affairs, Department of State

Delegate: Bruce Lemkin, Navy Captain, Joint Chiefs of Staff

China

Chief delegate: Chen Jian, Assistant Minister, Foreign Ministry

Deputy chief delegate: Wang Yi, Director-General for Asian Affairs, Foreign Ministry

Delegate: Ning Fukui, Deputy Director-General for Asian Affairs, Foreign Ministry

Delegate: Liu Xiaoming, Deputy Director-General for North American and Oceanic Countries, Foreign Ministry

Delegate: Guan Huabing, Director, Korean Division, Foreign Ministry

Delegate: Gu Ziping, Director, Press Bureau, Foreign Ministry

Delegate: Yang Xiyu, 1st Secretary, Chinese Embassy in the United States

B. Basic Positions of the Four Delegations

In a keynote speech, the chief South Korean delegate emphasized

that the four-party talks and inter-Korean dialogue should be promoted simultaneously. He said that, pending the preparation of a solid peace regime on the Korean peninsula, the existing Armistice Agreement should be respected and the South-North Basic Agreement fulfilled. The South Korean official also proposed the early formation of subcommittees for the effective operation of the four-party talks.

North Korea's chief delegate demanded prior discussion on the issues of withdrawal of American troops from Korea and the conclusion of a U.S.-North Korea peace agreement, contending that the U.S. military presence in Korea constitutes an obstacle to the establishment of a peace mechanism on the Korean peninsula. He said that detailed topics should be adopted prior to the formation of subcommittees.

The U.S. delegation said that, although transition to a peace regime requires time, tension reduction and promotion of confidence building are the issues in which progress can be registered right away. He expressed the expectation that there would be progress in exigent and easy-to-handle questions.

The chief Chinese delegate said the four countries share a common view on the need to establishing a peace regime on the Korean peninsula through the four-party talks. He noted, however, that bringing about a peace regime will take time. The Chinese official voiced the view that the major task facing the talks must be to fix the organization and format of the proposed subcommittees and to discuss issues related thereto.

C. Proceedings

At the 1st meeting, the participating delegations gave their respective keynote speeches. At the 2nd meeting, South Korea said that South and North Korea should take the lead in forming a peace regime in accordance with the South-North Basic Agreement. It asked for early discussion of the question of establishing subcommittees in the interests of progress in the four-way talks.

The North Korean delegation called for prior discussion of withdrawal of U.S. forces from Korea, repeating its position that the proposed subcommittees could be formed only after detailed topics were adopted.

Rejecting the North Korean demand, the United States made it clear that the U.S. forces in Korea could not be an issue subject to discussion at the four-party talks because U.S. troops are stationing in Korea under the Republic of Korea-U.S. Mutual Defense Treaty. With regard to the question of concluding a U.S.-North Korea peace agreement, the U.S. delegation said the United States would not consider concluding a peace agreement with North Korea inasmuch as the direct parties involved in the maintenance of peace on the Korean peninsula are South and North Korea.

China endorsed the South Korean and U.S. proposal for the prior discussion of the creation of subcommittees.

At the 3rd and 4th meetings, South Korea and the United States called for the early creation and operation of subcommittees by setting forth the direction of discussion to be made at each sub-

committees.

The North Korean delegation, while saying they agreed to the creation of subcommittees, insisted nevertheless that the questions of the withdrawal of U.S. forces from Korea and conclusion of a U.S.-North Korea peace agreement should be included in the list of detailed topics.

Even at the 5th and 6th meetings, the talks failed to register any progress as the North Koreans showed no signs of any policy change, asserting that they received instructions from their home country to abide by the existing position.

In consequence, the four parties ended the second Plenary Session of four-party talks after adopting a “Statement of the Chair of the Four-Party Talks.” The Plenary Session failed even to determine the time of a following session.

3. Third Plenary Session

A. Background

South Korea and the United States held a high-level policy consultative meeting in early August 1998 to share the view that the four-party talks, suspended since March 1998, should be resumed at an early date in the interests of tension reduction and creating of a peace regime on the Korean peninsula.

Based on the consultation between South Korea and the United

States, Washington and Pyongyang reached a tentative agreement at the U.S.-North Korea high-level meeting held in New York from August 21 through September 5, 1998, to hold the 3rd Plenary Session of four-party talks in October. At the subsequent four-party working-level meeting held in New York on September 25, 1998, the four countries finally agreed to hold the 3rd Plenary Session in Geneva, October 21-25, 1998.

According to the agreement made at the New York working-level meeting, a preparatory committee, attended by deputy chief delegates from the four countries, was held on October 20 under the chair of South Korea to agree on the schedule of the 3rd Plenary as follows:

The schedule called for 1) a plenary meeting on the first day (October 21), 2) in-depth discussion of actual problems through chief delegates' meeting on the second (October 22) and third (October 23) days, and 3) a plenary meeting (October 24) to give a report on items to a chief delegates' meeting and to adopt a press release before adjournment.

The lists of the four-country delegations to the 3rd Plenary were as follows:

South Korea

Chief delegate: Park Kun-woo, Ambassador-at-large for the
Four-Party Talks, Foreign Affairs and Trade
Ministry

Deputy chief delegate: Kwon Jong-rak, Director-General, North

American Affairs Bureau, Foreign Affairs
and Trade Ministry

Delegate: Ryoo Jin-kyu, Director-General, Arms Control Office,
National Defense Ministry

Delegate: Lee Soo-hyuck, Political Counselor, ROK Embassy in
the United States

Delegate: Lee Yong-joon, Senior Director for Policy Coordination,
Secretariat, National Security Council

Delegate: Kim Man-bok, Counselor, Office of the Prime Minister

Delegate: Kim Hong-jae, Director, Office of the South-North
Dialogue, Unification Ministry

North Korea

Chief delegate: Kim Gye-gwan, Vice Minister, Foreign Ministry

Deputy chief delegate: Ri Gun, Deputy Representative, Permanent
Mission to the United Nations

Delegate: Jang Chang-chon, Deputy Director-General for
American affairs, Foreign Ministry

Delegate: Kim Gyong-nam, Councilor, National Reunification
Committee

Delegate: Park Myong-guk, Director, American Bureau, Foreign
Ministry

Delegate: Chung Dong-hak, Desk Officer, Foreign Ministry

United States

Chief delegate: Charles Kartman, Special Envoy for Peace

Talks for the Korean peninsula

Deputy chief delegate: Jack Pritchard, Assistant for Asian Affairs,
National Security Council, White House

Delegate: Michael Moseley, Deputy Director-General for Asia,
Pacific and Middle East Political and Military Affairs,
Joint Chiefs of Staff

Delegate: Philip Yun, Senior Advisor for East Asian and Pacific
Countries, Department of State

Delegate: Norman Wulf, Deputy Assistant Director for Non-
proliferation and Regional Arms Control, Arms Control
and Disarmament Agency

Delegate: Evans Revere, Director for Korean Affairs, Department
of State

Delegate: Thomas Harvey, Officer in charge of North Korea,
Department of Defense

China

Chief delegate: Qian Yungnian, Ambassador for the Four-Party
Talks, Foreign Ministry

Deputy chief delegate: Zhang Jiujuan, Director-General for
Asian Affairs, Foreign Ministry

Delegate: Guan Huabing, Director, Korean Division, Foreign
Ministry

Delegate: An Hongquan, First Secretary, Chinese Embassy in
the United States

Delegate: Xie Weiwei, Deputy Director, American Bureau, Foreign

Ministry

Delegate: Fang Kun, Deputy Director, Korean Division, Foreign
Ministry

B. Basic Positions of the Four Delegations

In a keynote speech, the South Korean delegation said it expects that the meeting would result in a clear and concrete agreement on the method of effectively organizing and operating the talks so as to ensure a substantial progress in the talks. It emphasized the need to form subcommittees on a peace regime and tension reduction to better discuss the agenda topics of the Plenary, to work out an agreement on confidence building in the military area by installing a direct telephone line between South and North Korean military authorities, and the regular opening of the four-party talks.

The North Koreans, on the other hand, argued that the reason for the lack of any progress in the four-party talks lay in the existence of a serious gap in the positions of the United States and North Korea. In addition to the repetition of their call for the withdrawal of U.S. forces from Korea and the conclusion of a U.S.-North Korea peace agreement, the North Korean delegation set forth the issues of refraining from introducing military weapons and equipment into the Korean peninsula and suspending joint Korea-U.S. military exercises as additional agenda topics. It argued that there should be political confidence building ahead of confidence building in the military area.

The U.S. delegation, pointing out instances of North Korea undermining agreements and posing obstacles to the talks on the excuse of procedural issues, said that, despite the infiltration of North Korean submarine boats, efforts had been made to register progress in the talks. The United States then warned that it would not tolerate the phenomenon of meetings taking place without any aims.

China said that, now that the four countries reaffirmed the objective of the four-party talks through the 1st and 2nd Plenaries and agreed on the need of the early formation of subcommittees, the delegations needed to seek progress in the talks in an open-hearted and flexible manner even though there may be slight difference in opinions.

C. Proceedings

South Korea and the United States called for the creation of two subcommittees, suggesting that the two bodies be called subcommittees on peace regime and on reduction tension, respectively. North Korea, though it agreed on the creation of the two subcommittees, opposed giving any fixed names to the subcommittees.

On the time of subcommittee meetings, South Korea suggested that subcommittees be held not only during Plenaries Sessions periods but also intersession periods, offering that the subcommittees be held right in the 3rd Plenary Session period.

North Korea said it would be best to hold subcommittee

meetings only during the period of Plenaries. It opposed the idea of holding subcommittee meetings during the 3rd Plenary period, reasoning that the North was not prepared for such meetings.

South Korea and the United States presented concrete opinions on the detailed topics to be handled by the two subcommittees. But the North Koreans reiterated their stand, arguing that a peace agreement should be concluded between the United States and North Korea.

Moreover, South Korea proposed that Plenaries be held regularly once every three months and that the 4th Plenary Session be held in Geneva on January 18-22, 1999.

North Korea rejected the offer, asserting that “nothing should bind our activities since meetings could take place more often than every three months.”

Through repeated debate on the composition and names of subcommittees, the time of their meeting, and detailed topics, the four delegations agreed on the formation of two subcommittees to discuss the issues of “the establishment a peace regime” and “tension reduction” respectively. This was adopted in the form of a joint press announcement.

The meeting also adopted a “Memorandum on the Establishment and Operation of Subcommittees” featuring the start of actual work at the subcommittees, and decided to hold the 4th Plenary Session of four-party talks in Geneva on January 18-22, 1999. The contents of the joint press announcement and the memorandum on the creation of the subcommittee were as follows:

〈 Joint Press Announcement 〉

The third plenary session of the Four Party Talks was held in Geneva from October 21 to 24, 1998. Delegations of the four parties, the DPRK, PRC, ROK and U.S., had useful and constructive discussions which were conducted in a business-like manner.

In this session, the four parties agreed to establish two subcommittees to discuss respectively the establishment of a peace regime on the Korean Peninsula and tension reduction there. Further, they adopted a "Memorandum on the Establishment and Operation of the Subcommittees" to guide the work of the subcommittees.

The fourth plenary meeting will be held in Geneva for January 18 to 22, 1999. A preparatory meeting at deputy head level will be convened to discuss arrangements for organizing the work of the next plenary session in Geneva a day before the plenary meeting.

The Chair state will prepare for the plenary session from the closing of the previous plenary session and will assume chairmanship for the preparatory meeting before the plenary session.

The four delegations expressed their deep appreciation to the Swiss government for its support for this meeting.

October 24, 1998, Geneva

Attached : Memorandum on the Establishment and Operation of
the Subcommittees.

〈 Memorandum on the Establishment and Operation of the Subcommittees 〉

1. The four parties agreed to establish two subcommittees during the third plenary session of the Four Party Talks held in Geneva from October 21 to 24, 1998. The subcommittee will discuss respectively the establishment of a peace regime on the Korean Peninsula and tension reduction there.
2. Each subcommittee delegation will be headed by one of the plenary delegation members. The number of representatives of each delegation will be determined at the discretion of each party. Experts may accompany delegations to subcommittee meetings as necessary.
3. The subcommittee will commence substantive work beginning with the fourth plenary and will be convened during each plenary session thereafter. The subcommittee will report their work to the plenary before the end of each round.
4. The chair state of the plenary session will also assume chairmanship for the subcommittee meetings.

4. Fourth Plenary Session

A. General

According to the agreement reached at the 3rd Plenary Session

of four-party talks, the 4th Plenary Session of the four-party talks was held in Geneva, Switzerland on January 18-22, 1999.

In accordance with an agreement made at the deputy-chief-delegate-level preparatory meeting held on January 18, one day before the Plenary, the 4th Plenary proceeded on the order of 1) first session (January 19), 2) meetings of the subcommittee on the tension reduction on the morning of the second (January 20) and third (January 21) days and the meetings of the subcommittee on peace regime on the afternoon of these days, and 3) a plenary meeting on the last day (January 22) to receive the outcome of the discussions made at the subcommittees.

At the 4th Plenary Session, the four parties, South and North Korea, United States and China, worked out an agreement on the operating procedures of the subcommittees to finalize procedural issues related to the formation and operation of the two subcommittees agreed on at the 3rd Plenary, making it possible for the subcommittees to discuss actual issues in earnest. The four parties agreed to hold the next Plenary in Geneva in the middle of April.

The lists of four party delegations to the 4th Plenary Session were as follows:

South Korea

Chief delegate: Park Kun-woo, Ambassador-at-large for the
Four-Party Talks, Foreign Affairs and Trade
Ministry

Deputy chief delegate: Kwon Jong-rak, Director-General, North

American Affairs Bureau, Foreign Affairs
and Trade Ministry

Delegate: Ryoo Jin-kyu, Director-General, Arms Control Office,
National Defense Ministry

Delegate: Lee Soo-hyuck, Political Counselor, ROK Embassy in
the United States

Delegate: Lee Yong-joon, Senior Director for Policy
Coordination, Secretariat, National Security Council

Delegate: Kim Man-bok, Counselor, Office of the Prime Minister

Delegate: Kim Hong-jae, Director, Office of the South-North
Dialogue, Unification Ministry

North Korea

Chief delegate: Kim Gye-gwan, Vice Minister, Foreign Ministry

Deputy chief delegate: Ri Gun, Deputy Representative, Permanent
Mission to the United Nations

Delegate: Jang Chang-chon, Deputy Director-General, American
Bureau, Foreign Ministry

Delegate: Kim Gyong-nam, Councilor, National Reunification
Committee

Delegate: Park Myong-guk, Director, American Bureau, Foreign
Ministry

Deletate: Choe Son-hui, Researcher, Foreign Ministry

United States

Chief delegate: Charles Kartman, Special Envoy for Peace Talks

for the Korean peninsula

Deputy chief delegate: Jack Pritchard, Assistant for Asian Affairs,
National Security Council, White House

Delegate: Philip Yun, Senior Advisor for East Asia and Pacific
Countries, Department of State

Delegate: Norman Wulf, Deputy Assistant Director for Non-
proliferation and Regional Arms Control, Arms Control
and Disarmament Agency

Delegate: Bruce Lemkin : Navy Captain, Joint Chiefs of Staff

Delegate: Evans Revere, Director for Korean Affairs, Department
of State

Delegate: Thomas Harvey : Officer in charge of Korean Affairs,
Department of Defense

China

Chief delegate: Qian Yungnian, Ambassador for the Four-Party
Talks, Foreign Ministry

Deputy chief delegate: Zhang Jiujuan, Director-General for
Asian Affairs, Foreign Ministry

Delegate: Ning Fukui, Deputy Director-General for Asian Affairs,
Foreign Ministry

Delegate: Sun Yanfeng, a Colonel, Defense Ministry

Delegate: Guan Huabing, Director, Korean Division, Foreign
Ministry

Delegate: Fu Zong, Director, Dep. of Arms Control and Disarma-
ment, Foreign Ministry

B. Basic Positions of the Four Delegations

At the 4th Plenary Session, South Korea stressed that discussions of substantial issues should be made in earnest through the two subcommittees designed to discuss the establishment of a peace regime and tension on reduction the Korean peninsula. The chief delegate urged other delegations to join efforts to hammer out concrete agreements on substantial questions at an early date.

He said that in the discussion of substantial questions, it is exigent and important to resolve substantial issues beginning with those easy to undertake so as to build up mutual confidence building.

The North Korean delegation said it is important to find out the root source of those issues jeopardizing security on the Korean peninsula, adding that the basic issue will be for the United States to change its hostile North Korea policy which, it said, is the cause of tension on the Korean peninsula and to remove the means of such a policy.

The North Koreans said that basic issues like the question of withdrawal of U.S. troops from Korea and the conclusion of a U.S.-North Korea peace agreement should be discussed and resolved by all means. They contended, however, that they could not tolerate under any circumstances the discussion at the four-party talks of inter-Korean issues, which they said are intranational questions.

The U.S. delegation said it is important for the four parties to

strive to find out and resolve substantial issues, adding that the most realistic method will be the principle of discussing easy-to-resolve questions first.

On the other hand, China said effort is needed to find common areas through discussions at the subcommittees because there are differences in the four parties' views on the Korean peninsula situation. The Chinese delegation stressed that the four parties should maintain the principle of carrying out discussions at the subcommittees step by step, that the four parties should refrain from applying pressure on each other, and that they should maintain the principle of seeking common areas despite the existence of difference.

C. Proceedings

At the subcommittee on tension reduction, South Korean delegates proposed that, among measures to promote confidence building in the military area, the issues of installing a direct telephone between the military authorities of the two Koreas, mutual advance notification of major military training exercises, permit of limited mutual observation of military training exercises, and the exchange of military personnel be discussed.

Then, the North Koreans suddenly insisted that a North Korean diplomat had been abducted by the South, arguing that, unless the abductee was returned, the abduction would threaten the on-going meeting.

The United States said that to improve relations through the steady reduction of tension and to resolve issues of greater magnitude, it is important to use multi-angled measures build confidence. It observed that, in this respect, the four parties can raise whatever topics they wish to discuss.

China expressed the view that measures to promote multi-angled confidence building among the relevant parties should be discussed as agenda topics of the subcommittee.

At the subcommittee on peace regime. South Korea suggested that the contents and the modality of a peace regime be discussed separately. In regard to for the contents of a peace regime, the South Korean delegation said this should include items relating to the uniqueness of the Korean situation in addition to general contents of a peace agreement. With regard to the modality of a peace regime, South Korea said the issue should be discussed later since it is a difficult question involving a wide discrepancy over, for instance, the issue of direct parties involved.

The North Koreans said principled issues related to a U.S.-North Korea peace agreement should be discussed as an agenda topic.

The United States said it agreed with the South Korean proposal that discussion of a peace regime be divided into the contents and modality of a peace regime. It contended that the criterion for the selection of agenda topics should be consensus among the four parties, under the principle that the delegations may raise any issues they wish to discuss and under the premise that discussion should begin with on issues easy to be resolved and later more to

more difficult and complicated matters.

The Chinese delegation said that a peace agreement should involve clauses on an end to confrontation, improvement of relations and the realization of independent peace between relevant countries.

5. Fifth Plenary Session

A. General

According to an agreement reached at the 4th Plenary of the four-party talks, the 5th Plenary was held in Geneva, Switzerland on April 24-27, 1999.

According to a schedule adopted at a deputy-chief-delegate-level preparatory meeting held on April 23, prior to the Plenary, the 5th Plenary proceeded on the order of 1) a plenary meeting on the first day (April 24), 2) meetings of the subcommittee on tension reduction on the morning of the second day (April 25) and third day (April 26) and meetings of the subcommittee on peace regime on the afternoon of these days, and 3) a plenary meeting on the final day (April 27) to receive the outcome of discussions made at the subcommittees before ending the 5th Plenary.

Though the 5th Plenary Session ended without any tangible achievement except agreement, on the time of the next Plenary, the four parties began discussing substantial issues at the 5th Plenary

for the first time since the four-party talks were launched.

The lists of the delegations of the four parties to the 5th Plenary were as follows:

South Korea

Chief delegate: Park Kun-woo, Ambassador-at-large for the
Four-Party Talks, Foreign Affairs and Trade
Ministry

Deputy chief delegate: Kwon Jong-rak, Director-General, North
American Affairs Bureau, Foreign Affairs
and Trade Ministry

Delegate: Ryoo Jin-kyu, Director-General, Arms Control Office,
National Defense Ministry

Delegate: Lee Yong-joon, Senior Director for Policy Coordination,
Secretariat, National Security Council

Delegate: Kim Man-bok, Counselor, Office of the Prime Minister

Delegate: Kim Hong-jae, Director, Office of the South-North
Dialogue, Unification Ministry

North Korea

Chief delegate: Kim Gye-gwan, Vice Minister, Foreign Ministry

Deputy Delegate: Jang Chang-chon, Director-General, American
Bureau, Foreign Ministry

Delegate: Ri Gun, Deputy Representative, Permanent Mission to
the United Nations

Delegate: Kim Gyong-nam, Councilor, National Reunification

Committee

Deletate: Choe Son-hui, Researcher, Foreign Ministry

United States

Chief delegate: Charles Kartman, Special Envoy for Peace Talks
for the Korean peninsula

Deputy chief delegate: Evans Revere, Director for Korean Affairs,
Department of State

Delegate: Michael Moseley, Deputy Director-General for Asia,
Pacific and Middle East Political and Military Affairs,
Joint Chiefs of Staff

Delegate: Thomas Harvey, Officer in charge of Korean Affairs,
Department of Defense

Delegate: Kathryn Schultz, International Affairs Specialist, Non-
proliferation Bureau, Department of State

Delegate: Carol Reynolds, North Korea Affairs Officer, Korea
Division, Department of State

China

Chief delegate: Qian Yungnian, Ambassador for the Four-Party
Talks, Foreign Ministry

Deputy chief delegate: Ning Fukui, Deputy Director-General for
Asian Affairs, Foreign Ministry

Delegate: Li Bin, Minister-Counselor, Embassy in North Korea

Delegate: Sun Yanfeng, a Colonel, Defense Ministry

Delegate: Fu Zong, Director, Dep. of Arms Control and Disarma-

ment, Foreign Ministry

Delegate: Xing Haiming, Deputy Director, Korea Division, Foreign Ministry

B. Basic Positions of the Four Delegations

At the 5th Plenary, South Korea expressed the position that efforts should be concentrated more on subcommittee activities than on the plenary meeting. The South Korean delegation, in particular, emphasized that the four parties should strive to register a small yet tangible progress by agreeing on a couple of pilot projects to promote confidence building in the area of military.

The North Koreans shunned debate on substantial issues suggested by South Korea, United States and China on the ground that agenda topics of the subcommittees, such as the withdrawal U.S. troops from Korea and the conclusion of a U.S.-North peace agreement, should be adopted first. The North Korean delegation, in this line, demanded the main topics of the subcommittees on tension reduction and peace regime should be “withdrawal of U.S. forces from Korea” and “conclusion of a U.S.-North Korea peace agreement,” respectively.

The United States, while siding with the position of South Korea calling for the prior discussion of measures to promote confidence building in the military area, seemed to be striving to maintain momentum for the smooth proceedings of the four-party talks.

As in the past China continued to play the role of a mediator in

the four-party talks, putting forth its specific positions on current issues such as the agenda topics of the subcommittees.

C. Proceedings

At the meeting of the subcommittee on the issue of tension reduction, South Korea laid down details based on the three measures it had offered at the 4th Plenary Session for the promotion of confidence building in the military area. The United States and China shared the position with South Korea by calling for the discussion of easy-to-settle issues first.

In reaction, North Korea kept insisting that the withdrawal of U.S. forces from Korea should be adopted as the agenda topic of the subcommittee on tension reduction. The North Korean delegation asserted in particular that they could not discuss the issue of confidence building in the military area before the United States ended its hostile North Korea policy. “In a circumstance in which foreign troops are forcibly occupying the land of the fatherland, discussion of the promotion of confidence building in the military area could harm national prestige,” a North Korean delegate said in strong negativism.

At the subcommittee on peace regime, North Korea insisted that since the modality of a peace agreement was more important, the contents of a peace agreement could be discussed only after the issue of who could be parties to the agreement was resolved.

The South Korean delegation, while emphasizing that the parties

to a peace agreement should always be South and North-Korea, logically refuted, one by one, the stereo-typed North Korean allegation regarding the unlawfulness of the United Nations Command in Korea and South Korea's qualification to be a party to a peace agreement.

The United States said that a peace agreement should make the two Koreas the direct parties involved, with the United States and China playing a significant role.

Meanwhile, an issue was offered by the Swiss government hold a seminar among the four parties to share experiences in confidence building promoted through the Organization of Security Cooperation in Europe (OSCE). South Korea said that since the Swiss government had suggested it several times during the Plenary period, it would be worthwhile to listen to an explanation about it. But, North Korea rejected it.

The United States, though it declined to make express any position on the matter, said that as a chair country, it would inquire more about the issue of applying OSCE experiences to the Northeast Asian area. China withheld any express policy about the issue, simply saying that it would respect a consensus agreement on the issue among the parties.

6. Sixth Plenary Session

A. General

According to an agreement made at the 5th Plenary of four-party talks, the 6th Plenary of the four-party talks was held in Geneva, Switzerland on August 5-9, 1999.

The 6th Plenary reviewed and discussed ways to ease tension in a way suitable to the situation of the Korean peninsula and discussed in depth the outline of a peace regime to be established on the Korean peninsula.

However, as the North Koreans held fast to the stand that the withdrawal of U.S. forces from Korea and the conclusion of a U.S.-North Korea peace agreement should be made the agenda topics of the subcommittees, no progress was registered. The 6th Plenary ended without even agreeing on the time of the next Plenary Session.

The lists of the delegations to the 6th Plenary were as follows:

South Korea

Chief delegate: Park Kun-woo, Ambassador-at-large for the
Four-Party Talks, Foreign Affairs and Trade
Ministry

Deputy chief delegate: Song Min-soo, Director-General, North
American Affairs Bureau, Foreign Affairs
and Trade Ministry

Delegate: Ryoo Jin-kyu, Director-General, Arms Control Office,
National Defense Ministry

Delegate: Shim Yoon-joe, Political Counselor, Rok Embassy in the
United States

Delegate: Lee Yong-joon, Senior Director for Policy Coordi-
nation, Secretariat, National Security Council

Delegate: Kim Man-bok, Counselor, Office of the Prime Minister

Delegate: Kim Hong-jae, Director, Office of the South-North
Dialogue, Unification Ministry

North Korea

Chief delegate: Kim Gye-gwan, Vice Minister, Foreign Ministry

Deputy chief delegate: Jang Chang-chon, Director-General,
American Bureau, Foreign Ministry

Delegate: Kim Gyong-nam, Councilor, National Reunification
Committee

Delegate: Park Myong-guk, Director, American Bureau, Foreign
Ministry

Delegate: Kim Myung-gil, Councilor, Permanent Mission to the
United Nations

Deletate: Choe Son-hui, Researcher, Foreign Ministry

United States

Chief delegate: Charles Kartman, Special Envoy for Peace Talks
for the Korean peninsula

Deputy chief delegate: Evans Revere, Director for Korean Affairs,

Department of State

Delegate: Joseph DeThomas, Deputy Assistant Secretary,
Bureau of Nonproliferation, Department of State

Delegate: Philip Yun, Senior Advisor for East Asia and Pacific
Countries, Department of State

Delegate: Brigadier Gen. Theodore W. Lay II, Deputy Director-
General, Asia and Middle East Political Military Affairs,
Dep. of Defense

Delegate: Thomas Harvey, Official in charge of Korean Affairs,
Department of Defense

China

Chief delegate: Qian Yungnian, Ambassador for the Four-Party
Talks, Foreign Ministry

Deputy chief delegate: Ning Fukui, Deputy Director-General for
Asian Affairs, Foreign Ministry

Delegate: Li Bin, Minister-Counselor, Embassy in North Korea

Delegate: Sun Yanfeng, a Colonel, Defense Ministry

Delegate: Fu Zong, Director, Dep. of Arms Control and Disarma-
ment, Foreign Ministry

Delegate: An Hongquan, 1st Secretary, Embassy in the United
States

B. Basic Positions of the Four Delegations

At the 6th Plenary, South Korea, while maintaining its existing

stand, focused efforts on the discussion of actual issues mainly through the subcommittees. The South Korean delegation disclosed its views on the need to bring about tangible progress in the area of tension reduction, as well as on the contents and modality of a peace regime.

North Korea sought to turn the four-party talks into a bilateral mechanism between itself and the United States, repeating its demand for the withdrawal U.S. forces from Korea and the conclusion of a U.S.-North Korea peace agreement. The North Koreans went so far as to refuse to agree on the time of the next plenary.

The United States, sharing views with South Korea, emphasized the need for intersessional activities between Plenary Sessions in the area of tension reduction, while maintaining momentum for the four-party talks. The U.S. delegation then called for progress in discussion of the issues of a peace regime and of tension reduction.

China, while citing the strained tension on the Korean peninsula characterized by the West Sea naval skirmish, said a peace regime should be created on the Korean peninsula as expeditiously as possible. By offering overall contents of a peace agreement, China asked for a practical discussion of the issue of a peace regime.

C. Proceedings

At the subcommittee for tension reduction, the South Korean delegation called for discussion and implementation of the

measures it had offered at the 5th Plenary Session to promote confidence building in the military area, such as installing a direct telephone line between the military authorities of South and North Korea. South Korea accented the method of moving from easy issues to difficult ones. As additional measures to bring about a substantial progress in tension reduction, the South Korean delegation proposed energizing the general officers talks of Panmunjom and the operation of the South-North Military Joint Commission.

North Korea argued that the issue of withdrawal of U.S. troops from Korea is the most basic step to promote reconciliation between the South and the North and also a yardstick to weigh the U.S. intention to display trust toward North Korea. It demanded that the issue of U.S. military withdrawal be made a topic of the subcommittee. North Korea also asserted that, if the issue of U.S. military withdrawal were resolved, the Korean peninsula question could be settled between the two Koreas without going through the four-party talks. The North Koreans maintained that the suspension of large-scale joint military exercises between South Korea and the United States and a halt to the introduction of war weapons and equipment into the Korean peninsula also be adopted as topics of the subcommittee.

The United States emphasized that, to ease tension and promote confidence building, communication is highly important, proposing the installing of a direct telephone line between South and North Korean military authorities, an overture similar to the one offered

by South Korea. Rejecting the North Korean demand for the withdrawal of U.S. troops from Korea, the U.S. delegation said that the issue is a matter between South Korea and the United States, which naturally cannot be discussed with any other parties.

The Chinese delegation, too, emphasized the need for promoting confidence building as a means of tension reduction on the Korean peninsula, proposing the creation of a code of conducts in preparation against inadvertent accidents.

At the subcommittee on a peace regime, the South Korean delegation presented its basic stand on the contents and modality of a peace regime, stressing that ripe conditions and groundwork are needed to bring about a peace regime. Specifically, South Korea proposed that the four-party talks adopt a South-North peace agreement which should be signed by South and North Korea as direct parties involved and by the United States and China as witnesses, and also an Additional Protocol in which the United States and China should guarantee the efficacy of the peace agreement.

As for the contents of a peace agreement, South Korea said it should contain such general clauses as the declaration of an end to the state of war and non-use of the force of arms as well as a specific level of confidence building and disarmament.

North Korea insisted that inasmuch as North Korea and the United States were the principal parties to the Armistice Agreement, the two countries should naturally be the parties to a peace agreement. It proposed that the ideas advanced by all the parties

should be listed for review one by one.

The United States agreeing on the contents and modality of the peace regime offered by South Korea stressed that an agreement on a peace regime should be promoted on the basis of tension reduction and confidence building.

The Chinese delegation produced a draft agreement for peace on the Korean peninsula reflecting China's position on the establishment of a peace regime. As the contents of the agreement, China offered general matters included in a peace agreement, such as an end to the state of war, non-aggression, non-interference in other internal affairs, confidence building in the military area and disarmament.

Part VI

**Support for the Construction
of Light-Water Nuclear
Reactors in North Korea**

1. Negotiations between KEDO and North Korea

A. Negotiations for Follow-up Protocols

Protocols related to the use of site, consular protection, privileges, transportation and communication and detailed procedures were prepared through negotiations between the KEDO (Korean Peninsula Energy Development Organization) and North Korea. Negotiations began 1998 for the conclusion of protocols in the area of technology.

Negotiations for a Protocol on Quality Guarantee were held twice in 1997, but in vain. A third-round negotiation was held in New York from August 10 to August 27, 1998. The negotiation was attended by M. Reiss, a KEDO assistant, and experts from South Korea, the United States, Japan and the European Union (EU), from the KEDO, and six people from North Korea who included Ri Myong-shik, an advisor to the General Department of Atomic Energy.

Through official and unofficial contact, the two sides labored to work out an agreement but ended the negotiations after they failed to narrow difference on key items. The items at issue were quality control activities during trial operation of the reactors, privileges and immunities for those people participating in quality control in North Korea, and the issue of compensation if the reactors failed to produce specified power output.

In 1999, negotiations for the conclusion of a Protocol on Training

were held twice on the issue of training North Korean manpower for the operation, upkeep and maintenance of light-water reactors. The 1st-round talks were held at Hyangsan, North Korea on January 20-22 and the 2nd-round in New York, United States on April 7-22. The negotiations were attended by South Korean, U.S., Japanese and EU experts led by M. Reiss, a KEDO assistant, from the KEDO. North Korean attendees were experts including Ri Man-bak, director-general for training, General Bureau of Atomic Energy.

Items taken up at the negotiations included the selection of trainees, time for the completion of training, issues related to the provision of simulated control valves, and the issue of protection of trainees. No accord could be reached on some of the items, such as the site of training.

On heels of the negotiations for quality and training protocols, the KEDO plans to have negotiations for other necessary protocols, such as delivery schedule. The protocols that have already gone into force, that are under negotiations, or that are to be negotiated are as follows:

< State of Follow-up Protocols >

Classification	Features	Basis	Remarks
Privileges, immunities & consular protection	Legal status of KEDO, personal safety of personnel of KEDO contractors, etc.	Para. 6 & 7, Supply Agreement	Effective July 11, '96
Transportation	Access (free entry and exit procedures) by KEDO personnel to sites and creation of effective passage routes	Para. 3 & 6, Article 4, Supply Agreement	Effective July 11, '96

Classification	Features	Basis	Remarks
Communication	Detailed procedures for securing effective communication means by KEDO personnel inside and outside of project sites	Para. 5 & 6, Article 9, Supply Agreement	Effective July 11, '96
Site	Details related to the receipt, access to and use of site	Para. 3, Supply Article 5, Supply Agreement	Effective Jan. 8, '97
Service	Conditions for the provision of North Korean labor, materials, facilities and other service Supply Agreement	Para. 4 & 6, Article 9,	Effective Jan. 8, '97
Nonpayment	Details related to the calculation and assessment of penalties in the event of nonpayment of financial obligations	Para. 3, Article 16, Supply Agreement	Effective June 24, '97
Quality	Guarantee of quality and performance of light-water reactors Supply Agreement	Para. 4, Article 6,	Under negotiation
Training	Plan for the training of North Korean manpower for the operation, upkeep and maintenance of reactors	Para. 2, Article 7, Supply Agreement	Under negotiation
Delivery	Schedules for freezing and unfreezing North Korean nuclear activities and for the delivery of reactors	Para. 3, Article 7, Supply Agreement	Yet to be negotiated
Payment	The amount of and conditions for conditions the payment of reactor construction	Para. 4, Article 2, Supply Agreement	Yet to be negotiated
Spent fuel	Details related to safe storage, processing and transfer to a third country of spent fuel	Para. 4, Article 8, Supply Agreement	Yet to be negotiated
Nuclear safety & control	Procedures and schedule for periodic safety checks after completion of light-water reactors	Para. 5, Article 10, Supply Agreement	Yet to be negotiated
Liability in nuclear accident	Details concerning a guarantee device in the event of nuclear accident	Para. 2, Article 11, Supply Agreement	Yet to be negotiated

B. Working-Level Negotiations Between KEDO and North Korea

Separate from negotiations for the conclusion of the follow-up protocols, the KEDO and North Korea have been holding working-level talks mainly between experts to prepare detailed procedures for the implementation of the agreed-on protocols.

In 1998, high-level experts' talks were held twice, where various current issues were discussed including those that popped up in the course of work following the start of ground levelling in August 1997.

The first-round negotiation was held at Hyangsan, North Korea on January 20-24, 1998. Some 30 persons from the KEDO, including many experts from South Korea, United States, Japan and EU, attended the meeting. They were led by Choe Young-jin, KEDO deputy executive director. About 30 North Korean attendees were headed by Choe In-ha, an advisor to the Light-Water Reactor Project Bureau.

The negotiations were divided into two areas: the policy area and the area of nuclear technology. The KEDO asked the North to allow barge sea routes so as to facilitate the effective and economic movement of project personnel, specifically the movement of small numbers of personnel by barge. North Korea, accepting the idea, agreed on the travel to the North of up to 30 people by barge, about twice a month. In addition, North Korea agreed that KEDO personnel could use a helicopter provided by the North when they

moved within the site in North Korea.

This was positive progress in view of the fact that, in the past, North Korea refused these requests for security reasons. The two sides also agreed on a new piloting area where anchoring is possible and the sea is relatively shallow. Various other were discussed issues such as the level of wages for skilled workers.

The second-round negotiations, held at Hyangsan, North Korea for five days beginning May 5, 1998, were attended by about 30 experts from South Korea, United States, Japan and EU. They were led by Lee Tae-shik, KEDO deputy executive director. About the same number of experts from North Korea were present at the meeting. They included Choe In-hwa, an advisor to the Light-Water Reactor Project Bureau.

During the talks, matters relating to the improvement of working conditions and North Korea's use of the KEDO Bank were broadly discussed. In particular, South Korea asked the North to allow KEDO personnel to visit nearby tourist attractions, reasoning that such tours are a must to boosting morale among KEDO site workers.

In response, North Korea said it would affirmatively review this once the reactor work enters a full track. North Korea, accepted part of the KEDO request, allowing KEDO personnel to use the nearby Majon recreation center or the coastal area inside the site on off-duty days.

Moreover, the KEDO asked North Korea to establish a branch of the Foreign Trade Bank inside the site, which North Korea is supposed to do under already agreed-on procedures, so as to

cooperate in banking service with the Korea Exchange Bank, the KEDO bank.

Also in 1999, high-level experts' negotiations were held twice between the KEDO and North Korea.

The first-round negotiations were held at Hyangsan, North Korea, February 9-13. A total of 40 South Korean, U.S., Japanese and EU experts from KEDO attended and were led by Lee Tae-shik, KEDO deputy executive director. North Korean attendees numbered 36, led by Kim Song-su, director of the Light-Water Reactor Project Bureau.

The KEDO suggested that, to prepare for the main work into which massive amounts of personnel and equipment would be thrown, North Korea should agree to increase the frequency of the operation of passenger boats and freighters as well as raise the ceiling of passengers per boat. North Korea replied that it would take necessary steps after reviewing a boat operation schedule forwarded by the KEDO. The issue of increasing the number of per-boat passengers would be reviewed depending on progress in the work, it said.

North Korea also said that it would review the issues of visits by KEDO personnel to nearby recreation areas, the establishment of independent KEDO communication networks, and the relay of postal pouches depending on a progress in the work.

Meanwhile, the two sides agreed that KEDO officials would visit the Hamhung Hospital, the North Korean medical facilities which the KEDO would use in the event of an emergency, before May 1999. The KEDO set forth a concrete plan to use a helicopter,

airplane or a vessel for the expeditious evacuation of an emergency patient to a third country. But, North Korea said it would discuss the matter later.

The second-round negotiations were held also at Hyangsan from September 28 through October 2. About 30 experts each from the KEDO and North Korea attended the negotiations. Lee Tae-shik, KEDO deputy executive director, led the KEDO experts and Kim Song-su, director of the Light-Water Reactor Project Bureau, the North Korean attendees.

The two sides originally planned to discuss various current matters needing to be resolved in preparation for the start of main work. But, no achievement was recorded because North Korea tried to shift blame for a delay in main work to the KEDO and there appeared a considerable difference of opinion on the supply of a labor force. But, the two sides did sign the Memo-randum of Understanding on Environmental Immunities which had already agreed to.

Of the issues that have to be resolved between the KEDO and North Korea for the implementation of the light-water reactor project, working-level items have been discussed and resolved in talks mostly between North Korea's Light-Water Reactor Project Bureau and the site offices of the KEDO, Korea Electric Power Corp. and Joint Project Office.

The state of major negotiations held between the KEDO and North Korea through the first half of 1999 in connection with the light-water reactor project was as follows:

< Major KEDO-North Korea Negotiations over Light-Water Reactor Project >

Classification	Period	Venue	Major accords or items discussed	Remarks
Supply Agreement	Sept 11-15, '95 Sept 30-Dec 15, '95	Kuala Lumpur New York	<ul style="list-style-type: none"> o Provision of two pressurized light-water reactors with two coolant (standard ROK reactors), type of reactors to be chosen by KEDO o Repayment to be made free of interest for each reactor in 17 years after three years' grace o Specification of obligations in connection with nuclear freezing 	Effective Dec. 15, '95
Protocol on Privileges, Immunities, Consular Protection	Apr 8 - May 22, '96	New York	<ul style="list-style-type: none"> o Privileges and immunities for KEDO personnel <ul style="list-style-type: none"> - Not subject to any North Korean jurisdiction or executive actions - Prohibition of arrest or detention - No imposition of North Korean customs or political and social obligations - Prohibition of seizure, search or violation of private properties o Consular protection of KEDO personnel 	Effective July 11, '96
Protocol on Transportation	Apr 16 - Jun 14, '96	New York	<ul style="list-style-type: none"> o Securing of essential air and sea routes for entry and exit of KEDO personnel <ul style="list-style-type: none"> - Air routes: Beijing-Sunan-Sondok Beijing-Sondok - Sea routes: Two barge and personnel-material transportation routes o Non-visa entry by KEDO personnel 	Effective July 11, '96
Protocol on Communication	Apr 16 - June 14, '96	New York	<ul style="list-style-type: none"> o Guarantee of communication and postal service from all areas of South Korea o Installation and use of independent satellite communication facilities, beginning two years after start of ground levelling 	Effective July 11, '96

Classification Period	Venue	Major accords or items discussed	Remarks
Protocol on July 20-30, '96 Site	Hyangsan	o Securing of site extending about 900 hectares	Effective Jan. 8, '96
Aug 22 - Sept 26, '96	New York	o Securing of exclusive right to use site - KEDO's advance permission is necessary when North Korean personnel enter the site - Securing of KEDO's authority to maintain order in the site area	
Protocol on July 20-30, '96 Service	Hyangsan	o Contract structure and prices set in the event North Korea provides labor force, materials and services	Effective Jan. 8, '96
Aug. 22 - Sept. 26, '96	New York	- KEDO firms (KEPCO, etc.) enabled to conclude contracts directly with North Korean firms - Fixing the price of service in consideration of a criterion applied to joint-venture and foreign investment firms in North Korea. o Establishment of a branch of KEDO bank in North Korea	
Protocol on Mar 17 - May 1, '97 Nonpayment	New York	o In the event of non-payment, assessment of a penalty of "KEDO-paid interest + 3%" o After 30 days of nonpayment, it is made possible to ask for payment of the entire balance	Effective June 24, '97
Protocol on Nov. 4-11, '97 Quality Guarantee	Hyangsan	o Plan for KEDO activities and scope of North Korea's participation in the guarantee of quality of reactors under construction	Under negotiation
Dec. 3-23, '97 Aug. 10-27, '98	New York New York	o Discussion of criterion for compensation in the event completed generators fail to perform as specified	
Discussion Apr 9-15, '97 19 detailed procedural items	Site, Majon Hyangsan	o Entry and exit procedures o Procedures for customs clearance and inspection o Quarantine procedures	Effective July 2, '97

Classification Period	Venue	Major accords or items discussed	Remarks
'97 June 23 - July 2, '97	New York	<ul style="list-style-type: none"> o Procedures for maritime transportation o Procedures for use of land transportation o Procedures for service at Foreign Trade Bank o Procedures for creating branches of non-North Korean banks and creating joint-venture banks o Procedures for insurance service at Korea International Insurance Co. o Memorandum of Understanding on Air Service o Memorandum of Understanding on Postal Service o Memorandum of Understanding on Supply by North Korea of Labor, Materials, Facilities and Other Services o Memorandum of Understanding on Medical Service, Etc. 	
Negotia- tions for individual service contracts	July 13-18, '97 Aug. 20-21 '97	Site Site	<ul style="list-style-type: none"> o Materials supply contracts o Subcontracts o Contract for inland transportation of manpower o Airplane charter contracts o Contract for use of foreigners lodging o Manpower supply contract o Medical service contract, etc.
Consulta- tions between high- level experts	Jan.20-24, '98 May 5-9, '98 Feb. 9-13, '99 Sept. 28 - Oct. 2, '99	Hyangsan Hyangsan Hyangsan Hyangsan	<ul style="list-style-type: none"> o More effective means of transit <ul style="list-style-type: none"> - Issue of visits to the North by small number of persons by barge - Cooperation in use of helicopter between Pyongyang and site o Consultations on visits by KEDO workers to nearby recreation areas
Report on preliminary safety analysis of Uljin Reactors Nos. 3 & 4	May 26-29, '98	Site	<ul style="list-style-type: none"> o Explanation about safety analysis (PSAR) of Uljin Reactors Nos. 3 & 4, the reference reactors of the North Korean reactors to be built. Explanation given to North Korean nuclear experts o Explanation about general aspects of light-water reactors and the concept of major facilities

Classification Period	Venue	Major accords or items discussed	Remarks
Meeting of experts on power transmission and voltage	July 15-17, '98 Site	o Discussion of problems related to power transmission and voltage	
Protocol on Training	Jan. 20-22, '99 Apr 7-22, '99	Hyangsan New York	o Number and selection of Under trainees negotiation o Protection of trainees o Venue of training, etc.

2. State of Ground Levelling

With the ground-breaking on August 19, 1997 for early-stage ground levelling in the construction of light-water reactors, the reactor project has moved from the stage of negotiations to the stage of implementation. The ground levelling was originally scheduled for completion in one year. However, due to a delay in fund sharing and in consideration of the time of the conclusion of a main contract, the completion of the ground levelling was postponed four times and further (fifth time) put off from August 16 to December 15, 1999.

The ground levelling was undertaken by the Korea Electric Power Corp. (KEPCO), the main contractor, and a number of its subcontractors. About 130 pieces of heavy equipment and vehicles were used in the levelling.

The ground levelling has been proceeding in the area where a structure housing the reactors will be built. So far, the work was

about 50 percent complete.

Additionally, a 12.4-km road leading to the site has been built. A number of facilities have also been built or otherwise established. They include container lodging, dining halls, offices, satellite television receiving facilities, temporary piped, water facilities, temporary power facilities, communication facilities and an equipment repair center.

At present, the work is underway with emphasis on infrastructure facilities in preparation for expanded civil projects and an increase in participating personnel after the start of main work. Projects under this category include the creation of a 17-km road between the site and a source of pebbles and sands, laying of a pipe for industrial water, brick production and the construction of lodging and a welfare hall for skilled workers.

To prepare for the start of main work, the KEDO has steadily been expanding the volume of work. Main work will begin as soon as a main contract is signed between the KEDO and KEPCO.

The ground levelling has been done by about 200 workers from the South and the same number from North Korea. In the early stage, some friction occurred between the two groups due to differences in systems and ideology and the lack of mutual understanding stemming from the long-standing national division. With time, however, workers have come to better understand each others' system and customs, building a mutually cooperative and friendly atmosphere.

3. Securing of Reactor Project Fund

Together with the start of ground levelling, the KEDO had begun to secure a required fund to finance the light-water reactor project. In November 1997, the KEDO finally fixed the estimated project cost at \$5,178.5 million (based on a 925-won-to-the dollar rate). When a foreign exchange crisis hit South Korea soon thereafter, need arose to readjust the applicable exchange rate to a proper level and re-estimate the expected project cost.

Here, the member countries of the KEDO Executive Board negotiated cost sharing among themselves beginning November 1997. A final agreement was reached on November 9, 1998.

In the agreement, the board member countries changed the expected project cost to \$4.6 billion determining a reasonable change to applicable exchange rate in order to carry out the reactor project without any setback. The member countries also agreed to share the cost among themselves as follows:

South Korea, due to the main role it plays in the project, agreed to bear 70 percent of the cost but to contribute the amount in its local won currency. The United States reaffirmed its pledge to seek funding for the supply of heavy oil and other KEDO needs while Japan agreed to contribute 116.5 billion yen, an amount equivalent to \$1 billion. EU agreed to contribute 75 million ECU as it had pledged at the time of its entry into the KEDO. In addition, the United States agreed to play a leading role in raising a fund to cover any difference between the new budget estimate and the total

amount pledged by board member countries.

The full text of the decision on fund sharing among KEDO Executive Board member countries was as follows:

**THE EXECUTIVE BOARD OF
THE KOREAN PENINSULA ENERGY DEVELOPMENT
ORGANIZATION NOVEMBER 9, 1998**

RESOLUTION NO. 1998-20

The Executive Board of the Korean Peninsula Energy Development Organization,

Recalling Article II of the Agreement on the Establishment of the Korean Peninsula Energy Development Organization (“KEDO Agreement”) done in New York on March 9, 1995, as amended,

Recalling further Executive Board Resolution 1997-42 (November 26, 1997), in which the members of the Executive Board decided that, based on the assumptions stipulated in the Annex attached to that Resolution, US\$ 5.1785 billion would be used as a budget estimate of the Light Water Reactor (LWR) Project, and

Reflecting on the impact of changes in exchange rates, inter alia, on the budget estimate of the LWR Project,

1. Decides that, based on the assumptions stipulated in the attached Annex, US\$ 4.6 billion will be used as the new budget estimate of the LWR Project, comprised of base construction

costs, prime contractor contingency and escalation.

2. Confirms the following in connection with KEDO's financial needs :

- a) The Government of the United States reconfirms its commitment to seek funding for the supply of HFO and for other KEDO needs, as appropriate, from the United States Congress and all other possible sources.
- b) The Government of the Republic of Korea (ROK) is committed to provide seventy (70) percent of the actual cost of the LWR Project, subject to approval by the National Assembly. For this purpose, the ROK is committed to provide won 3,542 billion for the LWR project, equivalent to US\$ 3.22 billion at the exchange rate of 1100 won/USD. The actual amount of the ROK contribution in won terms will be adjusted, as necessary, to ensure that the total equals 70 percent of the actual cost of the LWR Project. Detailed appropriate arrangements for the commitment will be concluded between the parties concerned, as necessary.
- c) The Government of Japan is committed to provide ¥ 116.50 billion¹⁾ for the LWR Project, the implementation of which is subject to Diet procedures. Detailed appropriate arrangements for the commitment will be concluded between the parties concerned, as necessary.

1) Yen equivalent to US\$ 1 billion as of October 20, 1998.

d) The European Atomic Energy Community reconfirms its commitment, in accordance with the Agreement on the Accession of the European Atomic Energy Community to KEDO (“Agreement on Accession”), to provide 75 million ECU over five years (15 million ECU per year) to help fulfill KEDO’s financial needs, according to agreed priorities and in conformity with internal European Union rules and procedures.

3. Determines that :

In view of the Executive Board Members shared interest in ensuring completion of the LWR project, they agree to make all appropriate efforts to obtain the funding for the difference between the new budget estimate and the total amount they pledged to the Project, should any such additional funding be required. In accordance with the 1994 US-DPRK Agreed Framework, the United States reconfirms its commitment to assume leadership for organizing arrangements for financing of the difference between the new budget estimate and the total amount pledged by Executive Board Members, taking into consideration that: (a) the ROK and Japan are, as described in paragraph 2 above, committed to making maximum contributions equal to their central and significant roles, respectively, in the implementation of the LWR Project; (b) the US is making special contributions in accordance with the US-DPRK Agreed Framework; and (c) the European Union is providing contributions that constitute “substantial and sustained” support to KEDO, as stated

in the Agreement on Accession.

4. Determines also that funding pledges by Executive Board Members for LWR Project costs under the new budget estimate shall not preclude the responsibilities of members as stipulated in Article 2(c) of Executive Board Resolution 1997-42 with regard to contingency costs exceeding the new budget estimate.

ANNEX TO BOARD RESOLUTION 1998-20

The budget estimate for the Light Water Reactor(LWR) Project has been decided based on following assumptions:

1. Currency Exchange Rate

- i) The currency exchange rate used in the estimate is 1100 won/USD.
- ii) Cost variances to be eventually incurred due to fluctuations in the currency exchange rate in the future will be adjusted on the basis of formulas to be agreed in the Turnkey Contract.

2. Escalation

The escalation cost is based on agreed schedule assumptions and an assumed escalation rate of 2.1% per year during the construction period of the LWR. However, payments to KEPCO will be based on the actual escalation rate in accordance with formulas to be agreed in the Turnkey Contract.

3. KEDO's Own Contingency

The budget estimate referred to above does not include any contingency which KEDO may require to cover additional costs which may be incurred by it for risks it has assumed under the terms and conditions of the Turnkey Contract.

No. 66
November
1999

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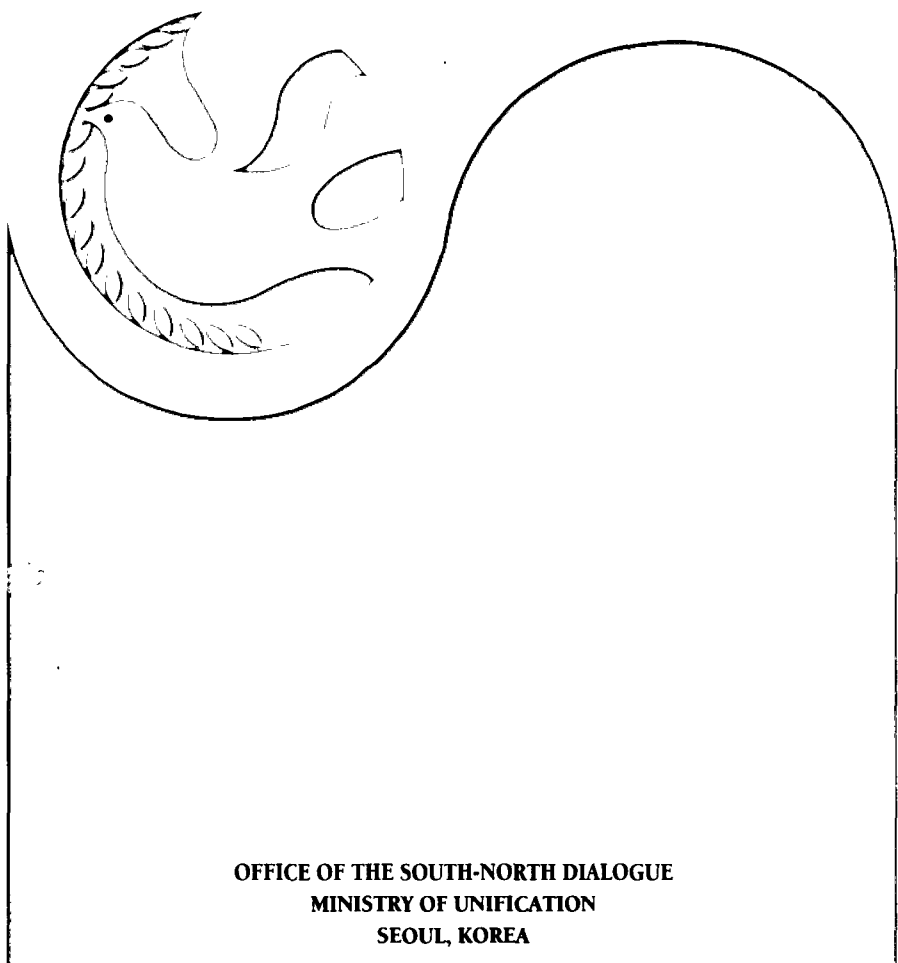
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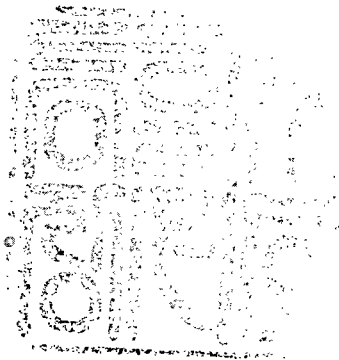
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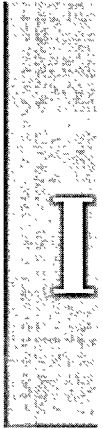
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Chapter I.

Inter-Korean Summit

Chapter I. Inter-Korean Summit

1. Background

In his inauguration speech on February 25, 1998, President Kim Dae-jung said that inter-Korean relations should be advanced based on reconciliation, cooperation and peace establishment.

His statement reflected the principal direction of the North Korea policy the Kim Dae-jung administration would promote. It implied that his administration would first concentrate on transforming the Cold War structure on the Korean Peninsula into a reconciliatory and cooperative one instead of rushing for an immediate unification of the country at the present stage.

In this respect, President Kim repeatedly urged the North to reply positively to his proposal for an inter-Korean summit since he first proposed it in his inauguration speech.

In addition, the Kim Dae-jung administration kept promoting consistently the engagement policy toward North Korea to facilitate reconciliation, cooperation and peaceful coexistence based on strong national defense. And the administration maintained their willingness to have a summit at any time regardless of the venue and format of the meeting in order to discuss peace and co-prosperity between the two Koreas.

The President's effort to sit with the head of North Korea knee-to-knee and discuss national issues with an open heart to make an epochal improvement in inter-Korean relations started to bear concrete results after the announcement of the Berlin Declaration. President Kim made the declaration for inter-Korean reconciliation and cooperation for peace and unification of the Korean Peninsula during his visit to The Free University in Berlin on March 9, 2000.

The Berlin Declaration, which reflected the South's confidence that peaceful co-existence between South and North Korea had become a feasible option, proposed the following: to assist North Korea's economic recovery through the expansion of inter-Korean economic cooperation; to terminate the Cold War on the Korean Peninsula and achieve peaceful co-existence between the two Koreas; to resolve the issues of separated families as soon as possible; and, to resume dialogue between the South and North Korean governments.

The Berlin Declaration has demonstrated to the entire world the South Korean government's commitment to active promotion of inter-Korean reconciliation and cooperation to terminate the Cold War and establish peace on the Korean Peninsula. Having provided an epochal breakthrough in inter-Korean relations by convincing the North to agree to an inter-Korean summit, the Declaration has an important historical significance.

2. Secret Contacts between Special 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.

Since the first contact was made between the special envoys, the two Koreas had a series of working-level meetings to discuss an inter-Korean summit. In the meantime, the two envoys met two more times in Beijing afterward and finally, on April 8, reached an agreement to hold an inter-Korean summit from June 12-14. Seoul and Pyongyang announced the following agreement simultaneously on the morning of April 10, 2000.

< 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 Communiqué, 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

Park Jie-won

Minister of Culture and Tourism

Under instruction from the highest
authority of the North

Song Ho-kyong

Vice Chairman

of the Asia-Pacific Peace Committee

3. Preparatory Meetings for Inter-Korean Summit

A. Preparatory Contacts

a. Overview

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 two other members, while the North Korean delegation was headed by Kim Song-ryong, a vice-ministerial-level official from the Presidium of the Supreme People's Assembly, and also consisted of two other members.

This was the first government-level inter-Korean dialogue to take place in Panmunjom since 1994.

< List of Delegates to the Preparatory Contacts >

	South Korea	North Korea
Head of Delegation	Yang Young-sik (Vice Minister of Unification (MOU))	Kim Ryong-song (Counselor, Supreme People's Assembly Presidium)
Other Delegates	Sohn In-kyo (Director General, MOU) Suh Young-kyo (Director General, MOU)	Choe Song-ik (Manager, Secretariat of The Committee for the Peaceful Reunification of The Fatherland) Kwon Min (Counselor, Asia-Pacific Peace Committee)

b. Development

During the first contact made at Peace House on April 22, the South presented its proposal on the general procedural matters, including the size of the delegation, the format and agenda of the summit talks and the means of transportation. Without making any proposal for these procedural matters, the North presented its general position on the summit only and promised that it would propose practical ideas in the next round of contact after fully taking into account the South's proposal.

During the second contact made at Tongilgak (Unification pavilion) on April 27, the two sides discussed a wide range of procedural matters and reached an agreement in most areas. The North expressed its willingness to accept most of the South's proposal. As for the agenda, however, the North proposed a comprehensive subject citing a passage from the

April 8 agreement.

During the third contact made at Peace House on May 3, each side presented a set of proposals on procedural matters and carefully went over each point. The two sides soon reached an agreement in most areas, including the size of the entourage (130), the number of summit meetings to be held (at least two), the means of transportation (by air and land), and provision of accommodation. The North at first accepted the South's proposal to limit the size of the accompanying press corps to 80, but suggested reducing it to 30-40 during the third contact.

During the fourth contact made at Tongilgak on May 8, each side presented a revised proposal and continued the discussion. Yet, the two sides failed to close the gaps in their positions on the agenda of the summit talks and the size of press corp. Although they agreed that the agenda should be comprehensive, the two Koreas still failed to reach an agreement on how to word it in detail. The North held fast to its position that the size of the press corps must not exceed 40 people.

Between the fourth and fifth contacts, the two sides also communicated with each other by exchanging documents through Panmunjom. The two Koreas signed a working-level agreement on implementing the inter-Korean agreement of April 8 during the fifth contact made at Peace House on May 18, 2000.

During these preparatory contacts, the two Koreas discussed issues in a friendly and constructive way. They agreed that the agenda for the summit, which had been the subject of the most heated debate, would be "the question of reconciliation and unity of the 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 talk 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 South Korean TV staff using their own equipment.

< Key Agreements on Procedural Matters >

1. Size of Entourage

130 attendants plus 50 reporters

2. Format and Number of Summit Talks

There will be at least two or three (and more if necessary) meetings and summit talks between President Kim Dae-jung and National Defense Commission Chairman Kim Jong-il.

3. Agenda for Summit Talks

To reaffirm the three basic principles for unification of the country enunciated in the historic July 4 South-North Joint Communiqué and to discuss the issues of reconciliation and unity, exchange and cooperation, and peace and unification of the people.

4. Dispatch of an Advance Team

An advance team will be sent to the North twelve days before the visit of the South Korean delegation.

5. The Means of Transportation

The South Korean delegation will travel either by air or by land.

6. Non-violation of Personal Belongings

On the condition that the visitors carry only those personal items that are suitable to the purpose of the visit, non-violation of personal belongings is guaranteed.

7. Live TV Coverage

For the live coverage of the inter-Korean summit, a South Korean TV crew will be allowed to film the event and produce news reports at the site.

8. Operation of Satellite Network

In addition to the existing direct telephone line between Seoul and Pyongyang, a satellite communication network will be used.

B. Working-level Meetings on Communication, Press Coverage, Protocol and Escort

Along with these preparatory contacts, the two Koreas also had two working-level meetings on communication and press coverage at Peace House on May 13 and at Tongilgak on May 17, and another on protocol and escort at Tongilgak 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 direct phone lines between Seoul and Pyongyang and another 30 lines for international calls and allowed the carrying of portable satellite equipment.

During the protocol and escort meetings, they reached an agreement on close-contact escort, the guard over the President's lodgings, preliminary inspection of the sites to be visited, the use of security equipment such as metal detectors and 24-hour 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 Sohn In-kyo, the Director of the 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 for a problem-free summit by permitting the replacement of some members of the advance team and letting them travel via Panmunjom.

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

A. The Progress of the 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 some technical difficulties 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 people, 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 in a route over the West Sea. It was the first time since the division of the nation to take an air route for travel between the two Koreas.

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 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 welcoming ceremony at the airport and inspected the North Korean honor guard.

President Kim and Chairman Kim had a pleasant chat while riding in 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 the South-North 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 South-North 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 Kimpo 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 one of the world's leading nations 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 the global economy and a transition to a knowledge-based information society, the human community is going through the most dramatic revolution ever. In the midst of such epochal changes, 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 two 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 form a South-North confederation to pave the road to peaceful

unification through establishing peace and expanding reconciliation and cooperation between them.

(2) Easing of Tension and Establishment of Peace

Because it is today's reality that the South and North mistrust each other and live 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, supports 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 a 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 establish 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 dialogues as soon as possible.

President Kim proposed an 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.

(5) Invitation of Chairman Kim Jong-il to Seoul

Finally, President Kim officially invited Chairman Kim

Jong-il to Seoul, convincing him that his visit will demonstrate North Korea's commitment to improving inter-Korean relations.

In his response to President Kim's suggestions and proposals, Chairman Kim expressed his consent and approval. After serious and frank discussions, the two sides adopted a South-North Joint Declaration, which was announced on June 15.

Chairman Kim had a good grip of international politics as well as inter-Korean relations. Based on such understanding, he frankly set forth North Korea's views 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.

From their first meeting to parting, the leaders of South and North Korea sat together knee-to-knee and exchanged open-minded talks for a long time. The summit thus contributed to building mutual trust between the two heads

of state and expanding the horizon of common understanding between them. Based on such mutual trust and understanding of each other's sincerity, the two leaders tried to find the common ground between the two Koreas while acknowledging the differences existing between them.

c. Contacts in Individual Areas

On June 14, First Lady Lee Hee-ho and special attendants made separate contacts with their North Korean counterparts in political parties, social organizations, business and women's circles.

(1) Contacts between Political Parties and Social Organizations

Thirteen South Korean leaders, including Senior Vice President Kim Min-ha of the Presidential Advisory Board on Democratic and Peaceful Unification, National Assemblyman Lee Hae-chan of the Millennium Democratic Party and Lee Wan-ku of the Liberal Democratic Union, Chairman Kang Man-kil of the National Committee for Reconciliation and Cooperation, President Kim Un-yong of the Korean Amateur Athletic Association, President Chung Mong-joon of the Korean Football Association, Executive Director Park Ki-ryun of the Korean Red Cross Society, met with six

North Korean leaders, including President Kim Young-dae of the Committee for National Reconciliation and Cooperation, Executive Director Han Hyon-uk of the Chondoists Association, Deputy Director General Choe U-jin and Counselor Jeon Jong-su of the Committee for the Peaceful Reunification of the Fatherland and Chairman Jang Ung of the DPRK National Olympic Committee.

During the meeting, the South Korean side underlined the importance of building trust between the two Koreas through athletic, cultural and economic exchanges. The South Korean leaders called for inter-Korean talks between parliamentarians and writers and proposed to have a joint ceremony on the anniversary of the July 4 Joint Communiqué. They also proposed to form a unified Korean team to enter into various international sports events and exchange athletic teams for good-will matches. The leaders also invited the North Korean soccer team to participate in the 2002 World Cup Games.

In addition, the South Korean leaders stressed the need for resuming the Red Cross talks to resolve the issues involving separated families. To this, the North Koreans maintained a position that once an agreement is reached and general direction is decided during the inter-Korean summit, all the issues the South had addressed would be studied one by one and resolved smoothly.

(2) Contacts between Business Leaders

Ten members of the South Korean delegation participated in the contacts in the business area, including President Kim Jae-chul of the Korean International Trade Association (KITA), Executive Vice President Sohn Byong-doo of the Federation of Korean Industries (FKI), Executive Vice President Lee Won-ho of the Korean Federation of Small and Medium Business Associations and Chairman Ku Bon-mu of the LG Group.

Representing the North Korean side were President Chong Un-op of the National Economic Cooperation Association, General Manager Baek Se-yun of the Joseon Computer Company and six others from the Kaesong General Company and the Asia-Pacific Peace Committee.

Expressing its willingness to expand investment in North Korea as well as its commitment to inter-Korean economic cooperation, the South Korean side underlined that cooperation between the two Korean governments and such institutional mechanisms as investment protection and prevention of double taxation are necessary to allow large-scale investments to take place. The South Korean delegates also requested that the North take measures appropriate to international business practices.

Without disclosing their position on inter-Korean economic cooperation, the North Koreans simply listened to the South

Koreans as the latter described their plans.

(3) Contacts between Female Leaders

Representing the South Korean side in the meeting between the leaders of women's organizations were First Lady Lee Hee-ho and the President of Ehwa Women's University Jang Sang while the North Korean side was represented by Vice Chairwoman of the Supreme People's Assembly Ryo Won-gu, Chairman of the Democratic Women's Union Chon Yon-ok, President of the DPRK Women's Association Hong Son-ok and executive members of the organization So Ok-son and Pak Yong-hi, People's Actress Kim Jong-hwa and marathoner Jong Song-ok.

The South Korean delegation proposed the participation of representatives for various occupations in the South and North Korean Women's New Millennium Conference scheduled to be held in Beijing on July 4. The North Korean delegation addressed the need for filing a joint lawsuit as a measure to deal with the issues surrounding the so-called comfort women from World War II. The two sides also exchanged views on issues of common concern, including environmental issues.

< Daily Schedule for the South Korean Delegation to the Inter-Korean Summit >

Date	Main Program
June 13 Tuesday	<p>President and Mrs. Kim Dae-jung with the South Korean delegation leave Seoul and arrive at Sunan International Airport. The first round of the inter-Korean summit meeting is held at the Baekhwawon State Guesthouse. President Kim visits the SPA Presidium President Kim Yong-nam at Mansudae Assembly Hall. President Kim views performances at the Mansudae Art Theater. President Kim attends a welcome dinner hosted by SPA Presidium President Kim Yong-nam at the People's Cultural Palace.</p>
June 14 Wednesday	<p>President Kim holds an official meeting with SPA Presidium President Kim Yong-nam at Mansudae Assembly hall. The second round of the inter-Korean summit meeting is held at the Baekhwawon State Guesthouse. First Lady Lee Hee-ho visits Changgwang Kindergarten and the Pyongyang Maternity Hospital. Inter-Korean contacts between political parties and social organizations, business leaders and female leaders take place at the People's Cultural Palace. President Kim views performances at the Mangyongdae Students and Childrens Palace. President Kim hosts a dinner at Mokrangwan. The third round of the inter-Korean summit meeting is held at the Baekhwawon State Guesthouse. The South-North Joint Declaration is signed.</p>
June 15 Thursday	<p>The official members of the South Korean delegation visit a chicken factory and special attendants and general staff visit the ancient tomb of King Dongmyong. President Kim attends a luncheon hosted by National Defense Commission Chairman Kim Jong-il at the Baekhwawon State Guesthouse. President and Mrs. Kim Dae-jung with the South Korean delegation leave Pyongyang Sunan International Airport and arrive in Seoul.</p>

B. Main Points in the June 15 Joint Declaration

a. Joint Declaration

The following is the full text of the South-North 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 Jong-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 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 upon between the two Koreas as one of the three basic principles stated in the July 4 South-North Joint Communiqué of 1972 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 the support and cooperation of the international community. Having realized this, 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 the support and cooperation of the international community. Chairman Kim Jong-il showed his agreement 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 upon, including its demand for the rejection of foreign forces and the 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 Formulas 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 the 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 that the two Koreas create a South-North confederation based on a mutual acknowledgement of each other's system and coexist peacefully while working toward 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. 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 governments would still have control over their own internal politics, military and foreign affairs, while cooperating with each other through an

inter-Korean institution.

Third, both are characterized by 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 the withdrawal of 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 reunions

and urged Chairman Kim's response to his concrete proposal on the issue. The President proposed that the two Koreas first hold an exchange of reunion visits on Aug. 15, 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 be 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's 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 took place August 15-18 and the second, November 30-December 2. In each round, 100 members of separated families from each side visited Seoul and Pyongyang, respectively. The two Koreas had an additional exchange of family visits at the end of February 2001. Along with cross-visits, the two sides also had 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 and third exchange of visits, thereby providing a turning point in resolving the issue.

On September 2, 2000, the South Korea government repatriated to the North a total of 63 unconverted long-term prisoners residing in the South. In addition, the two Koreas also reached an agreement on the homecoming of pro-communist Koreans living in Japan. Consequently, these people were able to visit their hometowns in the South in September and November 2000 and April 2001.

(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 the 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, harbors, 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 the Munsan-Kaesong highway. They have also discussed ways to cooperate on various other projects, including flood prevention along the Imjin River basin, construction of the 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 peoples but also project a positive image of national reconciliation to the international community.

Cooperation in the health and environmental area is another important future-oriented task. To prevent the increased pollution and destruction of nature that accompanied 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, working-level military talks, Red Cross talks and working-level economic 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-Korean 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 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.

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

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

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

The inter-Korean summit has great significance because a 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 the 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 the two highest officials of the South and North Korean governments 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 systems.

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 former U. S. president Jimmy Carter but failed to take place, this time the June summit was agreed to directly by the two Koreas without mediation

or intervention by a third party. The summit thus made a good demonstration of the 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 naturally be 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 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 separated families are dying of old age. Therefore, this is an extremely urgent task that cannot be put aside any longer.

During the last inter-Korean summit, the two heads of state agreed to resolve the issues related to separated families as soon as possible, approaching them from a humanitarian point of view. 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 on the National Liberation Day, the two Korean governments 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 of invading 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 on 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. Importance of Consistent Promotion of the Reconciliation and Cooperation Policy

The June summit was possible because the Kim Dae-jung administration had promoted consistently the reconciliation and cooperation policy toward North Korea since its inception. In its response, 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 to its North Korea policy.

The effectiveness of the reconciliation and cooperation

policy promoted consistently was reaffirmed through the summit, and this in turn helped the Kim Dae-jung administration to maintain consistency in promoting its policy based on public support.



Chapter II.

Ministerial Talks

Chapter II. Ministerial Talks

1. Background

The June 15 South-North Joint Declaration signed by the heads of the two Koreas during the historic inter-Korean summit provided a turning point in establishing a peaceful and co-existing relationship between the two Koreas.

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

In accordance with the agreement, South Korean Prime Minister Lee Han-dong sent a letter to the North 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 the meeting was held in Seoul July 29-31.

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 the two Koreas discussed and resolved 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.

2. The First Inter-Korean Ministerial Talks

A. Overview

South Korea sent a letter written in the name of Prime Minister Lee Han-dong to the North 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 following is the full text of the letter.

Dear H.E. Hong Song-nam Premier of the DPRK

Thanks to a historic South-North summit held in Pyongyang during June 13-15, a new horizon is opening in the inter-Korean relations.

In particular, the South-North Joint Declaration signed by the heads of both sides will be a milestone in expanding reconciliation and cooperation and establishing peace and co-existence between the two Koreas.

As agreed between the two heads of state, the two Koreas held the inter-Korean Red Cross talks and provided specific solutions to resolve the issues of separated families on June 30. These are the first fruits of the South-North Joint Declaration, presenting a great pleasure and hope not only to the members of separated families but also for the entire Korean people.

I think that it is a historic mandate bestowed upon the South and North Korean governments to implement the South-North Joint Declaration in a concrete way following the will of the both heads of state.

When we sincerely implement the Joint Declaration through close consultation, I am sure that we will be able to achieve joint prosperity of the Korean people and accelerate unification of the country.

In accordance with the agreement made by the two heads of state, I hereby propose to hold inter-Korean ministerial talks from July 27-29 in Seoul to discuss various issues concerning implementation of the Joint Declaration.

The delegation, headed by a ministerial official, shall be made of five members and accompanied by a group of five attendants, ten reporters and fifteen supporting staff.

I am looking forward to hearing from you a positive reply.

July 19, 2000

Lee Han-dong
Prime Minister
Republic of Korea

In reply, the North accepted the South's proposal on July 21 in a letter written in the name of Premier Hong Song-nam, while asking that the meeting be held during July 29-31. The following is the full text of Premier Hong's letter.

Dear H.E. Lee Han-dong
Prime Minister of the ROK

I consent to your proposal in your letter of July 21 to hold the first inter-Korean ministerial talks from July 27-29 in Seoul to discuss various issues concerning implementation of the Joint Declaration and to form a delegation of 35 members for the talks.

With respect to the date, however, we think it is more appropriate to hold the meeting from July 29-31.

I am looking forward to hearing from you a positive reply.

July 21, Juche 89 (2000)

Hong Song-nam
Premier
Cabinet of the DPRK

Subsequently, the South sent its consent to the North's proposal in a telephone message on July 24 and notified the list of five delegates headed by Minister of Unification Park Jae-kyu while requesting that the North also provide a list in advance.

In reply, the North sent a telephone message on July 27 and notified the South that a total of 25 delegates, including a five-member delegation headed by Senior Cabinet Counselor Jon Kum-jin, five attendants, seven supporting staff and eight reporters, would attend the meeting from its side. The message also explained that the North Korean delegation would visit Seoul by air using air routes between Pyongyang-Beijing and Beijing-Seoul.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head of Delegation	Park Jae-kyu (Minister of Unification)	Jon Kum-jin (Senior Cabinet Counselor)
Other Delegates	Um Nak-yong (Vice Minister of Finance and Economy) Kim Soon-kyu (Vice Minister of Culture and Tourism) Kim Jong-hwan (Policy Advisor, Ministry of Defense) Suh Young-kyo (Director General, Ministry of Unification)	Kim Young-shin (Vice Minister of Culture And Chairman of National Review Committee on Stage Art) Ryu Young-son (Director General, Ministry of Education) Choe Song-ik (Director General, Secretariat Committee for the Peaceful Reunification of The Fatherland) Ryang Tae-hyon (Director, Cabinet Secretariat)

* The South Korean head of delegation Um Nak-yong was replaced by Vice Minister of Finance and Economy Lee Jung-jae during the second round of the talks. During the third round, South Koreans Kim Jong-hwan and North Koreans Kim Young-shin were replaced by Kim Hyong-ki, Assistant Minister for Unification Policy of the Ministry of Unification, and Huh Su-rim, President of the National Economic Cooperation Association, respectively.

The first inter-Korean ministerial talks were held from July 29-31 in Seoul. During this period, the North Korean delegation stayed at the Shilla Hotel while the talks were held in the Dynasty Hall of the same hotel.

During the talks the two sides held three plenary meetings, a head delegates meeting and meetings by other delegates, and the two sides agreed on a six-point joint press statement.

B. Progress

a. The First Plenary Meeting: July 30

The first plenary meeting held in the morning of June 30, 2000 proceeded in the following order: pleasant chat, exchange of credentials, and introduction of delegates, keynote speech by both sides and discussion.

In his keynote speech, Unification Minister Park Jae-kyu, head of the South Korean delegation, proposed the following projects to be discussed to implement the South-North Joint Declaration: (i) creation of measures to reduce tension and establish peace on the Korean Peninsula, (ii) study and explore the common ground between the unification formulas of the two sides, (iii) address check, exchange of letters and creation of a meeting center for separated families, (iv) expansion of inter-Korean exchanges

and cooperation, and (v) Chairman Kim Jong-il's return visit to Seoul as soon as possible.

In addition, the South suggested the following as the projects to be implemented right away: (i) reactivation of the South-North liaison office on August 15, National Liberation Day, (ii) proclamation of the August 15 National Reconciliation Week, (iii) establishment of a hotline between South and North Korean military authorities, (iv) beginning of the construction work to reconnect the Seoul-Shinuiju railway within the year, (v) formation of a single Korean team to participate in international athletic events, and (vi) joint prevention of epidemics in the Demilitarized Zone (DMZ).

Lastly, the South proposed the creation of three subcommittees: political and military, economic, and social and cultural.

In his keynote speech, on the other hand, the North Korean head delegate Jon Kum-jin proposed the following as immediate projects: (i) reactivation of the South-North liaison office in Panmunjom on August 15, (ii) holding of events for unification by South and North Korean governments, political parties and social organizations on the occasion of August 15, National Liberation Day, and (iii) hometown visits by the members of pro-North Korean organizations in Japan

During the following discussion, the two sides

acknowledged the similarities as well as differences in their positions reflected in the keynote speeches. Subsequently, they agreed to resume the meeting in the afternoon and ended the first session.

The following are the summaries of the keynote speeches delivered by South and North Korean head delegates:

< Summary of the Keynote Speech by South Korea >

As the 70 million Korean people as well as the rest of the world watched with admiration and applause, the inter-Korean summit, which took place for the first time in half a century of national division, was a historic event that has become a milestone in Korean history.

The South-North Joint Declaration, which was agreed to by the two heads of state, reflected the great determination of the two leaders to avoid the recurrence of war on the Korean Peninsula and achieve peaceful unification of the motherland through the expansion of reconciliation and cooperation between South and North Korea. It also embodied the collective will of the Korean people.

The principal mission of the ministerial talks is first to discuss in detail the measures to implement the joint declaration and put them in action. The two Koreas should, therefore, hold the ministerial talks on a regular basis and oversee the process of implementation. At the same time, the talks must play the role of the central consultative body to realize the intent of the two heads of state regarding peace, reconciliation and cooperation between the two Koreas.

The basic attitude the ministerial talks must maintain should be to seek

mutual benefits, to give importance to implementation and to resolve easier issues first.

The issues that are to be discussed first during this round of the ministerial talks are to secure support and cooperation of neighboring countries and the international community while South and North Korea take initiatives in resolving the issues related to the establishment of peace and national unification, to study and discuss ways to expand the common ground based on the similarities between the unification formula of the two Koreas, to discuss and promote resolution of the issues related to separated families and other humanitarian issues between the South and North Korean Red Cross societies, to expand exchanges and cooperation between the two Koreas in various fields and to discuss the realization of Chairman Kim Jong-il's return visit to Seoul.

The measures that need to be implemented right away include reactivation of the South-North liaison office on August 15, proclamation of the week of August 15 as the National Reconciliation Week, establishment of a hotline between South and North Korean military authorities and exchange of military personnel to ease military tension and build mutual trust, beginning of the construction work to reconnect the Seoul-Shinuiju railway within the year, to promote joint flood prevention measures along the Imjin River basin, to provide an institutional mechanism to facilitate bilateral economic cooperation, including agreements on investment protection, prevention of double taxation, procedures for resolution of commercial dispute and clearing settlement, to form a single unified Korean team to compete in various international athletic events, to have both Korean teams march together in the Sydney Olympic games in September and to prevent jointly malaria and other epidemics in the DMZ.

We propose that the ministerial talks will be responsible for a comprehensive discussion of the implementation of the South–North Joint Declaration. At the same time, we should create three subcommittees under the talks to discuss and promote specific projects in each field. These three subcommittees would be: 1) Political and Military Committee, 2) Economic Committee, and 3) Social and Cultural Committee.

< Summary of the Keynote Speech by North Korea >

The North–South Joint Declaration is a proud proclamation of the Korean people, which solemnly announced that Korean people would open a new era in Korean history independently by combining all their forces together.

We propose the following as the basic principles in holding ministerial talks to meet the demands of a new era: dialogue to resolve issues related to the implementation of the joint declaration while respecting the agreements stated in the declaration, dialogue to resolve the issues based on mutual trust and cooperation while casting off obsolete habits from the past and to move toward national unification by putting the agreements into practice and producing concrete results.

As immediate measures to solidify further the results of the North–South Joint Declaration, we formally propose reactivation of the North–South liaison office, joint sponsorship of a nationwide event around August 15 by Koreans living in the North, South and abroad in support of the implementation of the North–South Joint Declaration and the South Korean governments taking proper measures in consultation with the General Association of Korean Residents in Japan to allow its members to visit their hometowns in the South.

b. The Second Plenary Meeting; July 30

During the second plenary meeting held in the afternoon of the same day, following a joint lunch and a visit to a cultural site, the two sides confirmed the common ground in their positions and agreed to put them in a joint press statement through a working-level contact and release the statement the next morning.

In its closing remarks, the North Korean side reiterated its position that the two Koreas reactivate the South-North liaison office, agree to hold a joint event to welcome and support the South-North Joint Declaration around August 15 and proceed with the inter-Korean ministerial talks to produce solid outcomes based on such achievements.

In response, the South Korean side also summed up its position in its closing remarks: Complying with the basic stance that the South and North, unlike in the past, would first agree on things that can be easily implemented and put them into practice one by one, the two Koreas should reach an agreement on reactivation of the South-North liaison office, joint celebration of the National Liberation Day, institutionalization of resolution of issues related to separated families and reconnection of the Seoul-Shinuiju railway. To discuss and promote such projects in detail, the South proposed to create under the ministerial talks consultative bodies for different fields.

Having agreed to discuss and resolve controversial issues based on the results of the plenary meetings through working-level contacts, the two sides concluded the second plenary meeting.

c. The Joint Press Statement Review Meeting: July 31

The South and North held a meeting to review the wordings of the joint press statement the next morning. Through four rounds of contacts they discussed and adjusted the content as well as the wording of the statement. After having confirmed the joint press statement, the two sides released it as the official joint press statement for the first inter-Korean ministerial talks and concluded the official session.

— < Summary of Joint Press Statement for the First Inter-Korean Ministerial Talks > —

The two sides shall run the inter-Korean ministerial talks in the spirit of the Joint Declaration and promote dialogue

- 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.

The two sides also agreed as follows:

To reactivate the South-North liaison office in Panmunjom on August 15, 2000

To hold events in support of the South-North Joint Declaration and its implementation in the South, North and overseas on the occasion of the 15th of August

To take cooperative measures to assist hometown visits by the members of the General Association of Korean Residents in Japan

To reconnect the severed section (24km between Munsan and Kaesong) of the Seoul-Shinuiju railway and discuss the related issues as soon as possible

To hold the second inter-Korean ministerial talks in Pyongyang from August 29-31, 2000

3. The Second Inter-Korean Ministerial Talks

A. Overview

In a telephone message sent to his counterpart on August 26, Unification Minister Park Jae-kyu, head of the South Korean delegation to the inter-Korean ministerial talks, notified the North of the composition of the South Korean delegation to the second ministerial talks as well as the route to be used in their visit to Pyongyang.

Prior to that, Minister Park also notified the North that Um Nak-yong, one of the South Korean delegates, had been replaced by Lee Jung-jae.

In a telephone reply made two days later, the North expressed disapproval of the proposed route that required the South Korean delegation to pass through Panmunjom. The North suggested that it would provide all convenience if, as before, the southern delegation make the trip via Beijing.

Subsequently, South Korea replied in a telephone message on the same day that its delegation would visit the North using the direct flight route over the West Sea. The two sides settled the follow-up measures related to the route through the meeting between the directors of the South and North Korean liaison office.

The second inter-Korean ministerial talks were held in

Pyongyang from August 29-September 2. During this period, the South Korean delegation stayed at the Koryo Hotel while the plenary meetings were held at the People's Cultural Palace. Both the head delegates meetings and working-level contacts were held at the hotel they were staying at.

During the meeting, the South and North had two plenary meetings and conducted several contacts between the head delegates as well as working-level officials. The two sides released a seven-point joint press statement at the end of the meeting.

B. Progress

a. The First Plenary Meeting: August 30

The first plenary meeting, which was held at the People's Cultural Palace on the morning of August 30, 2000, proceeded with a discussion over the proposed issues following the presentation of the keynote speeches by each side.

In his keynote speech, the South Korean head of delegation, Unification Minister Park Jae-kyu, stressed that the strong commitment of both Koreas in implementing the South-North Joint Declaration was demonstrated by the following joint efforts made after the first ministerial talks in

Seoul: (i) exchange of visits by separated families, (ii) reactivation of the South-North liaison office, (iii) joint celebration of the August 15 National Liberation Day, (iv) hometown visits by pro-North Korea Korean residents in Japan, (v) visit to the North by the heads of South Korean press and media, (vi) joint performance by the North Korean National Symphony Orchestra and the KBS Symphony Orchestra, and (vii) meeting between South and North Korean foreign ministers at the recent ASEAN Regional Forum (ARF).

Minister Park also conveyed South Korea's position on several issues, including the creation of subcommittees, establishment of an institutional mechanism for economic cooperation, measures to reduce military tension, reconnection of the Seoul-Shinuiju railway and the Munsan-Kaesong highway and joint flood prevention along the Imjin River basin.

Cabinet Counselor Jon Kum-jin, the North Korean head delegate, praised several joint efforts successfully made by the two Koreas following the summit, including the ministerial talks, the Red Cross talks, the family reunion on August 15, a goodwill table tennis match held in Pyongyang in support of national unification and a performance of the North Korean National Symphony Orchestra in Seoul. He also said that he would expect to see the repatriation of unconverted long-term prisoners, reconnection of the

Seoul-Shinuiju railway and urged that the two Koreas endeavor to implement the joint declaration complying with the underlying spirit of the declaration.

Prior to this, shortly after the South Korean delegation arrived at the Koryo Hotel on August 29, the two sides had a contact between the head delegates and discussed issues of mutual concern.

During the contact, Counselor Jon first explained the North Korean position on the U.S.-ROK joint military exercise, Focus Lens. He then proposed several items that he believed the two Koreas could agree on during the second ministerial talks. Those items included additional exchange of visits by separated families, establishment of an institutional mechanism for economic cooperation, a working-level consultation on the reconnection of the Seoul-Shinuiju railway and exchange of visits to Mt. Paekdu and Mt. Halla.

The head delegate of South Korea, Minister of Unification Park Jae-kyu, explained that Focus Lens exercise is a defensive exercise held annually and proposed that the military authorities from the two sides meet to discuss confidence building measures.

Further, he proposed as main items to be discussed, (i) establishment and operation of various committees, (ii) establishment of institutional mechanisms for economic cooperation, (iii) holding of military talks and establishment

of military hotline, (iv) reconnection of Seoul-Shinuiju railway and highway, and (v) joint project of flood prevention and development on the Imjin River.

The following are the summaries of the keynote speeches delivered by the South and North Korean head delegates:

< Summary of the Keynote Speech by North Korea >

During the first inter-Korean ministerial talks, the two Koreas ascertained each other's commitment to sincerely implement the historic North-South Joint Declaration and established critical principles both must comply with while maintaining the ministerial talks. The two sides have also agreed on the measures to be put into practice immediately as they are raised during the course of implementing the North-South Joint Declaration.

Quickly after the announcement of the North-South Joint Declaration, the two sides held ministerial talks between the two authorities as well as the Red Cross talks and successfully completed a visit to Pyongyang by the heads of South Korean press and media. On the 55th anniversary of national liberation, a reunion of separated families and relatives took place in Pyongyang and Seoul as well.

In addition, we have agreed to reconnect the railway between Shinuiju and Seoul, which will enable us to link the main arteries of the Korean national economy and to restore the contiguous lines of the country's land into one piece.

After the announcement of the joint declaration, a North-South table tennis match in support of national unification was held in Pyongyang and the North Korean National Symphony Orchestra gave a joint

performance in Seoul.

After the historic Pyongyang meeting, North Korea's Asia-Pacific Peace Committee and South Korea's Hyundai Group reached an agreement to create a mammoth industrial complex in Kaesong, a city near the demarcation line.

< Summary of the Keynote Speech by South Korea >

Exactly a month after the first meeting in Seoul last July the two Koreas came to sit face to face with each other again. There has been a great progress in inter-Korean relations during this time.

First of all, a delegation of separated families from each side visited Seoul and Pyongyang from August 15-18. The South-North liaison office was reactivated on August 14 and various events were held to reaffirm the commitment to implement the South-North Joint Declaration around the August 15 National Liberation Day. In the meantime, hometown visits by pro-North Korea Korean residents in Japan were promoted and the reconnection of the Seoul-Shinuiju railway and the Munsan-Kaesong highway, which will link the main arteries of the Korean national economy, is also underway.

In addition, the heads of South Korean press and media visited the North from August 5-12, the North Korean National Symphony Orchestra performed in Seoul from August 18-24 and the foreign ministers talks between South and North Korea took place at the ARF conference.

During the second ministerial talks, we would like to propose the following: formation and operation of various joint committees or executive bodies; establishment of institutional mechanisms for inter-Korean economic cooperation, including investment protection and prevention of double taxation; promotion of measures to ease military tension between

the North and South, including ministerial-level talks between South and North Korean military authorities and exchange of military information and personnel; construction of a new highway between Munsan and Kaesong along with the connection of the Seoul-Shinuiju railway; and cooperation in prevention of flooding of the Imjin River.

Based on the progress made in inter-Korean relations to date, to enhance the reconciliatory mood and create a bilateral relationship of practical cooperation, we urge the North give a positive review on the following: to take more aggressive measures to resolve the issues of separated families; to open a direct air route across the border; to take joint measures to prevent the spread of malaria; to make a joint procession at the opening ceremony of the Sidney Olympic Games 2000; and to form a single Korean team for international athletic events.

b. The Second Plenary Meeting: August 30

The second plenary meeting was convened in the afternoon of August 30. In its opening remarks, the South Korean delegation acknowledged that the two sides either had already reached an agreement or were close to reaching one on such issues as exchange visits of separated families, establishment of institutional mechanisms for economic cooperation, reconnection of the Seoul-Shinuiju railway and the Munsan-Kaesong highway and exchange of tourists to Mt. Halla and Mt. Paekdu. The South then urged that North Korea also response positively on such concrete measures to ease military tension between the South and

North as establishing a military hotline and holding talks between the military authorities as well as creation and operation of joint committees in various areas.

In its opening remarks, on the other hand, the North Korean delegation proposed the following as the issues to be discussed and resolved during this round of meeting: two additional exchange visits by separated family members within the year, establishment of institutional mechanisms for inter-Korean economic cooperation, holding of working-level contacts in September for reconnecting the Seoul-Shinuiju railway, and exchange visits by South and North Korean tourists to Mt. Paekdu and Mt. Halla located in North and South Korea, respectively.

Prior to the second round plenary meeting, the two Koreas had a contact between their head delegates.

The following are the summaries of the opening remarks made by the South and North Korean delegations during the plenary meeting:

< Summary of the Opening Remark by South Korea >

Things we have discussed during the morning session agree with our basic position that we will be faithfully implementing the South-North Joint Declaration. We have reached an agreement on promoting two or three more exchange visits by separated families within this year, establishing institutional mechanisms to facilitate economic cooperation between the two Koreas, reconnecting the Seoul-Shinuiju railway and Munsan-Kaesong

highway and exchange visits by South and North Korean tourists to Mt. Paekdu and Mt. Halla.

Nonetheless, there are several other issues that we have not yet reached an agreement on, but must resolve through this round of ministerial talks. These unresolved issues include such concrete measures to ease military tension between South and North Korea as establishing a military hotline and holding talks between the military authorities and creation of joint committees for more efficient and faithful implementation of the joint declaration in various areas.

< Summary of the Opening Remark by North Korea >

As several immediate projects that need to be resolved during the second inter-Korean ministerial talks, we propose to have a couple of additional exchange visits by separated families and relatives within this year as an exceptional case in inter-Korean relations.

We also propose to establish institutional mechanisms to facilitate and expand economic cooperation between the North and South and have contacts between economic experts for this during the month of September, have working-level contacts in September for reconnecting the Shinuiju-Seoul railway and exchange visits by North and South Korean tourists to Mt. Halla and Mt. Paekdu, respectively.

**c. The Joint Press Statement Review Meeting:
September 1**

After the second plenary meeting, the two sides finally agreed on a joint press statement through three rounds of exclusive contacts between head delegates and a few

working-level meetings. The joint statement was reviewed in the plenary meeting and released on September 1. The entire official schedule for the second inter-Korean ministerial talks was thus completed.

Prior to the conclusion of the meeting, Unification Minister Park Jae-kyu, the South Korean head delegate, made a courtesy call on SPA Presidium President Kim Yong-nam and National Defense Commission Chairman Kim Jong-il.

— < Summary of the Joint Press Statement of the Second Inter-Korean Ministerial Talks > —

South and North Korea shall hold two more rounds 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 and other related issues including an exchange of letters.

South and North Korea will work toward easing military tension and ensuring peace. To that end, the two Koreas will discuss holding talks between South and North Korean military authorities at an early date.

South and North Korea will hold a working-level contact in September to establish a legal framework for economic cooperation such as investment protection and prevention of double taxation. In addition, the South will review and proceed with food aid in the form of loans to the North.

South and North Korea will hold a working-level contact in September to discuss the groundbreaking schedule for connecting the railway between Seoul and Shinuiju and opening the highway linking Munsan with Kaesong.

South and North Korea will promote a joint flood prevention project on the Imjin River at an early date.

South and North Korea will exchange about 100 tourists from each side to visit Mt. Halla in the South and Mt. Paekdu in the North between mid-September and early October.

South and North Korea will hold a third round of ministerial-level talks at Mt. Halla September 27-30. Each side will determine the size of its delegation at its own convenience.

4. The Third Inter-Korean Ministerial Talks

A. Overview

On September 20, in a telephone message by its head delegate, Unification Minister Park Jae-kyu, South Korea gave notice of a change in the South Korean delegation, that Kim Hyong-ki had replaced Um Nak-yong. At the same time, through a telephone message by the South Korean director of the South-North liaison office, the South proposed contacts between the liaison officers to discuss working-level preparations for the third inter-Korean

ministerial talks.

Consequently, the liaison officers from the South and North had a contact on September 23. During the contact, the South suggested the North Korean delegation visit Seoul via Panmunjom and handed over the daily schedule of its stay in Seoul along with a note of safety guaranty.

In a telephone message by its head delegate, North Korea replied that its delegation would travel from Pyongyang to Seoul via Beijing. The North also gave notice that its head delegate had been changed from Kim Yong-sin to Yu Yong-son.

The third inter-Korean ministerial talks were held on Jeju Island from September 27-30, 2000. During the talks, the North Korean delegation stayed at Lotte Hotel Jeju, where the meetings were held.

During the talks, the two sides had two plenary meetings, seven exclusive contacts between the head delegates and two contacts between other delegates. At the end, they adopted a six-point joint press statement.

B. Progress

a. The First Plenary Meeting: September 28

The first plenary meeting was held in the morning of September 28 at Lotte Hotel Jeju and proceeded in the

order of keynote speeches and discussions.

In his keynote speech, the South Korean head delegate, Unification Minister Park Jae-kyu, assessed that a great deal of progress had been made in inter-Korean relations through the talks between defense ministers, the second Red Cross talks and the working-level meetings on economic cooperation. Minister Park proposed the following as the operational guidelines for the ministerial talks: establishment of a role for the ministerial talks as the central forum for discussing the development of inter-Korean relations; establishment of the operational framework of the talks to implement the South-North Joint Declaration efficiently; and institutionalization of inter-Korean exchanges and cooperation in various fields.

The South also called for discussions on those projects that require immediate attention. These projects included the following: the discussion of schedules for SPA President Kim Yong-nam's visit to Seoul, promotion of hometown visits by Koreans living abroad, exchanges of professors and college students, cultural leaders and popular music artists, formation of a single Korean team for the World Table Tennis Championship, the opening of Seoul-Pyongyang goodwill soccer matches on August 15, the opening of a direct air route between South and North Korea and expansion of inter-Korean cooperation in the tourism area.

In his keynote speech, North Korean head delegate Jon

Kum-jin acknowledged that over the last hundred days since the announcement of the South-North Joint Declaration the two Koreas had successfully held dialogues in various fields, including ministerial talks, Red Cross talks, working-level meetings on economic cooperation and talks between military authorities. He also assessed that the two Koreas had made many great accomplishments in inter-Korean relations through various joint efforts, including exchange visits by separated families and relatives, repatriation of unconverted long-term prisoners, promotion of the reconnection of the Seoul-Shinuiju railway and the Munsan-Kaesong highway, establishment of institutional mechanisms to facilitate inter-Korean economic cooperation, a performance of the North Korean National Symphony Orchestra in Seoul, a visit to Mt. Paektu by South Korean tourists and the joint march in the opening ceremony at the Sydney Olympic Games. Jon then proposed the following as the immediate projects between the two Koreas: expansion of humanitarian efforts including reunion of separated families and relatives, reconnection of the inter-Korean railway and road, establishment of an institutional mechanism for economic cooperation, joint flood prevention along the Imjin River basin and exchange of economic missions.

Prior to the first plenary meeting, South and North Korea had two rounds of contacts between head delegates and

exchanged views on the issues of mutual concern.

The following are the summaries of the keynote speeches the two sides presented during the plenary meeting.

< Summary of the Keynote Speech by South Korea >

During the last two rounds of the talks, South and North Korea discussed the issues giving first priority exclusively to how to put them into practice in accordance with the spirit of the South-North Joint Declaration. Having made sincere efforts in implementing the agreements, the two Koreas made a great deal of progress in opening a new horizon in inter-Korean relations.

The groundbreaking ceremony for reconnecting the Seoul-Shinuiju railway and highway between Munsan and Kaesong was held; inter-Korean defense minister's talks as well as the Red Cross talks to provide fundamental solutions to the issues of separate families including exchange of letters and address checks were held; and working-level contacts on economic cooperation to provide investment protection, prevention of double taxation and other institutional mechanisms to facilitate inter-Korean economic cooperation were made.

In addition, many projects that had been already agreed between the two Koreas during the ministerial talks were completed or are expected to be discussed in detail soon. These projects include reactivation of the South-North liaison office, hometown visits by pro-North Korea Korean residents in Japan, joint prevention of flood along the Imjin River basin and exchange visits by South and North Korean tourists to Mt. Paektu and Mt. Halla.

As the operational guidelines for the ministerial talks, we address the need for the following. First, as the central forums for dialogue the ministerial talks should be made available for active discussion and promotion without any restriction of every pending issue rising between South and North Korea. To implement the South-North Joint Declaration more efficiently, the two sides should establish an operational framework for the talks, which would allow the creation of action committees in various areas, including political and military, economic, and social and cultural. The two sides should also institutionalize the process of bilateral exchanges and cooperation in various fields.

As the project that requires our immediate attention, we propose to discuss during this round of the talks the schedule and procedural issues related to the visits by National Defense Commission Chairman Kim Jong-il and SPA President Kim Yong-nam. During a visit to Seoul by Special Envoy Kim Yong-sun, South and North Korea agreed that Chairman Kim would make a trip to Seoul in the near future and SPA President Kim would visit the city prior to that.

To meet the demands from the private sector that comply with the contents of the Joint Declaration, we propose several exchange projects, including hometown visits by every Koreans living abroad, exchange visits by professors and college students, cultural leaders and popular music artists, formation of a single Korean team for the World Table Tennis Championship to be held in Osaka, Japan in April 2001, opening of annual Seoul-Pyongyang goodwill soccer matches starting from August 15 next year, joint prevention of malaria, opening of a direct air route between South and North Korea and exchange of tourists.

< Summary of the Keynote Speech by North Korea >

During the last one hundred days since the announcement of the North-South Joint Declaration, dialogue between the North and South Korean Red Cross societies was normalized along with the North-South ministerial talks. At the same time, working-level meetings on economic cooperation started to take place and now even the talks between the military authorities were held. We have experienced exciting upheavals we could have never imagined with the old perspectives and obsolete way of thinking we had in the past age of confrontation.

In particular, during the recent high-level contacts made in Seoul, North and South Korea agreed on measures to promote inter-Korean reconciliation and cooperation more aggressively and in a wider range.

Through inter-Korean dialogue and contacts taking place at various levels and in diverse areas, the two sides were able to achieve many great results with mutual trust and in the spirit of mutual cooperation. These results include exchanges of separated families and relatives, repatriation of 63 unconverted long-term prisoners, address checks and exchange of letters for separated families, agreement on additional exchange of visits, promotion of railway and road between Shinuiju and Seoul, provision of institutional mechanisms to facilitate economic cooperation, performance of North Korean National Symphony Orchestra in Seoul, visit to the Mt. Paektu area by South Korean tourists and joint march in the opening ceremony of the Sydney Olympic Games.

We hereby make it clear once again that with a firm commitment to the implementation of the North-South Joint Declaration we will be faithfully promoting every joint projects that are pending between the North and South, including such humanitarian projects as exchange visits by separated families and relatives, *reconnection of inter-Korean railway*

and road, provision of institutional mechanisms for economic cooperation, measures to prevent flooding of the Imjin River and dispatching an economic mission.

b. The Second Plenary Meeting: September 30

In the opening remarks made during the second plenary meeting held in the morning of September 30, the South Korean side acknowledged that it was able to confirm the two Koreas' firm commitment to implementing the June 15 South-North Joint Declaration and began to have confidence that the two Koreas could resolve every problem arising between them through dialogue. The South then underlined once again the need for immediate resolution of some of the issues it had proposed during the first ministerial talks, including address checks and exchange of letters from separated families and the assurance of transparency in the distribution of food aid.

In its opening remark, the North Korean side suggested speeding up the family reunion as the two Koreas accumulated experience through the experimental exchanges. It also argued that the question of transparency in food distribution should be approached based on mutual trust between South and North Korea.

Prior to the second plenary meeting, the two sides had an exclusive contact between the two head delegates and adjusted their positions on various issues.

c. Release of the Joint Press Statement: September 30

After the second plenary meeting, the two sides had two more contacts between the head delegates as well as a working-level meeting to review the joint press statement. With the release of the statement in the morning of September 30, the two sides officially concluded the second inter-Korean ministerial meeting.

< Summary of Joint Press Statement of the Third Inter-Korean Ministerial Talks >

The South and the North shall implement all the agreements already made in various forms of talks without a failure and continue to discuss and promote those projects that can be put into practice in the future.

The South and the North shall cooperate with each other to encourage the Red Cross societies of both sides to immediately take 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.

The South and the North shall also cooperate with each other to settle the issues involved in dispute resolution and clearing settlement along with investment protection and prevention of double taxation.

The South and the North shall establish an Inter-Korean Economic Cooperation Promotion Committee to discuss and implement various issues to expand exchange and cooperation in the economic area.

The two sides shall discuss and decide on exchanges in various areas, including Seoul-Pyongyang goodwill soccer matches on a regular basis and exchange visits by professors, college students and cultural leaders on an experimental basis.

The South and the North shall hold the fourth round of the inter-Korean ministerial talks from November 28-December 1, 2000. The venue for the talks shall be decided later.

5. The Fourth Inter-Korean Ministerial Talks

A. Overview

In a telephone message sent on November 24 in the name of Unification Minister Park Jae-kyu, head of the delegation, South Korea proposed holding the fourth ministerial talks in Pyongyang from November 28-December 1 as agreed by both sides. The South also suggested that its delegation would travel back and forth using the direct air route between the two Koreas.

The following is the telephone message sent by the South Korean side.

Dear Mr. Jon Kum-jin
Head of North Korean Delegation
to the Inter-Korean Ministerial Talks

Using the inter-Korean ministerial talks as the central forum, the South and North have confirmed their strong commitment to implement the historic South-North Joint Declaration and made a great deal of progress in inter-Korean relations up to this point. The two Koreas should also try their best to understand each other and enhance inter-Korean relations based on mutual trust and cooperation hereafter.

From such a point of view, we hope that the South and North will accelerate the progress in inter-Korean relations, holding the fourth inter-Korean ministerial talks from November 28-December 1 as both sides have agreed. Considering convenience, we propose that the venue for the meeting be Pyongyang.

In addition, our delegation would like to travel by a South Korean plane through the direct air route between the South and North, which has been used by both sides up to this point.

I am looking forward to hearing from you a positive reply.

November 24, 2000

Park Jae-kyu
Head of South Korean Delegation
to the Inter-Korean Ministerial Talks

North Korea consented to the South Korean proposal, but suggested that the dates for the meeting be postponed to December 12-15, following the reunion of separated families.

The following is the telephone message sent by the North Korean side.

Dear Mr. Park Jae-kyu
Head of South Korean Delegation
to the North-South Ministerial Talks

I am hereby letting you know in the following our positions on what you have stated in your telephone message of November 24 regarding the fourth inter-Korean ministerial talks

We consent to your proposal for the fourth North-South ministerial talks. However, because the dates you proposed for the talks coincide with those for meetings between separated families and relatives in Pyongyang and Seoul, we think that it would better to change to a period of four days and three nights from December 12-15, following the completion of the reunion.

Considering your convenience, we do not have any objection to Pyongyang as the venue for the talks. Your delegation may also travel by a South Korean plane directly from Seoul to Pyongyang.

We hope that the issues our side has raised during the last round of the talks will be settled smoothly during the fourth ministerial talks.

November 25, Juche 89 (2000)

Jon Kum-jin
Head of North Korean Delegation
to the North-South Ministerial Talks

Subsequently, the South Korean side accepted North Korea's counterproposal and agreed to discuss procedural issues related to the fourth ministerial talks through the contacts between the South and North Korean liaison officers.

The following is the telephone message sent to the North by South Korea on November 27.

Dear Mr. Jon Kum-jin
Head of North Korean Delegation
to the Inter-Korean Ministerial Talks

I have received your telephone message of November 25.

We consent to your counterproposal to have the fourth inter-Korean ministerial talks in Pyongyang from December 12-15. I hope that the South and North may produce good results during the fourth ministerial talks as well by understanding each other and discussing sincerely the matters related to the implementation of the June 15 South-North Joint Declaration, based on mutual trust and cooperation.

November 27, 2000

Park Jae-kyu
Head of South Korean Delegation
to the Inter-Korean Ministerial Talks

The fourth inter-Korean ministerial talks were held in Pyongyang from December 12-26, extending the program by one more day than it was originally scheduled for. The

delegates from South and North Korea held four plenary meetings as well as five contacts between the two head delegates and frequent meetings between other delegates. The two sides announced the results of the meeting in an eight-point joint press statement.

B. Progress

a. The First Plenary Meeting: December 13

The first plenary meeting was held in a conference room located on the second floor of the Koryo Hotel in the morning of December 13, 2000 and proceeded in the order of keynote speeches and discussion.

In his keynote Speech, Cabinet Counselor Jon Kum-jin, the North Korean head delegate, acknowledged that after the summit between the two Koreas inter-Korean relations had been going through a process of transformation from mutual hostility to mutual reconciliation and cooperation. Then, for the points to be taken as lessons in implementing the Joint Declaration, Jon listed the unfavorable comments made by a South Korean man, the Eagle 2000 US-ROK joint military exercise and the concept of the main enemy stated in the Defense White Paper 2000 published by South Korea. He demanded the South make assurances that such provocations would not be repeated.

Unification Minister Park Jae-kyu, head of the South Korean delegation, acknowledged in his keynote speech that there had been a great deal of progress in inter-Korean relations after the announcement of the June 15 South-North Joint Declaration. The important events that took place during this period of time included defense ministers' talks, working-level contacts on economic cooperation, establishment of the Inter-Korean Economic Cooperation Promotion Committee, promotion of reconnection of the Seoul-Shinuiju railway and road, promotion of joint prevention of flooding along the Imjin River basin, provision of institutional mechanisms for economic cooperation, exchange visits by separated families, repatriation of unconverted long-term prisoners, provision of massive food aid, exchange of tourists and a joint procession in the opening ceremony of the Sydney Olympic Games. The South also expressed its concerns to the North on the violation of the principle of non-interference in domestic affairs, such as slanders directed toward certain South Korean persons and on the nonperformance of a guarantee of personal safety for journalists who visit North Korea to cover the talks and demanded that the North prevent the recurrence of such infringements.

In addition, as plans to develop inter-Korean relations in 2001, the South proposed the following: easing of tension and promotion of peace on the Korean Peninsula in

earnest; active promotion of mutually beneficial economic cooperation, including reconnection of the Seoul-Shinuiju railway and road, construction of the Kaesong industrial complex and prevention of flooding on the Imjin River; expansion of exchanges and cooperation in the cultural, academic, athletic, and science and technology areas; and an epochal progress in resolving family reunion and other humanitarian issues.

As the issues to be discussed in detail and resolved during the fourth round of ministerial talks, the South proposed rescheduling of the time table for implementing the projects already agreed to between the two Koreas, and further details for the points agreed to during the third ministerial talks. The South also proposed signing the four economic agreements officially, including the one on investment protection, and discussing the procedures to effectuate these agreements.

Prior to this, on December 12, during the contact between the two head delegates made immediately after the South Korean delegation arrived at the hotel, both sides conveyed the basic positions they would take at the beginning of the fourth meeting. The two sides agreed to make the meeting move forward more efficiently through plenary meetings as well as contacts between head delegates and working-level officials. They also agreed to sign the four economic agreements formally on December 15.

The following are the summaries of the keynote speeches made by South and North Korea during the first plenary meeting.

< Summary of the Keynote Speech by North Korea >

With various levels of contacts between the North and South, including ministerial talks and Red Cross talks, an era of no dialogue has shifted to an era of dialogue.

The enmity lingered on people's minds for a long time is changing to brotherly love and inter-Korean relations are undergoing a transformation from mutual hostility to reconciliation and cooperation.

However, the process of implementing the historic Joint Declaration has never been smooth. There are many lessons we may learn in the course of implementing the Joint Declaration.

First, even those who hold important responsibilities to implement the South-North Joint Declaration in front of the entire Korean people have indulged in making statements or taking actions to obstruct the implementation of the Joint Declaration or destroy the favorable atmosphere for the implementation of it.

Second, I take it seriously that your side has been escalating military tension by continuing a policy of military confrontation, thereby infringing upon the underlying spirit in the North-South Joint Declaration.

You should promise that you would not repeat obstructing or creating obstacles in the implementation of the Joint Declaration in the future with improper behavior of the responsible people in your authorities or your policy to promote military confrontation.

< Summary of the Keynote Speech by South Korea >

Until today the participants in the inter-Korean ministerial talks have confirmed each other's firm commitment to implementation of the June 15 Joint Declaration and sincerely exerted themselves to implement the Declaration following the instructions of the two heads of state.

The South and North agreed to cooperate with each other for peace and national unification in the direction to promote mutual benefits while tackling easy problems first and attaching greater importance to practice that produces substantial results.

Based on such an agreement, the two Koreas have achieved many successes: accomplishment of defense ministers' talks, progress in working-level meetings on economic cooperation, agreement on such joint projects as the creation of the Inter-Korean Economic Cooperation Promotion Committee, reactivation of the South-North liaison office, reconnection of the Seoul-Shinuiju railway and road and flood prevention along the Imjin River basin, establishment of institutional mechanism to facilitate economic cooperation, exchange visits by separated families, repatriation of unconverted long-term prisoners, provision of massive food aid, visits to the North by South Korean journalists and leaders of social organizations, promotion of dispatching an economic mission and exchange visits by tourists, joint efforts to adopt a resolution to support the June 15 Joint Declaration in the United Nations General Assembly and joint procession in the opening ceremony of the Sydney Olympic Games.

Nonetheless, communication between the two sides was sometimes not so smooth or shameful incidents took place in the middle of several joint events. Inconvenience was experienced during traveling between South and North Korea. There have been some incidents that were hard to

understand. The principle of non-interference in each other's internal affairs was violated with slandering against certain individuals and the promise to guarantee personal safety for visiting journalists was not kept. It is regrettable that such things happened. We should try hard to make sure they do not recur in the future.

In accordance with the spirit of the June 15 Joint Declaration, we propose the following plans for the next year to realize in earnest the desire of the two heads of state to achieve peace, reconciliation and cooperation between the two Koreas: active promotion of easing tension and establishing peace on the Korean Peninsula, expansion of inter-Korean economic cooperation and exchanges in various areas including cultural, academic, athletic and science and technology, making an epochal progress in resolving humanitarian issues including exchange of letters between separated families, promotion of a return visit to Seoul by National Defense Commission Chairman Kim Jong-il and the successful second inter-Korean summit.

We also propose as the projects to be discussed in detail during the fourth ministerial talks the readjustment of the schedules for those that have been agreed between the two Koreas but whose implementation has been delayed as well as the confirmation of the schedules for those that have been discussed during the third ministerial talks, including Seoul-Pyongyang goodwill soccer matches.

In addition, we also need to formally sign the four economic agreements we have already initialed during the working-level meeting on economic cooperation last November and discuss the procedures for effectuation of the agreements during this round of the ministerial talks.

b. The Second Plenary Meeting: December 14

In the opening remark made during the second plenary meeting held in the morning of December 14, the South Korean side pointed out that it is meaningless to get into an altercation over the concept of the main enemy or joint military exercise considering the reality where the South and North Korean armed forces are still confronting each other. The South said it was convinced that if the two Koreas faithfully implement the June 15 Joint Declaration, the state of military confrontation would disappear. It also stressed that the two Koreas should acknowledge the reality of national division while easing tension and establishing peace through the talks between their military authorities.

During the course of debate, the North maintained a tough stance, saying that without the South's withdrawal of the concept of main enemy, there would be no dialogues and no reunion of separated families.

c. The Third Plenary Meeting: December 14

During the third plenary meeting resumed in the afternoon of December 14, the two sides concluded the debate over the issue involving the main enemy. In its keynote speech, the North Korean delegation proposed as the pending issues to be discussed during the fourth

ministerial talks cooperation in power supply and the fishery industry as well as integration of the Taekwondo organizations.

In response, the South Korean side proposed to first create an Inter-Korean Economic Cooperation Promotion Committee to discuss the provision of electricity and other issues.

The following is the summary of the keynote speech made by the North Korean delegation during the third plenary meeting.

< Summary of the Keynote Speech by the North Korea >

During the meetings held today and yesterday, we have discussed in depth the accomplishments we had made during the course of implementing the historic North-South Joint Declaration along with the things that would be good lessons for us in the future.

We propose the following several issues as ones to be discussed immediately during the fourth ministerial talks. The first issues to be discussed are the ones related to the provision of electricity by the South. The South will provide the North 2 million kw of electricity by means of transmission. Of that, 500,000 kw will be supplied immediately using the existing substation facilities such as Namchon Power Plant. The next are those related to cooperation in the fishery industry using a part of North Korea's fishing ground in the East Sea. The last are ones related to holding meetings between South and North Korean Taekwondo organizations as soon as possible to reach an agreement on procedural issues and integrate the national martial art of Taekwondo into one.

d. The Fourth Plenary Meeting: December 16

Subsequently, the two Koreas held the fourth plenary meeting on December 16 and released the joint press statement agreed between them through the contacts between head delegates and working-level officials. With the signing and exchange of the four economic agreements, the official schedule for the meeting was completed.

In its closing remark, the South Korean side evaluated the progress and achievements made since the inter-Korean summit and confirmed its strong commitment to implementing the June 15 Joint Declaration. It also suggested that the two Koreas understand and trust each other and resolve the pending issues with sincere and rational attitude even in the future.

In a reply made in its closing remark, the North Korean side proposed to promote the Joint Declaration more vigorously in the future based on the accomplishments made during this round of ministerial talks.

< Summary of Joint Press Statement of the Fourth Inter-Korean Ministerial Talks >

The South and the North shall establish and operate an Inter-Korean Economic Cooperation Promotion Committee. The committee shall consist of 5-7 members from each side, including a vice-ministerial level head of delegation. The first meeting of the committee shall be held in Pyongyang around December 26, 2000. The two sides shall discuss and resolve the supply of electricity, connection of railways and highway, construction of the Kaesong industrial complex and promotion of the Imjin River flood prevention projects.

Since the North had offered a part of its fishing ground on the East Sea to the South, the South and the North agreed to cooperate in the fishing industry. The two sides agreed that the people representing their fishery authorities should meet in the Mt. Kungang area as soon as possible to discuss the matter.

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.

The South and the North shall promote address checks and exchange of letters between the members of separated families on an experimental basis. The address check shall be done for one hundred people from each side both in January and in February. The exchange of letters shall be done for three hundred people from each side in March.

The South and the North shall exchange the third group of one hundred separated families at the end of February 2001.

The North shall send its Mt. Halla tourist delegation in March and economic mission during the first half of 2001.

The South and the North shall go through the necessary procedure for the effectuation of each of the four agreements on investment protection, prevention of double taxation, etc., and notify each other of the results.

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.

In the meantime, South Korea sent a telephone message to the North in the name of Unification Minister Park Jae-kyu, head of its delegation, on February 27, 2001. In his message, Minister Park proposed to hold the fifth round of ministerial talks in Seoul for four days and three nights starting from March 13. In a telephone message by his counterpart Cabinet Counselor Jon Kum-jin, North Korea gave notice of its acceptance of the South Korean proposal.

Subsequently, the two sides completed the contacts between liaison officers to discuss procedural issues related to the fifth ministerial talks.

However, in the morning of March 13, the scheduled date for the talks, Jon Kum-jin, the head of North Korean of delegation, sent the South a telephone message saying, "Considering various factors, the North Korean delegation could not attend the talks".

Faced with sudden twists, Unification Minister Park sent a telephone message to his North Korean counterpart and expressed his regrets on the unilateral nonappearance of the North in the talks that had already been agreed to between the two Koreas. He urged the North that the two Koreas should reschedule the fifth ministerial talks and hold them as soon as possible.



Chapter III.

Defense Talks

Chapter III. Defense Talks

1. The First Inter-Korean Defense Ministers' Talks

A. Overview

Believing that inter-Korean reconciliation and cooperation should also be expanded in the military area to keep pace with the developments in other areas, the South Korean government continued to raise the need for a dialogue between the military authorities of the two Koreas. As a result, during the second ministerial talks held in Pyongyang from August 29-September 1, 2000, the two sides reached an agreement that they would work toward tension reduction and peace establishment on the peninsula and have a discussion on holding talks between their military authorities as soon as possible. The two sides announced the agreement in the form of a joint press statement.

Later, during the talks with North Korean special envoy Kim Yong-sun, who visited Seoul on September 11 to deliver Chairman Kim Jong-il's gifts of pine mushrooms on the Chuseok or Korean Thanksgiving Day, South Korea agreed to release a joint statement, which included a statement, "We welcome that the holding of inter-Korean defense ministers' talks is currently under discussion". Prior to that, the South proposed to North Korean Minister of

the People's Armed Forces Kim Il-chol talks between South and North Korean defense ministers through Gen. Pak Jae-gyong of the People's Armed Forces of DPRK, who was accompanying the special envoy Kim Yong-sun. In its reply on September 13, the North sent a letter to the Defense Minister of South Korea, Cho Seong-tae, agreeing to hold the defense ministers' talks. As to the agenda of the talks, the North proposed to discuss military issues related to the reconnection of the railway between Shinuiju and Seoul as well as a highway between Kaesong and Munsan. In addition, the North proposed Hong Kong, Beijing or another place in a third country as the venue for the talks.

In a telephone message sent in the name of its defense minister next day, the South suggested that the talks would take place in Hong Kong from September 25-26 and the agenda would be the provision of assistance in the military field necessary for the smooth promotion of reconnecting the railway and highway as well as issues of common concern in building military confidence and easing tension.

In a telephone message sent on September 17, the North counterproposed that the venue for the meeting be changed to Jeju Island in consideration of assuring confidentiality and insisted that the agenda would be limited to the discussion of military matters related to the reconnection of the railway between Shinuiju and Seoul and a highway between Kaesong and Munsan.

The South gave notice of its consent on the venue and agenda in a telephone reply on Sep. 18 while expressing its wish to discuss a broad range of issues related to the efforts to reduce tension and assure peace between the two Koreas as well. Finally, the two sides came to an agreement on holding the first defense ministers' talks in Jeju Island.

On September 20, the North requested to visit South Korea via Panmunjom on September 24, 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 moved to Seoul Airport by car and then flew to Jeju Island in a ROK air force plane.

B. Progress

There were two rounds of plenary meetings during the first inter-Korean defense ministers' talks. The South Korean delegation of five was headed by Defense Minister Cho Seong-tae and the North Korean delegation of five was headed by the Minister of the People's Armed Forces Kim Il-chol.

< List of South and North Korean Delegates to the First Defense Ministers' Talks >

	South Korea	North Korea
Head Delegate	Cho Seong-tae (Minister of Defense)	Kim Il-Chol (Minister of the People's Armed Forces)
Deputy Head Delegate	Lieut. Gen. Kim Hee-sang (Special Advisor to the Defense Minister)	Lieut. Gen. Pak Sung-won (Deputy Chief of Staff, General Staff Office)
O t h e r Delegates	Brig. Gen. Kim Guk-hun (Arms Control Officer, Ministry of Defense) Song Min-soon (Director General, Ministry of Foreign Affairs and Trade) Col. Lee In-young (Director, Joint Chiefs of Staff)	Brig. Gen. Kim Hyon-jun (Assistant to Minister) Col. Ro Sung-il (Deputy Director, Ministry of the People's Armed Forces) Col. Ryu yong-chol (Director, DPRK Representative to Panmunjom)

During the first meeting held at 10:00 a.m. September 25, the South Korean side proposed to exert a joint effort to reduce military tension and guarantee peace for implementation of the June 15 Joint Declaration, to hold defense ministers' talks on a regular basis, and to set up a joint military committee as well as a working-level military committee. 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 a military hotline. In addition, the South called for discussions on military cooperation for the pending issue of inter-Korean railway and highway construction.

The North side proposed discussing prohibition of any military actions that may hinder the implementation of the June 15 Joint Declaration, military problems that may arise in guaranteeing civilian visits and exchanges, and opening of the Military Demarcation Line and the Demilitarized Zone to establish a sector to be administered jointly by South and North Korea. The North also proposed to discuss at a working-level meeting 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.

After the first plenary meeting, the two sides held several working-level meetings to adjust their positions.

During the second plenary meeting held at 10:00 a.m. next morning, the two sides agreed to announce the final points of agreement in the form of a joint press statement simultaneously in Seoul and Pyongyang at noon.

The following is the full text of the joint press statement.

< Joint Press Statement for the 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 >

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 Jeju 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

Jeju Island

In the meantime, in the afternoon of September 25, the North Korean delegation visited cultural and historic sites in Jeju Island and flew back to Seoul on September 26 on a South Korean air force plane. The delegation then made a courtesy call on President Kim Dae-jung at Cheong Wa Dae before returning to the North through Panmunjom.

2. The Working-level Military Talks

A. Overview

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 Peace House in the truce village of Panmunjom.

Minister Kim Il-chol, in a reply sent to Minister Cho Seong-tae on October 11, stated that the two sides must first go through legal procedures required by the United Nations Command (UNC) to open the DMZ before having working-level military contacts. Subsequently, on October 16, Lt. Gen. Li Chan-bok, North Korea's head delegate to Panmunjom sent a telephone message to Michael Dunn, deputy chief of staff at the UNC, proposing a colonel-level meeting, which was the already existing channel of dialogue between the two sides, to discuss opening a section of the DMZ where the inter-Korean railway and highway would pass and designating it as the South and North Korean administrative zones as is required by the armistice treaty.

During a colonel-level contact between North Korea and the UNC made in the Military Armistice Commission (MAC) conference room at 10:00 a.m. October 18, the North

handed over to the UNC a document with a title The Agreement between the DPRK People's Army and the UNC on Opening a Section of the DMZ.

During a period of one month thereafter North Korea and the UNC had four additional contacts between the colonel-level officers to discuss the opening of the DMZ and designation of the South and North Korean administrative zones. Finally, on November 15, the two sides reached an agreement on opening a section of the Military Demarcation Line and the DMZ where the Seoul-Shinuiju railway and the Munsan-Kaesong highway would pass through and designating the section as the South and North Korean administrative zones. They also agreed that the military problems arising in the zone would be handled through discussion between the South and North Korean forces. The agreement was ratified and officially effectuated at the UNC-DPRK People's Army (KPA) general officer-level talks held on November 18 at Tongilgak (Unification Pavilion) located in the North Korean section.

Following that, North Korea proposed to hold the first working-level military talks at Tongilgak on November 18. As the South accepted the proposal, the two sides were able to hold the first round of talks.

B. Progress

The South Korean delegation of five headed by Brig. Gen. Kim Kyoung-duck, deputy director-general of the Defense Ministry's Arms Control Bureau, and the North Korean delegation of five headed by Yu Young-chol, an acting deputy director-general of KPA, attended the first round of working-level military talks.

After five rounds of talks, the two Koreas finally reached an agreement on the designation of the South and North Korean administrative zones and the military guaranty of construction of the railway and highway connecting the South and North.

In the first round of talks held on November 18, 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 held on December 5 North Korea tabled their version of the draft agreement which reflected the contents of the South's draft.

In the third and fourth round of talks held on December 21, 2000 and January 13, 2001, respectively, the South and North reached consensus on almost every point except six including the width of the respective administrative areas and scope of the removal of land mines. Finally, all these differences were resolved in the fifth round of talks held on February 8.

The Agreement on the Establishment of the South and North Korean Administrative Zones and Guaranty of Military Support for Inter-Korean Railway and Highway Construction, which consisted of the preamble and six sections altogether, provided each side's removal of land mines and other explosives from its own side, timelines for removal of land mines and connection of the railway and highway, ways to identify each other, communication, and effectuation, revision and abrogation of the agreement.

The North proposed to exchange the agreement signed by the defense ministers of both sides through two rounds of contacts between the head delegates on February 12 and 14. The South sent a telephone message on February 10 consenting to the proposed procedures for signing and effectuation of the agreement.

However, on February 11, just a day before the proposed date for exchanging the signed agreement, the North unilaterally gave notice that it could not exchange the agreement due to administrative reasons and said that it would give notice of the changed schedule later. Consequently, the agreement is not yet in effect as of April 2001.



Chapter IV.

Economic Talks

Chapter IV. Economic Talks

1. Background

In the June 15 South-North Joint Declaration, the South and North have agreed to promote balanced development of the national economy through economic cooperation.

In promoting Inter-Korean economic cooperation, the two Koreas have given top priority to the establishment of such institutional mechanisms as investment protection. During the second inter-Korean ministerial talks held from August 29-September 1, the two Koreas finally agreed to provide investment protection, prevention of double taxation and other forms of institutional mechanism to facilitate inter-Korean economic cooperation. They also agreed to hold a working-level meeting to discuss the issue sometime during September.

Shortly after that, North Korean special envoy Kim Yong-sun visited the South from September 11-14. During his visit, the two Koreas came to an agreement on holding a working-level meeting in Seoul on September 25 to discuss the establishment of such institutional mechanisms as investment protection and prevention of double taxation and resolving the related issues as soon as possible.

Consequently, two rounds of working-level meetings took place in September and November. And, during the second

meeting, four agreements, including the one on investment protection, were initialed by the two sides.

2. The Working-level Meetings on Inter-Korean Economic Cooperation

A. The First Working-level Meeting on Inter-Korean Economic Cooperation

a. Overview

On September 20, South Korea notified the North of the list of its delegates to the first working-level meeting on inter-Korean economic cooperation scheduled to be held in Seoul on September 25.

The following day, North Korea sent the South a telephone message saying that it would soon give notice of the list of its delegation composed of three members. Subsequently, on September 22, South Korea presented the names of its three delegates to the North.

The first working-level meeting took place from September 25-26 in Seoul. The North Korean delegation stayed at the Olympia Hotel while the meeting was held in the main conference room at the Office of South-North Dialogue.

< List of South and North Korean Delegates to the First Working-level Meeting on Inter-Korean Economic Cooperation >

	South Korea	North Korea
Head Delegate	Lee Kun-kyung (Deputy Minister of Finance and Economy)	Jong Un-op (Senior Director General, Ministry of Trade)
Other Delegates	Cho Myong-kyun (Director General, Ministry of Unification) Kim Sang-yol (Director General, Ministry of Industry and Energy)	Li Yong-nam (Deputy Director General, Ministry of Finance) So Jong-chan (Director, Ministry of Trade)

b. Progress

① The First Plenary Meeting: September 25

During the first meeting, South Korean head delegate Lee Kun-kyung called for the adoption of four necessary institutional mechanisms including investment protection, dispute settlement, prevention of double taxation and a clearing settlement system and emphasized that, since all of them are not only necessary but also closely related to each other, they should be agreed upon together and implemented accordingly to assure their effectiveness.

In his keynote speech, North Korean head delegate Jong Un-op argued that during this round of talks the two Koreas should discuss the agreements on protection of investment and prevention of double taxation based on the

agreement made in the second ministerial talks to establish institutional mechanisms to facilitate economic cooperation between the South and North. Jong also proposed several principles both sides should stick to: to have a system and contents suitable to the particular characteristics of inter-Korean relations while taking into consideration international custom, to contribute to the development of the Korean national economy as well as prosperity of the Korean national community based on the spirit of the June 15 Joint Declaration and to be consummated with the lofty spirit of fraternal love.

As to the procedures for the meeting, the South explained the interdependence among the four economic agreements and the necessity of discussing simultaneously all four agreements, including those on procedures for dispute resolution and clearing settlement. It also proposed to hold individual contacts and discussions by the supporting staff in addition to the meetings by the delegates to enhance the expertise and efficiency of the discussions.

The North, on the other hand, argued that since the two sides had mentioned matters concerning protection of investment and prevention of double taxation in the last round of ministerial talks, they ought to limit the discussion to these two matters and suggested plenary meetings instead of individual working-level meetings for the review of the matters. They also maintained that the joint press statement

should be limited to both sides reaching an agreement on basic principles and a necessity to deal with those matters.

Through two rounds of meetings held in the morning and afternoon, the two sides discussed the matters related to investment protection and prevention of double taxation, presenting each side's positions and comparing differences and similarities of the draft agreements they had prepared. While the South's draft agreement reflected the circumstances unique to intra-Korean transactions and international custom, the North's draft lacked these aspects; and the two sides differed significantly on some central elements, including transfers, compensation for losses and the methods to assure the prevention of double taxation. Consequently, the two sides decided to make adjustments in their positions by exchanging detailed drafts of the agreements via the liaison office in Panmunjom and to resolve, in the second round of talks in Pyongyang, the difference starting with the ones possible.

The following are the summaries of the keynote speeches made by the South and North Korean sides during the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

The following are the points and contents of our draft agreements on investment protection, procedures for resolution of commercial disputes, prevention of double taxation and clearing settlement.

First, the objective of the agreement on investment protection is to protect mutual investment and create a favorable environment for investment. This is an institutional mechanism that needs to be provided before anything else to expand economic cooperation in the private area. The agreement is designed to encourage investment by providing protection for investors from the danger caused by the factors not directly related to their investment such as an outbreak of emergency, expropriation of an enterprise to meet the public need or restriction on remittance of earnings.

Second, the agreement on the procedures for resolving commercial disputes is absolutely necessary because of the reality that South and North Korea operate different economic systems.

When economic exchange and cooperation between the two Koreas expand in the future, commercial disputes are also likely to increase. Therefore, it is urgent to provide procedures to resolve the disputes quickly and fairly.

Third, the agreement on the prevention of double taxation is designed to reduce disadvantages to the companies investing in the other side.

Introduction of the system will reduce the total tax burden on the investors and thus cause an increase in their investment earnings. With an increase in corporate income, any side that attracts more investment will enjoy increased tax revenue.

Fourth, the agreement on clearing settlement will facilitate exchange of goods between South and North Korea by providing direct and stable ways to settle the payment between the two Koreas. The new payment settlement system will greatly reduce time and cost needed for clearing accounts. As the recovery of payment for goods becomes secured in a stable way, the risk in inter-Korean transactions will be reduced

considerably.

< Summary of the Keynote Speech by North Korea >

We would like to clearly state our position concerning the principles the two sides must abide by in signing the agreements on investment protection and prevention of double taxation.

First, unlike the agreements signed between any two states in general, an agreement between the North and South must be treated as an internal agreement reflecting peculiar conditions of the divided Korean nation. The agreements should be the ones that contribute to the development of inter-Korean economic cooperation with the Korean people's united efforts, neither with interference by nor with reliance on foreign forces.

Second, the agreement must be firmly based on the spirit of the June 15 South-North Joint Declaration and contribute to joint development of the national economy and co-prosperity of the Korean people. The June 15 Joint Declaration is a solemn proclamation of unification made before both a domestic and an international audience at the beginning of the new millenium with the aim of promoting national solidarity, mutual cooperation and national unification.

Third, to make the agreement contribute to expansion and development of inter-Korean economic cooperation, we should discuss and complete the agreement with lofty compatriot spirits. Economic cooperation between the North and South must be based on the principles of mutual assistance, rather than that of reciprocity applied generally between other pairs of states.

② The Second Plenary Meeting: September 26

Following the plenary meeting on September 25, the two Koreas held a meeting between the head delegates in the afternoon, discussing the wording of a joint press statement. The joint press statement was finally confirmed in the plenary meeting held the following morning and released at the end of the meeting.

< Joint Press Statement of the First Working-level Meeting on Inter-Korean Economic Cooperation >

To expand and advance economic cooperation and to promote a 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, both sides agreed through this meeting to settle the issues related to an institutional mechanism for investment protection and prevention of double taxation as soon as possible.

The two sides had a sober discussion over the written agreement on investment protection and prevention of double taxation and agreed to iron out the differences in drafts during the second round of the meetings.

Both sides agreed that they need written agreements on the procedure for settling commercial disputes and the clearing settlement and that they would discuss this through the working-level contacts as agreed in the

inter-Korean ministerial talks.

The two sides agreed to hold the second round of talks in Pyongyang on October 18.

B. The Second Working-level Meeting on Inter-Korean Economic Cooperation

a. Overview

Since it was agreed in the first working-level meeting to have the second meeting in Pyongyang on October 18, the South Korean government sent a telephone message to the North on October 13 to discuss procedural matters for the meeting including travel between two Koreas. However, there was no reply from the North.

The South then handed over to the North a list of its delegation to the working-level meeting through a contact between liaison officers at Panmunjom on October 17. Without giving any explanation in detail, the North notified that it would be difficult for it to make the working-level contact on October 18.

Instead, the North proposed on October 27 that the second round of the meeting be held in Pyongyang for four days and three nights starting from November 8, and the South side agreed to the new date in a telephone reply. As a result, the second round of the working-level talks was

held at the Koryo Hotel in Pyongyang from November 8-11. To have extensive discussion on the proposed issues in each agreement, South Korea added to its delegation Ahn Chang-ho, a director at the Ministry of Justice, while the North added to its roster Choe Jong-sik, a director at the Finance Ministry.

b. Progress

① The First Plenary Meeting: November 9

In the keynote speech by its head delegate Lee Kun-kyung, the South proposed to discuss the four agreements related to economic cooperation using the drafts prepared by the South and to prepare concrete measures to assure transparency in food distribution.

In response, North Korean head delegate Jong Un-op proposed deleting the part referring to the Basic Agreement of 1992 from the preamble, refused to grant national treatment and suggested imposition of taxes on the transportation income at the source. He also suggested using the existing judgement and execution system of each side and creating non-interest accounts for clearing payments.

During the course of discussion, the South suggested that the two sides must state it clearly in the preamble of each agreement that economic exchanges between South and

North Korea are internal transactions. The South also elucidated its positions on major issues in the four agreements, including granting national treatment, the number and qualification of arbitrators and designation of a clearing settlement bank.

The North gave serious attention to the South's explanations and proposed discussing these disputed issues through the working-level contacts in each area.

The following are the summaries of the keynote speeches made by both sides during the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

To reach an agreement smoothly during the second round of working-level meetings, we believe that the meeting must proceed efficiently. For this reason, we are proposing the following: Since we have fully taken into account both side's positions while making our drafts, the two sides should discuss the issues based on our drafts. We hope that the two sides reach an agreement on joint drafts and initial those drafts during this round of meeting.

With the inter-Korean summit, the South and North are opening a new chapter of peace, reconciliation and cooperation between the two Koreas. Inter-Korean cooperation in the economic areas is also progressing rapidly, including reconnection of the railway between Seoul and Shinuiju and a highway between Munsan and Kaesong, flood prevention along the Imjin River and creation of an industrial complex in Kaesong. We expect to see many concrete results in the future.

To keep up such a mood, we hope that the two Koreas produce many good results during this round of meeting as well because we play a very important role in devising institutional mechanisms, which will provide a foundation for inter-Korean economic cooperation.

< Summary of the Keynote Speech by North Korea >

First of all, we would like to make our position clear on the discussion over the contents of the agreements on investment protection and prevention of double taxation.

On the issues related to the Preamble of the Agreements:

We think that stating clearly in the preamble that we are adopting the agreement in accordance with the June 15 North-South Joint Declaration would reflect the reality of today most correctly and would be very rational.

On the issues related to the Agreement on Investment Prevention:

We think that it is most rational to provide that the North and South shall accord each other's investors in their areas treatment equal to or better than what they accord investors from other nations.

On the issues related to the Agreement on Prevention of Double Taxation:

Our draft provides in principle that double taxation on income shall be prevented by means of exemption. The idea is rooted in a basic demand for providing more favorable conditions to the investors to further facilitate economic cooperation between the North and South.

On the issues related to the Agreements on Procedures for Resolution

of Commercial Disputes and Clearing Settlement:

We think that these two agreements should also be made to contribute to achieving joint development of the Korean national economy and co-prosperity of the Korean people based on the premise that the relationship between the North and South is an internal relationship between the Korean people as well as to expanding economic cooperation between them with the lofty spirit of compatriot love.

② Meetings between Head Delegates and Working-level Meetings: November 8-10

The two sides had separate working-level meetings for each of the four agreements and reviewed the provision one by one. The differences over the points at issue were resolved through the meetings between head delegates.

i) Meeting between Head Delegates on Day One:
November 8

The two sides agreed to resolve the differences over major issues in the plenary meetings to be held the following day and to discuss practical matters by dividing them into two groups: investment protection and dispute resolution on one hand and prevention of double taxation and clearing settlement on the other.

In the meantime, in regard to the transparency of food distribution, the South Korean head delegate Lee

Kun-kyung demanded a briefing on the process of distribution as well as on-the-spot inspection of one or two sites close to Pyongyang and an opportunity to take pictures of the sites. The North Koreans replied that they had not expected that what the South demanded would be on the agenda for this round of meeting. They then answered that they would explain the distribution process later and promised that they would consult with the relevant authorities about the on-the-spot inspection and give notice of the result on November 9.

In addition, the North proposed revised drafts for agreement on investment protection and prevention of double taxation, which reflected a considerable part of the South Korean drafts.

ii) Meeting between Head Delegates on Day Two:
November 9

After a plenary meeting in the morning, the South and North had two sets of working-level meetings to discuss each agreement article by article, one for investment protection and dispute resolution and the other for prevention of double taxation and clearing settlement. The two sides hammered out the differences and reached an agreement on most items, except some items such as the treatment of investors.

During the meeting between head delegates, the South Korean delegate demanded a briefing on the process of food distribution as well as its results, citing the provision in the food loan agreement that calls for assurance of transparency and the critical public opinion in the South. Once again, he demanded on-the-spot inspection and taking pictures of the sites.

iii) Meeting between Head Delegates on Day Three:
November 10

The two head delegates negotiated to come to terms on the four economic agreements by focusing on the disputed issues the South and North failed to hammer out in the working-level meetings.

However, in regard to the agreement on investment protection, the two sides still failed to come to an agreement because the North remained adamant on its position that it could not agree to the South's demand for national treatment.

In regard to the agreement on prevention of double taxation, the two sides finally reached an agreement on the means of preventing double taxation provided in Article 22, which had been the last point at issue, as the South accepted the North Korean proposal for the principle of

exemption with no time limit.

The two sides came to terms on the agreement on clearing settlement simply by adjusting some expressions without having serious debate over any issue. They agreed on the dispute resolution agreement as the North accepted the South's proposal for inserting a paragraph providing for selection of the arbitrators.

In reply to the South's demand for on-the-spot inspection, the North suggested that it would provide a set of data that shows the present conditions of food distribution as well as photos of the distribution sites it had taken. The South, however, insisted that its delegation must see the sites with their own eyes and South Korean journalists must be allowed to cover the sites. Eventually, the North accepted the South Korean demand and four South Korean delegates, including a photographer, were able to visit a distribution site in the vicinity of Pyongyang and watch the distribution process.

③ The Second Plenary Meeting: November 11

Considering the mutual differences in the South and North Korean economic systems, the South accepted the North Korean position on national treatment, which had been the final point at issue. Consequently, the two sides convened a plenary meeting to adopt and initial the four

agreements.

The following are the main points of the four agreements:

< Main Points of the Four Economic Agreements >

**<Agreement on Investment Protection>
(Preamble and 12 Articles)**

Provided in this agreement are the permission and protection of mutual investment, restriction of expropriation or nationalization and compensation for losses, guarantee of free transfer of earnings, exchange of information and methods for dispute resolution.

**<Agreement on Prevention of Double Taxation>
(Preamble and 28 Articles)**

The agreement defines the location and extent of the right to taxation mainly for those types of income that are likely to be subjected to double taxation under the current tax systems of South and North Korea. It also provides the definitions for resident and permanent establishment, means to prevent double taxation, procedure for mutual consultation and exchange of information.

**<Agreements on Procedures for Resolution of Commercial Disputes>
(Preamble and 19 Articles)**

Provided in this agreement are constitution of a South-North Commercial Disputes Arbitration Committee and definition of its functions, procedures for dispute resolution, qualifications and activities of arbitrators and effect, recognition and enforcement of the arbitration.

<Agreement on Clearing Settlement>
(Preamble and 10 Articles)

Provided in this agreement is an agreement that the goods determined by a mutual consent between the two Koreas shall be traded through the method of clearing settlement while other goods shall be traded through general ways of settling accounts. Also provided in the agreement are a list of goods for clearing settlement and restrictions on them, a ceiling on the size of credit lines and designation of a clearing bank and the currency of settlement (i.e., U.S. dollar).

3. The Inter-Korean Economic Cooperation Promotion Committee

A. Background

Since the first round of the ministerial talks, South Korea has consistently proposed that subcommittees be created under the ministerial talks, which oversees the overall implementation of the June 15 South-North Joint Declaration, to discuss detailed issues in each area.

The South and North agreed that since there are many specialized project fields particularly in the economic area, it would be most advisable to create a separate subcommittee in this area to discuss and promote inter-Korean economic cooperation more efficiently in different specialized fields. Subsequently, in the fourth round of ministerial talks held

in Pyongyang, the two sides agreed to create and operate an Inter-Korean Economic Cooperation Promotion Committee to promote balanced development and co-prosperity of the Korean national economy and released the agreement in the form of a joint press statement.

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

a. Overview

In the fourth ministerial talks the two sides agreed to have the first meeting of the Inter-Korean Economic Cooperation Promotion Committee on December 26, 2000 to 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 promotion of the flood prevention project in the Imjin River basin. Accordingly, on December 21, the North notified the South of its position on constitution of the committee and the schedule for the first meeting of the committee. Subsequently, the South and North had a contact between their liaison officers two days later and agreed to hold the committee meeting for three days and two nights from December 28-30. At last, the first meeting

of the committee was held at the Koryo Hotel in Pyongyang.

b. Progress

① The First Plenary Meeting: December 28

In the keynote speech delivered by its head delegate, the South proposed the adoption of an agreement on constitution and operation of the Inter-Korean Economic Cooperation Promotion Committee as agreed to in the fourth round of ministerial talks. In addition, with respect to the cooperation for the supply of electric power, the South, considering the energy situation of both sides as well as operational and technical factors associated with such cooperation, underlined that promotion of such a project requires certain procedures and it must be made based on public consensus. Subsequently, the South proposed an exchange of information on the electric power situation and the creation of a joint survey mission in January to do a study on North Korea's energy situation. The cooperation for the supply of electric power, it suggested, should be discussed based on the results of the study.

The South also stressed the need for consultation between the two government authorities in legislating special laws in connection with the creation of the Kaesong Industrial

Complex. It also stressed the need for consultation on the matters related to the supply of electricity and water to the industrial complex along with holding a working-level meeting on reconnection of the railway and highway, and creating and operating a survey mission in relation to flood prevention in the Imjin River basin.

The North laid on the table their position on matters related to the constitution and operation of the Inter-Korean Economic Cooperation Promotion Committee, cooperation on supply of electric power, reconnection of railway and highway, construction of an industrial complex in Kaesong, prevention of flood in the Imjin River basin and cooperation on the provision of a fishing ground in the East Sea. The North emphasized that, among these projects, cooperation for the supply of electric power was most urgent in the present stage and should thus be given the first priority. Furthermore, the North Korean delegation demanded that the two sides create an electric power subcommittee first and have intense discussion of the related matters in detail.

The two sides held one round each of plenary meeting and head delegates meeting. However, they could not narrow their differences on the pending matters and the meetings ended in vain. While the South proposed that the two Koreas should reach an agreement on the constitution and operation of the Inter-Korean Economic Cooperation

Promotion Committee first and then have comprehensive discussions on such issues as cooperation for the supply of electric power, reconnection of the railway and highway, construction of the Kaesong Industrial Complex and prevention of flooding of the Imjin River, the North maintained that the two should discuss and resolve the matters related to electric power supply first.

The following are the summaries of the keynote speeches made by the two Koreas during the first plenary meeting.

< Summary of the Keynote Speech by North Korea >

Believing that the Inter-Korean Economic Cooperation Promotion Committee will wonderfully perform its duties and responsibilities to meet the concern and expectation of the Korean people, we hereby lay out our proposals on the issues to be discussed during the first meeting of the committee.

First, on the issues related to constitution and operation of the Inter-Korean Economic Cooperation Promotion Committee

We think it is rational to form the Inter-Korean Economic Cooperation Promotion Committee with five members from each side, including a chairman, who should be a vice ministerial level official.

The committee should discuss and promote the issues both sides have already agreed upon and released in the fourth round of the North-South ministerial talks, including those rising from cooperation on the supply of electric power, reconnection of the railway and highway and flood prevention along the Imjin River basin as well as construction of the Kaesong Industrial Complex being promoted at the private level.

Second, on the issues related to cooperation on supply of electric power

During the fourth round of the North-South ministerial talks, we have already asked the South to provide us with electric power over the next few years until our stressed power situation eases up and the construction of the light-water reactors is completed. And, we proposed to the South to provide 500,000kw of electricity during the first stage starting from early next year.

As to the method of supplying electricity to deal with immediate need, we suggest connecting the power cable between the two substations located most closely to the Military Demarcation Line. For this purpose, we propose to connect the 90km section between the Namchon substation in North Hwanghae Province in North Korea and the Yangju substation in South Korea and transmit electricity through this line.

Third, on the issues related to reconnection of the inter-korean railway and highway, construction of the Kaesong Industrial Complex, flood prevention along the Imjin River basin and provision of an East Sea fishing ground

We think that working-level discussion of details for reconnecting the railway between Shinuiju and Seoul and the highway between Kaesong and Munsan should proceed as the military authorities of the two sides take relevant military measures through working-level meetings between themselves.

In relation to the Kaesong Industrial Complex, the first thing needed is that the South Korean government gives good support to cooperation projects of the private companies that supervise the development of the Kaesong industrial district.

As one of the measures to prevent flooding of the Imjin River, we

should conduct a survey of the area around the river basin at an appropriate time next year and have working-level discussions prior to that.

We hope that the two sides will be able to have working-level discussion on the provision of an East Sea fishing ground in the coming year.

< Summary of the Keynote Speech by South Korea >

We propose to conclude the constitution and operation of the Inter-Korean Economic Cooperation Promotion Committee and undertake discussion on those economic cooperation projects that have been already agreed upon between the two Koreas but delayed in promotion or those that need in-depth discussion between the authorities of South and North Korea, during this round of meeting.

First, we will discuss and reach an agreement on the constitution and operation of the committee during this round of meeting since this is the first meeting of the committee.

Second, as to the cooperation on the supply of electric power, we suggest that the two sides exchange information on each other's power supply situation and create an on-the-spot survey mission consisting of experts from both sides in the month of January to conduct a study of your present situation. And, if necessary, you may conduct a study of our power supply situation as well. Then, based on the results of the study, South and North Korea should discuss and resolve the issues related to cooperation on the supply of electric power.

Third, to be able to achieve the desired effects immediately upon the completion of the Seoul-Shinuiju railway, the two Koreas should prepare plans for smooth operation of trains on the rail connection by conducting

a fact-finding survey and exchanging information between them along with working-level military talks to provide military assurance for the connection of the railway.

Fourth, as agreed upon in the second round of ministerial talks, a joint survey for prevention of flooding in the Imjin River basin must be undertaken as soon as possible.

Fifth, as to the construction of the Kaesong Industrial Complex, we hope that the special laws you are currently preparing in relation to the industrial complex are enacted before the construction of the industrial complex moves into the main stage. We hope that the laws are made in a way to positively guarantee a favorable business environment for the companies in various fields, including employment, wages, travel and communications. We also hope that an efficient window for consultation is established between the developers and the authorities in charge on your side so that the two can closely consult with each other on the pending issues related to the construction of the industrial complex.

I think you should keep in mind that many companies currently participating in inter-Korean economic cooperation expect the South and North Korean governments to discuss the ways to normalize marine transportation and establish an efficient transport system as well as procedures to verify the place of origin for the traded goods.

② Working-level Meeting: December 29

Without having a plenary meeting, the South and North set forth their positions through a meeting between the South Korean Chairman Lee Jung-jae and Jon Kum-jin, the

Noth's head delegate to the ministerial talks. The South reiterated that a fact-finding survey must be made first in relation to cooperation on the supply of electric power, while the North displayed an aggressive attitude to secure power supply.

Through the working-level meetings, the North presented its drafts for the Agreement on Constitution and Operation of the Inter-Korean Economic Cooperation Promotion Committee and the Agreement on Electricity Cooperation. In an additional meeting resumed in the dead of night, the North presented a draft for a joint press statement. In particular, the North insisted that the two sides discuss the Agreement on Electricity Cooperation first. Although the North wanted to review the wording of the agreement, the South replied that it should be discussed again in the next round of meeting after the two sides further study and review it.

③ The Second Plenary Meeting: December 30

The South and North held the second round of plenary meeting to discuss the agreement from the first meeting of the Inter-Korean Economic Cooperation Promotion Committee and the joint press statement for the meeting.

The two sides decided to adopt the Agreement on the Constitution, Operation, Functions and Responsibilities of the

Inter-Korean Economic Cooperation Promotion Committee and the joint press statement for its first meeting by means of exchanging documents. They also agreed that the next round of meeting would be held in Seoul from February 6-8 before closing the meeting.

④ Adoption of the Agreement

Taking into consideration the North Korean positions, the South prepared a revised draft and presented it to the North on January 8, 2001 in a letter written under the name of the South Korean co-chairman of the committee. Through twelve rounds of exchange of letters and telephone messages, the two sides finally adopted the two documents on February 3.

**< Summary of the Agreement on the Constitution and Operation of
the Inter-Korean Economic Cooperation Promotion Committee >**

Article 1: Constitution of the Committee

The Committee shall consist of one chairman and 4-6 members from each side.

The co-chairman shall be a vice-minister level official while each side shall decide the levels of other members as it pleases.

The two sides shall establish working-level meeting(s) under the Committee based on a consensus between them, if necessary.

Article 2: Functions of the Committee

To supervise economic exchanges and cooperation between the two Korean governments based on an agreement in or authorization by the inter-Korean ministerial talks.

To discuss and implement matters that require cooperation between the two Korean governments in relation to economic exchanges and cooperation taking place at the private level.

To draw up a written agreement when it is needed in implementing the agreement between the two sides.

Article 3: Operation of the Committee

The Committee shall meet quarterly in principle, but it may meet more frequently if the two sides agree it is necessary.

The working-level meetings shall be called between the two meetings, if necessary.

The meetings shall be held in Seoul, Pyongyang or any other place the two sides agree on.

The two co-chairmen shall jointly run the Committee.

< Summary of Agreement for the First Meeting of the Inter-Korean Economic Cooperation Promotion Committee >

By means of exchanging documents from January 8-30, the two sides have agreed to the following:

The South and North shall adopt an Agreement on the Constitution and Operation of the Inter-Korean Economic Cooperation Promotion Committee.

Complying with the agreement made in the fourth round of the inter-Korean ministerial talks, the South and North shall create and operate a Subcommittee on Cooperation for Supply of Electric Power and a joint survey mission to study the electric power situation. The first meeting of the subcommittee shall be held in Pyongyang from February 7-10. The matters related to a joint study of the electric power situation shall be discussed in the meeting. The joint survey mission shall consist of 7-10 members from each side who are headed by a director general-level official. The joint survey shall be undertaken within the month of February.

To cooperate on prevention of flooding in the Imjin River basin, the South and North shall create and operate a working-level subcommittee and a joint survey mission. The first meeting of the subcommittee shall be held in Pyongyang from February 21-24. The joint survey mission shall consist of 7-10 members from each side who are headed by a director general-level official. The joint survey shall be undertaken within the month of March.

The South and North shall create working-level subcommittees for reconnection of the Seoul-Shinuiju railway and Munsan-Kaesong highway and construction of the Kaesong Industrial Complex. The discussion through these subcommittees shall begin between February and March 2001.

The second meeting of the Inter-Korean Economic Cooperation Promotion Committee shall be held in Seoul toward the end of February 2001. The specific dates shall be confirmed later through discussion between the two sides.

4. The First Meeting of the Inter-Korean Subcommittee on Cooperation for Supply of Electric Power

A. Overview

On January 12, 2001, the North handed to the South a draft of an agreement from the first meeting of the Inter-Korean Economic Cooperation Promotion Committee and proposed to hold the first meeting of the Inter-Korean Subcommittee on Cooperation for Supply of Electric Power in Kaesong around January 20. In a letter sent to the North on January 17, the South counterproposed that the meeting be held in Kaesong on January 27 and the North agreed to it.

However, in a telephone message of January 25, the North went back on the agreement and proposed to hold the meeting in Pyongyang on January 31 while holding a meeting of the Inter-Korean Subcommittee on Prevention of Flooding in the Imjin River Basin in Pyongyang from February 7.

In a telephone reply made on January 30, the South consented to holding the meetings in Pyongyang, but counterproposed to start the electric power supply meeting on February 7 and the flood prevention meeting on February 21. In the afternoon of the same day, the North gave notice of its consent to the South Korean proposal in

a telephone message.

As a result, the first meeting of the Inter-Korean Subcommittee on Cooperation for Supply of Electric Power took place at the Koryo Hotel in Pyongyang from February 7-10.

< List of South and North Korean Delegates >

	South Korea	North Korea
Head Delegate	Yoo Chang-mu (Director General for Energy Industry, Ministry of Industry and Energy)	Oh Gwang-hong (Vice Minister of Electricity and Coal Industry)
Other Delegates	Um Jong-sik (Director, Ministry of Unification) Kim In-sup (Team Leader for Electric Energy Cooperation, Korea Electric Power)	Pak Song-hi (Director General, Ministry of Electricity and Coal Industry) Jo Hyon-ju (Counselor, National Economic Cooperation Association (NECA))

B. Progress

a. Meetings on Day One: February 8

The two sides had one round of plenary meeting and a meeting between head delegates on February 8 and ended the first day only after finding out the differences in their positions.

Arguing that the South might have given more thought to a fact-finding survey, the North insisted that the South

make the statement first.

In its keynote speech, the South stressed that the discussion over a fact-finding survey must be made to assure rational and efficient discussion of cooperation for the supply of electric power between the two Koreas and proposed to review first a draft agreement on constitution and operation of a joint fact-finding survey mission. Furthermore, the South explained its plans for how to conduct the survey.

The South proposed to divide the areas to be studied into two - one for generation and the other for systems, transmission and distribution. The survey was to be conducted through on-the-spot inspections and study of the provided data. The South suggested that the survey should start within the month of February and take seven days to complete. The South also asked the North to take a similar survey on the power situation of the South.

The North, on the other hand, argued that, under a premise that the South and North had already agreed on the supply of electricity in principle, the two sides should first decide how much electricity would be supplied and when, and then conduct a fact-finding survey. The North stated that the two Koreas should take active parts in accomplishing cooperation in this area by means of transmission.

In the meantime, the North insisted that the two sides

first conduct an on-the-spot survey necessary for the transmission of 500,000kw and visit the site between Namchon or Kaesong of the North and Yangju or Munsan of the South, whichever the two sides would agree as the point of linkage.

The North also proposed that the survey should take place simultaneously on both sides from February 20-24. It also suggested that the two sides conduct a survey over a section of the DMZ where the transmission cable would pass through by making a recommendation to the military authorities of the two Koreas.

The following are the summaries of the keynote speeches made by South and North Korea during the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

■ Our Position on Fact-finding Survey

For a rational and efficient discussion on the matters related to electric power supply between the South and North, it is crucial that the two sides have a good understanding of each other's situation in electric power supply and condition of power generation facilities.

We hope that the two sides will first discuss the draft agreement on constitution and operation of the Inter-Korean Subcommittee on Cooperation for Supply of Electric Power and that the survey on the electric power situation will proceed smoothly.

■ Proposal for How to Conduct the Survey

First, we propose to divide the areas for surveying into two, one for generation and the other for systems, transmission and distribution and to conduct a study of the provided data and an on-the-spot survey at the same time.

Second, we hope that the on-the-site survey will proceed smoothly based on an agreement with your side during this round of meeting. We think it is rational to divide the survey mission into two groups, one for studying the area of generation and the other for studying that of systems, transmission and distribution.

Third, we propose that the survey be seven days long and start within the month of February.

Fourth, we think it is advisable that you also visit our side and conduct a similar survey on our electric power facilities.

< Summary of the Keynote Speech by North Korea >

Since both sides agree on supplying electric power in principle, it is critical that we conduct a fact-finding survey as soon as possible after confirming the precise amount and time of supply and take active parts in accomplishing cooperation for supply of electric power by means of transmission.

On this ground, we propose the following in relation to a joint survey on the situation in electric power supply.

First, the purpose of the survey is to carry out an on-the-spot study necessary for the pending transmission of 500,000kw of electricity.

Second, the target area for survey should be limited to locations between Namchon or Kaesong of North Hwanghae Province on our side and Yangju or Munsan of Gyonggi Province on your side, whichever the two sides agree on.

Third, the survey should be limited basically to on-the-spot inspection of the designated locations.

Fourth, the survey should be conducted simultaneously in both sides for four days and three nights from February 20-24.

Fifth, the survey on the areas crossing the Military Demarcation Line should be conducted after the two sides recommend it to each other's military authorities and the authorities take relevant measures.

In a subsequent meeting between the head delegates, the North said that because the supply of electric power was a matter that had been consented to during the ministerial talks, the two sides should conduct a fact-finding survey under the premise that 500,000kw of electricity would be transmitted. Accusing the South with an allegation that it had an intention to link the cooperation on supply of electric power with some other issues, the North argued that cooperation in this area would also have effects on the Inter-Korean Economic Cooperation Promotion Committee as well as on the overall inter-Korean relations.

The South replied that although the two sides had discussed matters related to cooperation for supply of electric power during the fourth ministerial talks as well as

in the meeting of the Inter-Korean Economic Cooperation Promotion Committee, they had failed to come to an agreement. Having said that it had absolutely no intention to use the issue for other purposes, the South stressed that the two sides should discuss only those matters that were entrusted by the Inter-Korean Economic Cooperation Promotion Committee, complying with their delegated responsibilities.

b. Meeting on Day Two: February 9

The South and North had one plenary meeting and three meetings between the head delegates on February 9 and discussed the issue. However, they failed to close the gap between them after all because throughout the meetings the North insisted on reviewing the wording of the agreement while taking South Korea's supplying of 500,000kw of electricity by means of transmission as an established fact.

Although it acknowledged the differences in the purpose of the survey the two sides had in their minds, the North suggested confirming wording of those points that could be easily agreed on through the meetings between head delegates or those between other delegates. It also proposed that after discussing and resolving the differences by means of exchanging documents, the two sides should start the fact-finding survey within the month of February. The

South, however, made it clear that since the two sides showed clear differences in their position on the purpose and method of the fact-finding survey, it was meaningless to work on the wording of the agreement.

The South also pointed out that while the two sides showed clear differences over the basic premises and purposes of the survey, it would be difficult to discuss technical issues and further consult by means of exchanging documents. Instead, the South strongly suggested discussing the issues in the next round of meeting.

c. Meetings on Day Three: February 10

On February 10, the last day of the meeting in Pyongyang, the two sides had a meeting between the head delegates and discussed the contents of the press statement on the results of the meeting both agreed to release separately. They finally agreed to release the following: The two sides held the first meeting of the Inter-Korean Subcommittee on Cooperation for Supply of Electric Power in Pyongyang and had a serious discussion over many issues including conducting joint survey of situation in the supply of electric power. They agreed to further discuss and promote the issues in the future.

5. The First Meeting of the Inter-Korean Subcommittee for Prevention of Flooding in the Imjin River Basin

A. Overview

In the agreement made at the first meeting of the Inter-Korean Economic Cooperation Promotion Committee held on January 30, the South and North agreed to hold the first meeting of the Inter-Korean Subcommittee on Prevention of Flooding in the Imjin River Basin in Pyongyang from February 21-24, 2001.

In a telephone message on February 17, the South notified the North that the South's head delegate to the Subcommittee meeting, director general for water resources of the Ministry of Construction and Transportation, had been newly appointed a member of the Inter-Korean Economic Cooperation Promotion Committee.

Subsequently, the head delegate proposed holding a contact between the liaison officers to discuss the procedures for inter-Korean travel. Accordingly, the two sides had a contact between the liaison officers at Panmunjom on February 19 and discussed practical issues related to the travel. The first meeting of the Inter-Korean Subcommittee on Prevention of Flooding in the Imjin River Basin was held at the Koryo Hotel in Pyongyang from February 21-24.

B. Progress

a. Meetings on Day One: February 22

On February 22, the South and North had one round each of plenary meeting and meeting between head delegates. During the meetings, each side presented its own draft agreements and reviewed them with the other. Unfortunately, the two sides failed to close the gap in their positions and ended the meetings on the first day in vain.

In his keynote speech, the South Korean head delegate stressed the necessity of taking an in-depth joint survey first to prepare the plans to prevent flooding in the Imjin River basin and benefit both the South and North.

He also explained the importance of assessing accurately the business effects of various projects based on the results from the survey and assigning the order of priority to various projects to promote first those that could be easily tackled. Also, he stressed the need for preparing measures to reduce flood damages that could be inflicted during the coming rainy season.

In addition, the South handed to the North a draft of the Agreement on the Joint Survey for Prevention of Flooding in the Imjin River Basin consisting of eleven articles, including the one on the formation of the survey mission and those on target area, duration and method of the

survey.

In response, the North argued that the two sides should first set their goals on making concrete plans for the project and then discuss a joint survey to realize them. The North proposed forestation, river improvement and construction of flood control dam as some of the fundamental measures to be promoted.

The North then presented a draft of the North-South Agreement on Joint Survey for Prevention of Flooding of the Imjin River consisting of seven articles, including the one on the formation of the survey mission and those on target area, duration and method of the survey.

The following are the summaries of the keynote speeches made by the South and North Korean sides during the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

To make plans for the project that would prevent damages from flooding of the Imjin River and benefit both sides, the two sides must conduct an in-depth joint survey over the river basin. On this ground, we present our plans for the promotion of joint survey as follows:

First, we propose that the target area be the Imjin River basin and the adjacent areas at the mouth of the Han River. The survey should be conducted by visiting not only our area but also yours, thereby making it a truly joint survey.

Second, depending on the progress of the survey, we should focus our survey on finding out general situations as well as peculiar characteristics and facilities in the Imjin River basin and its vicinity in the initial stage of survey. During this stage, the two sides should concentrate their discussion on the types of project they could promote first to prevent expected flood damages in the coming rainy season. Then, based on the results from the initial survey, we should further proceed with our survey to assess the necessity for specific flood prevention measures by collecting data on the site and analyzing them as well as making a survey of the sites during the next stage for in-depth survey.

Third, considering the urgency and effectiveness of the flood prevention projects, the two sides should first undertake the initial survey between March and May and continue with the in-depth survey based on the results from the first survey.

Fourth, the joint survey should be proceeded in such a way that the two sides first exchange data in their possession and conduct on-the-spot survey based on the results of review and analysis of these data.

< Summary of the Keynote Speech by North Korea >

We acknowledge that planting trees in the upper basin of the Imjin River, improving rivers and streams, and constructing flood control dam are fundamental and practical measures to prevent flood damages in the Imjin River area.

With a hope that the two sides will first set their goals on making concrete plans for prevention of flood and discuss a joint survey to realize them, we propose our plans on the joint survey as follows:

First, we suggest that the purpose of the survey shall be to prepare such concrete measures as forestation, river development and construction of flood control facilities to control flood and prevent in advance damages from the flooding in the Imjin River basin.

Second, the target areas shall be limited to those at the mouth of the Han River and in the Imjin River basin the two sides have proposed.

Third, the survey shall be made in the form of on-the-spot inspection.

Fourth, the duration of the survey shall be from the end of March to the end of August this year when the rainy season ends. The survey shall be made over the area in the South first and consecutively over the area in the North.

Fifth, when the survey is completed, the two sides shall discuss and prepare comprehensive plans and measures to prevent flood in the Imjin River basin and the final results shall be confirmed in the Inter-Korean Economic Cooperation Promotion Committee.

In the subsequent meeting between the two head delegates, the South submitted a proposal that accommodated an extensive range of North Korean positions on the formation of the survey mission, target areas and duration of the survey, and processing of the results. It also underlined once again that the two sides should first conduct in-depth surveys and then prepare the project plans based on the results from the surveys. As to the target areas, the South stressed that the two sides should not limit

them to certain locations, because they need to take rather a comprehensive and extensive survey.

The North, on the other hand, just stressed that the foundation of flood prevention in the Imjin River basin always lies in dam construction while submitting no counter proposal. The North adhered to its position that the two Koreas decide on the project goals first and conduct a survey over those areas that are needed. It then proposed that the two Koreas reach an agreement only on the basic principles and directions of the project during this round of meeting and discuss other matters of practical details such as exchange of data, taking photos and procedures for cross-border travel in the next round.

b. Meetings on Day Two: February 23

The North and South had three meetings between the head delegates on February 23 and continued discussing the wording of the agreement, but failed to reach an agreement. Consequently, they decided to announce the results of the first meeting in the form of a joint press statement.

During the course of discussing the wording of the agreement, the South argued that because this round of meeting was merely a working-level consultation, determining the target projects in advance lay beyond its authority. The South took the lead in the discussion by

proposing that the two sides should first conduct a convincing joint survey and decide the target projects later in the higher inter-Korean apparatus.

The North explained that to decide the target projects means to set the goals for the survey first rather than undertaking it recklessly.

The two sides displayed some differences over target areas, contents, duration and method of survey. Having already introduced its own revised draft during the meeting held on the previous day, the South demanded the North to present its version of amendment. However, the North stressed that the draft it had proposed at the beginning contained its basic positions.

Consequently, the South proposed to include the following phrase in the joint press statement: After a serious discussion, the two sides have closed the gap in their positions considerably and an agreement shall be adopted in the second meeting.

The North revised the South's draft and presented its own draft for the joint press statement. The two sides agreed to settle the differences finally in the plenary meeting scheduled for the next day.

c. Meetings on Day Three: February 24

As to the joint press statement, the North consented to

the proposal that the details shall be discussed further by exchanging documents, but still refused to accept the part that stated an agreement shall be adopted in the second meeting. Furthermore, while the South proposed to hold the second meeting in Seoul around March 20, the North insisted that the two sides discuss and fix the venue and dates for the meeting at some other time. Having failed to come up with a joint press statement, the two sides decided to announce the results of the meeting separately at each other's convenience.

After all, despite the fact that the two sides had agreed to cooperate with each other positively on the issue of preventing flooding in the Imjin River basin, they failed to reach a consensus on concrete plans because of the reluctance in the North Korean position displayed throughout the meeting. The North proposed that the two sides agree only on basic principles and directions in this round of meeting, but put aside the details until the next round of meeting.



Chapter V.

Red Cross Talks

Chapter V. Red Cross Talks

1. Background

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 around the coming August 15, the National Liberation Day, as well as the issue of unconverted long-term prisoners.

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

The North proposed to hold the talks in June at Panmunjom to discuss humanitarian issues stated in the South-North Joint Declaration and further proposed that each delegation be headed by a deputy head of the Red Cross and consist of two additional delegates and two to three attendants.

The following is the full text of the telephone message North Korea sent on June 17.

Dear President Chung Won-sik
Korean National Red Cross Society

As it is widely known, in the historic Inter-Korean Joint Declaration adopted in Pyongyang on June 15, the two sides have agreed to resolve promptly humanitarian issues such as exchange visits by separated families and relatives around August 15 this year and the issue of unconverted long-term prisoners.

The Red Cross societies of the North and South should take an active part in making contributions to improving inter-Korean relations and accomplishing self-reliant national unification to meet the expectation of the entire Korean people by faithfully implementing the Inter-Korean Joint Declaration that has garnered overwhelming support and welcome both at home and from abroad.

In connection with this, we propose holding talks between the South and North Korean Red Cross societies as soon as possible.

We think that it is rational to set the agenda of the meeting as "on ways to resolve humanitarian issues stated in the Inter-Korean Joint Declaration" and comprise a delegation for each side in such a way that each delegation is headed by a deputy head of the respective Red Cross and consists of two additional delegates and two to three attendants.

We propose that the venue for the meeting be Panmunjom. The dates for the meeting should be sometime in June, but you may fix them at your own convenience.

I am looking forward to hearing from you a positive response.

June 17, Juche 89(2000)

Jang Jae-on

Chairman

Central Committee of the Red Cross Society

Democratic People's Republic of Korea

In a telephone message the KNRC President Chung Won-sik wrote to his counterpart Jang Jae-on, President of the DPRK Red Cross Society Central Committee (RCSCC), on June 19, that the South accepted the North's proposal of June 17 and proposed to hold the talks on June 23 at Peace House in Panmunjom.

Two days later, however, the North, through a telephone message, sent a counterproposal to hold the talks at the Mt. Kumgang Hotel in North Korea, saying that the new place was more convenient to have discussions between two Koreas. The North also added that, in return for the alternative location, it would not mind even if the South delayed the dates.

The South sent a telephone reply to the North on June 22, agreeing to hold the talks at the Mt. Kumgang Hotel from June 27-30. Also, considering that the talks would be held in the Mt. Kumgang area, the South requested the North's guarantee of direct telephone lines and reporters' coverage activities.

The following is the full text of the telephone message

South Korea sent on June 22.

Dear Chairman Jang Jae-on
Central Committee of the Red Cross Society
Democratic People's Republic of Korea

We have received your telephone message of June 21.

We agree to your counterproposal for holding inter-Korean Red Cross talks at the Mt. Kumgang Hotel instead of Peace House on our side of Panmunjom on June 23.

However, if we change the venue for the talks from Panmunjom to the Mt. Kumgang Hotel, it is unavoidable to postpone the dates for the meeting.

Also, if the talks are held at the Mt. Kumgang Hotel, the means of communication between the South and North must be secured prior to anything else to assure smooth and efficient proceedings of the meeting. In addition, the South Korean delegation must be accompanied by a proper number of supporting staff and a press corps.

On this ground, we think that five direct phone lines between Seoul and the Mt. Kumgang Hotel must be guaranteed and reporters must be allowed to cover the talks.

If you accept these conditions, we will send a total of around 15 people, including three delegates to the talks, six supporting staff and six reporters, to the Mt. Kumgang Hotel in North Korea on June 27.

We hope that the two sides hold the Red Cross talks for four days and three nights from June 27-30 to reach a complete agreement in

matters like the procedural issues related to exchange visits of separated families.

I am looking forward to hearing from you a positive response.

June 22, 2000

Chung Won-sik

President

Korean National Red Cross Society

In response, the North sent a telephone message of acceptance on June 23. On the same day, the South sent the list of its 16-member delegation, which included the head delegate Park Ki-ryun, Secretary General of the KNRC, two other delegates, three attendants, four supporting staff and six reporters.

After an exchange of six telephone messages, three from each side, the first round of the inter-Korean Red Cross talks was held at the Mt. Kungang Hotel from June 27-30.

2. The First Inter-Korean Red Cross Talks

A. Overview

The sixteen members of the South Korean delegation headed by Park Ki-ryun, Secretary General of the KNRC, left the South Korean port of Donghae on June 26 and

arrived at the North Korean port of Jangjon the next day.

North Korea, however, refused to allow one of the South Korean journalists to enter the North. Consequently, only fifteen members were able to arrive at the Mt. Kumgang Hotel.

B. Progress

a. Meetings on Day One: June 27

The first session of the inter-Korean Red Cross talks was held at the Mt. Kumgang Hotel in North Korea on June 27. The session proceeded in the order of keynote speeches by the two head delegates, presentation of views and discussion.

In the keynote speech, the South proposed an exchange of visits by separated family members around the August 15 National Liberation Day, establishment of a permanent meeting center for separated families and repatriation of unconverted long-term prisoners during September.

On the matter of exchange visits, the South proposed that the visiting delegation from each side should consist of 161 people, including a head of delegation, 100 members of separated families, 30 supporting staff and 30 reporters. It also proposed that the North Korean delegation should visit Seoul from August 10-12 while the South Korean delegation

would subsequently visit Pyongyang from August 16-18.

As to the establishment and management of a permanent meeting center, the South proposed that it should be established either at Freedom House or at Tongilgak, respectively located on the South and North Korean side of Panmunjom, during the month of August. The South also proposed to hold four reunions every month, allowing 100 people from each side to meet with their families and relatives each time. Along with that, the South proposed to have two or more exchanges of letters each month limiting the number to that of those who have confirmed addresses of their families and relatives.

With respect to the repatriation of unconverted long-term prisoners, the South proposed to first ask the individuals concerned whether they prefer to remain in 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, at the same time, 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 in its keynote speech that although the repatriation of unconverted long-term prisoners and the exchange visits by separated

families might be discussed in a comprehensive way, the former should be carried out first.

The North proposed that the exchange visits by separated families should take place simultaneously in Seoul and Pyongyang for four days and three nights starting August 15, while each delegation would consist of 151 members in total, including the head of delegation, 100 members of separated families, 30 supporting staff and 20 reporters. Also, the North proposed that the procedures for exchanges should follow the precedent set in the exchange of visits by separated families in 1985.

As to the repatriation of long-term prisoners, the North proposed that it would select the long-term prisoners among those who wish to be repatriated and notify the South of the list of those to be repatriated 10 days prior to the day of repatriation.

Although the two sides agreed that exchange visits by the separated families would take place around August 15, and that the unconverted long-term prisoners would be repatriated, they showed differences over when and how they would take place and which should take place first. The North also raised objection to such South Korean proposals as creation and management of a permanent meeting center as well as issues related to South Korean abductees and POWs.

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.

In response, the South stressed that the heads of South and North Korea had a common understanding that exchange visits by separated families would take place before the matters related to the repatriation were resolved.

In the meantime, as to the proposal for the creation of a permanent meeting center for separated families, the North criticized the South for creating complexities by bringing up an issue that was not even mentioned in the Joint Declaration. As to the South's presenting the issue of return of abductees and POWs, the North complained that the South was getting that issue mixed up with the issue of unconverted long-term prisoners.

As a result, having failed to reach any concrete agreement due to such differences in their positions, the two sides ended the first session simply by confirming each other's commitment to faithful implementation of the June 15 South-North Joint Declaration.

The following are the summaries of the keynote speeches made by the South and North.

< Summary of the Keynote Speech by South Korea >

The June 15 South-North joint Declaration is a historic decision and gallant act, which has provided an epochal turning point in Korean

history.

One of the most important accomplishments of the inter-Korean summit is that the heads of the two Koreas have agreed to resolve the issues of separated families as soon as possible.

The issues of separated families are pressing and urgent tasks for the Korean people that cannot be put off any longer.

One of the impending missions assigned to us is to discuss in depth and reach an agreement on the procedural matters related to an exchange of visits by separated families around August 15 this year.

In addition, we should allow separated families to check the addresses of each other and exchange letters between them. Also, by establishing a permanent meeting center, we need to provide them with an opportunity to meet with each other on a regular basis.

One thing I would like to emphasize is that, ruminating upon the spirit reflected in Article 3 of the June 15 Joint Declaration, we should make sure that the exchange of visits must be continued on a regular basis rather than held as a one-time event.

Taking advantage of this opportunity, the South also suggests promoting repatriation of those who are suffering everyday while living on the opposite side separated from their own families against their own will due to an unfortunate relationship between the two Koreas in the past.

As to the repatriation of unconverted long-term prisoners, once the procedure to confirm individual prisoners' preferences is completed, we are willing to repatriate those who wish to return to the North after an exchange of visits by separated families. The prisoners will be returned

during the month of September after having a consultation with the North on the method and size of repatriation in detail.

< Summary of the Keynote Speech by North Korea >

We are glad that the representatives of the two Red Cross Societies have come together for discussion in the new environment where inter-Korean relations face a new turning point thanks to a courageous decision by the heads of South and North Korea.

In this meeting, our positions are as follows:

First, the two sides shall discuss exchange visits by separated families and relatives and repatriation of unconverted long-term prisoners in a comprehensive package, but the latter must precede the former.

Second, exchange visits by separated families and relatives and repatriation of unconverted long-term prisoners shall be promoted with a spirit of humanitarian and compatriot love. The exchange visits are a noble humanitarian project to provide the joy of reunion for the families and relatives who have been separated for many years without even knowing the fate of each other. The repatriation of prisoners is the most impending humanitarian issue that awaits a solution.

Third, we suggest discussing and resolving all the issues broad-mindedly based on mutual understanding and trust.

b. Meetings on Day Two: June 29

On June 29, there were two meetings: a plenary meeting and a contact between working delegates.

In the plenary meeting, the North presented a counterproposal to make repatriation in early September following the exchange of visits around August 15 and to resume the Red Cross talks thereafter to discuss and reach an agreement on the establishment of a permanent meeting center. In response, the South pointed out that, if they were to do as the North had proposed, the establishment of a permanent meeting center would be delayed. Requesting that the issues of South Korean POWs and abductees should be discussed as well, the South asked for a recess.

When the meeting was resumed, the South presented a compromise that the two sides resolve the exchange of visits during August, establishment of a permanent meeting center and repatriation of unconverted long-term prisoners as a comprehensive package. In addition, the South raised the issue of returning of abductees and POWs, but the North expressed a strong objection against it. Even in the subsequent meeting between working delegates and that between head delegates, both sides failed to reach an agreement due to their different stances on the issue of abductees and POWs. As a result, the second day ended in vain.

c. Meetings on Day Three: June 30

On June 30, the two sides had two rounds of plenary

meeting and signed agreements on exchange visits on August 15, establishment of a permanent meeting center and repatriation of unconverted long-term prisoners.

In the plenary meeting held in the morning, the South proposed that the North Korean delegation for exchange of visits should visit Seoul from August 10-12 while the South Korean delegation should make a subsequent visit to Pyongyang from August 16-18.

As to the permanent meeting center, the South proposed establishing it at Panmunjom and the Mt. Kumgang area in early August. The South accepted the North's proposal on repatriation of unconverted long-term prisoners and suggested repatriating all of those who desired to be returned by early September.

In response, the North proposed that the two sides exchange 100 members of separated families and relatives from each side simultaneously around August 15, repatriate all those unconverted long-term prisoners who wish to return to the North in the beginning of September and hold Red Cross talks in early September to discuss and decide the matters concerning establishment and management of a permanent meeting center.

The morning session ended without producing any result due to such differences over how the exchange visits would be made and when the permanent meeting center would be established.

In a subsequent meeting held in the afternoon, the South presented a counterproposal reflecting many of the North Korean positions. As the North consented to the proposal, the two sides soon held a working-level contact between the delegates from the two sides to adjust the wording of the agreement.

In the working-level contact, the two sides reached an agreement on several points at issue, including the number of journalists to accompany the visiting delegations, the scope of the list of candidates for visits and the time for repatriation of unconverted long-term prisoners.

Based on the results from the working-level contact, the two sides held a plenary meeting to adopt the agreement. The first inter-Korean Red Cross talks ended with the signing of the agreement.

The following is the summary of the agreement signed between the two Koreas.

< Summary of the Agreement from the First Inter-Korean Red Cross Talks >

1. Exchange of Visits by Separated Family Members

The exchange visits by 100 members of separated families from each side shall take place simultaneously in Seoul and Pyongyang from August 15-18, 2000.

Each visiting delegation shall consist of one head, 100 separated family members, 30 supporting staff and 20 reporters.

2. Establishment and Management of a Permanent Meeting Center

The details concerning the establishment and management of a permanent meeting center shall be discussed and decided through the third round of inter-Korean Red Cross talks immediately after the repatriation of unconverted long-term prisoners.

3. Repatriation of Unconverted Long-term Prisoners

Every unconverted long-term prisoner who wishes to return to the North shall be repatriated in early September 2000.

3. The Second Inter-Korean Red Cross Talks

A. Overview

During the first Red Cross talks, the South and North reached an agreement on holding another round of Red Cross talks to discuss establishment and management of a permanent meeting center immediately after the repatriation of unconverted long-term prisoners.

In accordance with the agreement, South Korea sent a telephone message to the North on August 26, 2000, proposing holding the second round of talks at Peace House located on the South side of the truce village of Panmunjom at 10:00 a.m., September 5, immediately following the repatriation.

The North, however, did not respond to the proposal. Meanwhile, a special envoy from North Korea Kim Yong-sun, the Secretary of the Central Committee of the DPRK Workers' Party, visited Seoul from September 11-14. Kim had several rounds of meeting with Lim Dong-won, presidential security advisor, and agreed on the dates for the second round of Red Cross talks while discussing various pending issues between the two Koreas.

According to the third point in the joint press statement released upon Kim's visit, the two Koreas were to embark on address checks for separated families within the month of September and promote exchange of letters first between those who have confirmed addresses. The two Koreas were also to hold the Red Cross talks at Mt. Kumgang on September 20 and discuss along with the aforementioned issues two additional exchanges of visits by separated families before the end of this year as well as establishment and management of a permanent meeting center.

Subsequently, in a telephone message sent to the North on September 15, the South proposed holding the second inter-Korean Red Cross talks in Mt. Kumgang from September 20-22. At the same time, the South gave notice that one of its delegates Kim Jang-kyun would be replaced by Choi Ki-sung, an executive member of the Inter-Korean Family Reunion Task Force of the KNRC.

The following is the full text of the telephone message

sent by South Korea.

Dear Chairman Jang Jae-on
Central Committee of the Red Cross Society
Democratic People's Republic of Korea

In the joint press statement issued on September 14, the South and North have agreed to hold the second inter-Korean Red Cross talks in Mt. Kumgang on September 20.

Accordingly, we will send a delegation of 22, headed by the Secretary General of the KNRC and including two other delegates, three attendants, eight supporting staff and eight journalists to the Mt. Kumgang Hotel in North Korea.

One thing I would like to notify you of is that one of our delegates Mr. Kim Jang-kyun has been replaced by Mr. Choi Ki-sung, an executive member of the Inter-Korean Family Reunion Task Force of The KNRC.

Since this round of talks is also being held at the Mt. Kumgang Hotel, we think that six direct phone lines between Seoul and the Mt. Kumgang Hotel must be guaranteed to assure smooth and efficient proceeding of the meeting.

We hope that the two sides will hold the second Red Cross talks for three days and two nights from September 20-22 to reach a complete agreement on various matters necessary in resolving the issues of separated families.

I am looking forward to hearing from you a positive response.

September 15, 2000

Chang Chung-sik

President

Korean National Red Cross Society

The North replied in a telephone message on Sep. 18 that there would be no change in the list of its delegation to the second Red Cross talks.

The second inter-Korean Red Cross talks were held at the Mt. Kungang Hotel from September 20-23. The South Korean delegation consisted of 22 members in total, including Park Ki-ryun, the head delegate, and Choi Ki-sung, who had replaced Kim Jang-kyun in the second round of the talks, and Ko Gyoung-bin, along with three attendants, eight supporting staff and eight journalists.

B. Progress

a. Meetings on Day One: September 20

On September 20, the first day of the talks, the two Koreas held a plenary meeting and a contact between the head delegates at the Mt. Kungang Hotel in the afternoon.

In the plenary meeting, both sides presented their basic positions in the respective keynote speeches, which were followed by a sharing of opinions and discussions.

In the keynote speeches, both presented their positions on various issues including address checks, exchange of letters, establishment and management of a permanent meeting center and additional exchange of visits by separated families.

The basic position of the South on the address checks was to begin the work of searching for separated families during September and finish the work as soon as possible while notifying each other of the results twice a month beginning mid-October. The North, however, argued that these projects should be expanded gradually after going through a pilot phase since the two Koreas lacked the experience in carrying out such projects because they are being promoted for the first time since the division of Korea. For this reason, the North suggested that the two sides should exchange 50 applications from each side in September and decide the number of applications to be exchanged each time the exchanges take place.

On the exchange of letters, the South proposed to exchange letters twice a month starting from October. The exchange, the South suggested, should start in September with the people whose addresses had been confirmed during the exchange of visits on the occasion of August 15 National Liberation Day. The North, on the other hand, expressed an opinion that the two sides should hold the third round of Red Cross talks sometime in mid-December to decide on

the details related to the exchange of letters.

As to the establishment and management of a permanent meeting center, the South proposed that each side build a meeting place on its own side in Panmunjom and open the center in October to allow weekly reunions of 100 people from each side. The North, however, proposed establishing the permanent meeting center in Mt. Kumgang and to discuss the details related to the management of the center also in mid-December.

As to the additional exchange visits, the South proposed holding the second round of exchange visits from October 16-18, and the third one from November 16-18. The North, on the other hand, maintained that the second exchange take place from November 2-5 and the third, from December 5-8.

Finally, the South urged the North to resolve the issues of the abductees and POWs detained in North Korea by including them in a broad scope of separated family issues and resolving them through a similar process.

Consequently, the two sides ended the plenary meeting on the first day after presenting their positions on specific matters in resolving the issues of separated families and agreeing to discuss the details through the contacts between the head delegates as well as those between working-level delegates.

The following are the summaries of the keynote speeches

made by the two sides.

< Summary of the Keynote Speech by South Korea >

We propose that to resolve the issues of separated families the two sides begin the work of searching for separated families during September and finish the work as soon as possible. We also propose that the two notify each other of the up-to-date lists of applicants for family reunion sometime between the end of September and early October.

To allow the exchange of letters between those who have confirmed the fates and addresses of their families and relatives, we propose to exchange letters twice a month starting from October with those who have already confirmed the addresses.

We hope to establish a permanent meeting center as soon as possible to allow reunions between separated families. We propose that each side build a meeting place on its own side in Panmunjom and open the center on October 25 to allow weekly reunions of 100 people from each side. The number of people allowed for weekly reunions shall be gradually expanded.

As to the dates for additional exchange visits, we propose that the second exchange of visitors take place for three days and two nights simultaneously in Seoul and Pyongyang from October 16-18 and the third, from November 16-18. We stress that under the unavoidable circumstances, reunion in the place other than the one agreed in advance should be allowed.

We also ask that issues involving those members of separated families remaining on your side due to unfortunate inter-Korean relations in the

past should also be resolved with humanitarian spirit and compatriot love.

< Summary of the Keynote Speech by North Korea >

As to the additional exchange of visits by separated families, we propose exchanging the second visit for four days and three nights simultaneously from November 2-5 and the third, from December 5-8, after each side prepares them well in advance.

Both sides lack the experience in searching for whereabouts and checking addresses of separated families because they are being promoted for the first time since the division of Korea. Therefore, to promote these projects smoothly, we think it is rational to expand them gradually after going through a pilot phase.

The exchange of letters must be promoted based on the confirmed addresses. Therefore, we should promote that as address checks progress. Specific procedures and methods should be discussed and decided after the two exchanges of visits are completed.

We propose to establish the permanent meeting center in Mt. Kumgang. When a railway is connected and a road is built between Shinuiju and Seoul in the future, it would be rational to establish and manage another meeting center there as well.

b. Meetings on Day Two and Three: September 21-22

On the second day, to increase the efficiency of the talks, the two sides held a contact between the head delegates and one between working-level delegates instead of a plenary

meeting.

In the working-level contacts, the two sides had discussions over the areas where they had differences, but made no progress because both adhered to their initial positions. Subsequently, the two sides held a contact between the two head delegates.

During the head delegates contact, the South proposed to exchange lists of separated families for address checks during the month of September and to promote the project step by step. The North, however, suggested exchanging a list of 50 people from each side as a pilot case and gradually expanding the project thereafter. The meetings on the second day ended in vain as both sides maintained their initial positions on various issues, including exchange of letters, establishment and management of permanent meeting centers and additional exchange visits.

The two sides had a working-level delegate contact on the following day and discussed the matters in detail, but still failed to close the gap between them. Once again, the meetings ended in vain.

c. Meetings on Day Four: September 23

After several head delegates contacts and contacts between working-level delegates where the two sides made adjustments and compromises, they finally reached an

agreement 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 the third, from December 5-7.

The two sides agreed to exchange the 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 were confirmed.

The two sides agreed to a pilot-phase exchange of letters in November for 300 people among those whose families' addresses are confirmed, with the number to expand gradually following the initial exchange.

Meanwhile, it was agreed that the two sides would discuss and decide the project to establish and manage a permanent meeting center for separated families in the third round of Red Cross talks, which was agreed to be held in Mt. Kumgang from December 13-15.

The two sides held a plenary meeting to adopt and sign an agreement stating the above points.

The following is the summary of the agreement.

< Summary of the Agreement from the Second Inter-Korean Red Cross Talks >

1. Additional Exchange of Visits by Separated Families

The second exchange of 100 visitors from each side shall take place simultaneously from November 2-4 and the third, from December 5-7.

2. Address Checks

The two 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.

3. Exchange of Letters

Both sides shall allow, as a model case, exchange of letters for the 300 people who will have confirmed their families' addresses by the month of November and gradually 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 from December 13-15.

4. The Third Inter-Korean Red Cross Talks

A. Overview

In the second round of talks, the South and North Korean Red Cross agreed to hold the third round of talks in Mt. Kumgang from December 13-15, 2000.

However, considering that the fourth inter-Korean ministerial talks were scheduled to begin on December 12, the South sent a telephone message to the North on December 8 to confirm the latter's position on the expected dates for the Red Cross talks. In its reply, the North proposed postponing the third round of Red Cross talks until the next year.

In the public broadcast made on January 11, 2001, the North released a statement of the spokesman for the Central Committee of DPRK Red Cross Society, proposing holding the third Red Cross talks during the month of January. On the following day, the North sent a telephone message to the South and proposed holding the talks in Mt. Kumgang from January 29-31.

The following is the full text of the telephone message sent by the North.

Dear President Suh Young-hoon
Korean National Red Cross Society

Having held a 2001 Rally for Opening the Door to Unification by Our Own Hands, we have proposed an aggressive proposal, as one of most important measures to open an epoch-making phase in the unification of the fatherland in the first year of the 21st century while alleviating the misfortune and pain of separated families and relatives and resolving the humanitarian issue without any delay.

Accordingly, through the spokesman's statement released yesterday, the Central Committee of the DPRK Red Cross Society has made its position clear on resolving humanitarian issues as soon as possible and proposed holding the third inter-Korean Red Cross talks in January.

We think that the third talks should be held for three days and two nights from January 29-31 and the venue for the talks should be the Mt. Kumgang district as already agreed between the two Koreas.

In addition, we are hereby letting you know that we are sending two of our Red Cross liaison officers for the contact with their counterparts at Panmunjom at 3:00 this afternoon.

I am looking forward to hearing from you a positive response.

January 12, Juche 90(2001)

Jang Jae-on
Chairman
Central Committee of the Red Cross Society
Democratic People's Republic of Korea

In a telephone reply of January 20, the South consented to the North's proposal for the third Red Cross talks and notified that Lee Byong-ung, Special Advisor to the KNRC President, was appointed as the new head of the South Korean delegation.

The following is the full text of the telephone message sent by the South.

Dear Chairman Jang Jae-on
Central Committee of the Red Cross Society
Democratic People's Republic of Korea

Through a contact between the liaison officers on January 12, we have already presented the plans to promote family reunion, including the third exchange of visits by separated families, address checks and exchange of letters.

I think your side must let us know what you think about them as soon as possible to promote the family reunion project.

Along with this, we agree to your proposal for holding the third inter-Korean Red Cross talks in Mt. Kumgang from January 29-31 and hereby notify that Lee Byong-ung, Special Advisor to the KNRC President, has been appointed as the new head of our delegation.

I hope that the two sides can discuss and thoroughly agree on such issues as establishment and management of a permanent meeting center and expansion of address checks and letter exchanges in the third round of the talks.

I am looking forward to hearing from you a positive response.

Suh Young-hoon
President
Korean National Red Cross Society

The North notified the South of its delegation in a telephone message sent on January 25: Kim Kyong-rak, an executive member of the Central Committee of the DPRK Red Cross Society, was appointed the new head of the North Korean delegation and one of its delegates, Choe Chang-hun was replaced by Li Ho-rim.

Having exchanged three sets of telephone messages, the two Koreas finally held the third round of Red Cross talks at the Mt. Kumgang Hotel in North Korea from January 29-31.

The South Korean delegation consisted of 22 people in total, including the head delegate Lee Byong-ung and two other delegates, Choi Ki-sung and Ko Gyoung-bin, three attendants, eight supporting staff and eight journalists.

B. Progress

a. Meetings on Day One: January 29

A plenary meeting was held at the Mt. Kumgang Hotel on January 29, the first day of the talks.

Prior to the meeting, the two sides had a contact between the liaison officers and notified each other of the results of address checks for one hundred people from each side, as already agreed.

In the keynote speech made during the plenary meeting, the South reaffirmed its positions on the expansion of address checks and letter exchanges, establishment and management of a permanent meeting center and regular exchange of visits by separated families as well as the schedules for the model cases of address check and postal exchange that have been already agreed to.

The South presented its basic position that the two sides should discuss in earnest the matters concerning the expansion of address checks and letter exchanges as agreed in the third round of the Red Cross talks. It proposed exchanging a list of 10,000 people from each side for address checks before the end of the year and allows letter exchanges twice a month between those who have confirmed the addresses of their families and relatives.

As to the establishment and management of a permanent meeting center, the South stressed once again that the center should be built at Panmunjom and suggested opening it by the end of March.

On the exchange visits, the South proposed upgrading the exchange a step further by holding it on a regular basis and allowing separated families to spend nights together and

pay homage to their ancestors' graves based on the experience accumulated throughout the two previous exchanges.

Lastly, the South reaffirmed the schedules for the previously agreed exchange projects for separated families. The South had already suggested the schedules through a contact between the liaison officers in Panmunjom on January 12.

In its keynote speech, the North made clear its positions on the schedules for the agreed exchange projects and establishment of a permanent meeting center. However, it did not mention the expansion of address checks and letter exchange in any specific manner, yet raised a new issue on an additional repatriation of unconverted long-term prisoners. Concerning the agreed schedules for exchanges, the North accepted most of what the South proposed on January 12 and proposed exchanging the lists for the second address checks on February 9, giving the results to each other on February 23 and having the third exchange of visits from February 26-28. As to the additional repatriation, the North demanded that the families of the repatriated prisoners along with those prisoners, who had written a letter of conversion but still wish to return to the North, be returned.

Consequently, although the two sides were able to reach an agreement in the meetings on the first day on the

schedules for the exchange projects for separated families that had been agreed in the fourth inter-Korean ministerial talks, they still differed on various other issues, including expanding address checks and letter exchanges, establishing a permanent meeting center and additionally repatriating long-term prisoners. They agreed to hammer out the differences through the contacts between the head delegates as well as in the meetings between working-level delegates and ended the sessions on the first day.

The following is the summaries of the keynote speeches made by the South and North in the plenary meeting on the first day.

< Summary of the Keynote Speech by the South >

In accordance with the agreement made in the second Red Cross talks, the two sides must discuss and agree on the expansion of address checks. We propose exchanging lists of 10,000 people from each side for address checks and allow exchange of letters twice a month for those who have confirmed the addresses.

Concerning the establishment and management of a permanent meeting center, we propose that the center should be built by the end of March and the meetings take place starting from April. We propose that each side build one meeting center on its own side of Panmunjom while allowing one hundred people from each to meet with each other and gradually expand the number thereafter.

We also propose to upgrade the exchange visits one step further by

holding them on a regular basis on each occasion and allow separated families to spend nights together and make homage to their ancestral graves. The exchange should take place on such national holidays as the Lunar New Year's Day and Chuseok or Korean Thanksgiving, as well as such holidays jointly celebrated by both the South and North as the anniversary of the June 15 South-North Joint Declaration and the August 15 National Liberation Day.

As to the exchange projects for separated families already agreed between the South and North, we propose, as we had already proposed on January 12 and the North had notified its consent on January 25, an exchange of the results of the first address checks on January 29. We also propose that the requests for the second address checks be handed to each other on February 9 and the results be exchanged on February 23.

We propose that the third exchange visits take place from February 26-28 while the candidates for this round of visits be exchanged on January 31, the results of the review be notified on February 15 and the final lists be exchanged on February 20. In addition, we propose that an exchange of letters take place on March 15.

< Summary of the Keynote Speech by the North >

As to the schedule already agreed between the two sides, we propose that the results of the address checks on the lists of one hundred people exchanged in September last year be exchanged on January 29. We also propose the second lists be exchanged on February 9 and the results on them be notified on February 23. letter exchange should take place on March 15. The correspondence must be made in the form of letters, but inclusion of one or two family pictures may also be permitted.

The exchange visits should take place from February 26–28.

As to the establishment and management of a permanent meeting center, the center should be opened on the occasion of the August 15 National Liberation Day. However, prior to its opening, the center must be built first in the Mt. Kumgang district.

We propose discussing the matters concerning the additional repatriation of unconverted long-term prisoners and the repatriation of the families of those repatriated prisoners.

b. Meetings on Day Two: January 30

On January 30, the second day of the talks, the two sided held a plenary meeting and one round of contact each between the head delegates as well as between working-level delegates.

They had an intense discussion over the areas where they displayed differences in opinion.

The South argued to discuss in earnest expansion of address checks and letter exchanges, but the North maintained that these issues should be discussed in the fourth Red Cross talks after the completion of the pilot projects.

As to the establishment of a permanent meeting center, the South proposed a compromise that a temporary meeting place be built in both Panmunjom and the Mt. Kumgang

district with a premise that a permanent one be built at the junction of the Seoul-Shinuiju railway when it is completed. The North, however, insinuated that the Mt. Kungang district, along with the junction of the inter-Korean railway, could be also considered as a site for the permanent meeting place.

As to the additional repatriation of prisoners, the South stressed that it was no longer an issue to be discussed because it had already returned 63 unconverted long-term prisoners who wished to return to the North. The North, however, insisted that the two sides continue discussing the issue.

The plenary meeting ended while the two Koreas failed to close the gap in their positions.

Even in the subsequent contact between the head delegates and that between working-level delegates, the two sides adhered to their original positions. As a result, the meetings on the second day also ended in vain.

c. Meetings on Day Three: January 31

On January 31, the last day of the talks, the two sides held several rounds of contact between the head delegates and exchanged opinions'. Finally, they were able to adopt a joint press statement before ending the third round of inter-Korean Red Cross talks.

The two sides agreed on the detailed schedules for exchanges between separated families and decided to discuss such issues as the establishment of a permanent meeting center and expansion of address checks and letter exchange in the fourth round of Red Cross talks.

The following is the summary of the joint press statement.

— < Summary of the Joint Press Statement from the Third Red Cross Talks > —

The third exchange of visits by separated families shall take place simultaneously in Seoul and Pyongyang from February 26-28, for three days and two nights.

Exchange of letters between those three hundred whose families' addresses are confirmed shall take place through the Red Cross liaison office in Panmunjom on March 15. One or two family pictures may be exchanged along with letters.

The lists of one hundred candidates from each side for address checks expected in the month of February shall be exchanged on February 9 and the results of the search shall be notified on February 23.

Having agreed to expand the scale of address checks and letter exchanges between them, the two sides shall discuss and conclude the details in the fourth round of the inter-Korean Red Cross talks.

The two sides shall continue their discussion and make their decisions on specific matters related to the establishment and management of a permanent meeting center in the fourth round of the inter-Korean Red Cross talks.

The fourth round of the inter-Korean Red Cross talks shall be held from April 3-5 while the venue for the talks shall be decided later through a consultation between the two sides.



Chapter VI.

Miscellaneous

Chapter VI. Miscellaneous

1. Visit by Special Envoy Kim Yong-sun

A. Background

The visit by special envoy Kim Yong-sun was first proposed by North Korea's National Defense Commission Chairman Kim Jong-Il while the heads of South Korean media and press were visiting Pyongyang from August 5-12. The details for his visit were then discussed between the two sides when Unification Minister Park Jae-kyu visited Chairman Kim during the second inter-Korean ministerial talks. The two agreed in principle that the special envoy Kim's visit should take place immediately before Chuseok when a gift of pine mushrooms was delivered to the South. The detailed schedule for the visit was discussed and determined through the South-North liaison office on September 9.

The two sides agreed that special envoy Kim and his entourage would visit the South from September 11-14 and the mushrooms would be delivered on September 11, a day before Chuseok.

On September 11, special envoy Kim arrived at Kimpo International Airport with his entourage, which included Gen. Pak Jae-gyong of the Korean People's Army and six

other powerful leaders of the North Korean communist party and military.

B. Progress

Arriving in Seoul via a direct West Sea air route, the Secretary of the Central Committee of the North Korean Workers' Party Kim Yong-sun said, "I hope this visit makes a new and great advancement in implementing the South-North Joint Declaration and moving toward national reunification." He also hoped that his visit would provide spirit for national unification for the 70 million Korean people.

In the meantime, Gen. Pak Jae-gyong delivered 3,000 kg of pine mushrooms, which had been promised by Chairman Kim Jong-il as a gift on Chuseok. Upon delivering the gift, the general read a statement, which said: "The gift of pine mushrooms will deepen the friendship between the two heads of state. While emphasizing the North Korean people's strong commitment to implementing the South-North Joint Declaration, the gift will further strengthen the compatriot love between North and South Korean people". Gen. Pak and one other man returned to the North on September 11, immediately after they delivered the mushrooms.

The special envoy Kim Yong-sun and the other members of his entourage paid a courtesy call on President Kim

Dae-jung on September 14 and attended a luncheon hosted by the President.

The South and North held an official bilateral talks at the Shilla Hotel, where the North Korean delegation was staying. Unification Minister Park Jae-kyu and four others attended the talks on behalf of the South while Secretary Kim Yong-sun and three others represented the North. During the talks, the two sides had an in-depth discussion over a wide range of pending issues between the two Koreas, including Chairman Kim's return visit to Seoul, connection of the Seoul-Shinuiju railway and highway, defense ministers' talks and family reunion. At the end, they announced the following seven-point agreement.

< Summary of the Joint Press Statement on the Visit by Special Envoy Kim Yong-sun >

National Defense Commission Chairman Kim Jong-il shall visit Seoul in the near future while Kim Young-nam, President of the Presidium of the Supreme People's Assembly, shall visit Seoul prior to Chairman Kim's visit.

Both sides shall welcome the discussion over holding the talks between the defense ministers.

Both sides shall start the process of address checks in September and first work on a way to allow those who have confirmed addresses to exchange letters. In addition, both sides shall hold a round of Red Cross talks on September 20 to discuss, along with the above issues, the issues related to exchanging additional groups of separated families and establishing and managing a permanent meeting center.

The two sides shall hold a working-level meeting on economic cooperation in Seoul on September 25 to agree on institutional mechanisms for promotion of economic cooperation between the two Koreas.

The South and the North shall have a groundbreaking ceremony to connect the Seoul-Shinuiju railway and a road as soon as possible.

The North shall send to the South an economic mission composed of about 15 people.

The South and the North shall start a joint survey for a flood prevention project in the Imjin River basin.

In the meantime, special envoy Kim and his entourage visited historic and cultural sites in Jeju Island on September 12 and looked around the city of Kyongju and industrial facilities such as Pohang Steel on the next day. These trips helped them to improve their understanding of the South Korean society and the tourism industry.

Kim and his people had originally planned to return to the North by a special flight of North Korea's Koryo Airline. However, due to the arrival of the tropical storm Saomai, they had to return by land via Panmunjom. The North Korean delegation had a brief press interview at Peace House on the South Korean side of Panmunjom at 8:30 p.m. on September 14 before they headed for Pyongyang.

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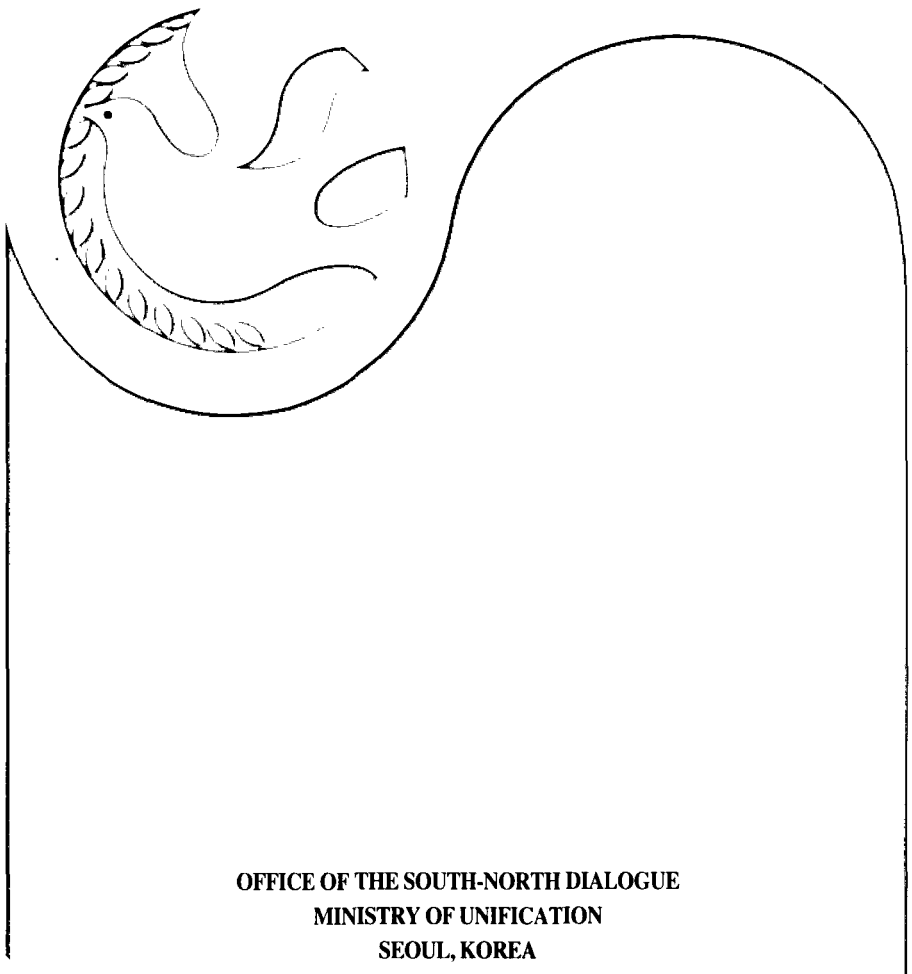
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OFFICE OF THE SOUTH-NORTH DIALOGUE
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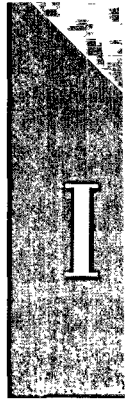
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Chapter I.

Overview of Inter-Korean Dialogue since 2001

Chapter I. Overview of Inter-Korean Dialogue since 2001

Inter-Korean dialogue, which had been very active beginning with the June 15 Inter-Korean Joint Declaration (2000), has slowed since 2001 as the Bush Administration began a review of its North Korea policy. This slowdown is also due to both internal and external political circumstances surrounding the Korean peninsula. Nonetheless, the South Korean government has continued to consistently implement its policy of reconciliation and cooperation toward North Korea.

Incidents such as the North Korean vessel entering the territorial waters of the South, unforeseen acts of the participants of the August 15 (Liberation Day) joint event and 9/11 terrorist incidents in the US have affected inter-Korean dialogue and exchanges; however, the South Korean government has maintained its efforts to promote inter-Korean reconciliation and cooperation and thus, the dialogues and exchanges that did continue helped to maintain progress in inter-Korean relations.

The sixth ministerial talks that followed the fifth ministerial talks (September 2000), broke off, causing a stall in inter-governmental dialogue, but helped by the visit to North Korea of the presidential envoy in April 2002, inter-Korean dialogue resumed to restore relations to their original state before the break.

Following that, what the South Korean foreign affairs minister said during his visit to the US and the naval skirmish in the West Sea caused inter-Korean relations to freeze over again, but they were quickly restored as the North expressed its regret over the West Sea incident and proposed a working-level dialogue to hold the seventh ministerial talks. After that, the inter-governmental dialogue between the two Koreas became very active.

From 2001 to November of 2002 the two Koreas held 34 inter-Korean talks to resolve various pending issues of mutual interest. By areas, political-military dialogue included: the fifth and the sixth ministerial talks (September to November 2001), the working-level talks for the seventh ministerial talks (August 2002), the seventh and the eighth ministerial talks (August to October 2002), the fourth and fifth working-level military talks (January to February 2001), the sixth and seventh working-level military talks (September 2002), head delegate contact in working-level military talks (September 2002), and the first to fifth working-level military contacts (October to November 2002). All together, there were 15 talks in this area, five ministerial talks and ten military talks.

In the economic area there were: the first working-level consultative meeting on cooperation in electric power supply

(February 2001), the first working-level consultative meeting on the prevention of flooding in the Imjin River basin (February 2001), the second consultative meeting on the Imjin River basin (October 2002), working-level contacts for a joint survey of the Innam Dam (September, 2002), the first talks to revitalize the Mt. Geumgang tourism project (October 2001), the second talks on Mt. Geumgang (September 2002), the second Economic Cooperation Promotion Committee meeting (August 2002), the third economic committee meeting (October 2002), the first working-level consultative meeting on inter-Korean railroad and road reconnection (September 2002), the first and second working-level contacts for inter-Korean railroad and road reconnection (October to November 2002), the first working-level consultative meeting on the construction of the Gaesong Industrial Complex (October 2002), and the working-level contacts for marine transportation (November 2002). All together there were 13 inter-governmental talks in this area.

In the area of humanitarian efforts and socio-cultural dialogue there were: the third Red Cross talks (January to February 2001), the fourth Red Cross talks (September 2002), Red Cross working-level contacts (October 2002), and the first and second working-level meetings for North Korea's participation in the Busan Asiad (August 2002); bringing the number of talks in this area to 5 in total. In

addition, there was a visit by the presidential envoy to North Korea in April 2002.

In 2001, due to events such as the 9/11 terrorist attacks in the US, there were only eight occasions of inter-Korean governmental talks, but in year 2002, due in part to the rise in economic talks, there occurred 26 talks in total. In addition to the governmental dialogue, the third, fourth and the fifth exchange visits of separated family members as well as exchanges and humanitarian assistance by the private sector continued to take place.

Inter-Korean exchanges and cooperation rose in number as the light-water reactor project continued. Inter-Korean trade and economic cooperation also increased in volume and the following exchanges took place: a visit to the South by the North Korean economic mission, an inter-Korean soccer match for unification, exchange visits by the taekwondo performance teams, participation of North Korea in the 14th Asiad held in Busan, joint cultural performances and other joint events among women's and youth organizations.

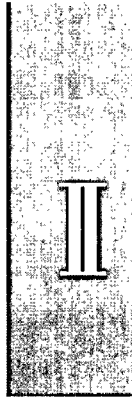
Moreover, ground-breaking ceremonies for the Seoul-Shinuiju and East Coast railroads and road reconnection (September 18, 2002) took place in four different locations simultaneously. The construction work is ongoing and various related agreements that were reached are being implemented.

In line with the progress in inter-Korean relations, North Korea has recently adopted various economic development measures including designation of Shinuiju as a special economic zone, establishment of an industrial district in Gaesong and designation of the Mt. Geumgang region as a special tourism zone. At the same time, the North has been seeking changes in its relations with other nations by holding summit talks with Japan and actively making gestures in pursuit of holding a dialogue with the US.

The changes that are taking place in North Korea are, in part, the results of the South's consistent implementation of the policy of reconciliation and cooperation that sought inter-Korean dialogue and exchanges. When looking at the progress in inter-Korean relations and the movement toward change on North Korea's part, one can say that we are one step closer to full-scale reconciliation and cooperation and unification.

However, the recent issue concerning North Korea's nuclear development has again made the security environment on the Korean peninsula less transparent. Faced with such a situation, South Korea should increase its capacity to promote its North Korea policy by seeking national consensus and support from the international community. Also, it ought to channel changes taking place in North Korea in the right direction while maintaining a strong

security posture. Furthermore, the South should work to build trust between the two Koreas through various exchanges and dialogue with the North and endeavor to firmly establish peace on the peninsula with the confidence gained, so that unification can eventually be achieved.



Chapter II.
**Inter-Korean Ministerial
Talks**

Chapter II. Inter-Korean Ministerial Talks

1. The Fifth Inter-Korean Ministerial Talks

A. Overview

At the fourth ministerial talks the South and North Korea agreed to hold the fifth ministerial talks in March 2001 and agreed to discuss the venue at a later date. Accordingly, on February 27, 2001, through a telephone message from its head delegate Park Jae-kyu, South Korea proposed holding the fifth ministerial talks from March 13 to 16. North Korea agreed to this proposal on March 7 through a telephone message from its head delegate Jon Kum-jin, setting the dates for the fifth ministerial talks.

However, on the day of the opening of the talks, North Korea sent a telephone message from Jon Kum-jin stating that in consideration of various matters, it could not attend the fifth ministerial talks, thus postponing the talks. Amid a pause in governmental talks, the South Korean government continued to promote exchange and cooperation by the private sector, and endeavored through various means to improve relations and to urge the North to resume the dialogue.

On September 6, the South sent a telephone message from its head delegate to the North proposing to hold the fifth ministerial talks from September 15 to 18 in Seoul; the North agreed to this and the fifth ministerial talks were held in Seoul after six months of postponement.

In the fifth ministerial talks the individual members of both delegations changed a great deal from the previous talks, including the head delegates.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Hong Soon-young (Minister of Unification)	Kim Ryong-sung (Senior Cabinet Counselor)
Other Delegates	Kim Jin-pyo (Vice Minister of Ministry of Finance and Economy) Yoon Houg-kyu (Vice Minister of Culture and Tourism) Rhee Bong-jo (Assistant Minister for Unification Policy, Ministry of Unification) Suh Young-kyo (Director General, Ministry of Unification)	Jo Sung-bal (Counselor, Cabinet Secretariat) Choe Sung-ik (Manager of Secretariat, Committee for the Peaceful Unification of Fatherland) Ho Su-rim (Head of National Economic cooperation Association) Kim Man-gil (Director General Ministry of Culture)

B. Developments

(1) The First Plenary Meeting (September 16)

On September 16, the first plenary meeting was held from 10:00 to 11:10 a.m. at the Olympia Hotel. At the meeting the South Korea emphasized that the two sides should faithfully implement the previously agreed points and that they should realistically improve relations by holding inter-Korean talks in various areas.

South Korea proposed that the sides take the necessary measures to immediately begin construction work in the demilitarized zone for the reconnection of the Seoul-Shinuiju railroad and road, reconnect the East Coast road at an early time so that land-route tours to Mt. Geumgang would be possible, and resume Red Cross talks to discuss the establishment of a reunion center for separated families and exchange visits by separated family members.

In addition, the South relayed to the North its position on the Gaesong Industrial Complex, prevention of flooding in the Imjin River basin, effectuation of the four agreements on economic cooperation and private sector exchanges and cooperation.

Also, the South expressed regrets over the North's unilateral postponement of the fifth ministerial talks, passage of the North Korean vessel through the South's territorial waters without notice, and incidents that occurred on the joint celebration of August 15, (Liberation Day) in North Korea, in which the North Korean organizers took South Korean participants to the event that was held in front of the monument for the three charters of unification. The South side called these incidents regrettable and urged the North to prevent the recurrence of similar incidents.

Meanwhile, the North Korean side emphasized that this round of talks should work to restore inter-Korean relations, resume implementation of agreed points, and proposed different matters to be discussed. The North emphasized that both sides should promote dialogue and cooperation and support private level exchanges and cooperation so as to achieve common benefit and reconciliation. As new matters for discussion, the North side proposed railroad and gas pipeline connections between South Korea, North Korea and Russia and the issue regarding passage of merchant vessels through each other's territorial waters.

In the first plenary meeting the two sides outlined their basic positions, and they ended the meeting by agreeing to further discuss details of each other's proposals in the coming meetings.

(2) The Second Plenary Meeting (September 17)

The second plenary meeting was held on the second day of the talks on September 17, from 10:30 a.m. to 11:20 a.m. at the same place. The two sides exchanged their respective positions on matters raised by the other side at the first meeting and exchanged their views on action plans to implement the proposals.

The North side began by emphasizing faithful implementation of the June 15 Joint Declaration and expressed more detailed positions on some of the issues that were generally discussed in the first plenary. In regard to the Seoul-Shinuiju railroad and road reconnection and the prevention of flooding in the Imjin River basin, the North side said that military measures must take priority, and it proposed holding working-level contacts to begin full-scale implementation of the Gaesong Industrial Complex.

The South Korean side confirmed that both sides, in principle, share similar views on many of the issues raised. The South side proposed specific action plans regarding the Seoul-Shinuiju railroad and road reconnection, revitalization of Mt. Geumgang tourism and the issue of resolving the separated families; and the South urged the North to respond favorably to these proposals.

(3) The Third Plenary Meeting (September 18)

The two sides held a head delegate contact and several working-level contacts and agreed on a 13-point agreement, nine points of which were in the area of economic cooperation such as holding talks to revitalize Mt. Geumgang tourism and holding joint economic committee meetings. The agreement also included holding the fourth exchange visit by separated family members. The two sides finalized the agreement and announced it in the third plenary meeting that was held on the morning of September 18.

< Summary of the Joint Press Statement >

1. The South and the North shall actively provide assistance for contacts, exchanges and cooperative projects initialized by the private sector while continuing to promote dialogue and cooperation between the authorities.
2. Hold the fourth exchange of visits of separated families from October 16 to 18, 2001, on the occasion of Chuseok, Korean Thanksgiving.
3. Promote various cooperation projects and hold relevant meetings in order to vitalize inter-Korean economic cooperation.
 - ① Begin construction of the Seoul-Shinuiju railroad and road and open the connection as soon as possible.
 - ② Hold working-level contacts for construction of the Gaesong Industrial Complex at an early date.
 - ③ Hold inter-Korean talks to discuss the revitalization of Mt. Geumgang tourism, including the opening of an overland route to the mountain on October 4.
 - ④ Review cooperation between the South, the North, and Russia in the connection of railroads and gas pipelines.

- ⑤ Hold working-level contacts for marine transportation to discuss the passage of civilian vessels through territorial waters.
 - ⑥ Begin a field survey in November for prevention of flooding in the Imjin River basin.
 - ⑦ Effectuate four economic cooperation agreements at an early date.
 - ⑧ Hold working-level contacts to discuss the common fishing ground in the East Sea.
 - ⑨ Hold the second meeting of the Economic Cooperation Promotion Committee, including working-level meetings, from October 23 to 26, 2001.
4. Exchange Taekwondo demonstration teams. The North Korean team will visit in October and the South Korean team in November.
5. Hold the sixth inter-Korean ministerial talks from October 28 to 31, 2001.

2. The Sixth Inter-Korean Ministerial Talks

A. Overview

As agreed in the fifth ministerial talks, the inter-Korean talks to revitalize Mt. Geumgang tourism (October 3 to 5, Mt. Geumgang) took place and the fourth exchange visit by separated family members (October 16 to 18), exchange of taekwondo teams (during October), the 2nd meeting of the Inter-Korean Economic Cooperation Promotion Committee (October 23 to 26) and the sixth ministerial talks (October 28 to 31) were respectively scheduled to take place.

However, on October 12, through a statement by the spokesman for the Committee for the Peaceful Reunification of the Fatherland, North Korea expressed its intent to unilaterally postpone the exchange visit by taekwondo teams and the fourth exchange visit by separated family members, saying that the situation prevailing in South Korea prompted by South Korea's emergency alert posture following the 9.11 terrorist incidents made inter-Korean dialogue and exchange difficult. The North said that it would hold, as scheduled, the agreed inter-Korean talks but demanded that they be held in the Mt. Geumgang area "where security is guaranteed."

In response, South Korea, through a telephone message from head delegate Hong Soon-young, strongly protested and expressed regret over the unilateral decision by the North to postpone the separated family exchange and the exchange of taekwondo teams and urged the North for immediate implementation of the agreements.

Nine exchanges of telephone messages followed, but the two sides could not come to a compromise. Consequently, the South side decided to accept the North's proposal of holding the talks in the Mt. Geumgang area, considering that it was more important to continue the dialogue to tackle urgent issues such as the separated family issue, rather than continue the unproductive dispute over the venue of the talks. Originally,

the sixth ministerial talks were scheduled from November 9 to 12, but they took place in the Mt. Geumgang Hotel from November 9 to 14.

B. Developments

(1) The First Plenary Meeting (November 9)

The two sides held the first plenary meeting from 10:00 a.m. to 11:20 a.m. in the Mt. Geumgang Hotel, and they expressed their respective views on the talks through their opening remarks.

In its opening remarks, the South side expressed regret over the North's measure to view the emergency alert in South Korea as being problematic, and the South urged the North to join the international coalition on anti-terrorism, explaining that in order for the Korean peninsula to avoid international tension, inter-Korean dialogue was more necessary than ever. The South side proposed early implementation of the following: the fourth exchange visits of separated families, military talks for confidence building and tension reduction, effectuation of a military guarantee agreement for reconnection of railroad and road, land-route tours to Mt. Geumgang and projects to lay the foundation for an economic community such as the Gaesong Industrial

Complex. Along with this, the South side emphasized that it was critical to hold regular inter-Korean ministerial talks, which act as the central consultative body for implementing the June 15 Joint Declaration.

In its opening remarks the North Korean side expressed regret over the South's measures in response to the war against terrorism and said that the emergency alert posture by the South was directed at the North.

In response, the South side explained that it was wrong for North Korea to raise such an issue and expressed the need to implement the agreements through dialogue. The South, in particular, emphasized that unilateral action by the North to postpone the scheduled events went against the spirit of reconciliation and cooperation and that the matter should be resolved through discussion.

(2) The Second Plenary Meeting (November 10)

The second plenary meeting took place at the same venue on November 10 from 10:20 a.m. to 10:57 a.m.

The South side reiterated that North Korea's view on the current political circumstances was wrong and that there was a great deal of misunderstanding on the part of the North.

Furthermore, it expressed regret over the unjustified claims of the North. The Southern delegation explained that the emergency alert measures were not directed at North Korea but were taken to secure internal peace and that the South's diplomatic efforts, which were needed to secure peace on the peninsula, sought to win support for the peace policy and did not go against the national interest. In response to the North's claim that it was provocative for the South to carry out military exercises, the South side explained that the exercises were defensive in nature and that such matters could be discussed at the military talks, which were needed for confidence building and tension reduction. Also, the South side emphasized that the two Koreas should work together to prevent escalating international tension from affecting inter-Korean relations, and that such times called for the two Koreas to engage in dialogue and cooperation.

Meanwhile, the North side reiterated that the South should take reasonable measures in regard to its emergency alert posture. The North said that except for the emergency alert, the agreements reached at the fifth ministerial talks would have been implemented smoothly. Moreover, the North side said that the South's explanations were nothing more than excuses, and that in order to avoid 'empty talks' South Korea must take reasonable measures to settle the matter.

(3) The Third Plenary Meeting (November 14)

The two sides held several head delegate contacts and working-level contacts before agreeing on the fourth occasion of exchange visits by separated families in early December and holding the seventh ministerial talks in Seoul, but the two sides could not narrow their differences on the venue for the second meeting of the economic committee and the dates for the seventh ministerial talks. Without any finalized agreements the two sides met to end the sixth ministerial talks in the third plenary on November 14.

In their closing remarks, the North side laid the blame on the South for not being able to adopt any agreements in contrast to the previous five ministerial talks that saw agreements announced in joint press statements. The South side pointed out that it is more difficult to manage peaceful coexistence, exchanges and cooperation than to manage confrontation, and emphasized that reconciliation and cooperation was needed more than ever.

The sixth ministerial talks did not produce agreements that resolved pending issues and failed to reschedule agreements reached during the fifth ministerial talks. But it served to reconfirm each other's position on various issues, and the South side was able to convey its message on the need for peaceful coexistence and the need to resolve pending issues.

3. Working-level Contacts for Inter-Korean Ministerial Talks

A. Overview

On July 25 North Korea sent a telephone message from the head delegate of ministerial talks to the South's head delegate Jeong Se-hyun, the Minister of Unification. In the telephone message, the North side expressed regret over the accidental naval skirmish that occurred in the West Sea and that the two sides should work to prevent a recurrence of such an incident. Furthermore, it proposed holding the seventh ministerial talks in Seoul and holding working-level talks prior to the ministerial talks in early August at Mt. Geumgang to discuss the implementation of agreements that were reached on railroad and road reconnection, the separated families issue, agreements reached during the presidential envoy's visit in April and other pending issues of interest.

In response, the South side sent a telephone message from its head delegate Jeong Se-hyun stating that it was mindful of the North's regret over the West Sea naval skirmish and its position on efforts to prevent recurrence of such incident; the South side urged the North to take all necessary measures so that such unfortunate military skirmishes do not occur again. Meanwhile, the South side proposed holding the working-level talks from

August 2 to 4, and it proposed sending a two-member delegation to Mt. Geumgang along with other working-level personnel.

North Korea accepted the proposal sent by the South, and thus, the working-level contacts for ministerial talks took place from August 2 to 4 at Mt. Geumgang.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Rhee Bong-jo (Assistant Minister for Unification Policy, Ministry of Unification)	Choe Sung-ik (Manager, Secretariat, Committee for the Peaceful Unification of Fatherland)
Other Delegate	Suh Young-kyo (Director General, Ministry of Unification)	Kim Man-gil (Director General Ministry of Culture)

B. Developments

(1) Head Delegate Contact (August 3)

The two sides held head delegate contact in the morning of August 3 prior to holding the plenary meeting. The two head delegates held their meeting in the second floor meeting room in the Mt. Geumgang Hotel, and they exchanged their respective positions regarding the naval skirmish in the West Sea.

The Southern head delegate demanded an apology for the

naval skirmish that occurred on June 29, punishment for those responsible and prevention of any recurrence. Also, he urged the North to take reasonable measures to obtain South Korea's understanding on the matter. The North side reconfirmed its position that it regrets the naval skirmish in the West Sea which occurred accidentally.

(2) The First Plenary Meeting (August 3)

The first plenary meeting took place in the afternoon of August 8 in the meeting room of the Mt. Geumgang Hotel.

In his opening remarks, the head delegate of the North reiterated regrets over the naval skirmish that occurred accidentally, stated that the two sides must work together to prevent recurrence and asked for an end to the discussion of the incident. Also, he proposed holding the seventh ministerial talks on August 20 in Seoul to discuss implementation of the agreements included in the joint press statement of April 5 as well as other issues of mutual interest.

In his opening remarks, the South Korean head delegate pointed out that measures taken by the North regarding the West Sea incident were not sufficient and urged the North to take all necessary measures to prevent such an unfortunate incident from occurring again. The South side emphasized

that the working-level contact should serve to restore inter-Korean relations and proposed dates and an agenda for the seventh ministerial talks. The South proposed that the seventh ministerial talks take place from August 12 to 14 in Seoul and that the two sides discuss matters related to railroad and road reconnection in the western and eastern region, land-route tours to Mt. Geumgang, establishment of a reunion center for separated families, dialogue between military authorities and participation of the North Korean team in the 14th Asian Games in Busan. Also, the South side emphasized that a schedule for talks in various areas including the economic promotion committee and Red Cross talks should be finalized.

(4) The Second Plenary Meeting (August 4)

Following the first plenary meeting the two sides held several working-level contacts to set the dates and agenda for the seventh ministerial talks. The two sides adopted a joint press statement which included 5 agreed points and announced it in the second plenary meeting on August 4.

The working-level contact proceeded in a business-like manner, and the North side's attitude was active and practical in nature rather than propagandistic. As the two sides agreed on the date and agenda for the seventh ministerial talks, they set the stage for the two Koreas to restore inter-Korean relations.

< Joint Press Statement of the Working-Level Contacts >

1. Hold the Seventh Inter-Korean Ministerial Talks from August 12-14, 2002, in Seoul.
2. Consult and resolve the following issues at the Seventh Inter-Korean Ministerial Talks:
 - Issue of fixing the dates to carry out the terms of the Joint Press Statement of April 5 (2002).
 - Holding the 2nd meeting of the Inter-Korean Economic Cooperation Promotion Committee to discuss such already-agreed issues as reconnecting the railways and highways between the South and the North, construction of the Gaesong Industrial Complex and the flood-prevention measures along the Imjin River
 - Holding the 2nd meeting between the authorities for the revitalization of Mt. Geumgang tourism
 - Issues related to the dispatch of a North Korean economic mission to the South
 - Resumption of talks between the South's and North's military authorities
 - Issues related to the holding of the Fourth Inter-Korean Red Cross Talks and holding the fifth round of reunion of separated families at Mt. Geumgang.
3. The two sides agreed that the North would participate in the 14th Busan Asian Games.
4. The two sides agreed to render active assistance for the success of the private sector events of the "August 15 National Unification Rally in Seoul" and the inter-Korean soccer game in September.

4. The Seventh Inter-Korean Ministerial Talks

A. Overview

The South and North Korea held liaison contacts in Panmunjom on August 8 and 9 to discuss procedural matters for the seventh ministerial talks. At the contact, the South delivered the itinerary for the Northern delegation's visit as well as the guarantee of their personal safety; the North notified the South that they would visit South Korea via direct air route. This was the first time that the Northern delegation came to Seoul via direct air route on a chartered plane to participate in the ministerial talks.

After the procedural matters were completed, the seventh ministerial talks were held from August 12 to 14 at the Shilla Hotel in Seoul. The two sides held three plenary meetings, a head delegates contact and several working-level contacts and agreed on implementation of the agreements outlined in the April 5th joint press statement, reconnection of the railroad and road and action plans for major pending issues; the two sides announced their 10-point agreement through a joint press statement.

Meanwhile, there were changes in delegates at the seventh ministerial talks. For the Southern delegation Yoon Jin-shik took

the place of Kim Jin-pyo and Park Moon-suck took the place of Yoon Hong-kyu; and for the North Kim Choon-gun took the place of Ho Su-rim.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Jeong Se-hyun (Minister of Unification)	Kim Ryong-sung (Senior Cabinet Counselor)
Other Delegates	Yoon Jin-shik (Vice Minister of Ministry of Finance and Economy) Park Moon-suck (Vice Minister of Culture and Tourism) Rhee Bong-jo (Assistant Minister for Unification Policy, Ministry of Unification) Suh Young-kyo (Director General, Ministry of Unification)	Jo Sung-bal (Counselor, Cabinet Secretariat) Choe Sung-ik (Manager, Secretariat, Committee for the Peaceful Unification of Fatherland) Kim Choon-gun (Director General, National Economic cooperation Association) Kim Man-gil (Director General, Ministry of Culture)

B. Developments

(1) The First Plenary Meeting (August 12)

The first plenary meeting took place from 6:00 p.m. to 7:05 p.m. on August 12. At the meeting, the two sides exchanged their views on promotion of inter-Korean reconciliation and

cooperation as well as on implementation of the agreements made since the June 15 Joint Declaration.

The South side emphasized that the talks should work to resolve pending issues and put agreements into action, and it urged the North to hold working-level military talks in order to complete the Seoul-Shinuiju railroad by the end of the year. Also, the South side proposed the following: 1) talks to discuss land-route tours to Mt. Geumgang to revitalize the tourism project, 2) the fourth Red Cross talks to discuss the establishment of a reunion center and exchange of letters, 3) the fifth round of exchange visits by separated families on the occasion of Chusok (the Korean Thanksgiving Day), 4) the second meeting of the Inter-Korean Economic Cooperation Promotion Committee to discuss the construction of the Gaesong Industrial Complex, prevention of flooding in the Imjim River basin and a joint survey of the Imnam Dam, 5) North Korean participation in the Asian Games in Busan and 6) cooperation in holding joint events such as the August 15 unification rally and the inter-Korean soccer match. In addition, the South side reiterated its position regarding the West Sea naval skirmish and proposed that military dialogue be held at an early time for military confidence building and tension reduction.

In response, the North emphasized the restoration of inter-Korean relations and faithful implementation of the June 15 Joint Declaration.

The North side also presented its views on the following: 1) the second meeting of the economic committee, 2) the fourth Red Cross talks, 3) talks to revitalize Mt. Geumgang tourism, 4) participation in the Asian Games in Busan, 5) the inter-Korean soccer match, 6) exchange of taekwondo performance teams and 7) dispatch of an economic mission to South Korea.

The two sides exchanged their views on these matters and ended the meeting by agreeing to further discuss implementation and specific plans for various cooperation projects.

(2) The Second Plenary Meeting (August 13)

The second plenary meeting took place on August 13 from 10:00 a.m. to 11:20 a.m. At the meeting, the two sides fine tuned their positions on matters discussed at the first meeting and also discussed implementing agreements that had already been reached.

In regard to holding the second meeting of the inter-Korean economic committee, the North sides said that holding subsidiary working-level consultative meetings concurrently would be difficult, and regarding the working-level military talks, the North said that it would be more reasonable to discuss that in connection with establishment of a temporary road to Mt. Geumgang in the talks to revitalize Mt. Geumgang tourism.

The South side urged that more specific agreements should be reached in regard to Seoul-Shinuiju railroad and road reconnection and reiterated the need for the working-level military talks to begin at an early time. Also, the South emphasized that without the land-route tours to the mountain, the Mt. Geumgang tourism project would face limitations; and in regard to the fifth round of exchange visits of separate families, the South demanded that there be clear agreement at these talks.

(3) The Third Plenary Meeting (August 14)

Following the second plenary meeting, there followed several head delegate contacts and working-level contacts. The two sides agreed on a 10-point agreement and announced it in a joint press statement in the morning of August 14 during the third plenary meeting to officially end the seventh ministerial talks.

< Summary of the Joint Press
Statement at the 7th Ministerial Talks >

1. The South and the North shall hold the second inter-Korean economic cooperation committee meeting in Seoul from August 26 to 29, 2002.
 - The two sides shall consult on issues related to the reconnection of the inter-Korean railroad and highway, construction of the Gaesong Industrial Complex, anti-flood measures along the Imjin River basin, etc.

- Regarding the Seoul-Shinuiju Line and the East Coast Line, the two sides will start the construction work simultaneously.
2. Promptly take the military assurance measures for the reconnection of the inter-Korean railroads and highways and hold a meeting between the military authorities at an early date.
 3. Carry out a joint investigation of Innam Dam and hold a working-level contact in mid-September at Mt. Geumgang for the joint investigation.
 4. Hold the fourth inter-Korean Red Cross talks between the delegations headed by a top-level officer of each national Red Cross at Mt. Geumgang from September 4 to 6, 2002.
 - Discuss matters related to establishment of a reunion center and its operation.
 - Hold the fifth reunion of separated families at Mt. Geumgang on the occasion of Chuseok.
 5. Hold the second round of talks from September 10 to 12, 2002 at Mt. Geumgang to revitalize Mt. Geumgang tourism.
 6. Actively cooperate in relation to North Korea's participation in the 14th Asian Games in Busan and torch relays, which are to be discussed at the working level talks at Mt. Geumgang beginning August 17.
 7. Actively cooperate to hold South-North soccer match which will take place in Seoul from September 6 to 9.
 8. Proceed with exchanges of Taekwondo demonstration teams (the southern team in mid-September, the northern team in late October.)

- Promote dialogue between the respective organizations of the two sides.

9. A North Korean economic mission shall visit the South in late October.

10. Hold the eighth inter-Korean ministerial talks in Pyongyang from October 19 to 22, 2002.

5. The Eighth Inter-Korean Ministerial Talks

A. Overview

The eighth ministerial talks were scheduled to take place on October 19 as agreed in the seventh ministerial talks. Considering the progress in inter-Korean relations in the two months following the seventh ministerial talks, it was expected that the eighth ministerial talks would take place smoothly.

The railroad and road reconnection work in the west and eastern region began and the North Korean team participated in the Asian Games held in Busan. Therefore, going into the eighth ministerial talks, there was hopeful expectation for reconciliation and cooperation, and it was hard to find any specific area of dispute.

However, on October 17, two days prior to the day the eighth ministerial talks were schedule to begin, suspicions were raised regarding North Korean development of nuclear weapons, which became an unforeseen obstacle for the ministerial talks. The North Korean nuclear issue was a matter that needed to be resolved even when considering only the inter-Korean cooperation projects and their progress. Thus, the nuclear issue emerged as the foremost item on the agenda to be dealt with prior to other pending issues in the eighth ministerial talks.

The procedural matters for the talks involving liaison contacts took place without much difficulty. Accordingly, the Southern delegation stayed at the Koryo Hotel, the plenary meetings were held in the People’s Palace of Culture and head delegate and working-level contacts were held at the Koryo Hotel.

The two sides discussed issues concerning North Korea’s nuclear development as well as an institutional framework for the implementation of reconciliation and cooperation. As expected, narrowing the gap on how to resolve the nuclear problem proved to be difficult, and consequently, the talks were extended for one more day until October 23. In the end, the two sides adopted an 8-point agreement, which included an agreement to resolve the North Korean nuclear issue

through dialogue, and the agreement was announced in a joint press statement before ending the talks.

During the talks, there were four occasions of contact between the legal experts on matters concerning the Gaesong Industrial Complex. They discussed at length wages, labor management, infrastructure, clearing of the land, leasing of land, etc.

B. Developments

(1) The First Plenary Meeting (October 20)

The first plenary meeting was held on the morning of October 20 at the People's Palace of Culture.

Through its opening remarks, the South side made clear that it opposes any kind of nuclear development by North Korea and relayed to the North its position on the matter. The South pointed out that the North's nuclear development is in violation of the Joint Declaration on the Denuclearization of the Korean Peninsula, wherein the two sides agreed not to test or produce nuclear weapons and not to possess nuclear reprocessing and uranium enrichment facilities.

Also, the South side emphasized that the North was in violation of the Nuclear Non-Proliferation Treaty (NPT), the safeguard agreement with the IAEA and the Agreed Framework; and the South side expressed its regret that this goes against the spirit of the June 15 Joint Declaration. Accordingly, the South demanded that the North abide by its obligations and faithfully observe the agreements that it has made with South Korea and the international community. Moreover, the South side urged the North to immediately hold dialogue with concerned nations and the international organization, and take reasonable measures.

Aside from this issue, the two sides exchanged their views on implementation of various agreements and ended the meeting by agreeing to discuss further the specifics of the pending issues.

(2) The Second Plenary Meeting (October 21)

The second plenary meeting took place in the morning of October 21 at the People's Palace of Culture. The two sides reiterated their respective positions on the matters that were discussed the day before.

Aside from the nuclear issue, the South side also raised issues concerning prisoners of war and those kidnapped as

well as holding the second military talks to discuss military confidence building. The North side stated their position on the implementation of railroad and road connection and the development of the Gaesong Industrial Complex. The two sides ended the meeting while agreeing to hold working-level contacts in the afternoon to fine tune their views.

Meanwhile, before the start of the second plenary, the Southern delegation met with Kim Young-nam, the Chairman of the Standing Committee of the Supreme People's Assembly at the Mansudae Assembly Hall from 9:30 to 10:50. The meeting was first in groups, followed by a meeting between South Korean head delegate Jeong Se-hyun and Kim Young-nam.

Head delegate Jeong Se-hyun relayed the concern of the South Korean government and the South Korean people regarding the nuclear issue and emphasized that there should not be a security crisis on the Korean peninsula because of this issue. Also, he urged the North to peacefully resolve the nuclear issue through dialogue at an early time and emphasized that smooth progress in inter-Korean relations depended on it.

In response, Kim Young-nam said that the North regarded the situation seriously and that if the US was willing to

withdraw its hostile policy toward North Korea, then the North would be willing to resolve the security concern through dialogue. In the meeting the two sides shared the view that the North Korean nuclear issue should be resolved peacefully through dialogue at an early date.

(3) The Third Plenary Meeting (October 23)

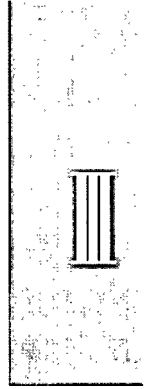
Aside from the two plenary meetings, the two sides held several contacts by the head delegates and working-level delegates to reach an 8-point agreement. In the early morning of October 23, the two sides held the third plenary meeting and announced the agreement in a joint statement before officially ending the eighth ministerial talks.

— < Summary of the Joint Press
Statement at the 8th Ministerial Talks >

- ① The South and the North shall make common efforts to guarantee peace and security on the Korean peninsula, resolve all issues through dialogue, including the nuclear issue.
- ② Expedite the construction of the Seoul-Shinuiju and East Coast railroads and roads so that the projects can make rapid progress simultaneously.
- ③ Discuss matters concerning ground-breaking for the construction of the Gaesong Industrial Complex at a working-level consultative meeting during December. When the construction is

completed, a South Korean liaison office shall be established in the complex.

- ④ Hold a working-level contact at Mt. Geumgang in November to adopt a maritime agreement.
- ⑤ Consult on the adoption of an agreement on transit of personnel and materials to the other side when the inter-Korean railroads and roads are connected.
- ⑥ Hold a working-level contact at an early date to discuss the use of a part of North Korea's East Sea fishing ground by South Korean fishermen.
- ⑦ Quickly construct a permanent reunion center for separated families at Mt. Geumgang and actively support Red Cross projects to confirm the whereabouts of those unaccounted for during the Korean War.
- ⑧ Hold the ninth inter-Korean ministerial talks in Seoul in mid-January 2003.



Chapter III.

Inter-Korean Military Talks

Chapter III. Inter-Korean Military Talks

1. Working-level Military Talks

A. Overview

In the First Inter-Korean Defense Ministers' Talks (September 25~26, 2000, Jeju Island) the two sides agreed to allow the entry of personnel, vehicles and materials into their respective sections of the demilitarized zone for the construction of railroads and roads to connect the South and the North, and to guarantee the safety of these personnel. The two sides further agreed that the working-level meeting should be held in early October to discuss the details.

Accordingly, the two Koreas held working-level military talks on five occasions from November 2000 to February 2001 and adopted the Agreement on Establishment of the ROK-DPRK Joint Administration Area and Military Assurance of the ROK-DPRK Railroad and Highway Reconnection Project (February 8, 2001)

From February 12 to 14, the two Koreas held contacts on two occasions by the head delegates of the working-level talks to exchange and effectuate the agreement signed by the defense ministers of the two sides, but a day before the

exchange was to take place, on February 11, North Korea notified the South that, for administrative reasons they could not sign and exchange the agreement. Thus, the effectuation of the agreement was postponed.

Following the initial postponement, the South side sent telephone messages from the head delegate of the working-level talks to North Korea on three occasions; in each of the messages, the South side urged the North to sign and exchange the agreement. And on other occasions of inter-Korean dialogue, the South side emphasized that the North take appropriate measures in this regard.

While the effectuation of the agreement was being postponed, Lim Dong-won, President Kim Dae-jung's special advisor for foreign affairs, security and unification, visited Pyongyang as a special envoy from April 3-6, 2002. During the visit, the two Koreas agreed to connect the East Coast railroad and road in addition to the Seoul-Shinuiju railroad and road. And in the Second Meeting of the Inter-Korean Economic Cooperation Promotion Committee (August 27 to 30) the two sides agreed to begin the construction of the Seoul-Shinuiju and East Coast railroad and road simultaneously and to finalize the military assurance of the project before construction began.

Meanwhile, in accordance with the agreement reached at the defense ministers' talks, which stated that the opening of the Military Demarcation Line and the DMZ in the areas around the railroad and road that connects the two Koreas shall be handled on the basis of the armistice treaty, the United Nations Command (UNC) and the North Korean military held 12th (November 17, 2000) and 14th (September 12, 2002) general officers' talks in Panmunjom and reached an agreement on opening a section of the DMZ. The agreement designated sections of the DMZ through which the railroad between Seoul and Shinuiju and the adjacent road between Munsan and Gaesong pass, as well as the area through which the railroad between Jeojin and Onjongri and the road between Songhyunri and Gosong pass, as a South-North administrative zone. The two sides also agreed that the military authorities of the two Koreas would deal with any military matters arising within this zone through consultation with each other based on the armistice treaty.

Following the effectuation of the agreement between the UNC and North Korea on the opening of a section of the DMZ for the reconnection of the East Coast railroad and road, South and North Korea held the sixth working-level military talks on September 14, 2002 at the Freedom House on the Southern side of the Panmunjom to adopt the 「Agreement on the Establishment of the ROK-DPRK Joint

Administration Area in the East Coast Zone and in the West Zone and Military Assurance of the ROK-DPRK Railroad and Highway Reconnection Project. On September 16, at the Tongil Pavillion on the Northern side of Panmunjom, the two sides held a head delegates contact to exchange the agreement that was signed by the defense ministers of the respective sides. And on September 17, the two sides held the seventh working-level military talks at the Peace House in Panmunjom to exchange and effectuate the agreements; thus, the military assurance to effectively deal with the construction of the Seoul-Shinuiju and the East Coast railroad and road was established.

B. Developments

At the sixth and seventh working-level military talks, the five-member Southern delegation was led by the head delegate Brigadier General Kim Kyung-duk, and the five-member Northern delegation was led by its head delegate Senior Colonel Yoo Yong-chol.

< The List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Kim Kyong-duk (Brigadier General)	Yoo Yong-chol (Senior Colonel)
Other Delegates	Lee Myung-hoon (Colonel) Park Sung-kyu (Colonel) Lee Myung-hoon (Lieutenant Colonel) Suh Hoon-taek (Director, Inter-Korean Transportation, Ministry of Construction and Transportation)	Bae Kyung-sam (Colonel) Kim Ki-bok (Colonel) Jung Chang-uk (Colonel) Pak Ki-yong (Colonel)

On September 14, 2002, the sixth working-level military talks began at 10:00 a.m. and continued until late at night. At the talks the two sides agreed on matters related to the military assurance for the construction of the railroads and roads in the joint administrative area in the DMZ. The two sides stated their respective positions on the width of the administrative area along the East Coast line, the form and procedure of effectuation of the agreement and the follow-up measures. The two sides negotiated their positions and reached the 「Agreement on the Establishment of the ROK-DPRK Joint Administration Area in the East Coast Zone and in the West Zone and Military Assurance of the ROK-DPRK Railroad and Highway Reconnection Project」.

Following the agreement, on September 16 at 11:30 a.m. the two sides held a head delegates contact at the Tong-il Pavilion on the Northern side of Panmunjom, and the two sides carried out the first round exchange of the agreement signed by the defense ministers of the respective sides. Before and after the exchange, communications officers held contacts to discuss the matters related to the establishment of a military hotline. From the South, five communication experts led by Colonel Lee Myung-hoon held contacts with two North Korean officers led by Colonel Um Chang-nam.

Following the initial exchange of the agreement, on September 17 at 11:00 a.m. at the Peace House on the Southern side of Panmunjom, the two sides held the seventh working-level military talks to exchange the agreement for the second time to effectuate the 「Agreement on the Establishment of the ROK-DPRK Joint Administration Area in the East Coast Zone and in the West Zone and Military Assurance of the ROK-DPRK Railroad and Highway Reconnection Project」. The agreement consists of six articles and 41 clauses.

< Main Contents of the Military Assurance Agreement >

- The two sides shall establish a Joint Administration Area (JAA) in the Demilitarized Zone (DMZ) in the West Zone, and a JAA in the East

Coast Zone. The width of the JAA in the West Zone shall be 250 meters and the width of the JAA in the East Coast Zone shall be 100 meters. All military working-level issues which occur within the JAAs shall be resolved through ROK-DPRK discussions.

- In the case of the West Zone, the width shall extend 50 meters to the east and 200 meters to the west from the center line of the old railroad bed; and in the case of the East Coast Zone, the width shall extend 70 meters to the east and 30 meters to the west from the center line of the old railroad bed.
- The ROK and the DPRK shall determine a date to discuss and finalize issues related to the crossing of the Military Demarcation Line (MDL) by persons, trains and vehicles, moving between the ROK and the DPRK, and military assurance of safety within the JAA after the effectuation of this agreement.
- The removal of mines by each side shall proceed from its own limitation line in the DMZ toward the MDL. When the work personnel of either side approach the MDL within 400 meters of the work personnel of the other side, each side shall work in turns; the ROK personnel shall work on Tuesdays, Thursdays and Saturdays, and the DPRK personnel shall work on Mondays, Wednesdays and Fridays.
- The work hours shall be from 09:00 to 17:00, however, these work hours may be extended by an agreement. Each side shall notify the other side of explosions whose sounds may incite the other side's work personnel or which may cause shrapnel damage before 16:00 of the day immediately preceding such explosion, and such explosion shall only take place in the afternoon.

- For the reconnection work, each side shall determine their work hours; each side shall notify the other side by telephone of matters arising out of construction which may affect the other side; and when the construction area of either side approaches within 200 meters of the other side, the ROK personnel shall work from Monday to Wednesday, and the DPRK personnel shall work from Thursday to Saturday, however, both sides may agree to change such workdays as necessary.

- Military working-level issues which may arise related to mine removal and construction of railroad and road shall, in principle, be discussed through telephone messages. Contacts between the military personnel in charge of the construction site shall take place at a temporary facility which shall be constructed at the MDL in the JAAs when the construction of railroad and road beds is completed. If it becomes necessary for the two sides to meet before the construction of the temporary facility, contacts shall take place at the Freedom House and Panmungak in the truce village of Panmunjom.
 - Both sides shall install two lines of wired communication means (one telephone line and one facsimile line) between the construction sites at the MDL for the East Coast Zone and West Zone, respectively.

- In order to assure the safety of construction personnel and equipment in the JAAs, each side may perform guard duties; neither side may make a statement, or act or engage in psychological warfare which may incite the other side.
 - In case an accidental confrontation occurs, both sides shall immediately stop work and withdraw all guard and work personnel outside the DMZ. Both sides shall resolve the matter through

telephone messages or ROK-DPRK military working-level talks and shall establish measures to prevent the reoccurrence of confrontation.

2. Working-level Military Contacts

A. Overview

As a follow-up measure to the 「Agreement on the Establishment of the ROK-DPRK Joint Administration Area in the East Coast Zone and in the West Zone and Military Assurance of the ROK-DPRK Railroad and Highway Reconnection Project」, (military assurance agreement from hereafter), which was effectuated on September 17, the two sides needed to hold contacts to discuss specific implementation procedures.

Accordingly, the two sides held working-level military contacts on five occasions from October 3 to November 13, 2002 and discussed various issues related to implementing the military assurance agreement for the reconnection of the railroads and roads, including a procedure for removal of mines in the administration area, verification of the removal of mines, connection of the communication lines, routes for the railroads and roads and exchange of the schedule for the construction.

During those five working-level contacts, the South side emphasized the importance of balanced progress in the construction, the need for mutual verification of the removal of mines and the completion of the construction within the scheduled time. On the other hand, the North side showed much interest in the simultaneous commencement and completion of the Seoul-Shinuiju and East Coast railroad and road construction and support from the South regarding communication equipment such as facsimiles.

During the period of working-level contacts, the removal of mines was temporarily stopped due to the differences in opinion between North Korea and the UNC on the mine removal verification procedure. It was the position of the UNC that the procedure for entry into the DMZ and passage through the MDL by the personnel involved in verification should be dealt with according to the armistice treaty. On the other hand, the North claimed that all military matters that occur in the joint administration area are to be discussed between the South and the North; and it cited the agreement reached between the UNC and North Korea concerning the opening of the part of the DMZ and the military assurance agreement as justification for their claim. The differences in position of the two sides made it difficult for the construction to proceed.

However, South and North Korea held several exchanges of telephone messages and agreed that it was not in the interests of the either side to delay the historic project to connect the two Koreas due to procedural matters regarding verification. The two agreed to do away with the mutual verification and further agreed to complete the removal of mines in the East Coast line by December 3 (for both sides) and the Seoul Shinuiju line by December 10 for South Korea and December 6 for North Korea. The mine removal work, which came to a halt temporarily, resumed on November 28.

Meanwhile, during the five occasions of working-level contacts there were discussions to hold the second defense ministers' talks, and the two sides almost reached an agreement on October 25. But in the end, the North side cited 'administrative reasons' for not being able to set the dates for the talks (November 13, 2002), and thus, the second defense ministers' talks has not yet taken place.

B. Developments

On the five occasions of working-level military contact the Southern delegation (5 to 6 members) was headed by Brigadier General Kim Kyong-duk (1st to 3rd contacts) and Colonel Moon Sung-mook (4th and 5th contacts), and the

Northern delegation (3 to 4 members) was led by Senior Colonel Yoo Yong-chol.

The first working-level military contact, proposed by the North (October 1), took place on October 3, at the Tongil Pavilion in Panmunjom. In relation to the construction of the railroads and roads the South side delivered to the North the construction plan, including a blueprint, and proposed opening a corridor along the line in one to two weeks time so that a blueprint for the point of connection, a survey of the region and the establishment of communication for the East Coast line would be possible. The North side explained the status of the construction on its side including the inputs of work force and equipment and presented their outline plan for the East Coast line, the point of connection and the Seoul-Shinuiju line. The North side also asked for the South's position on possible assistance in providing installation of an uninterrupted power supply system and a small-sized power generator needed for operating mine removal equipment and communication systems.

During the second working-level contact, which was held at the Peace House on the Southern side of Panmunjom on October 11, discussions focused on a balanced progress in construction within the DMZ and the provision of equipment for the mine removal work. Concerning a balanced progress

in construction, the two sides agreed to complete the mine removal work for both the Seoul-Shinuiju and the East Coast line by October 30 with a promise to fulfill the mutual verification process. But in regard to the provision of mine removal equipment, no agreement was reached due to the differences in position concerning the procedure for such assistance.

The third working-level contact took place at the Tongil Pavilion in Panmunjom on October 16. The North side, while explaining a facsimile of their plan for the mine removal work which they had sent to the South on October 15, said that they would be able to complete the work for both the Seoul-Shinuiju and the East Coast line by the end of October and urged the South side to do the same so that the work on both sides could be completed at the same time. In response, the South side proposed a survey of the region by construction experts, establishing a direct communication line for the East Coast line, establishing a temporary opening of a corridor to the MDL for the verification personnel on either side and beginning mutual verification from the second phase of the construction beginning October 21, the date specified by the North. The North side expressed that they could not accept these proposals by the South.

On October 25, during the fourth working-level contact, which took place in the Freedom House, the North side agreed to the schedule for construction that the South sent on October 24 and agreed on mutual notification of the progress from October 25. Regarding the verification procedure, formation of verification teams and their operations, the North side said that they would notify the South upon further review.

Concerning a joint survey of the region, the South demanded that it take place promptly so that a connection point between the two Koreas in the DMZ could be decided upon, and the South further demanded a blueprint for the preparation work. In response, the North side said that the joint survey concerns the private sector and that they would notify the South upon consultation with relevant organizations. And in regard to the South's demand for holding working-level contact between communication experts, the North said that it would notify the South upon further review.

During the fifth working-level contact held at the Tongil Pavilion on November 13, the two sides discussed matters related to verification of mine removal, a joint survey, establishment of communication lines for the East Coast line and regulations for the joint administrative area. In regard to

verification of mine removal the South side proposed proceeding with verification in accordance with the procedures of the armistice treaty, but the North side maintained that a military matter arising in the joint administrative area should be dealt with by the militaries of the South and the North.

Concerning a joint survey, the South side proposed that the two sides meet on November 26 and 27 from 09:00 to 15:00 at the MDL of the Seoul-Shinuiju and the East Coast lines in accordance with the agreement reached at the third meeting of the Inter-Korean Economic Cooperation Promotion Committee, but the North side said that they would notify the South after further review. Consequently, through exchanges of telephone messages, the two sides agreed to militarily guarantee holding a joint survey of the East Coast line on November 26 and 27 and of the Seoul-Shinuiju line on November 29 and 30. As a result, the two sides completed the survey of the East Coast line on November 26 and the Seoul-Shinuiju line on November 29.

On matters related to regulations on operations within the joint administrative area, the South side raised the necessity of holding military talks for an agreement on transit in preparation for the opening of the temporary road along the

East Coast line (end of November) and the Seoul-Shinuiju railroad (end of December). The North side, in response, said that they would discuss the matter after an agreement on transit procedures was reached at the inter-governmental talks.



Chapter IV.

Inter-Korean Economic Talks

Chapter IV. Inter-Korean Economic Talks

1. The First Inter-Korean Talks to Revitalize the Mt. Geumgang Tourism Project

A. Overview

On June 8 2001, the two cooperation project partners for the Mt. Geumgang tourism, Hyundai (South Korea) and the Korean Asia-Pacific Peace Committee (North Korea), agreed to promote overland tours to Mt. Geumgang upon approval by the respective government authorities to revitalize the tourism project; and the two agreed to propose this to their respective government authorities.

Accordingly, during the fifth ministerial talks (September 15 to 18, Seoul) the two sides agreed to hold a governmental dialogue to discuss revitalization of Mt. Geumgang tourism, including overland tours to the mountain.

On September 26, the South side sent a telephone message of the head delegate of the ministerial talks to North Korea proposing to hold such talks from October 3 to 5 in the Mt. Geumgang region. North Korea responded by sending a telephone message on September 28 agreeing to the South's proposal and sending a list of its delegation. The South

side also notified the North of its list of delegates on the same day.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification)	Kim Taek-ryong (Manager, Cabinet Secretariat)
Other Delegates	Park Yang-woo (Director General, Tourism Bureau, Ministry of Culture and Tourism) Yang Sung-ho (Director General, Transportation and Logistics Bureau, Ministry of Construction and Transportation)	Pang Jong-sam (Deputy Director General, Ministry of Trade) Ri Chang-dok (Director, Ministry of Land Environment Protection)

B. Developments

(1) The First Plenary Meeting

At the talks, the South side explained the urgency of increasing the competitiveness of the tourism project through overland tours and designation of the region as a special tourist zone in order to revitalize the project. The South explained that when the interest of investors and tourists

increases and the project gains competitiveness, the tours would be revitalized. Moreover, the South proposed opening a permanent road between Songhyon-ri (South Korea) and Gosong (North Korea) while opening a temporary road between the two points to begin overland tours within the year, and to complete the two-lane highway by October of the following year. Also, the South expressed its position to maintain the consultation line between the two business partners to promote the project as private-level tourism as had been done previously.

North Korea expressed its view that it was more important to revitalize first the sea-route tours to the mountain, which are in place, and to seek other means for revitalization upon faithful implementation of the original plan for tourism that is being delayed. The North side gave priority to increasing the profitability of the sea-route tours and demanded that the South's government guarantee the implementation of the agreements reached between Hyundai and the Asia-Pacific Peace Committee. Also, the North proposed to move the project, which had been promoted by the private sector, under the authority of the governments so that the governments would be responsible for its active promotion.

Meanwhile, North Korea maintained a passive attitude in regard to overland tours to Mt. Geumgang, saying that it was

difficult due to the complexities involved in military and environmental matters.

The following is a summary of keynote speeches by the two sides at the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

- As the Mt. Geumgang tourism project is a cooperative project between Hyundai-Asan of the South and the Asia-Pacific Peace Committee of the North, we believe that the project should continue to be consulted and promoted by these two project partners.

- The government authorities of the two sides should recognize the importance that the Mt. Geumgang tourism project has on the inter-Korean relations and discuss matters that need governmental cooperation, including the overland tours to the mountain.

- With this position, we would like to express our plan to initiate overland tours to Mt. Geumgang.
 - First, regarding the road for the overland tours, we believe that a road between Songhyon-ri (South Korea) and Gosong (North Korea) should be built as it has been agreed by the two project partners on June 8.

 - Second, we propose that a temporary road be connected within this year, and to finish the road construction by October of next year. The overland tours ought to begin on an experimental basis as soon as the temporary road is connected.

- Third, considering the fact that we are approaching winter, the road construction should begin as soon as the agreement is made.

- Fourth, we propose that the two sides take responsibility for the construction of the road in their own section respectively, as in the case of the Seoul-Shinuiju railroad and road connection.

- Fifth, we propose that the connection point of the road be between ground marks 1290 and 1292 of the MDL. Also, we believe that technical matters and other issues concerning the connection, and matters arising from the land-route tours such as procedures for entrance and transit can be discussed and resolved between the respective authorities as the construction work for the temporary road proceeds.

- Lastly, as your side has expressed such intent on several occasions, we would like to see necessary measures to designate the Mt. Geumgang area as a special tourist zone.

< Summary of the Keynote Speech by North Korea >

- We would like to state the principles of our position concerning this dialogue and mention a few issues concerning the revitalization of Mt. Geumgang tourism.
 - First, in order to carry out projects to revitalize the tourism, the government authorities of the two sides should confirm a common principle that needs to be maintained. The principle that the two sides must maintain commonly for the revitalization of the tourism is that the government authorities of both sides should be in a position to bear the responsibility for the project.

- Second, in endeavoring to revitalize the project, the two sides should be reasonable in implementing the project while considering realities and conditions. The reasonable thing to do is to first establish firmly the sea-route tours which are already in place and which the two sides have experience, in and then expand the project.
- With such a position, we propose the following matters to be discussed and resolved during this dialogue.
 - First, there needs to be discussions between the two authorities on the following matters, followed by implementation. The matters include: using the sea route (five miles from the coast) that North Korea granted to Hyundai, establishment of a casino and a golf course, renovation of the Mt. Geumgang Hotel that Hyundai leased, and tours by ship to other areas of the mountain such as Chongsokjeong and Dongsokdongrojeong.
 - Second, the government authorities of the two sides should endeavor to discuss and resolve new issues that have arisen and work to implement faithfully the agreements reached at the private level.

(2) The Second Plenary Meeting

Due to the fundamental differences in position regarding plans to revitalize Mt. Geumgang tourism, the two sides reconfirmed their differences at the second plenary meeting and agreed to continue the discussion at the next round of

talks on October 19. The two sides ended the talks without any agreements or joint statement.

Subsequently, the two sides discussed holding the second round of talks through exchanges of telephone messages. The North side proposed holding the second talks in Mt. Geumgang. The South side, mentioning the precedent of taking turns in hosting inter-Korean talks, proposed Mt. Sorak in South Korea as the venue for the second talks, but the two sides could not come to an agreement. Thus, the second round of talks failed to take place on October 19 as originally scheduled.

Meanwhile, at the sixth ministerial talks (Nov. 9 to 14, 2001, Mt. Geumgang), the two sides came close to an agreement to hold the second round of talks to revitalize Mt. Geumgang tourism in mid December at Mt. Geumgang, but as the ministerial talks ended without an agreement, the second round continued to be postponed.

2. The Second Inter-Korean Talks to Revitalize the Mt. Geumgang Tourism Project

A. Overview

As the sixth inter-Korean ministerial talks ended without any agreement, there was a pause in inter-Korean dialogue. But with a visit to Pyongyang by a special envoy from South Korea in April 2002, inter-Korean dialogue began anew. During the visit by special envoy Lim Dong-won, the two Koreas agreed to restore relations that had been frozen and to connect railroads and roads in the eastern and western regions of the Korean peninsula. The two sides also agreed to actively promote dialogue and cooperation and to hold the second talks to revitalize Mt. Geumgang tourism on June 11 at Mt. Geumgang.

However, due to the passive attitude of North Korea in implementing the agreements, the second talks failed to take place. The South side, through a statement on June 10, urged the North to resume the dialogue. In the seventh ministerial talks, which were held in Seoul from August 12 to 14, the two sides agreed to hold the second round of talks to revitalize Mt. Geumgang tourism from September 10 to 12 at Mt. Geumgang. In addition, in the second meeting of the Inter-Korean Economic Promotion Committee which

followed the ministerial talks, the two sides agreed to build the temporary road along the East Coast line by the end of November 2002, which opened the possibility for overland tours to Mt. Geumgang.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification)	Kim Taek-ryong (Manager, Cabinet Secretariat)
Other Delegates	Kim Chan (Director, Tourism Policy Division, Ministry of Culture and tourism) Chung Nae-sam (Director, Public Road Construction Division, Ministry of Construction and Transportation)	Pang Jong-sam (Deputy Director General, Ministry of Trade) Jon Jong-su (Director, Cabinet Secretariat)

B. Development

(1) The First Plenary Meeting

The South side stated its position, which centered on the timing and procedures for the overland tourism. The South urged the North to begin the land-route tours within a week

after the completion of the temporary road in the East Coast line, as the two had agreed in the inter-Korean economic cooperation committee. The South further urged the North to do its part in revitalizing the tourism project by taking active measures such as designating the Mt. Geumgang area as a special tourism zone. Moreover, the South proposed expanding the tourist courses and free passage areas and to further expand tourism to include Gaesong once the Seoul-Shinuiju road is connected.

In response to this, the North side reiterated its position in the first talks in stating that the two government authorities should actively cooperate so that the agreements made between the private project partners could be implemented smoothly, and to support the project by being responsible for the project.

The following are the summaries of the keynote speeches of the two sides.

< Summary of the Keynote Speech by South Korea >

- The two Koreas agreed to construct the temporary road along the East Coast line by the end of November this year at the second meeting of the Inter-Korean Economic Cooperation Promotion Committee. The completion of the temporary road will serve as an important transition in revitalizing the tourism by ushering in the tours by sea and by land.

● In view of this, we hereby express our position in participating in the talks.

- First, we propose to begin the land-route tours to the mountain within a week of the completion of the temporary road connection in the East Coast line.

- To begin the land-route tours there needs to be in place new procedures for the entrance and transit of tourists and vehicles in the DMZ; and there needs to be an agreement on personal safety and rescue activities in emergency situations.

- And we again urge the North to designate the Mt. Geumgang area as a special tourism zone.

- In order to increase and maintain tourists from different sectors of the population, the North side needs to expand free passage areas and increase the number of tourist courses.

< Summary of the Keynote Speech by North Korea >

● If the two government authorities recognize the importance of the Mt. Geumgang project, expand their responsibilities and understanding, and cooperate in trust, the project will be revitalized, meeting the expectations and hopes of the whole nation.

● In connection with this, we hereby propose some matters that need to be discussed and resolved between the two authorities at these talks.

- First, the two government authorities should actively support the private project partners by being responsible for the project.
- Second, the South side should cooperate in implementing the agreements reached between the two private project partners (and approved by the North) and work to normalize the tours by ship.
- Third, as a measure to expand the tourism project, begin the land-route tours to the mountain.

(2) Contacts by Head delegates and working-level delegates

Following the first plenary meeting, the two sides held several head delegate and working-level contacts to continue their discussions on revitalizing tourism. The South side urged again that to revitalize the tourism, the North needs to begin the land-route tours within November and to designate the area as a special tourism zone. The North side shared the South's view that the overland tours and the designation of a special tourism zone were needed, and consequently agreed tentatively to begin the land-route tours and continue to activate the sea-route tours.

The two sides, however, could not finalize their agreement, because they differed on the scope of governmental cooperation in issues that need to be dealt with by the two

private project partners. Thus, the talks ended without any agreements or joint statements.

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

A. Overview

During the first meeting of the Inter-Korean Economic Cooperation Promotion Committee, the sides agreed to hold the second meeting in February of 2001 in Seoul, but due to the lack of accomplishments in the subsidiary consultative meetings which followed, such as the consultative meeting on electric power cooperation and prevention of flooding in the Imjin River, the second meeting could not take place as scheduled.

In the fifth ministerial talks (September 15 to 18, 2001) the two sides agreed to hold the second economic committee meeting from October 23 to 26, but the North unilaterally postponed the meeting citing the changes in the political situation following the 9/11 terrorist incidents. And in the sixth ministerial talks (November 9 to 14, 2001), the North, while pointing at the South's emergency alert posture, maintained its passive attitude towards resuming the meeting, and thus, the second meeting of the economic committee could not take place within the year.

To break the freeze in inter-Korean relations, the special envoy from the South visited Pyongyang from April 3 to 6, and came up with a 6-point agreement including the resumption of the second meeting of the economic committee in Seoul from May 7 to 10. However, the North again postponed the meeting unilaterally while citing a statement made by the South's foreign minister Choe Sung-hong during his visit to the United States. After that, inter-Korean relations remained frozen amid the naval skirmish in the West Sea, but as the North expressed regret over the situation and proposed a working-level contact to hold the seventh ministerial talks, inter-Korean relations began to be restored.

Accordingly, in the seventh ministerial talks the two sides agreed to hold the second meeting of the Inter-Korean Economic Promotion Committee from August 27 to 30, 2002; and thus, the second meeting, which saw three postponements, finally took place.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Yoon Jin-shik (Vice-Minister of Finance and Economy)	Pak Chang Ryon (First Deputy Chairman of the State Planning Commission)
Other Delegates	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification) Kim Chang-se (Director General, Water Resources Bureau, Ministry of Construction and Transportation) Yang Sung-ho (Director General, Transportation and Logistics Bureau, Ministry of Construction and Transportation) Kim Hae-jong (Director General, Office of the Prime Minister)	Pak Jong-song (Director General, Ministry of Railways) Pak Song-hui (Deputy Director General, Ministry of Power and Coal Industries) Choe Hyon-gu (General Manager, Samcholli Group) Jo Hyon-ju (Counselor, National Economic Cooperation Association)

B. Developments

(1) The First Plenary Meeting (August 28)

The two sides, through their keynote speeches, expressed their positions and draft agreements concerning such matters as the railroad and road connections, prevention of flooding

in the Imjin River, construction of the Gaesong Industrial Complex and the effectuation of the four agreements on economic cooperation.

The South side proposed a specific schedule for the construction of railroad and road connections and expressed the importance of putting it into action. The South proposed that the two sides simultaneously begin the construction work for both the Seoul-Shinuiju and the East Coast line on September 16 and to complete the railroads within the year, and the roads by the spring of the following year. Also, the South proposed completing a temporary road for the overland tours to Mt. Geumgang by the end of November so that it could be opened within the year.

Moreover, the South proposed to carry out a joint survey for the prevention of flooding in the Imjin River during October, and to hold a consultative meeting in September. In addition, the South emphasized the importance of holding a meeting between the project partners of the two sides in September to begin the construction of the Gaesong Industrial Complex within the year, and also emphasized the need for an enactment of a special law before the construction.

In response, the North side proposed to begin, simultaneously, the construction for the railroad and road in

September, and to hold military working-level talks and a consultative meeting in mid-September in this regard. While proposing this, the North asked that the South provide equipment and materials necessary for the connection work in the North.

In regard to the Gaesong Industrial Complex, the North proposed that the government authorities of the two sides bear responsibility for the project's implementation, that the North would soon enact a special law, and that a consultative meeting take place following the opening of a temporary road along the Seoul-Shinuiju line.

And in regard to the prevention of flooding in the Imjin River, the North agreed to carry out a joint survey at an early time and to provide information on sluice gates and weather on the upper reaches of the river. At the same time, the North demanded that the South provide tree saplings to be planted for flood control and to hold a consultative meeting concerning this upon completion of a temporary Seoul-Shinuiju road as in the case of the Gaesong Industrial Complex.

< Summary of the Keynote Speech by South Korea >

- In this round of meeting, the two sides must, first and foremost, agree and put into action schedules for the construction of the Seoul-Shinuiju and the East Coast railroads and roads, as well as discuss specific action plans to promote the Gaesong Industrial Complex and the flood prevention in the Imjin River. Also, the two sides should discuss other economic cooperation measures such as the effectuation of the four agreements in economic cooperation. Having mentioned our basic position, we would like to state our specific position.

- First, on matters regarding the railroad and road connection.
 - We propose that the two sides begin construction work on September 16 so that the two sides can complete the railroad within the year and complete the roadwork in the spring of next year.

 - We plan to first connect the 27km section from Jeojin to Onjeongri and continue to work on the rest of the connection on our side.

 - We propose that the two sides jointly promote land-route tours to Mt. Geungang through constructing a temporary road as the two sides agreed. The temporary road only needs 1.5km of work; thus, it can be completed within the month of November to accommodate the transit.

 - To discuss the specifics of the matter, we propose changing the consultative meeting for the Seoul-Shinuiju railroad road connection to a consultative meeting for railroad and road connection.

- For the construction work within the DMZ and the military measures needed, we propose a prompt effectuation of the military assurance agreement in the case of the Seoul-Shinuiju line, and apply the same measures to the East Coast line; we propose holding the military talks for this on September 5 and 7.
- Second, on matters concerning joint use of the water resources commonly shared by the two Koreas and matters concerning the Gaesong Industrial Complex.
 - Concerning the prevention of flooding in the Imjin River, we expect the joint survey to take place in October of this year as we proposed in the draft agreement on the joint survey in March 2001. We propose holding a working-level contact in September 13 to 15 at Mt. Geumgang for a discussion of a joint survey of the Imnam Dam as the two sides agreed to in the seventh ministerial talks.
 - For discussions regarding joint use of water resources commonly shared by the two Koreas such as the Imjin River and the Bukhan River, we believe that the consultative meeting for the Imjin River should be changed to the consultative meeting for cooperation in water resources commonly shared by the two Koreas.
 - For the smooth implementation of the Gaesong Industrial Complex, an enactment of a special law for the region is needed, and the two project partners should promptly resume their discussion so that first phase construction can begin within the year.
- Third, on matters of mutual interest concerning economic cooperation.

- As we have submitted the four agreements to the National Assembly, including the agreement on investment protection, the North should also carry out its necessary measures so that the effectuation of the four agreements can be completed within the year.

- To deal with follow-up measures and other institutional mechanisms that may be needed as a result of the effectuation of the four agreements, we propose forming a separate consultative meeting under the Inter-Korean Economic Cooperation Promotion Committee.

< Summary of the Keynote Speech by North Korea >

- In hoping that the Inter-Korean Economic Cooperation Promotion Committee can serve as a place for discussions and agreements on issues that are in line with the spirit of the June 15 Joint Declaration and issues of common benefit of the nation, we propose the following for the discussion in the second meeting.

- First, on matters concerning railroad and road connection.
 - We believe that the two sides should begin the construction of railroad and road for the Seoul-Shinuiju and the East Coast lines during September at mutually agreed-upon places, and the military assurance should be completed before the construction and before mid September. Your military should contact our military authorities officially for a working-level contact.

 - We believe that it is reasonable to connect the roads in the west and in the east for the Gaesong Industrial Complex and the overland tours to Mt. Geumgang respectively. And for a smooth

implementation of the construction work, we hope that the South can guarantee the North, before the start of construction, all necessary funds, equipment and materials that will be needed for the construction.

- For a working-level discussion on these matters we propose forming a subcommittee for the inter-Korean railroad and road link and holding the first meeting in mid-September. Also, for the East Coast line to be connected with the Trans-Siberian Railway, we hope that three-way talks between the railway authorities of North and South Korea and Russia take place at an early time.

- Second, on matters concerning the Gaesong Industrial Complex.

- In order for a successful promotion of the Gaesong Industrial Complex, we believe that a firm designated by the South Korean authority should promote the project jointly with Hyundai-Asan.
- We would enact a special law regulating economic activities within the industrial complex, and we propose holding a subcommittee meeting in Gaesong as soon as the road on the west side is completed.

- Third, on matters concerning the prevention of flooding in the Imjin River.

- Acknowledging the necessity of a project to prevent flooding, which has caused large-scale damage to both North and South, we believe that an on-site survey is necessary prior to the promotion of the project. As the regions are military zones of the two sides, we

propose to begin the survey at an early time by proposing such measures to the militaries of the two sides.

- We propose to notify the South of the information concerning the sluice gates in the upper reaches of the Imjin River, and ask that the South provide tree saplings for flood control in return. Also, we propose holding the second consultative meeting in Gaesong as soon as the road on the west side is completed.

● On matters concerning the effectuation of the four agreements on economic cooperation, including protection of investment and prevention of double taxation.

- We expect to effectuate the agreements upon ratification by the Supreme People's Assembly Presidium following this round of meetings, and your side can do the same by taking the necessary legal steps and announcing the effectuation.

● On matters concerning food and fertilizer assistance.

- Cooperation for mutual benefit is a tradition of our nation and is in line with the spirit of the June 15 Joint Declaration. In accordance with this tradition and spirit, if the fertilizer and rice can be provided as soon as possible, it would contribute positively to the development of inter-Korean relations.

(3) Three Head Delegate Contacts and Five Working-level Contacts

Through several head delegate and working-level contacts during the meeting period (August 28 to 30), the two sides agreed on the construction schedule, the early adoption of the military assurance agreement and the schedule for the consultative meeting concerning the railroad and road connections.

During the early phase of the working-level contact, the North's demand for equipment and materials for the construction work and their demand to resolve the military assurance issue for the Seoul-Shinuiju line jointly with the East Coast line made the discussion difficult for the South, but as the two sides agreed on principles, agreements on such issues became more likely.

The South side stated that it would positively review the provision of equipment and materials for the construction and in return, demanded that North finalize the schedule for the joint survey of the Imjin River for flood prevention and the joint survey of the Imnam Dam.

In regard to the effectuation of the four agreements on economic cooperation, the North expressed its position that a time gap in effectuation between the two Koreas would not

be good, but at the same time, the North said that it understood the delay on the part of the South in effectuating the agreements, thus adding to the good atmosphere of the talks.

(4) The Second Plenary Meeting

On August 30, the two sides held the second plenary meeting to sign and exchange the 8-point agreement, which included the construction of the railroad and road, the construction of the Gaesong Industrial Complex, the prevention of flooding in the Imjin River and the joint survey of the Innam Dam. The two sides also agreed on an agreement to provide food on a loan basis between the South and North Korea, and they ended the meeting by agreeing to hold the next round of meetings from November 6 to 9 in Pyongyang.

< Summary of the Agreement >

- ① The two Koreas shall proceed simultaneously with the connection of the Seoul-Shinuiju and East Coast railroads and roads.
 - Hold ground-breaking ceremonies for the construction of the Seoul-Shinuiju and East Coast railroads and roads simultaneously on September 18 at mutually agreed places.
 - The two sides will aim to complete the construction work for the connection of the Seoul-Shinuiju railway by the end of this year, and the road by the spring of 2003.

- As for the East Coast railway and road, initially the rail section between Jeojin and Onjong-ri and a section of the road between Songhyon-ri and Kosong will be completed within one year.

- The two sides also agreed to connect a temporary East Coast road by the end of November this year (2002).

· The South will provide the North with materials and equipment necessary for the connection of the North Korean section of the Seoul-Shinuiju and East Coast railroads and roads.

· Working-level military talks shall be held prior to September 18 to resolve military guarantee matters.

· The two sides will hold the first meeting of the Working-level Consultative Committee on the Connection of Inter-Korean Railways and Highways in Mt. Geumgang from September 13-15.

② The South and North will cooperate to ensure that the construction work for the Gaesong Industrial Complex commences within this year and hold the first working-level consultative meeting on construction of the Gaesong Industrial Complex during October in Gaesong.

- The North will soon enact and promulgate the “Gaesong Industrial District Law.”

- The South will carry out construction of the infrastructure necessary for the construction of the Gaesong Industrial Complex on a commercial basis.

- ③ The South and North will commence an on-site survey during the month of November and hold the second working-level consultative meeting on Imjin river flood prevention during October in Gaesong.
- The North will provide the South with information on weather conditions and water levels in the upper reaches of the Imjin River.
 - The South will provide the North with saplings necessary for re-forestation and flood control in the upper reaches of the Imjin River.
- ④ The South and North will hold a working-level contact in Mt. Geumgang from September 16-18 for a joint survey of the Imnam Dam.
- ⑤ The South and North will respectively take the appropriate legal steps at an early date to bring into effect the four agreements, which include an agreement on investment protection.
- The two sides will establish and operate a working-level consultative committee under the Inter-Korea Economic Cooperation Promotion Committee to establish institutional mechanisms for economic cooperation such as follow-up measures to the four agreements.
- ⑥ The South will provide the North with 400,000 tons of rice in the form of a loan and 100,000 tons of fertilizer as early as possible.
- ⑦ The North Korean economic survey mission will visit the South beginning October 26.
- ⑧ The third meeting of the Inter-Korean Economic Cooperation Promotion Committee will be held from November 6-9 in Pyongyang.

4. The Third Meeting of the Inter-Korean Economic Cooperation Promotion Committee

A. Overview

As agreed in the second meeting of the Inter-Korean Economic Promotion Committee held in August, the third meeting took place in Pyongyang from November 6 to 9, 2002. The discussion centered on the implementation of the agreements reached on economic cooperation and agreements reached in the eighth ministerial talks; the two sides announced a 6-point agreement at the end of the meeting.

Meanwhile, at the meeting, the South side relayed to the North the concerns of the South and the international community regarding North Korea's nuclear issue and demanded that appropriate actions be taken promptly.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Yoon Jin-shik (Vice-Minister of Finance and Economy)	Pak Chang Ryon (First Deputy Chairman of the State Planning Commission)
Other Delegates	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification) Kang Kyo-sik (Director General, National Development Policy Bureau, Ministry of Construction and Transportation) Kim Chang-se (Director General, Water Resources Bureau, Ministry of Construction and Transportation) Kim Hae-jong (Director General, Office of the Prime Minister)	Pak Jong-song (Director General, Ministry of Railways) Choe Hyon-gu (Director General, Gwangmyungsung) Pak Song-hui (Deputy Director General, Ministry of Power and Coal Industries) Jo Hyon-ju (Manager, National Reconciliation Council)

B. Developments

(1) The First Plenary Meeting (November 17)

Through the keynote speeches, the two sides expressed their basic positions and presented draft agreements on

matters related to the railroad and road connections, the construction of the Gaesong Industrial Complex, prevention of flooding in the Imjin River and measures to revitalize economic cooperation.

The North side emphasized a simultaneous construction and connection of the Seoul-Shinuiju and the East Coast railroad and road links, and it proposed holding promptly three-way talks among the ministers of transport of South and North Korea and Russia, or bilateral working-level talks.

At the same time, the North demanded the following: 1) ground-breaking of the Gaesong Industrial Complex on December 20, 2) effectuation of the four agreements on economic cooperation before the announcement of the special law on the Gaesong Industrial Complex, and 3) follow-up measures for the four agreements and plans to build an institutional mechanism needed in economic cooperation such as confirmation of place of origin, transportation and communication.

Moreover, the North side proposed holding the working-level contact for cooperation in marine transportation (passage of each other's territorial waters, safe passage, etc.) on November 19 in Mt. Geumgang, and holding a working-level contact for the use of the East Sea fishing grounds by South Korean fishermen on November 25 in Mt. Geumgang.

In response, the South side relayed its concerns about North Korea's nuclear issue and urged the North to take active measures to resolve the issue. At the same time, the South pointed out that in order to continue the development of inter-Korean economic cooperation, it was important that the nuclear issue be resolved peacefully through dialogue.

Concerning the economic agendas, the South proposed carrying out the joint survey of the points of connection for the railroads and roads from November 13, exchanging and notifying each other of the construction schedule and the status of construction and holding a working-level consultative meeting at the end of November to adopt agreements regarding the transit of trains and vehicles. Also, the South side emphasized that an institutional mechanism for the Gaesong Industrial Complex must be in place promptly, and that a joint survey of the Imjim River must take place by the time the third consultative meeting on flood prevention takes place.

Moreover, the South proposed holding a consultative meeting on building an institutional mechanism for economic cooperation at the end of November to put in place a framework to activate inter-Korean economic cooperation, and the South demanded an on-site inspection of the food distribution and the use of equipment and materials provided by the South for the railroad and road construction.

< Summary of the Keynote Speech by North Korea >

- We emphasize the need for the two Koreas to actively cooperate to revitalize economic cooperation by joining strength and wisdom, however the environment may be affected by outside forces; and we state our position on issues that need to be discussed and resolved.

- First, the two sides must actively promote the railroad and road connection work in the west and in the east—the project that much internal and external attention is on.
 - It is important that the two sides simultaneously promote both the east and west line and open the lines at the same time. The South must accelerate its construction work in Gangreung and provide promptly the necessary equipment and materials to the North for early completion of the lines in the east and west.

 - The issue of holding three-way talks among the ministers of transport of South and North Korea and Russia, as proposed in the second round of the meeting, is needed for active promotion of the project; thus, we propose that such three-way talks take place promptly and/or hold bilateral talks between the relevant working-level authorities.

- Second, the two sides must accelerate the construction of the Gaesong Industrial Complex, which has become a symbol of economic cooperation for the mutual benefit and coprosperity of the Korean people.
 - We propose to hold a ground-breaking ceremony for the Gaesong Industrial Complex around December 20; the South needs to take

measures to promote investments in infrastructure, which are needed for the construction.

- The two sides need to effectuate the four agreements before the announcement of the special law on the Gaesong Industrial Complex, and plans to build an institutional framework for economic cooperation such as follow-up measures for the four agreements, confirmation of place of origin, transportation and communication, need to be in place at an early time.

● Third, working-level contacts between marine transportation experts and contacts for the use of part of the fishing ground in the East Sea by Southern fishermen need to have a meeting schedule finalized; and the projects should be promoted actively.

- We propose working-level contacts between marine transportation experts on November 19 in Mt. Geumgang to discuss passage in the territorial sea and safe passage; and we propose contacts for the use of part of the fishing ground in the East Sea by Southern fishermen take place on November 25 in Mt. Geumgang.

< Summary of the Keynote Speech by South Korea >

● We clearly state that we are against the nuclear development by the North under any circumstances, and we urge that the North take prompt measures to resolve the nuclear issue peacefully, an issue which has become both an internal and external concern. Without resolving the nuclear issue, peace and security on the Korean peninsula cannot be guaranteed; thus, we must remove any factor that may be a threat to peace and cooperate with each other for common prosperity. Having

said this, we state our position on matters of discussion for this round of meeting.

- First, on matters concerning the connection of railroads and roads.
 - We propose to have the joint survey of the points of connection for the Seoul-Shinuiju and the East Coast railroad and road beginning November 13, and to discuss the specifics of the matter through exchanges of documents.
 - We propose that the two Koreas exchange the construction schedule and notify each other of the status of the construction. Also, we propose to hold the working-level consultative meeting at the end of November to adopt a transit agreement, which would set the regulations for all procedural matters regarding the transit of trains and vehicles.
- Second, on matters concerning the construction of the Gaesong Industrial Complex and flood prevention in the Imjin River.
 - To build an economically competitive industrial complex, there needs to be an agreement between the project partners on ways to lower the prices of lots, and there needs to be in place an institutional framework for stable development and investment.
 - Concerning the prevention of flooding in the Imjin River, we hope that a joint survey take place before the third consultative committee so that necessary measures can be taken in preparation for next year's monsoon season.

● Third, on matters concerning building an institutional framework for stable management of inter-Korean economic cooperation.

- We proposed holding a working-level consultative meeting on an institutional framework for economic cooperation at the end of November in Seoul to discuss and resolve follow-up measures for the four agreements on economic cooperation, discuss agreement on confirmation of place of origin, and resolve matters related to agreements on communication and industry standards.

● Fourth, on matters concerning on-site inspection of food distribution and the use of equipment and materials for the railroad and road construction work.

- Monitoring personnel from the South should be able to visit three to four regions near the ports where the delivery of food would take place, and as monitoring in Pyongyang was possible in the last working-level contact for economic cooperation, we hope that the same would be true for personnel visiting Pyongyang.

- In the case of equipment and materials, we demand that the North cooperate in allowing on-site visits by our experts as the two sides have agreed.

(2) Two Head Delegate Contacts and Seven Working-level Contacts (November 7~8)

The two sides held head delegate contacts and other delegate contacts to exchange their views and to reach an

agreement on various issues. Originally, the South side expected the meeting to proceed smoothly as the North side expressed that their interest was in reviewing implementation of the agreements that had already been reached and discussing the schedule for implementing the agreements made at the eighth ministerial talks. However, as the North was adamant about holding three-way talks among the ministers of transport of South and North Korea and Russia, fixing the date for the ground breaking of the Gaesong Industrial Complex and fixing the date for a working-level contact regarding the use of the East Sea fishing ground, the agreements on other issues were delayed.

The South side explained that it was too early for three-way talks to take place, that the date for the ground breaking of the industrial complex should be discussed between the private project partners, and that the date for a working-level contact for the fishing ground could only be established after there had been an internal discussion on the matter.

Consequently, as the North side retracted their demands, the two sides were able to come to an agreement, which included a joint survey for the connection of railroads and roads and the holding of a consultative meeting on an institutional framework for economic cooperation, a day before the closure of the meeting on November 8.

(3) The Second Plenary Meeting (November 8)

In the second plenary meeting, the two sides agreed on a six-point agreement, which they signed and exchanged before closing the meeting. The agreement included: working-level contacts on railroad and road connection, the construction of the Gaesong Industrial Complex and cooperation in marine transportation as well as holding a consultative meeting on an institutional framework for economic cooperation and holding the fourth Inter-Korean Economic Cooperation Promotion Committee in February of 2003 in Seoul.

< Summary of the Agreement >

- ① The South and the North will take measures to push forward the projects of connecting the Seoul-Shinuiju and East Coast railways and roads.
 - Decide on the points of connection following a joint survey in November; exchange a schedule and procedures of the construction and notify each other of the progress of construction on a regular basis.
 - Hold working-level contacts in mid-November at Mt. Geumgang to discuss and resolve any pending issues related to railway and road connection.
- ② The South and the North will actively cooperate to begin and implement the construction of the Gaesong industrial complex in the latter half of December 2002.

- The North will promulgate the law on the Gaesong Industrial Zone in mid-November and the South will begin necessary infrastructure construction on a commercial basis at an early date.
 - The two sides will hold working-level contacts in early December to discuss the construction of the Gaesong industrial complex.
- ③ The two sides agreed on a schedule for working-level contacts concerning cooperation in marine transportation and the use of part of the North Korean fishing ground in the East Sea by South Korean fishermen.
- The two sides will hold working-level contacts to adopt an agreement on cooperation in marine transportation at Mt. Geumgang on November 19.
 - The two sides will hold working-level contacts to discuss the use of part of the North Korean fishing ground in the East Sea by South Korean fishermen, at Mt. Geumgang at the earliest possible date.
- ④ The South and the North agree to simultaneously effectuate the four agreements already reached on guaranteeing an institutional framework concerning economic cooperation at an early date, following the necessary legal procedures of each side.
- The two sides will hold a working-level contact in mid-December in Seoul, to discuss matters related to the follow-up measures for the four agreements, cross-border travel and certification of origin.

- ⑤ The South and the North will make efforts to realize a visit to the North side by an economic mission from the South.
- ⑥ The fourth meeting of the Inter-Korean Economic Cooperation Promotion Committee will be held in early February 2003 in Seoul.

5. The First Working-level Consultative Meeting on Reconnection of Inter-Korean Railroads and Roads

A. Overview

The article 1 number 4 of the agreement reached at the second meeting of the Inter-Korean Economic Cooperation Promotion Committee states that the two sides will hold the first meeting of the working-level consultative committee (3-5 members headed by a delegate of the economic committee respectively) on the connection of the inter-Korean railroads and roads in Mt. Geumgang from September 13-15.

The South side notified the North of its list of delegates through a liaison contact on September 10, and the North side notified its list of delegates on the same day. Consequently, the first consultative meeting on railroads and roads took place in Mt. Geumgang from September 13 to 17.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification)	Pak Jong-song (Director General, External Railway Cooperation, Ministry of Railways)
Other Delegates	Yang Sung-ho (Director General, Transportation and Logistics Bureau, Ministry of Construction and Transportation) Lee Sung-han (Director, International Investment and Regional Cooperation Division)	Chae Jin-taek (Ministry of Land and Environment Protection) Kim Myong-ryol (Division Director, Ministry of Railway)

B. Developments

(1) The First Plenary Meeting (September 14)

Through the keynote speech, the South side told the North that the South would hold the ground breaking for the railroad and road connection on September 18 at 11:00 a.m. The South told the North that the ceremony for the Seoul-Shinuiju line would take place at the second gate of the Southern Limit Line, and the ceremony for the East Coast line would take place in front of the Unification Observation Point in Songhyeonri; and the South asked for the time and place of the North's ground breaking ceremonies.

In regard to the construction and procedures inside the DMZ, the South side presented the coordinates and the plan of construction for the points of contact at the MDL and asked for the North's position on the matter, while proposing to construct the sections within the DMZ first. Also, regarding the supply of equipment and materials for the North's construction work, the South expressed that it would provide them on a loan basis at intervals according to the progress of the construction.

In response, the North side proposed to build a one-track line for the East Coast railroad between Onjeonri and Jeojin while constructing a two-lane road between Gosong and Songhyeonri for the East Coast road. Meanwhile, for the Seoul-Shinuiju railroad, taking into consideration that the railroad work south of the DMZ is completed, the North proposed to connect the original line of 15.3km between Gaesong and the MDL. And for the road, they proposed to build a four-lane road along the railroad on its right side (the South side's lane is on the left) beginning from the southern boundary of the Gaesong Industrial Complex.

Moreover, the North proposed that the points of connection be at places determined by the militaries of the two sides, and emphasized that the first tranche of the equipment and materials be provided during September and the rest before the end of the year.

< Summary of the Keynote Speech by South Korea >

- The ground-breaking for the Seoul-Shinuiju and the East Coast railroads and roads.

- In regard to the simultaneous commencement of the construction agreed between the two Koreas, we plan to hold the ground-breaking for the railroad and road connection on September 18 at 11:00 a.m. The ceremony for the Seoul-Shinuiju line would take place at the second gate of the Southern Limit Line, and the East Coast line would take place in front of the Unification Observation Point in Gosong, Gangwon Province.

- For a balanced commencement of the construction and ceremony, the North should notify the South of its time and places, and we hope that the ceremonies can be broadcast at large through the media of both sides.

- Procedures and methods for construction within the DMZ.

- We propose that the railroads be single-track of standard width; the roads, two-lanes with a width of 10 meters; and the temporary road on the East Coast, a single-lane with a width of 5 meters.

- We propose that the construction work within the DMZ take place first; the work outside the DMZ can be done at each side's convenience; and we propose to have the temporary road leading to the Gaesong Industrial Complex opened in October.

- Supply of construction equipment and materials.

- We plan to provide the first tranche of equipment and materials needed for the construction on the Northern side immediately following the ground-breaking ceremonies; the supply would be provided in form of a loan or on a lease basis at intervals according to the progress of the construction.

● Regular meetings of the working-level consultative committee on railroads and roads.

- For the smooth implementation of the connection work and for discussions on numerous matters concerning the operation of the lines following their connection, consultative meetings need to be held on a regular basis.

- In consideration of these factors, we propose that the second consultative meeting be held between October 1 and 3 in Seoul.

< Summary of the Keynote Speech by North Korea >

● Connection of the East Coast railroad and road.

- The railroad on the East Coast line should connect the 27.5km section between Onjeongri and Jeojin, and the road on the East Coast line should be a two-lane road connecting the section between Gosong and Sonhyonri.

● Connection of the Seoul-Shinuiju railroad and road.

- The Seoul-Shinuiju railroad should connect the 15.3km from Gaesong to the MDL, and the road should be a four-lane road

starting at the southern boundary of the Gaesong Industrial Complex and running along the right side (the South side is on the left) of the railroad.

- The connection points for the railroads and roads.
 - The points of connection for the railroads and roads should be the places agreed on by the militaries of the two sides.
- Supply of equipment and materials for the Northern side's construction of the railroads and roads.
 - We would like for the South to guarantee that the first tranche of equipment and materials for the construction of the Northern part of the railroads and roads will be supplied during September, and that the rest of the materials will be provided within the year.

(2) The Second Plenary Meeting (September 17)

Following the first plenary meeting on September 14, seven occasions of head delegate and working-level delegates contacts took place for four days. The two sides narrowed their differences on the connection of the inter-Korean railroad and road links and the supply of equipment and materials to the North. On September 17, the two sides held the second plenary meeting to sign and exchange an agreement on the first consultative meeting on the inter-Korean railroad and road connection as well as an agreement

on the supply of equipment and materials for the railroad and road connection work; thereby officially ending the talks.

< Summary of the Agreement at the First Working-level Consultative Meeting on Reconnection of Inter-Korean Railroads and Roads >

- ① The groundbreaking ceremonies for the connection of the Seoul-Shinuiju and the East Coast railroads and roads is to begin on September 18 in the South and North simultaneously; one day before work commences, the two sides will exchange documents specifying the time, place and format of the groundbreaking ceremonies.
- ② The railroads will be single-track; the Seoul-Shinuiju road will be a four-lane highway; and the East Coast road will be two lanes and will be opened for traffic from early December.
- ③ The contact points at the MDL for each of the railroads and roads will be decided through joint surveys as agreed between the military representatives of the two sides
- ④ The rail stations will be built outside the DMZ at any convenient location within the respective sections
- ⑤ The South will deliver to the North the first batch of materials and equipment needed for the reconnection work in September; and the rest of the materials will be provided by land and by sea in accordance with the construction schedule.
- ⑥ The South and North agree to hold working-level talks and other contacts to consult various matters related to the operation of the railroads and roads.

< Summary of Agreement on Provision of Materials and Equipment for
the Reconnection of Inter-Korean Railroads and Roads >

- ① The South will provide the North with materials and equipment needed for the construction work on a loan basis.

- repayment is in 30 years with a 10-year grace period with annual interest of 1.0 percent.
- ② The South will deliver to the North the first batch of materials and equipment needed for the reconnection work in September; and the rest of the materials will be provided in accordance with the construction schedule.
- ③ The total amount of the loan is the sum amount spent on acquiring or leasing equipment and materials.
- ④ For the delivery and transfer of the materials and equipments, the two sides will designate respective carriers and notify each other
- ⑤ The North will guarantee the personal safety and safe return of the South Korean personnel involved in the delivery of materials and equipment; and also guarantee safe operations and convenience of vessels and vehicles involved.
- ⑥ The North side will allow visits to construction sites by South Korean technicians on an as-needed basis.

6. The First and Second Working-level Contacts for Reconnection of Inter-Korean Railroads and Roads

A. Overview

In accordance with the agreement reached during the first consultative meeting on inter-Korean railroad and road reconnection and the agreement reached during the third meeting of the Inter-Korean Economic Cooperation Promotion Committee, the two sides held two occasions of working-level contacts for reconnection of inter-Korean railroads and roads in Mt. Geumgang, in October and in November respectively.

During these two contacts, the two sides agreed on the items and quantities of equipments and materials for the first tranche of supply to the North, a procedure for the delivery and the method for the joint survey.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Delegates	Cho Myoung-gyun (Director General, Intra-Korean Interchange and Cooperation Bureau, Ministry of Unification)	Pak Jong-song (Director General, External Railway Cooperation, Ministry of Railways)
	Yang Sung-ho (Director General, Transportation and Logistics Bureau, Ministry of Construction and Transportation)	Kim Chol-ho (Ministry of Railway) Kim Chang-sik (Ministry of Railway) Kye Bong Hwan (Counselor, National Economic Cooperation Association)

※ At the second working-level contact delegate Yang Sung-ho was replaced by Son Bong-gyun (South side) and Kye Bong Hwan did not participate as a delegate (North side).

B. The First Working-level Contact

The first working-level contact took place in Mt. Geumgang from October 12 to 14. The South side, while concluding the agreement on the supply of the first tranche of equipment and materials and the procedures for delivery and reception of the supply, concentrated on other pending matters such as setting the date for a joint survey.

The North side was also active in its position stating that the railroads and roads should be completed within the agreed time frame. They concentrated their efforts on securing the

first tranche of equipment and materials and were flexible in attitude toward the procedures on delivery and reception.

Through three occasions of meetings the two sides agreed on the items and quantity of equipment and materials for the first tranche of supply (Annex II of the agreement), and the procedures on delivery and reception.

< Summary of Annex II (items and quantity of equipment and materials for the first tranche of supply) >

- Total of 78 items. 33 items of materials (provided with compensation), 45 items of equipment (20 items provided with compensation and the rest on lease).
- Adjust or exclude specification and quantity of some items, including excavators(1.5m³→1.0m³).
 - ※ Adjusting the specification of excavators reduced the budget by 3.6 billion won, and gravel and adhesives were excluded in the first tranche.
- Exclude explosives, detonators, fuses and tents.
- Provide necessary materials to begin construction such as cement, gasoline, diesel fuel, etc.
- Provide four fuel tank vehicles and 238 trucks (1.5t, 10t, 6t).
 - ※ The items and quantities of equipment and materials mentioned above can be adjusted according to the progress in construction and through agreements of the two sides.

< Summary of Annex III >
(procedures for delivery and reception of equipment
and materials)

● Packaging and marking

- When packaging equipment and materials, the name of the provider is marked along with the item, quantity and contents.

● Schedule for the first tranche of equipment and materials

- Within five days upon exchanges of documents for the delivery and reception, the South is to deliver to the North the first tranche of equipment and materials to Jangjeon and Haejoo Ports at the same time.

● Ports of delivery

- The ports of Wonsan, Jangjeon and Haejoo would be used for delivery; other ports or overland deliveries can be designated upon agreement of the two sides.

● Reception and notification of the use

- The North must notify the South in documents of the regions that the equipment and materials were used in, the quantity of the inputs and the results of the inputs within 30 days from the reception.
- The North will allow on-site visits by technical experts from the South.

C. The Second Working-level Contact

The second working-level contact for the inter-Korean railroads and roads took place from November 18 to 20, 2002

in Mt. Geumgang. At the meeting, the South side focused on reaching agreements on the following: procedure and method for a joint survey, agreement on transit of trains and vehicles, adjustment of items and quantities of equipments and materials to be provided to the North and agreement on opening of a temporary road in the East Coast line.

In regard to the three-way talks among the ministers of transport, the South side proposed to hold bilateral talks between the three parties first, and then discuss agendas for the talks in a step by step fashion. And in regard to adjustments on the entire supply of equipment and materials, the South side limited the discussion to consulting on technical issues regarding the specification of rails, timber and fastening mechanisms. In contrast, the North demanded that items and quantities of equipment and materials be finalized for the entire supply and also demanded discussion on transit agreement of vehicles.

The two sides held four working-level contacts to agree on the procedure for a joint survey for the connection of the railways and roads, but decided to finalize at a later time, through exchanges of documents in Panmunjom, the agreement on transit of vehicles and the agreement on adjustments of items and quantities of the first tranche of equipment and materials.

< Summary of Method and Procedure for a Joint Survey
of the Inter-Korean Railroads and Roads >

● Sections of joint survey

- Starting from the point of connection for both the Seoul-Shinuiju and the East Coast lines, it would be 200 meters in distance on each side, with the width of the joint administrative areas.

● Duration of the joint survey

- For the East Coast line, from Nov. 26 to 27, and for the Seoul-Shinuiju line, from Nov. 29 to 30, both between 9:00 a.m. to 3:00 p.m.

● Personnel for the joint survey

- Ten railroad and road experts from each side with five assistants.

※ Each side must notify the other of the list of personnel a day in advance through exchanges of documents.

● Each side must notify the other of the data of the on-site survey and the results of the joint survey immediately following the joint survey through exchanges of documents.

7. The Working-level Contact for the Joint Survey of the Innam Dam

A. Overview

In the seventh ministerial talks (August 12 to 14, 2002, Seoul) the two sides agreed to hold a working-level contact in mid-September in Mt. Geumgang to discuss a joint survey of the Innam Dam of the Anbyon Youth Power Station. And in the second meeting of the Inter-Korean Economic Cooperation Promotion Committee (August 27 to 30, 2002, Seoul), the two sides agreed to hold a working-level contact on the joint survey from September 16 to 18 in Mt. Geumgang.

Accordingly, on September 13, the South side sent the list of its 27-member mission, which included the delegation, assistants, advisors, attendants and the press (one member from the press forfeited the visit), to the North, and the North also notified the South of its delegation and attendants. The working-level contact for the joint survey of the Innam Dam took place from September 16 to 18 in Mt. Geumgang; two plenary meetings and one head delegate contact was held.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Kim Chang-se (Director General, Water Resources Bureau, Ministry of Construction and Transportation)	Ryang Jang-gyun (Director General, Ministry of Construction and Building-Materials Industries)
Other Delegates	Park Kyung-suk (Division Director, Ministry of Unification) Shim Wan-seop (Division Director, Office of the Prime Minister)	Choe Jong-jo (Director, Pyongyang Electric Power Construction) Rim Jae Hak (Division Director, Ministry of Construction and Building-Materials Industries)

B. Developments

(1) The First Plenary Meeting (September 17)

In the keynote speech, the South side proposed for discussion procedural matters such as the method and schedule for the joint survey, and formation and operation of the joint survey mission. In response, the North side claimed not to have the slightest doubt about the safety of the Innam Dam and demanded that the South side compensate for defaming the dignity of the North by raising the safety issue of the dam; and the North also demanded that the South compensate for the joint survey.

The following are the keynote speeches of the two sides at the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

- As this meeting is to discuss and decide on the matters related to the joint survey of the Imnam Dam, we propose the following draft agreement.

- First, we propose that the method of the survey be in order of data review, on-site survey followed by analysis and evaluation.
 - The North side would first deliver the relevant information to the South side 15 days prior to the on-site inspection, which would be followed by a joint on-site survey of the areas agreed to by the two sides, and then, based on findings, analysis and evaluation in accordance with international standards would be done.

 - We would present to the North the areas of survey (by stages) and specific items involved.

- Second, we propose to complete the survey as soon as possible.

- Third, on matters regarding the formation of the joint survey mission and its operation
 - The survey mission should include a director-general level official related to water resources planning as the head delegate from each side, and about a 20-member team consisting of experts and assistants from each side. The survey mission's activities and their

convenience must be fully guaranteed, and they should be able to freely bring in and use necessary equipment.

- Fourth, we propose that the two sides exchange information on the Bukhan River water system.

< Summary of the Keynote Speech by North Korea >

- The Anbyon Youth Power Station, a creation for the prosperity of the nation and the people, is built to last for ages, and its safety is firmly secured.

- Your side claimed that the dam would face a threat of collapse when the rainfall reaches 300mm, but during this monsoon season, even when the rainfall reached 515mm in a single day, the dam remained solid.

- Matters regarding the construction of the Anbyon Youth Power Station are related to our self-governance and cannot be an object of criticism; thus, there has to a compensation for such defamation of character.

- The South side must compensate for creating an obstacle in inter-Korean relations by causing damage to our dignity and authority with their satellite imageries.

- The South must compensate for a survey of the Imnam Dam.

- There are important facilities around the area where the Imnam Dam is located; thus the South must pay for passing by them. And the South must also pay for gaining knowledge of our self-reliant civil

engineering technology in examining documents for the survey and in carrying out the on-site survey.

- The joint survey of the Imnam Dam must be limited to confirming the safety of the dam through an on-site visit.

(2) Head Delegates' Contact (September 17)

In the head delegates' contact, which took place in the afternoon following the plenary meeting, the South side laid on the table its draft agreement on the joint survey of the Imnam Dam, the draft agreement on objects and items of survey and the list of photographs to be provided by the North. The South side explained the technical and procedural matters related to these and pointed out to the North that its demand for compensation had not been agreed to between the two side and was unreasonable. The North side reiterated the position that it stated in the keynote speech.

(3) The Second Plenary Meeting (September 18)

In the closing remarks, the South side maintained that it could not accept the North's demand for compensation and that the joint survey was an urgent matter. The North side reiterated that the joint survey should take place after compensation and payments are made. The two sides could

not narrow their differences and ended the contact by agreeing to continue the discussion at a later time.

8. The Second Working-level Consultative Meeting on Prevention of Flooding in the Imjin River Basin

A. Overview

A year and eight months since the first consultative meeting (February 21, 2001), the Second Working-level Consultative Meeting on Prevention of Flooding in the Imjin River Basin was held from October 30 to November 2 in Pyongyang along with the Working-level Consultative Meeting on the Construction of the Gaesong Industrial Complex. Originally, the meeting was supposed to have taken place in Gaesong in October, as agreed in the second inter-Korean economic committee meeting, but upon discussion, the two sides decided to change the venue to Pyongyang.

At the meeting, the two sides narrowed their differences on matters such as the joint survey to implement the flood prevention project and exchanges of information on weather and sluice gates. But as they could not agree on the provision of tree saplings, they failed to finalize the agreement; the two sides announced the results in a joint statement.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Kim Chang-se (Director General, Water Resources Bureau, Ministry of Construction and Transportation)	Kim Pyong-chil (Director General, Ministry of Land Environment Protection)
Other Delegates	Park Kyung-suk (Division Director, Ministry of Unification) Shim Wan-seop (Division Director, Office of the Prime Minister)	Jon Pyong-hwan (Deputy Director General, Ministry of Land Environment Protection) Choe Tae-ryong (Division Director, Meteorological Observatory)

B. Developments

(1) The First Plenary Meeting (October 31)

In its keynote speech, the South side stated its position on matters agreed to in the second meeting of the Inter-Korean Economic Cooperation Promotion Committee such as the joint survey, exchanges of information on weather and sluice gates in the upper reaches of the river and the provision of tree saplings.

Regarding the joint survey, the South side proposed that it take place between mid-November and June 2003, on four occasions, and that the two sides exchange information on the

Imjin River basin prior to the survey. In addition, the South side requested that the North provide information on weather and sluice gates in the upper reaches of the river by November 10, and emphasized that to decide the time and quantity for the provision of tree saplings, there needed to be a joint agronomical survey of the area.

In response, the North side agreed to the joint survey in November but added that a joint survey and a unilateral survey (by the North) take place concurrently and that the survey should be limited to areas for forestation, construction of a reservoir and river conservation work. In relation to the provision of saplings, the North requested that the South provide saplings needed for flood prevention in the upper reaches of the Imjin River, while demanding a part of the provision in November.

< Summary of the Keynote Speech by South Korea >

- First, on matters concerning a joint survey for prevention of flooding in the Imjin River.
 - Exchange information related to the Imjin River beforehand for an effective survey and conduct the survey jointly, according to a plan agreed by the two sides, in the Imjin River basin and the lower stream of the Han River through cross-visits.

- Begin the joint survey in November as the two sides agreed and do it on four occasions until June of next year.
 - Form survey team consisting of ten people each headed by a director-general level official related to water resources, and in addition, have ten experts and assistants each to support the survey.
 - The joint survey team should report the findings to the Working-level Consultative Committee for Prevention of Imjin River Flooding and the committee will devise a plan for the flood prevention project and report the plan to the Inter-Korean Economic Cooperation Promotion Committee.
 - Give priority to installing a flood alert system, in consideration of its urgency, and conduct the joint survey concurrently.
- Second, on matters concerning notification of information on weather and sluice gates.
 - The North should deliver to the South, before November 10, information on the river basin including information on weather and sluice gates so as to effectively deal with the monsoon season next year.
- Third, on matters concerning the provision of tree saplings for forestation in the Imjin River basin.
 - To effectively promote the forestation project, decisions on timing and quantity of the provision should be made after a review of an agronomical survey and the availability of tree saplings.

- The first tranche of tree saplings needs to be provided in early spring of next year, and we expect a prompt initiation of the joint survey so that such provision can take place.

< Summary of the Keynote Speech by North Korea >

- First, on matters concerning an on-site survey of the Imjin River.
 - In considering the particular nature of the Imjin River, the joint survey should take place in the areas critical for the prevention of flooding; the survey of other areas should be done by the respective sides, and the two sides should notify each other of the findings through exchanges of documents.
 - The survey should be limited to areas critical for the prevention of flooding such as the area for forestation, construction of a reservoir, river conservation work and the areas where information on weather and sluice gates needs to be gathered.
 - The joint survey should be done in November a few days at a time, and the unilateral survey should be done until next year's monsoon season according to the survey plan of agreed on by the two sides.
 - Each of the joint survey teams should be a 15 to 20 member team with a director-general level official as its head.
- Second, on matters concerning notification of information on weather and sluice gates.

- The scope of the information that we need to deliver to the South and the timing of the delivery must be adequately discussed during this meeting.

- Third, on matters concerning the provision of tree saplings.

- The South should provide the North the tree saplings needed in the upper reaches of the Imjin River for prevention of flooding until the year 2007.

(2) The Head Delegate Contacts (October 31 to November 2)

Following the first plenary meeting, the two sides held seven occasions of head delegate contacts to discuss draft agreements proposed by each side. Consequently, the two sides narrowed their differences on the joint survey, notification of information on weather and sluice gates and installation of a flood alert system. But the two sides could not narrow their views on the provision of tree saplings. The South side stated that when a general plan on provision of tree saplings is agreed between the two sides after the joint survey, then it would be possible to discuss specific timing and quantity of the provision.

In response, the North side requested equipments and material necessary for tree nurseries located in ten of the

cities and towns along the Imjin River if the provision of tree saplings was difficult. As the two sides could not narrow their views on the matter, they decided to continue the discussion to resolve the matter at a later time and ended the second consultative meeting by announcing a joint press statement.

< Summary of the Joint Press Statement >

- South and North Korea discussed the on-site survey of the Imjin River and Han River, exchange of information on floodgates, establishment of flood forecast facilities, and supply of saplings for forestation.
- The two sides agree to discuss and resolve the issues raised through dialogue and contacts.
- The third working-level consultative meeting on Imjin River flood prevention will be held in Seoul, in January 2003.

9. The First Working-level Consultative Meeting on the Construction of the Gaesong Industrial Complex

A. Overview

South and North Korea held the First Working-level Consultative Meeting on the Construction of the Gaesong Industrial Complex from October 30 to November 2 in Pyongyang to discuss various matters related to the construction of the Gaesong Industrial Complex.

Originally, at the second meeting of the Inter-Korean Economic Cooperation Promotion Committee, the two Koreas agreed to hold the consultative meeting in October in Gaesong, but the venue for the meeting changed to Pyongyang at the request of the North. At the meeting the two sides discussed various matters related to the construction of the industrial complex such as the role that each government should take, and the two sides agreed on such matters as the timing for the ground-breaking and the construction of infrastructure.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Kang Kyo-sik (Director General, National Development Policy Bureau, Ministry of Construction and Transportation)	Choe Hyon-gu (General Manager, Samcholli Group)
Other Delegates	Kim Jung-tae (Director of Coordination Division, Ministry of Unification) Yoon Yeong-seon (Director of Industrial Location and Environment Division, Ministry of Commerce, Industry and Energy)	Kim Myong-chol (External Affairs, Samcholli Group) Pak Eung-chol (State External Economic Affairs Commission)

B. Developments

(1) The First Plenary Meeting (October 31)

Through the keynote speech, the South side emphasized a legal and institutional framework necessary for building a competitive industrial complex and urged the North to promptly enact and announce the Law on the Gaesong Industrial District and its subordinate regulations.

Also, the South proposed to promptly resolve the issues concerning customs, immigration and quarantine (CIQ) and communication as a lot of people, materials and equipments are expected to travel to and from North Korea for the duration of the construction, and set a direction for the commencement of the construction.

In response to this, the North side demanded that the government authorities take responsibility in promoting the construction of the infrastructure (electric power, water, communication, etc.) that would begin upon commencement of the project, and that the South Korean government provide subsidies to the South Korean project partner to lease the land and to clear the land for the construction.

< Summary of the Keynote Speech by South Korea >

- On matters related to building a legal and institutional framework for a competitive industrial complex.
 - The Law on the Gaesong Industrial District and subordinate regulations needs to be promptly enacted and it needs to reflect the opinion of the South Korean cooperation partner (developer) concerning a reduction of the cost of construction.

- On matters related to building infrastructure.
 - Infrastructure work needs to be promoted on a commercial basis, and the specifics of the construction need to be consulted on with the South Korean developer.

- The need for an agreement on CIQ and communication for a stable development and operation of the industrial complex.
 - The two sides must discuss issues concerning CIQ for building an effective network of production, transport and sales, and for supplies, materials and equipment needed for the construction.

 - Regarding inter-Korean transit, the two sides need to adopt an agreement on inter-Korean transit when the inter-Korean railroads and roads are connected.

- On matters related to establishing a government office in the industrial complex.

- A South Korean government office would be responsible for handling administrative work involved with companies and personnel who become tenants of the complex, supporting investment activities of the companies involved and matters arising in the complex that need inter-governmental consultation.

< Summary of the Keynote Speech by North Korea >

- On matters related to the area of the land and the term of lease.
 - Designate 15 million pyong (1 pyong = 3.3m²) from the district of Gaesong; and decide on the term of lease according to the Law on the Gaesong Industrial District.
 - On matters related to the construction of the industrial complex.
 - Begin the first-stage development of 1 million pyong in December; decide on the details of the ground-breaking ceremony through exchanges of documents in November.
- On matters related to the development of infrastructure.
 - The North side guarantees the necessary work force for the construction, and the South side's government authority takes charge in developing infrastructure such as electric power, telecommunications and water.
- On clearing of the existing buildings and facilities within the complex.
 - With assistance from the South Korean government, the South Korean developer should bear the cost for the clearing of the land.

(2) Three Head Delegate Contacts and Three Working-level Contacts

The two sides held discussions that focused on each others' positions, which they exchanged at the first plenary meeting, concerning the form of agreement, the date of ground-breaking, the cost of the clearing of the land and the enactment of the Law on the Gaesong Industrial District. The South side relayed to the North its position on each point of the North's draft of the joint press statement. The North side demanded that the matters related to institutional mechanisms such as telecommunications and CIQ be discussed in the third meeting of the Inter-Korean Economic Cooperation Promotion Committee, that the ground-breaking take place in mid-December, and that the South Korean government provide assistance in leasing of the land and clearing of the land.

Consequently, following three occasions of head delegate contact and two occasions of working-level contact, the two sides narrowed their differences and agreed on a seven-point agreement.

(3) The Second Plenary Meeting (November 2)

The South and North side held the second plenary meeting on November 2 at 6 a.m. to finalize the agreement; the two head delegates signed and exchanged the agreements.

With this agreement, the necessary condition for the construction of the Gaesong Industrial Complex, which is one of the key inter-Korean economic cooperation projects, has been met to take the project to the implementation phase.

— < Summary of Agreements at the 1st Working-level Consultative Meeting for the Gaesong Industrial Complex >

- The construction of the Gaesong Industrial Complex shall commence in December; the two sides shall actively cooperate to complete the first stage of developing 1 million pyong (3.95 million square yards) by the end of 2003.
- The North shall proclaim the Gaesong Industrial District Law in November and enact and pronounce the detailed rules derived thereof at an early date.
- The North shall supply the labor required for the construction of the Gaesong Industrial Complex while the South shall do its utmost to cooperate in promoting the construction of infrastructure as to electricity, communication, and water.
 - Working-level contacts between the main project partners of each side shall be made soon to discuss the issues in detail.
- The two sides shall discuss and agree upon the procedures for passage, customs, quarantine and communication through the meeting of the Inter-Korean Economic Cooperation Promotion Committee or working-level contacts at the time when the railroads and roads are linked.
- When the construction of the Gaesong Industrial Complex is completed, the South shall establish a liaison office within the complex.

- The second working-level consultative meeting shall be made in Seoul in December 2002
- The two sides shall actively cooperate to implement this agreement.

10. The First Working-level Contact for Marine Transportation

A. Overview

As agreed in the third meeting of the Inter-Korean Economic Cooperation Promotion Committee (November 9, 2002), the South and North Korea held a working-level contact for cooperation in marine transportation from November 18 to 20 in Mt. Geumgang. Through the plenary meetings and head delegate contacts, the two sides held discussions which focused on draft agreements proposed by the two sides, but as the two could not narrow their differences on passages through territorial waters, the talks ended without an agreement.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Kang Moo-hyun (Director General, Ministry of Maritime Affairs and Fisheries)	Cha Son-mo (Director General, Ministry of Land and Marine Transport)
Other Delegates	Suh Ho (Division Director, Ministry of Unification) Kim Jin-hong (Division Director, Office of the Prime Minister)	Choe Jong-nam (Ministry of Land and Marine Transport) Jo Jong-chol (Ministry of Land and Marine Transport)

B. Developments

(1) The First Plenary Meeting (November 19)

In their keynote speech, the North side stated their positions on matters related to the following: 1) sea lanes between the ports of South and North Korea and their operations, 2) innocent passages of civilian vessels through sea lanes of shortest distances in the east, west, and south seas of the peninsula, and 3) a guarantee of communication in marine transportation between the two Koreas. The North side particularly demanded that the innocent passage of civilian vessels through the territorial waters of each side was a matter of priority that needed to be assured, as the matter was agreed to in the eighth

ministerial talks and the third inter-Korean economic committee meeting.

The South side, through its keynote speech proposed the following as the matters to be discussed for cooperation in marine transportation: 1) establishment of sea lanes between the two Koreas, 2) guarantee of safety and telecommunication of the vessels, 3) exchanges of information and technology, and 4) establishment and operation of a consultative body between the maritime authorities of the two sides.

< Summary of the Keynote Speech by North Korea >

- Establishment and operations of inter-Korean sea lanes.
 - Establish sea lanes between the ports of the North (Nampo, Wonsan, etc.) and the ports of the South (Incheon, Busan, etc.)
 - Give priority to assuring free passage of civilian vessels of both sides by eliminating restrictions and conditions on sea lanes agreed to by the two sides.

- Guarantee of telecommunication in marine transportation.
 - Guarantee communication with the vessels of the other side to prevent damage from storms and other disasters at sea, to guarantee safe voyages, and to conduct emergency rescue operations.

< Summary of the Keynote Speech by South Korea >

- The nature of marine transportation and the scope of vessels of operation.
 - Define inter-Korean marine transportation as an internal (as opposed to international) transportation and limit the vessels to those vessels possessed or leased by the marine transport companies of the South and North Korea.

- Establishment of inter-Korean sea lanes.
 - Establish sea lanes between the Southern ports of Incheon, Gunsan, Yeosu, Busan, Pohang and Sokcho with the Northern ports of Nampo, Haejoo, Jangjeon, Wonsan, Cheongjin, and Rajin; designate and operate a sea lane safety squad for the safe and smooth passage of the vessels.

- Securing safety of marine transportation.
 - Assure emergency evacuation in the event of an accident at sea; take necessary measures including notification to the authorities of the other side for the rescue of people and property and for prevention of sea pollution.
 - If necessary, consider a joint operation by the two Koreas for sea rescue and prevention of sea pollution.

- Exchanges of information and technology.
 - Exchange information on vessels and status of ports; form a consultative body between the maritime authorities of the two sides; and operate a telecommunication network.

(2) The Second Plenary Meeting (November 19)

Following the meeting in the morning, the two sides held the second plenary at 4:00 p.m. in the afternoon to continue their discussions which focused on the draft agreements tabled by the respective sides. The South side, while reconfirming the North's position on the passages through territorial waters, proposed to discuss the matter separately in the process of discussing the annex to the agreement.

Meanwhile, the North side explained that the reason for the omission of Jangjon Port in the North's draft agreement was because it was a port operated by Hyundai. And in response to the South's claim that it was not fair for the South to open 16 ports while the North opens only six ports, the North said that it was so designated according to the proportion of the number of ports on each side and therefore, does not have much significance.

The two sides resumed the meeting at 10:30 p.m. and discussed each of the topics that were put forth but could not narrow their differences on matters of dispute. On matters related to the passage through the territorial waters by civilian vessels, the North claimed that the two sides must guarantee the innocent passage of vessels in accordance with international law and that such guarantee must be included in the main text of the agreement.

In response, the South side explained to the North that the innocent passage, although recognized in international relations, is difficult to recognize under the current armistice regime. In addition, on matters related to the effectuation of the agreement, the South proposed that, since the procedure for effectuation is different depending on the content of the agreements, the wording ‘procedures necessary for effectuation’ be included.

Contrary to the South’s proposal, the North side demanded that the wording ‘necessary procedure’ be deleted saying that even in the agreement on railroads and roads it says that the agreement would be “effective on the day it is signed and exchanged.”

(3) The Third Plenary Meeting (November 20)

As the two sides could not narrow their views on matters of dispute, even after several meetings, the South side proposed that the two sides adopt a joint press statement and end the first contact.

As the North agreed to the proposal by the South, the two sides held a working-level contact to discuss and finalize the joint press statement. They resumed the plenary meeting around 1:00 p.m. and ended the meeting after the two head delegates confirmed the joint press statement.

< Summary of the Joint Press Statement >

- South and North Korea shared the view that cooperation in marine transportation is necessary and discussed the issues regarding the passage of civilian vessels through each other's territorial waters, establishing new sea routes, guaranteeing safe passage and conducting salvage activities.
- The two sides agree to further discuss the issues raised in the second working-level contact.
- To adopt an agreement on marine transportation, the two sides agree to hold the second working-level contact in Mt. Geumgang in December 2002.

Chapter V.

**Inter-Korean Talks in
Humanitarian and
Socio-Cultural Areas**



Chapter V. Inter-Korean Talks in Humanitarian and Socio-Cultural Areas

1. The Fourth Inter-Korean Red Cross Talks

A. Overview

During the Seventh Inter-Korean Ministerial Talks the two Koreas agreed to hold the Fourth Inter-Korean Red Cross Talks from September 4 to 6 in Mt. Geumgang with each side headed by the head official of their respective organizations. Accordingly, through a telephone message sent on August 24, the South proposed to hold the fourth Red Cross talks on September 4 at Mt. Geumgang as agreed at the seventh ministerial talks and notified the North of its list of delegates.

In the telephone message, the South side emphasized that as the fourth Red Cross talks would be the first time in which the head official of the two respective organizations would be meeting since the division of the peninsula, fundamental and institutional initiatives to resolve the separated family issue should be discussed, including the establishment of a reunion center.

The following is the full text of the telephone message sent by the South.

Mr. Jang Jae-on
Chairman of the Central Committee of the Red Cross Society
Democratic People's Republic of Korea

During the Seventh Inter-Korean Ministerial Talks South and North Korea agreed to hold the Fourth Inter-Korean Red Cross Talks from September 4 to 6 in Mt. Geumgang, with each side headed by the head official of the respective Red Cross organization.

As the fourth Red Cross talks shall be the first time in which the head officials of the respective organizations will be meeting since the division, there must be an important decision to resolve the issue of separated families, which is a symbol of pain caused by the division.

I hope that the two sides can live up to the expectations of separated families and the expectations at large by agreeing on fundamental and institutional initiatives to resolve the separated family issue, including the establishment of a reunion center, and contribute to the national reconciliation and solidarity.

Our delegation to the talks, including myself, consists of five people. The list of the delegates is as follows:

Head Delegate : Suh Young-hoon (President, Republic of Korea
National Red Cross (KNRC)

Delegate : Lee Byung-woong (Special Advisor to the President, KNRC)

Delegate : Kim Kyung-woong (Advisor, Inter-Korean Exchange, KNRC)

Delegate : Song Woo-seop (Advisor, Inter-Korean Exchange, KNRC)

Delegate : Min Byung-dai (Director General of Inter-Korean Exchange,
KNRC)

The delegation will be accompanied by 17 supporting personnel including attendants and 10 journalists.

The procedural matters can be discussed through liaison contacts in Panmunjom.

We hope for a positive response from your side.

August 24, 2002
Suh Young-hoon
President
Republic of Korea National Red Cross

In response, the North side sent a telephone message on August 29 accepting the South's proposal and it notified the South of its list of delegates.

The following is the full text of the telephone message sent by the North.

Mr. Suh Young-hoon
President
Republic of Korea National Red Cross

I have received your telephone message concerning the Fourth Inter-Korean Red Cross Talks on August 24.

I agree with your position that the two sides should reach an agreement on fundamental and institutional initiatives to resolve the separated family issue, including the establishment of a reunion center.

As you have proposed, I believe that it would be good to have a five-member delegation to conform to the level and significance of this talks.

The list of our delegates is as follows.

Head Delegate : Jang Jae-on, Chairman of the Central Committee of the Red Cross Society DPRK

Delegate : Li Kum-chol, Member of the Central Committee of the Red Cross Society DPRK

Delegate : Kim Il-hoon, Member of the Central Committee of the Red Cross Society DPRK

Delegate : Kim Hak-chol, Member of the Central Committee of the Red Cross Society DPRK

Delegate : Li Ho-rim, Deputy Secretary of the Central Committee of the Red Cross Society DPRK

I believe that these talks will proceed well in line with the atmosphere of inter-Korean relations that is developing in the right direction.

August 29, 2002

Jang Jae-on

Chairman of the Central Committee of the Red Cross Society
Democratic People's Republic of Korea

Meanwhile, right before the fourth Red Cross talks, the regions of Gangwon Province suffered much damage due to a storm and heavy rain. When the damage caused by the storm in Gosung, Gangwon Province, the venue for the talks, became serious, the North sent a telephone message on

September 3 proposing to postpone the talks.

The following is the full text of the telephone message sent by the North.

Mr. Suh Young-hoon
President
Republic of Korea National Red Cross

Due to the damage caused by the storm and heavy rain in Tongchon and Gosung in Gangwon Province on our side, we are notifying your side that we cannot help but to postpone the Fourth Inter-Korean Red Cross Talks to September 6 to 8.

We hope for your understanding and appropriate measures in this regard.

Jang Jae-on
Chairman of the Central Committee of the Red Cross Society
Democratic People's Republic of Korea
September 3, Juche 91 (2002)

In response, the South side immediately sent a telephone message to the North accepting the North's postponement and sending its condolences.

The following is the full text of the telephone message sent by the South.

Mr. Jang Jae-on
Chairman of the Central Committee of the Red Cross Society
Democratic People's Republic of Korea

We received your telephone message.

We agree with your proposal to postpone the Fourth Inter-Korean Red Cross Talks to September 6 to 8.

Also, please accept our sincere condolences for the damage caused by the rain.

September 3, 2002
Suh Young-hoon
President
Republic of Korea National Red Cross

Following the four exchanges of telephone messages, the two sides postponed the original schedule and held the fourth Red Cross Talks from September 6 to 8 in Mt. Geumgang.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Suh Young-hoon (President, Korea National Red Cross - KNRC)	Jang Jae-on (Chairman of the Central Committee of the Red Cross Society, DPRK)
Other Delegates	Lee Byung-woong (Special Advisor to the President, KNRC) Kim Kyung-woong (Advisor, Inter-Korean Exchange, KNRC) Song Woo-seop (Advisor, Inter-Korean Exchange, KNRC) Min Byung-dai (Director General of Inter-Korean Exchange, KNRC)	Li Kum-chol (Member, Central Committee of the Red Cross Society) Kim Il-hoon (Member, Central Committee of the Red Cross Society) Kim Hak-chol (Member, Central Committee of the Red Cross Society) Li Ho-rim (Deputy Secretary of the Central Committee of the Red Cross Society)

B. Developments

(1) The First Meeting (September 7)

The South Korean delegation arrived at Mt. Geumgang late in the afternoon on September 6, and began the talks on the second day, on September 7. The two sides held a plenary meeting in the morning of September 7 at the Mt. Geumgang Hotel; the two sides expressed their basic position and held working-level contacts to discuss the details of the issues.

At the plenary meeting, through the keynote speech, the South side emphasized that as these talks were the first time in history where the heads of the respective organizations were meeting, epoch-making initiatives to resolve the separated family issue should be established. Moreover, as the matters to be discussed and resolved at the talks, the South side proposed the following: 1) the expansion of confirming the fate and addresses of separated families, 2) the expansion of exchanges of letters, 3) establishment of regular meetings by separated families, 4) establishment and operation of a reunion center, and 5) revitalization of exchanges and cooperation between the Red Cross organizations of the two sides.

First, the South side emphasized the reasons for expanding the confirmation of fate and addresses of separated families and exchanges of letters, and as a specific measure, proposed exchanging the entire list of each side's separated family members. In regard to regular meetings and the establishment and operation of a reunion center, the South side emphasized that the two sides should expand the meetings to provide more opportunities for separated families to hold reunions. And as a means of doing that, the South side explained the need for the establishment of a reunion center.

Furthermore, the South proposed to discuss and resolve projects that are necessary and appropriate for the two Red Cross organizations to carry out such as cooperation in health and medicine, assistance in blood donation and exchanges between the youth of Red Cross organizations.

Through their keynote speech, the North side tabled their positions on the following issues: 1) establishment of a reunion center, 2) confirmation of the fate and addresses of separated families, 3) exchanges of letters and reunions, 4) agreement for regular reunions by separated families, 5) confirmation of the fate of those missing during the war, and 6) repatriation of the unconverted long-term prisoners. Regarding the reunion center, the North proposed establishing the reunion center in the Mt. Geumgang region first, and then discussing technicalities involved in its operations when the construction of the reunion center is complete.

The North side stated that to fundamentally and institutionally solve the humanitarian issue of the confirmation of fates and addresses, exchanges of letters and reunions at regular intervals, there is a need for a basic agreement to comprehensively resolve the related issues. But at the same time, it expressed the need to include in the basic agreement the elimination of legal and institutional obstacles

to foster an environment that would be beneficial for exchange reunions of separated families in large numbers.

The North side also mentioned that they could discuss and resolve, in the future, the agreement to confirm the fate of those missing during the Korean War, an agreement which was reached on May 13 when National Assemblywoman Park Geun-hye visited the North and met with Chairman Kim Jong-il. Along with this, the North demanded to repatriate the families of the unconverted long-term prisoners who had been returned to the North as well as those converted prisoners who still wish to be repatriated to North Korea.

As such, the two sides exchanged their basic positions on institutional measures for the separated family issue and ended the meeting by agreeing to continue to discuss, through the working-level contact, those areas that saw differences in positions.

The following are keynote speeches by the two sides at the first plenary meeting.

< Summary of the Keynote Speech by South Korea >

- Exchange the list of names of all who applied for confirmation of fate and addresses of their families; and notify each other of the results as their fate and addresses are confirmed.

- Assure exchanges of letters by the families who have confirmed the fate and addresses of their families on the other side.
- Expand the exchange reunions to provide more opportunities for reunions by separated families; and in this regard, establish and operate a reunion center.
- Promote projects that are necessary and appropriate for the two Red Cross organizations to carry out in their humanitarian efforts such as cooperation in health and medicine, and assistance in blood donation.

< Summary of the Keynote Speech by North Korea >

- First establish a reunion center in the Mt. Geumgang region, and discuss and finalize technical issues involved in the operations of the reunion center when the construction of the reunion center is completed.
- First eliminate obstacles and foster an environment to realize confirmation of fate and addresses, exchanges of letters and reunions on a regular basis, and adopt a basic agreement that includes these matters,
- Repatriate the remaining unconverted long-term prisoners and discuss and then resolve the confirmation of the fate of those missing in the war.

At the working-level contact, which followed the plenary meeting, the two sides focused their discussion on areas that saw differences in positions.

In regard to the location of a reunion center, the South side accepted the North's proposal in order to realize reunions of separated families promptly, but at the same time, it proposed building another reunion center in the western region when the Seoul-Shinuiju railroad and road are completed. The North side was adamant about limiting the area to Geumgang Mountain but eventually agreed to the proposal by the South.

The South further proposed holding reunions on a regular basis at the existing facilities even before the construction of the reunion center, but the North side proposed to discuss the matters related to the operations of the reunion center when the construction was completed.

The two sides also agreed to confirm the fate and addresses of those missing during the war, such as those kidnapped, and the prisoners of war. The South side proposed that not only those missing during the war but those missing following the war should also be included, but the North side held fast to its original position.

Regarding institutional measures to resolve the separated family issue, including confirmation of fate and addresses, exchanges of letters and regular reunions, the South side proposed to begin immediate and full-scale exchanges, but the North demanded an adoption of a basic agreement that

would include these matters as well as matters related to fostering an environment and conditions for such exchanges.

The North side also said that there were unconverted long-term prisoners still remaining who would like to be repatriated and demanded their return. The South side said that the South had repatriated 63 unconverted long-term prisoners who wished to be returned to North Korea and emphasized that the matter was closed.

In the working-level contact, the two sides shared their views on early establishment of a reunion center, but held fast to each others positions on matters related to reunions before the construction of a reunion center, the expansion of confirmation of fate and addresses and additional repatriation of unconverted long-term prisoners. The two sides ended their second day of meetings not being able to come to a compromise on these matters.

(2) The Second Meeting (September 8)

On September 8, on the last day of the meeting, the two sides exchanged each others draft agreements through several working-level contacts and eventually came to an agreement on the details of their efforts to resolve the issue of separated families. The two sides agreed on the establishment of a

reunion center and confirmation of fate and addresses of those missing during the war, and agreed to continue their discussion on the disputed matters of expanding the confirmation of fate and addresses and exchanges of letters.

The North's demand for additional repatriation of unconverted long-term prisoners was not discussed further as the South side held fast to its position.

Futhermore, the fifth round reunion of separated families, which was agreed to during the seventh ministerial talks and for which the preliminary list of names was already exchanged, was also finalized.

The following is the summary of the agreement.

< Summary of Agreement at the Fourth
Inter-Korean Red Cross Talks >

① Establishment of a reunion center for separated families

- The two sides shall, in the first place, build a reunion center in the Mt. Geumgang area; and discuss and finalize the issue of setting up an additional reunion center in the western region when the Seoul-Shinuiju railroad and road are connected.
- The two sides will jointly construct the reunion center in the Mt. Geumgang area; the South will provide the construction material and equipment and the North will provide the work force.

- Reunions shall be held on a regular basis once the construction is completed.

- ② The two sides shall continue to expand the project of confirming the whereabouts of separated families and the exchange of mail between the family members. Concrete steps, including the scope and timing of the project, shall be discussed hereafter.
- ③ As a part of the humanitarian effort, the two sides shall consult with each other to resolve the problem of ascertaining the status of those reported missing during the Korean War.
- ④ The two sides shall hold a working-level contact in Mt. Geumgang in mid-October to discuss an early implementation of the establishment and operations of the reunion center agreed during the current talks.
- ⑤ The two sides shall implement the fifth reunion of separated families, involving 100 family members from each side in Mt. Geumgang from September 13 to 18.

2. Working-level Red Cross Contact

A. Overview

The two Koreas agreed to hold a working-level contact in mid October in Mt. Geumgang to discuss implementation of the agreement reached at the fourth inter-Korean Red Cross talks. Accordingly, the South side sent a telephone message to the North on October 8, proposing to hold the Fifth Inter-

Korean Red Cross Talks from October 16 to 18 in Mt. Geumgang.

In response, through a telephone message sent to the South on October 9, the North side proposed to hold a working-level contact, upon adequate preparation, around October 30, to discuss implementation of the agreement, including the establishment of a reunion center.

The South side sent a telephone message on October 24 agreeing to the North's proposal and further proposed to hold the working-level contact in Mt. Geumgang from October 31 to November 2.

The following is the full text of the telephone message sent by the South.

Mr. Jang Jae-on

Chairman of the Central Committee of the Red Cross Society

Democratic People's Republic of Korea

In consideration of your alternative proposal to hold the Inter-Korean Working-level Red Cross Contacts around October 30 through a telephone message sent on October 9, I proposed to hold the contact from October 31 to November 2 in Mt. Geumgang.

I propose that each delegation consist of three delegates and an appropriate number of assistants including attendants and journalists; and

the details of the procedural matters can be discussed through the liaison officers in Panmunjom.

We hope for a favorable response from your side.

October 24, 2002
 Suh Young-hoon
 President
 Republic of Korea National Red Cross

In response the North side, through a direct telephone contact between the liaison officers in Panmunjom held on October 26, agreed to the South’s proposal. Following three more exchanges of telephone messages, the two sides held their working-level contact from October 31 to November 2 in Mt. Geumgang.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Lee Byung-woong (Special Advisor to the President, KNRC)	Li Kum-chol (Central Committee of the Red Cross Society)
Other Delegates	Youn Miryang (Separated Family Committee, KNRC) Yu Kwang-soo (Separated Family Committee, KNRC)	Hahm Dong-hyok (Architect) Ryu Song-su (Architect)

B. Developments

(1) Plenary Meeting (November 1)

The South Korean delegation arrived in Mt. Geumgang late in the afternoon of October 31 and attended a welcoming dinner hosted by the North. The working-level contact began on November 1, on the second day of the visit. The two sides held the plenary meeting in the morning of November 1, in the Mt. Geumgang Hotel, exchanged their basic positions, and held head delegate contact to discuss detailed matters.

At the plenary meeting, through the keynote speech, the South side demanded that the two sides work to resolve those matters agreed to in the fourth Red Cross talks, including the establishment and operation of the reunion center, confirmation of fate and addresses of those missing during the war, confirmation of fate and addresses of separated families as well as to work to resolve the issue concerning those kidnapped after the war.

In regard to the establishment and operation of a reunion center, the South side expressed its basic position that the reunion center should be established promptly and proposed to discuss technical matters involved in construction by forming a promotion team from the Mt. Geumgang reunion

center at an early time. Also, the South side emphasized that reunions using the existing facilities must take place before the completion of the reunion center.

In regard to the confirmation of fate and addresses of those reported missing during the war (prisoner of war and those kidnapped), the South proposed to exchange the list of names that the respective Red Cross organizations had, and regarding those reported missing after the war (those kidnapped), the South proposed to discuss and resolve the confirmation of their fates and addresses from a humanitarian standpoint.

The South side has consistently demanded the confirmation of fate and addresses of separated families beginning from the first Red Cross talks, but at this working-level contact a plan for a more realistic approach was tabled. The South proposed to carry out the confirmations in November and December on an experimental basis, exchange letters in December and gradually expand the project thereafter.

In its keynote speech, the North side focused on the establishment of a reunion center in Mt. Geumgang among the agreements reached at the fourth Red Cross talks. First, concerning the location of the reunion center, the North proposed a specific place, an area in front of Jopo village in

Onjongri in Gosong, and the North side proposed that the size of the reunion center be large enough to accommodate one thousand people. Moreover, the North side proposed specific plans for the survey of the land, design of the building, funding for the construction and matters concerning materials, equipment and labor for the construction. Also, the North side proposed to have officials stationed in Mt. Geumgang to discuss working-level issues related to the construction of the reunion center. As such, the two sides exchanged their respective plans to implement the agreements reached at the fourth Red Cross talks, but differed in many of the positions.

Whereas the South side proposed specific implementation measures for the agreements reached, the North side limited their discussion to the establishment of a reunion center, thereby showing their intention to limit the nature of the working-level contact.

The two sides ended the plenary session by agreeing to hold the head delegate contact in the afternoon to continue their discussion.

The following are summaries of the keynote speeches by the two sides at the plenary meeting.

< Summary of the Keynote Speech by South Korea >

- Establish the Mt. Geumgang reunion center at a location along the East Coast line; and form a promotional committee for the construction of a Mt. Geumgang reunion center to discuss and resolve technical matters.
- Before the completion of the construction of the reunion center, there must be reunions using the existing facilities. We propose to have the first reunion from December 3 to 8 in Mt. Geumgang.
- Begin confirmation of fate and addresses of those reported missing during the war in December; and discuss and resolve confirmation of fate and addresses of those kidnapped following the war.
- Exchange 100 names from each side in November and December for confirmation of fate and addresses; exchange letters by separated families in December.

< Summary of the Keynote Speech by North Korea >

- Establish the Mt. Geumgang reunion center in front of Jopo village in Onjongri in Gosong where the East Coast line passes through.
- Build the reunion center that can accommodate one thousand people (room and board included).
- Have North Korea carry out the architectural design of the reunion center; and finalize the architecture of the center through discussion between the two sides.

- Commence the construction of the reunion center at the end of this year or the beginning of next year; and have related officials stationed in Mt. Geumgang for an ongoing discussion.

Before the head delegate contact in the afternoon, the two sides visited Jopo village, a location proposed by the North as a site for the reunion center; the two sides tentatively agreed on the site as a location for the Mt. Geumgang reunion center.

(2) Head Delegate Contact (November 1~2)

Following the plenary, the two sides held several head delegate contacts in the afternoon to seek compromise. The South side emphasized that this working-level contact was to be a place to discuss implementation measures for agreements reached at the fourth Red Cross talks, and strongly objected to North Korea's position of only discussing the matters related to the construction of the reunion center.

Also, the South side expressed that although it was in line with the North's position on the early construction of the reunion center, the most important thing was to have the reunions take place on a regular basis. Nonetheless, the South expressed that it shares much of the North's position on the location and size of the reunion center.

Through several contacts by the head delegates, the two sides narrowed their views on general issues concerning the construction of the reunion center besides the nature of the architectural design and reunions using the existing facilities. However, on issues other than the reunion center, the differences in positions of the two sides were clearly evident.

As in the plenary meeting, the South side emphasized, during the head delegate contacts, that the matters regarding confirmation of fate and addresses of those missing during and after the war must be discussed and resolved, but the North side maintained that those matters should be discussed in the future and that the two should focus their efforts on the construction of the reunion center for the time being. This gap in positions did not narrow during the head delegate contacts that took place on November 1.

On the third day of the visit, on November 2, the two sides held head delegate contacts again to discuss the matters proposed by the two sides. The South side emphasized that without agreeing on the reunions using the existing facilities and the confirmation of the fate and addresses of those missing during the war, it could not reach agreement on other matters. In response, the North side offered alternative proposals on several occasions, seeking to reach a compromise, but as the North side was not able to fix specific

dates and failed to propose solutions to the matters, the two sides could not adopt an agreement.

3. Working-level Contacts for North Korea's Participation in the 14th Asian Games in Busan

A. Overview

The ROK government, the city of Busan and the organizing committee of the 14th Asian Games actively sought participation by North Korea in the games, in judging that participation by all 43 member states of the OCA would be an unprecedented event for the games' history and that it would serve as an opportunity to show to the world the reconciliation and solidarity of the entire Korean nation.

During the fifth ministerial talks (September 2001, Seoul), the mayor of Busan, who was present at a dinner, requested North Korea's participation in the event, and on October 17, 2001, the organizing committee sent an official letter of invitation to the North's Olympic committee asking for North Korea's participation. Also, during a special envoy's visit to the North in April 2002, the South encouraged the North's participation, and on June 21, 2002, the organizing committee proposed holding a working-level contact before July 15 with the North's Olympic committee.

While waiting for a response from North Korea, in the preparatory talks for the seventh ministerial talks, the two Koreas agreed on the North's participation in the 14th Asian Games while the South guaranteed cooperation in providing support for their visit. On August 9, the North sent a telephone message from Chairman Park Myong-chol of North Korea's Olympic committee to Chairman Jung Soon-tek of the South's organizing committee, officially giving notice of the North's participation in the games and proposing to send a delegation to a working-level contact to be held in Mt. Geumgang from August 17 to 20. In addition, during the seventh ministerial talks, the two sides agreed to actively support the working-level talks in Mt. Geumgang; and following two occasions of contacts in Mt. Geumgang, the two sides reached an agreement.

B. The First Working-level Contact

1) Overview

The South side proposed alternative dates of August 17 to 19 to the North's proposal to meet from August 17 to 20. The North side accepted the South's proposal, thus, the first working-level contact was held in Mt. Geumgang. The South dispatched a 17-member delegation to the contact, headed by Secretary-General Paik Ki-mun of the organizing committee

of the 14th Asian Games, and the North sent its delegation headed by Secretary Jo Sang-nam of its Olympic committee.

< List of Delegates from South and North Korea >

	South Korea	North Korea
Head Delegate	Paik Ki-mun (Secretary General, Organizing Committee of the Busan Asian Games)	Jo Sang-nam (Secretary, DPRK Olympic Committee)
Other Delegates	Park Jong-mun (Director General, Sports Bureau, Ministry of Culture and Tourism) Yoon Kang-ro (Deputy Secretary General, Korea Sports Council)	Li Son-ho (Deputy Secretary, Olympic Committee) Ahn Myong-guk (Member, Olympic Committee)

2) Developments

(a) The First-day Meeting (August 18)

During the keynote speech of the first plenary meeting, which took place in the morning, the South side proposed the following: 1) finalize promptly the number of events and athletes participating in the games in consideration of the schedule for preparation of the games, 2) lighting of the torch in Mt. Baekdu and in Mt. Halla at the same time, 3) join the torches at the truce village of Panmunjom and broadcast the event live on TV, 4) march as a separate team in the opening

and closing processions, and 5) the South will positively consider assisting the participation by the North Korean athletes, but North Korea is responsible for the cost involved for other members of the delegation coming to the Games.

In its keynote speech, the North stated its basic position as follows: 1) jointly march in the opening and closing procession under one flag as in the Olympic Games in Sydney, 2) the lighting of the torch would be done by the North side in Mt. Baekdu and it will be relayed to South Korea via Hyundai-Asan in Mt. Geumgang, and 3) the South side guarantees the cost of the travel and accomodation during the games for all members of the North's team including a cheering group. The comparison of the basic positions is as follows.

< Comparison of the Positions >

Item	South Korea	North Korea
① Formation of Team and Events		<ul style="list-style-type: none"> • Formation(315) : athletes 168, coaches 44, staff 103 • Events(16) : soccer, softball, table-tennis, etc.
② Travel	<ul style="list-style-type: none"> • Chartered flight from North Korea (round-trip) - South Korean airlines for flights within the South. 	<ul style="list-style-type: none"> • Athletes : Two occasions of direct flights on Sep. 23 & 27 • Cheering group : by ship (Mangyeong-92) from Wonsan to Busan
③ Duration of Stay	<ul style="list-style-type: none"> • Sep. 27~Oct. 15 	<ul style="list-style-type: none"> • Sep. 27~Oct. 15 (with no returns during this time)
④ Opening and Closing Ceremonies & Award Ceremonies	<ul style="list-style-type: none"> • March separately in the opening and closing processions - As the games are taking place on the Korean peninsula, marching separately is appropriate 	<ul style="list-style-type: none"> • March jointly in the opening and closing processions. - March under one flag and under the name 'Korea' and wear uniforms as in the Olympic Games in Sydney • Hoist national flag and play national anthem during the award ceremony.
⑤ Support for Athletes	<ul style="list-style-type: none"> • Review positively the support for the stay of the athletes 	<ul style="list-style-type: none"> • South Korea provides for all costs involved in the participation. • South Korea provides for uniforms for the joint march and the cost of flags.
⑥ Hoisting of flag	<ul style="list-style-type: none"> • In accordance with the OCA charter and international custom 	<ul style="list-style-type: none"> • Hoist North Korean flag in the award ceremonies.
⑦ Formation of a Cheering Group and their Accommodations		<ul style="list-style-type: none"> • Formation(350) : Musical band and performers. • Accommodations : North Korean ship 「Mangyeong-92」
⑧ Support for Cheering Group	<ul style="list-style-type: none"> • The cost for the cheering group should be paid by North Korea in principle. 	<ul style="list-style-type: none"> • South Korea provide most of the cost involved including lunch for the group, travels, fuel for the ship and use of the port.
⑨ Assurance of Telecommunication		<ul style="list-style-type: none"> • 2 International lines, 10 direct lines - The cheering group will use the communication line on the ship 「Mangyeong-92」

⑩ Participation of Chongryon (North Koreans residing in Japan) athletes and staff	<ul style="list-style-type: none"> • Equal treatment as the North Korean athletes when included in the North Korean team; entry into Korea would be according to precedence. 	<ul style="list-style-type: none"> • Equal treatment as the North Korean athletes in convenience and in entry into South Korea.
⑪ Lighting of the torch in Mt. Baek	<ul style="list-style-type: none"> • Hold the lighting ceremony under the supervision of the organizing committee, guarantee live telecast and join the torch with that of the South at Panmunjom 	<ul style="list-style-type: none"> • The North lights the torch and delivers it to the South via Hyundai in Mt. Geumgang

In the afternoon, the two sides held two head delegate contacts and one working-level contact to narrow each other's positions. The disputed matters were 1) a joint march in the opening and closing processions, 2) lighting of the torch in Mt. Baekdu and the relay of the torch, and 3) cost for the participation of the cheering group. Concerning the joint march, the North side said that it was in line with the June 15 Joint Declaration, thus they cannot concede on the matter. Also, they said that the lighting of the torch in the North and relaying of the torch to the South was in consideration of the schedule for the games; and they demanded that the South side bear the cost for the cheering group as in the case of the athletes. In response, the South stated the following: 1) as the event is taking place on the Korean peninsula, marching separately is appropriate, 2) lighting of the torch should be done in the presence of an official of the organizing committee; the event should be broadcast live on TV; and the torch should be relayed in Geumgang Mountain to the official

of the organizing committee, and 3) the cost of the cheering group's participation should be coordinated within the context of providing maximum convenience for the North's participation.

(B) The Second-day Meeting (August 19)

The two sides tried to reach a compromise on the three disputed matters through three occasions of head delegate contact, but they could not compromise on the issue of marching jointly in the procession, as the North claimed that it was an essential matter. The two sides ended the first working-level contact by agreeing to continue the discussion in the second working-level contact.

C. The Second Working-level Contact

1) Overview

In considering the on-site inspection by the North side from August 26 to 28, the South side proposed on August 23, through a telephone message, to hold the working-level contact in Busan. The North side responded the day after counterproposing to hold the contact in Mt. Geumgang during that same period. The South side accepted the North's proposal, and the second working-level contact was held. For

both sides a head delegate and two other delegates who participated in the first contact took part in the second without any change; the South sent a 15-member delegation headed by Secretary-General Paik Ki-mun of the organizing committee of the 14th Asian Games

2) Developments

(a) The First-day Meeting (August 26)

The South and North side met to have a joint dinner and held working-level contact upon exchanging draft agreements that the two sides prepared in advance. The South side explained its draft agreement first and answered questions from the North, and then the North side explained their draft agreement. On the matters of dispute, the South side argued that the precedent in Sydney could not be followed concerning the joint march in the ceremonies due to the public sentiment, and that it could not put into an agreement that the South would bear the cost for the visit of the cheering group. The North side, on the other hand, reiterated its original position of a joint march in the ceremonies, financial assistance from the South for the cheering group, and the relay of the torch in Mt. Geumgang.

(b) The Second-day Meeting (August 27)

During the first head delegate contact in the morning, after the two sides reconfirmed each other's position of the day before, the South side explained that hoisting of the North Korean flag was not possible outside the stadium and athletes' residence, and that it would issue travel visas for North Koreans living in Japan who wish to apply for a travel certificate at the embassy in Japan.

In the second head delegate contact, the North reiterated its position on the joint march and the use of one flag, stating that it is a fundamental issue and a matter of priority that cannot be conceded. And concerning the lighting of the torch in Mt. Baekdu, the North side said that videotaping the event was possible, and that it was possible to relay the torch to an organizing committee official via Mt. Geumgang.

At the third head delegate contact, the South side presented a new proposal concerning the joint march; the South proposed that the two teams march together in the opening and closing procession in the same uniform, under a Korean peninsula flag as well as the national flags of the respective sides, and that a joint march by the cheering groups was not possible. In response, the North side maintained the precedent of the Sydney Olympic Games, and argued that if

the South side discussed the matter with the OCA, the joint march by the cheering groups would be possible.

At the fourth head delegate contact, the South side presented a new proposal accepting the North's proposal concerning the joint march in the ceremonies. The North side mentioned that the text of the proposal needed to be coordinated. The two sides ended the second-day's meeting after the delegates worked on the text of the agreement.

(c) The Third-day Meeting (August 28)

Through three occasions of head delegate contact and one working-level contact, the two sides completed their work on the text of the agreement, including signing of the annex of the agreement concerning the guarantee of admission (tickets) for the Chongryon (North Koreans residing in Japan), a cheering group in the opening and closing ceremonies, and the North's demand for the deletion of 'exclusion of politics and ideology' in article 11 of the agreement. The two sides held a plenary meeting, signed and exchanged the copies of the agreement and ended the second working-level contact.

< Summary of the Agreement >

- The North shall send a 305-member athletic team, and they will come to the South by North Korean airliner.
- The athletic teams from the South and the North shall enter the opening and closing ceremonies together led by a flag depicting the Korean peninsula. The identification banners for the athletic teams shall show “Korea” in Korean alphabet and “KOREA” in English. The design of uniforms for the athletes shall follow the precedent made in the Sydney Olympic Games.
- Teams of the South and the North will enter individual sport events separately and during the award ceremonies their respective national flags will be hoisted and national anthems played.
- The North will send a 355-member cheering group, composed of a brass band and artists, to the Busan Asian Games. The North’s cheering group will leave Wonsan aboard the “Mangyeong-92” and will arrive in Busan port. The group will stay on the ship and commute to the games and events.
- The North shall light the flame for the Busan Asian Games in Mt. Baekdu on September 5 and hand it over to the BAGOC on September 6. The North will provide access to South Korean observers (10 people) to videotape the flame lighting ceremony in Mt. Baekdu.
- The South will defray all expenses for the North Korean athletic team during its stay in the South. The expenses needed for the cheering group in the South are, in principle, the visitors’ burden, but the South will provide maximum convenience for them.

- The South will follow the Charter of the Olympic Council of Asia and international practices on matters of hoisting the North Korean flag during the Busan Asian Games.
- For further specific working-level procedures that may arise, detailed consultations will continue by exchanging documents through Panmunjom.



Chapter VI.

Special Envoy's Visit to North Korea

Chapter VI. Special Envoy's Visit to North Korea

A. Background

To overcome a stall in inter-Korean relations following the sixth ministerial talks which had broken off, and in considering the circumstances surrounding the Korean peninsula including the US-DPRK relations, South Korea proposed a visit by a special envoy to North Korea. It was the South Korean government's view that for exchanges of views on a wide range of issues, the dispatch of a special envoy would be more appropriate than other forms of dialogue

On March 24, 2002, North Korea notified the South that it agreed to the visit by a special envoy. The two Koreas simultaneously announced the agreement on the dispatch of a special envoy on March 25 at 10:00 a.m.

The Cheongwadae (the Blue House) spokesperson Park Sun-sook made the announcement for South Korea.

< Announcement by the Presidential Press Secretary >

- South and North Korea have agreed that the South will dispatch a special presidential envoy to the North.

- President Kim Dae-jung proposed the visit to the North by a special envoy as he felt it necessary for the highest authorities of the two sides to exchange a broad range of views on ways to prevent possible heightening of tensions on the Korean Peninsula, ensure compliance with the June 15 South-North Joint Declaration, implement various inter-Korean agreements and deal with other pending issues.
- Special Presidential Advisor for National Security and Unification Lim Dong-won has been named the presidential envoy to the North, and he will visit Pyongyang during the first week of April.
- We expect that his trip to Pyongyang will lay the groundwork for a resumption of stalled relations between the South and North.

B. Developments

The special envoy's visit took place from April 3 to 6, 2002 for four days and three nights. The special envoy arrived at Sunan Airport at 11:45 a.m., April 3, on a presidential plane via the West Sea direct air route. Kim Wan-soo, Vice Chairman of the Asia-Pacific Peace Committee and cabinet counselor Choe Sung-ik met the envoy at the airport, and Im Ok-dong, the deputy director of the United Front Department welcomed him at the Baekhwawon State Guesthouse.

During his stay, the special envoy met with Chairman Kim Jong-il, held talks with Kim Yong-sun and held working-level talks to discuss pending issues. On the second day of the visit (April 4) the special envoy met with Chairman Kim Jong-il at the Baekhwawon State Guesthouse. He delivered a letter from President Kim Dae-jung and exchanged views on pending issues of mutual interest for about five hours. During the meeting, the special envoy relayed President Kim's views on circumstances surrounding the Korean peninsula and the president's intent to resolve the pending issues, while urging for decisive action by Chairman Kim Jong-il.

The special envoy emphasized that it was of foremost importance to end the pause in inter-Korean relations. He explained that tension could escalate on the peninsula if inter-Korean relations continued to remain on hold, and he urged the implementation of the agreements that had already been reached and the resumption of military dialogue. Furthermore, he explained that to prevent a rise in tension on the peninsula, there needed to be a change in attitude from North Korea. While urging US-DPRK dialogue, the special envoy explained that if there wasn't any progress toward resolving the nuclear and missile issues, there could emerge a new crisis on the Korean peninsula.

Chairman Kim Jong-il stated that he shared the views and concern of President Kim on fundamental changes in international order. Consequently, this led to North Korea's acceptance of a visit by J. Pritchard, a special envoy from the US, the resumption of negotiations with KEDO, private sector exchanges with the US and the North's acceptance of resumption of dialogue with the US. Chairman Kim Jong-il also expressed interest in improving relations with Japan by mentioning Red Cross talks between the two countries to resolve the issue of missing people.

The envoy's visit was originally scheduled until April 5, for three days and two nights, but due to the delay in finalizing the agreement, it was extended for one more day to work out the text of the joint press statement. Consequently, the two sides reached a 10-point agreement, which included the schedules for the fourth round exchange of separated families, the second meeting of the Committee for the Promotion of Inter-Korean Economic Cooperation, the dispatch of an economic delegation to the South, the second meeting of the government authorities on the Mt. Geumgang tourism project, and the agreement on early connection of railroads and roads. And the two sides announced the agreed points through a joint press statement.

< Summary of the Joint Press Statement >

1. Respect each other in accordance with the spirit of the historic June 15 South-North Joint Declaration and make efforts not to create tension.
2. Restore inter-Korean relations to their original state in accordance with the agreements in the Joint Declaration.
3. Newly construct a railway and a road on the east coast, and quickly connect the railway between Seoul and Shinuiju and the road between Munsan and Kaesong in the west.
4. Actively promote dialogue and cooperation between the South and the North.
 - ① Hold the second meeting of the Committee for the Promotion of Inter-Korean Economic Cooperation in Seoul from May 7-10.
 - Hold working-level meetings to discuss the connection of railways and roads, the construction of the Kaesong Industrial Complex, prevention of flooding along the Imjin River and other issues.
 - ② Hold the second meeting of the government authorities on the Mt. Geumgang tourism project starting June 11.
 - ③ Hold the fourth exchange of separated families at Mt. Geumgang from April 28.
 - ④ The North will dispatch its economic delegation to the South in May.
 - ⑤ Hold the 7th Inter-Korean Ministerial Talks, in accordance with and in pursuit of the progress of the aforementioned agreements.

5. Resume talks between the military authorities from the South and the North.
6. Cooperate with each other according to the principles of fraternity, humanitarianism and mutual assistance and support.

The special envoy returned to the South in the morning of April 6, through Panmunjom. Originally, the plan was to return via the West Sea direct air route as he did when going to North Korea, but it was changed to the land route through Panmunjom. It was an unusual measure by the North to allow such a return route when considering the negative view it has had over the Panmunjom area.

Upon returning to Seoul, the special envoy met with the president to brief him on the results of the visit, and at 11:00 a.m. he held a press conference in the Office of South-North Dialogue, located in Samcheong-dong, to announce the agreements.



Chapter VII.

Support for the Light-water Reactor Project

Chapter VII. Support for the Light-water Reactor Project

1. Construction of the Light-water Reactor

A. Signing of the Primary Contract

In accordance with the Agreed Framework (October 1994), the Korean Peninsula Energy Development Organization (KEDO) and North Korea signed the Agreement on the Supply of Light-water Reactors to North Korea (December, 1995). As various protocols needed for implementing the supply agreement were concluded by the end of 1997, KEDO held the ground-breaking ceremony at the construction site in Kumho District, South Hamgyeong Province, and began the site preparation work.

As KEDO and the Korea Electric Power Company (KEPCO) concluded the primary contract (turn-key contract) on December 15, 1999 in Seoul, this provided the foundation on which the light-water reactor project could be fully developed. The primary contract went into effect on February 3, 2000, as KEDO signed two sets of loan contracts, one with the Korea Export and Import Bank on December 15, 1999 and the other, with the Japanese Bank of International Cooperation on January 31, 2000.

The primary contract signed by KEDO and KEPCO is 1,800 pages long and consists of 38 articles (150 sections) and 22 annexes. The main contents are as follows

< Main Contents of the Primary Contract between
KEDO and KEPCO >

1. Obligations

- KEPCO: Responsible for the construction and operation of two 1,000MW pressurized light-water reactors, various convenience facilities and infrastructure and management of the LWR site.
- KEDO: Supply of the LWR site, guaranty of the safety of the LWR personnel, maintenance of order within the site and provision of means of communication.
- North Korea: Shall implement responsibilities under the Supply Agreement and various protocols.

2. Duration of Construction: Shall be determined by a separate delivery protocol between KEDO and North Korea.

3. Contract Price: \$4.08 billion based on constant January 1997 rate with compensation for inflation.

4. Major Terms of Contract

- 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.

- Procedures for dispute resolution: Rules for international commercial dispute arbitration.

- Training: KEDO shall train a sufficient number of North Korean trainees based on a training protocol.

- Assurance

 - Electrical 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.

- Technical Assistance: KEPCO shall provide technical assistance for the operation and maintenance of the plants for a period of 1 year after the completion of the first unit.

5. Effectuation: Upon the closing of a loan contract between KEDO and the Korea Export and Import Bank and KEDO and the Japanese Bank of International Cooperation, respectively.

B. Main Construction

With the effectuation of the primary contract the LWR construction entered the main phase, and the site preparation work was completed on August 31, 2001. Meanwhile, North Korea issued a construction permit on September 1 based on a safety analysis report and an environmental evaluation

report submitted by South Korea; and thus, on September 3, 2001, the excavation for the main LWR plant buildings began.

Along with this, by the first half of 2002 most of the infrastructure, including intake and discharge breakwaters, the water supply system, living quarters for construction workers, cafeteria, religious facility and hospital were completed. Moreover, 27km of road connecting various areas (living quarters, construction site, etc) within the site and necessary bridges were also completed during this time.

On August 7, 2002, a ceremony to commemorate the pouring of the concrete (for the main building) was held at the site, which was attended by representatives of KEDO member states, the press and relevant North Korean officials. As of November 2002, overall, the project was 26.49 percent complete (construction work 19.19%, design and production 45.54%, acquisition of equipment for the reactors 53.3%).

For the construction of the LWR, aside from KEPCO, Hyundai, Daewoo, Donga and Doosan Construction are participating in concert with each other. As of November 2002, a total of 1,438 construction workers are participating in the project (756 South Koreans, 97 North Koreans and 590 Uzbek laborers, and KEDO personnel), and about 400 pieces

of heavy equipment including vehicles, bulldozers and excavators are working on the project.

2. Talks between KEDO and North Korea

A. Negotiations on Protocols Related to 「Agreement on Supply of Light-water Reactors」

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. From April 1996, the two sides began negotiation on 13 protocols needed for implementing the supply agreement. In July 1996, the two sides agreed on protocols in the following areas: 1) juridical status, privileges, immunities and consular protection 2) transportation and 3) communication. And in January 1997, protocols on site and service were signed; and in June of 1997, a protocol on action in the event of nonpayment was concluded. All together six protocols were signed and put into effect by the end of 1997

In 1999, negotiations on training protocol, which prescribes matters related to training of North Korean personnel to operate and maintain the light-water reactors, began and was concluded at the third meeting of negotiations held in July 2000. Desaix Anderson, the Executive Director

of KEDO and Kim Hee-mun, the Deputy Director-General of North Korea's General Department of the Atomic Energy Agency signed the protocol on October 20, in Pyongyang.

The training protocol prescribes matters related to training of North Korean personnel to be able to operate and maintain the light-water reactors. This protocol contains procedures for planning and implementation of the training plan, including selection of location and trainees as well as mutual cooperation and responsibilities between KEDO and North Korea.

Also, KEDO and North Korea began negotiations on quality assurance and warranty protocol in November 1997. This protocol was signed and effectuated on December 3, 2001; Charles Kartman, the Executive Director of KEDO and Ri Je-on, Director-General of the General Department of the Atomic Energy Agency (North Korea) took part in signing the agreement.

The protocol on quality assurance and warranty prescribes North Korea's participation in KEDO's quality assurance activities, the rights and obligations of the two sides in such activities, the immunities of KEDO and contractors, and the scope and schedule in providing records and documents on quality assurance. Moreover, it prescribes the details and conditions of warranty regarding output of power from the two reactors, major parts, initial fuel and reactor facilities.

Also, since 2002, negotiations on nuclear liability protocol is ongoing; this protocol would prescribe a compensation mechanism and the scope of responsibilities in the event of a nuclear accident. Because the concepts involved in this protocol are relatively new to North Korea there have been two briefings in 2000 and 2001, in which it was explained to the North Koreans the basic concept of the protocol and the principles involved in compensation.

In accordance with the progress on the LWR project, KEDO and North Korea would gradually negotiate and sign other protocols such as a delivery schedule, which are needed for the implementation of the LWR supply agreement. The following are the summary of the protocols.

< KEDO Protocols >

Area	Main Contents	Relevant Provisions in 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 of the quality of the light-water reactors	Art. VI Sec. 4	December 3, 2001
Nuclear Liability	Details for compensation mechanism in the event of a nuclear accident	Art. XI Sec. 2	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
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 of the reactors	Art. X Sec. 5	"

B. Experts Meeting on Pending Issues

In addition to holding negotiations over the additional protocols, KEDO held a series of working group experts meeting with North Korea to prepare detailed procedures needed for implementation of the protocols that are already concluded.

KEDO has held several high-level expert talks with North Korea since 1998. During these talks, the two sides discussed a wide range of pending issues, including the efficient and economical use of sea routes, wage rates for the North Korean workers, the use of KEDO bank by the North and ways to support the morale of KEDO personnel.

In February and December of 2000, high-level expert meetings were held between KEDO and North Korea. In the first meeting, which took place from February 22 to 26, the two sides discussed issues related to the full-scale construction work as the primary contact between KEDO and KEPCO was concluded on February 3, 2000. And during the second meeting, which took place from December 9 to 12, discussions on matters related to the outdoor switching station, nuclear safety and nuclear liability took place. Also, in relation to the implementation of the protocol on transportation, KEDO proposed a direct air route between

South and North Korea, and the two sides agreed to increase the number of allowable passengers from 30 to 50 for travel on ships via the sea route.

In 2001, three occasions of high-level expert meetings were held. In the meeting that was held in May, the two sides agreed to increase the number of allowable passengers aboard a ship traveling by sea from 50 to 100 when using a barge. Also, the two sides discussed matters related to an independent satellite communication network and the establishment of a direct air route between South and North Korea.

During the second meeting, which was held in August, just prior to the North's issuance of the construction permit, KEDO emphasized that the permit from the North Korean nuclear safety and regulation authority needed be issued without delay so that the construction would not be affected. The North showed that they were also endeavoring to make progress in the LWR construction. In the third meeting that took place in early November, the discussion focused on visits to South Korea and a third country by high-level North Korean officials involved in nuclear energy; other topics of discussion included the establishment of the direct air route between the two Koreas and customs procedures.

In 2002, there was one high-level expert meeting held in May, wherein KEDO delivered the schedule for construction to the North and discussed labor force, establishment of an independent satellite communications network, electric power for the plant operation and nuclear safety. Aside from the high-level expert meetings, working-level expert meetings between KEDO and North Korea are frequently held to discuss regulations in export and nuclear safety; and other issues related to management of the site are being discussed and resolved through channels between North Korean authorities and the KEDO office in Kumho, KEPCO and the on-site office of the joint subcontractor group.

In the meantime, the monthly wage for the North Korean workers emerged as an issue between KEDO and North Korea since the latter demanded it to be raised from \$110 to \$600 during the high-level meeting held in September 1999. And in April of 2000, North Korea unilaterally pulled out 100 of its 200 workers. As a result, from March 2001, workers from Uzbekistan were put into the project, and as of December 2002, 590 workers from Uzbekistan were participating in the project. Through two occasions of high-level talks (March and June 2001), a visit to North Korea by the executive director of KEDO, C. Kartman (December 2001) and two occasions of expert meetings (June and September 2002), the two sides endeavored to resolve their

differences. Consequently, they have narrowed the gap on the issue.

Meanwhile, to address the issue of improving transportation of personnel and material, the two sides held an aviation expert meeting (January 12 to 15, 2002, Pyongyang) to discuss the ‘establishment of an air route that is efficient and economical’ as was discussed in the high-level expert meeting. Consequently, the two sides agreed on the establishment of an East Sea air route and a visit to South Korea by North Korean aviation officials. Accordingly, from May 19 to 24, a group of North Korean aviation officials visited Yangyang and Gimpo airports in South Korea to tour the facilities. The two sides agreed (June 20 to 25) on various procedural matters related to the operation of the air route, the scope of the project, technical issues and the route itself. On July 20, the direct air route officially opened as a pilot flight was conducted between Yangyang and Sunduk.

In accordance with the training protocol effectuated in October 2000, KEDO prepared a plan to train North Korean personnel and in consultation with North Korea, the training program entered the implementation phase. First, from December 16 to 30, 2001, 19 high-level officials, including Kim Hee-mun, the director-general of North Korea for the LWR project, came to inspect the South Korea training

facilities and nuclear facilities and reviewed the necessary components for the start of the training. And in 2002, two meetings by the training experts were respectively held in February and September to discuss matters related to the first stage training of North Korean personnel. The two sides are close to an agreement on the living conditions for the trainees and other matters. Meanwhile, at the Kumho training center located on the site, the first stage training on theory for 123 North Korean personnel took place from June 5 to October 9; they will later receive operations training at a South Korean training facility.

As communication needs increased between South Korea and the site, such as exchanges of information and data for the construction and video conferencing, KEDO worked to put in place an independent satellite communications network. Several consultations on this matter was held in high-level expert meetings, and in October 2002, KEDO held a communication experts meeting with North Korea. However, the two sides could not reach an agreement on the timing of the establishment due to the emergence of the North Korean nuclear issue.

Aside from these matters, in relation to nuclear safety and quality assurance, 25 of the North Korean safety regulation personnel received basic training in safety regulations at the

Korea Institute of Nuclear Safety (KINS) located in Daejeon (South Korea) from July 2 to 27, 2002. Also, several working-level meetings between KEDO and North Korea were held to discuss conducting joint inspections on safety regulations and quality assurance to secure the safety of the nuclear power plant.

3. New Development in North Korea's Nuclear Issue and Efforts to Resolve the Issue

On October 17, 2002, the United States issued a statement calling for North Korea to eliminate its nuclear weapons program while stating that North Korea acknowledged the existence of a program to enrich uranium for nuclear weapons during a visit to North Korea by Assistant Secretary of State James Kelly (October 3 to 5) and said that it (North Korea) considered the Agreed Framework nullified.

The South Korean government, also, announced its position on October 17, stating that it is opposed to any kind of nuclear development by the North. Moreover, South Korea urged the North to observe the agreements that it has made with South Korea and with the international community and stated that the issue has to be resolved in a peaceful manner through dialogue.

In response, on October 25 and November 21, through a statement by the spokesman of the Foreign Ministry, North Korea refuted the US demand to first eliminate nuclear development and stated that if the US legally assures the DPRK of nonaggression by concluding a treaty, the DPRK will be ready to reassure the US regarding its security concerns.

Since the trilateral summit meeting during the APEC meeting (October 26) and the Trilateral Coordination and Oversight Group meeting (November 9), the ROK, US and Japan are closely cooperating to deal with the North Korean nuclear issue. The three nations have expressed that the nuclear development by the North is a grave violation of international agreements, including the Agreed Framework, NPT, IAEA agreements and the Joint Declaration on the Denuclearization of the Korean Peninsula, and said that the issue should be resolved peacefully through dialogue. Moreover, the three nations urged the North to comply with the international agreements and to eliminate promptly its nuclear program in a verifiable manner.

KEDO, also urged the North to promptly eliminate its nuclear program during its Executive Board meeting (ROK, US, Japan and EU) held on November 14, 2002 in New York. The board issued a statement which said that North Korea's

future relations and interaction with KEDO and the members of its Executive Board hinged on the complete and permanent elimination of its nuclear weapons program. The statement made clear that heavy fuel oil deliveries will be suspended beginning with the December shipment and that future shipments will depend on North Korean's concrete and credible actions to dismantle completely its highly-enriched uranium program. Moreover, the Executive Board stated that it will continue to consult on the next steps with regard to future activities of KEDO.

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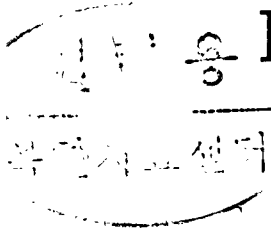
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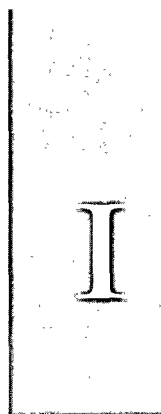
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Chapter I.

Overview of Inter-Korean Dialogue in 2003

Chapter I. Overview of Inter-Korean Dialogue in 2003

The South Korean government's reconciliation and cooperation policy toward North Korea, which gained momentum in the wake of the inter-Korean joint declaration on June 15, 2000, was developed into the 'policy for peace and prosperity' of the incumbent participatory government. Thus, the two Koreas actively pursued their dialogue in 2003 as well, achieving a total of 37 rounds of various inter-Korean talks.

Although the North Korean nuclear standoff in late 2002, which emerged again as a top international issue, strained inter-Korean relations to some extent, the South Korean government pushed for peaceful resolution of the nuclear issue and the promotion of inter-Korean relations concurrently in the interest of stable control of developments on the Korean peninsula.

Firstly, the South Korean government sought the visit of a presidential envoy to North Korea (Jan. 27-29) to smooth out the nuclear standoff and outstanding inter-Korean issues.

Guided by the principle that the nuclear crisis should be defused peacefully through dialogue, the South Korean government continued its vigorous efforts targeting North Korea as well as the international community toward that end.

Its efforts to resolve the North Korean nuclear issue culminated in the inter-Korean ministerial talks. In the 9th round (Jan. 21-24, Seoul) and the 10th round (April 27-30, Pyongyang) of the inter-Korean ministerial talks, the South Korean government clarified its position against North Korea's nuclear weapons development and explained, in detail, the related actions and concerns of the international community to North Korea. In addition, South Korea sought to convince North Korea that peaceful resolution of the nuclear issue was the best available option, highlighting the usefulness, urgency and inevitableness of multilateral talks for this purpose.

North Korea initially avoided discussing the nuclear standoff itself with South Korea, regarding it as an issue that should be ironed out with the United States. Through South Korea's continued appeals and persuasion, however, the two Koreas worked out an agreement in the 11th round of the inter-Korean ministerial talks (July 9-11, Seoul) to resolve the nuclear issue by means of "appropriate dialogue." The agreement between the two Koreas was integrated into the 1st round of the six-party talks (Aug. 27-29, Beijing). In the wake of the six-party talks, however, North Korea made announcements that aggravated the situation, including declaring its completion of the reprocessing of spent fuel rods (Oct. 2) and hinting at possible disclosure of its nuclear

deterrence (Oct. 16), thereby augmenting tensions on the peninsula. In the 12th round of the inter-Korean ministerial talks (Oct. 14-17, Pyongyang), the South Korean government vehemently protested North Korea's measures worsening the situation, and strongly urged the country to come to the table for the second round of the six-party talks as early as possible, repeatedly stressing peaceful resolution of the nuclear issue. North Korea claimed that peaceful resolution of the nuclear standoff and denuclearization of the Korean peninsula constituted the basic direction of the country. However, it argued at the same time that the U. S. should drop its hostile and strong-arm policy toward North Korea first.

While the nuclear issue still remains unresolved, the two Koreas, as the parties directly involved in the nuclear standoff, have continued to engage in dialogue to express their opinions and concerns to each other regarding the issue. Such inter-Korean dialogue is working favorably for peaceful resolution of the nuclear standoff, and the continuity of the dialogue itself is greatly contributing to easing tensions on the Korean peninsula.

After the 12th round of the inter-Korean ministerial talks, North Korea expressed its willingness to participate in the second round of the six-way talks (Oct. 30). North Korea also expressed a willingness to possibly consider written

non-aggression assurances by the U. S. and announced that it might flexibly adjust its principle of "simultaneous actions" (Nov. 15). Taking a more flexible stance as described above, North Korea has sought negotiations with the countries concerned. In the future, the South Korean government will strive to create an atmosphere favorable for peaceful resolution of the North Korean nuclear issue through mutual dialogue.

In the meantime, the South Korean government worked through outstanding inter-Korean issues with its North Korean counterpart in the ministerial talks (4 rounds), including the 7th and 8th reunion of separated families, North Korea's participation in the 2003 Daegu Summer Universiade and the formation of the "subcommittee on social and cultural cooperation."

Notwithstanding the nuclear standoff, the two Koreas briskly pursued mutual economic talks. Since they entered the stage of implementation of the particulars of general principles, the two Koreas held a number of working-level talks in various areas. They held 17 rounds of inter-Korean economic talks in total, including meetings of the Inter-Korean Economic Cooperation Promotion Committee (4 rounds), working-level consultative meetings on institutional framework for inter-Korean economic cooperation (3 rounds),

working-level consultative meetings on inter-Korean road and railroad re-connection (2 rounds) and related working-level contacts (5 rounds), an working-level contact on inter-Korean cooperation for maritime transportation (1 round), a working-level contact on clearing settlement (1 round) and a working-level contact on certification of origin of goods (1 round). Based on these economic talks, the two Koreas reached the following agreements: re-connection of railway tracks at the Military Demarcation Line (June 14), ground-breaking ceremony of the Gaeseong Industrial Complex (Jun. 30), resumption of the Mt. Geumgang tour program by overland and sea routes, effectuation of the four major inter-Korean economic cooperation agreements (Aug. 20), a South Korean delegation's visits to the distribution sites of food provided to North Korea in the form of a loan, expansion of direct trade and opening of a consultation office for steady galvanization of inter-Korean exchanges and cooperation (Nov. 8), mutual visits by economic monitoring delegations, construction of a model complex in the Gaeseong Industrial Complex, etc. In a bid to expedite the re-connection of roads and railroads on the Gyeongui (Seoul- Shinuiju) Line and the Donghae (East Coast) Line, the two sides also agreed on such issues as South Korea's supply of materials and equipment, on-site guidance by its technical staff and mutual visits to the construction sites.

As regards military talks, the two Koreas continually held working-level talks aimed at ironing out military issues in relation to the cross-border road and railroad re-connection. They held inter-Korean working-level military contacts (4 rounds), working-level military talks (1 round) and working-level contacts on the connection of communication lines along the Donghae Line (2 rounds). Through the military talks, the two sides agreed on military assurances concerning road and railroad re-connection in the Demilitarized Zone and engaged in consultations regarding mutual visits of military personnel to the construction sites and the establishment/ operation of guard posts in their joint administrative zone. Due to North Korea's reservations, however, the two Koreas have failed to achieve high-level talks between the military authorities aimed at discussing measures to build military trust in earnest, such as inter-Korean defense ministers' talks.

As for humanitarian issues, the two Koreas held meetings of the support team for construction of the Mt. Geumgang reunion center for separated families (3 rounds), inter-Korean Red Cross talks (1 round) and related working-level talks (1 round), and reunions of separated families (3 rounds). The two Koreas worked out an agreement (Nov. 6) whereby South Korea would take charge of the reunion center's construction, which remained at an impasse for a year in the aftermath of the 4th round of the Red Cross talks due to differences.

Construction of the reunion center is of significance because it will provide people who have been torn apart from their families with a greater opportunity to be reunited with their families and will establish a permanent consultation channel through which the two sides can seek a fundamental solution to the issue of separated families. In terms of social and cultural exchanges, the two Koreas held working-level contact for the participation of a North Korean delegation in the Daegu Summer Universiade (1 round).

In the meantime, the participatory government endeavored to help a fresh climate for dialogue take root, espousing a policy toward North Korea on the basis of principles and trust. This is because the government reached the conclusion that it was necessary to create a culture of dialogue commensurate with the steady shift of inter-Korean relations from the confrontation and distrust of the past to the present reconciliation and cooperation. In sum, South Korea intended to prevent any disruption to inter-Korean talks and any damage to mutual trust, which often happened in the past unfortunately, in order to practically concentrate on agendas and engage in bilateral talks in a way beneficial to both parties.

As part of these efforts, the South Korean government focused on cost curtailment and substantive consultation. For

instance, it held some inter-Korean working-level talks in Gaeseong or Munsan to which the delegates commuted on a daily basis. In addition, the government determined the venues for inter-Korean dialogues in a more flexible manner in line with the nature of agendas and relevant circumstances, moving from the typical venues of Seoul and Pyongyang to Gaeseong, Sokcho and Mt. Geumgang. As regards specific events related to inter-Korean talks, the government sought to manage banquets, vehicles and meeting places in a more substantive and cost-effective way.



Chapter II.
Presidential Envoy's
Second Visit to North Korea

Chapter II. Presidential Envoy's Second Visit to North Korea

1. Background

Since the North Korean nuclear standoff was sparked in October 2002, the South Korean government has made all-out diplomatic efforts to defuse the standoff peacefully.

In the summit talk held by South Korea, the United States and Japan in Los Cabos in October 2002, the South Korean government reaffirmed its adherence to the principle of a peaceful resolution to the North Korean nuclear issue. In January 2003, the government dispatched special envoys to China, Russia, Japan and the EU, and also sent Yim Sung-joon, chief presidential advisor on diplomacy and national security, to the U. S. in a concentrated effort to elucidate South Korea's stance on the nuclear standoff and to coordinate the positions of the parties concerned.

The South Korean government also pressed ahead with the dispatch of a special envoy to North Korea as part of efforts to peacefully settle the nuclear issue. Around January 10, 2003, the South proposed to dispatch a special envoy to the North, and it was accepted by the North in the 9th round of the inter-Korean ministerial talks (Jan. 21-24, 2003).

The two Koreas concurrently announced their agreement to a South Korean presidential special envoy's visit to North Korea in the afternoon of January 24. South Korea made this announcement through Park Sun-sook, a spokesperson for the presidential Blue House.

<Summary of the Spokesperson's Announcement>

- o Lim Dong-won, a special presidential advisor on diplomacy, national security and unification, will visit North Korea from January 27 as a special envoy of President Kim Dae-jung.
- o Lim will be accompanied by Lee Jong-suk, an envoy of President-Elect Roh Moo-hyun, who is serving on the presidential transition committee.
- o During the presidential envoy's visit to North Korea in accordance with an agreement between the South and the North, the two sides will discuss the nuclear standoff and other outstanding issues between them. Among those who will also accompany the presidential envoy is Yim Sung-joon, chief presidential advisor on diplomacy and national security.

2. Related Developments

The presidential envoy made a three-day visit to North Korea January 27 - 29, 2003.

The eight-member South Korean delegation including

Special Envoy Lim Dong-won visited the North and returned to the South via a direct inter-Korean air route over the West Sea on board a special presidential plane in accordance with the precedent set during the presidential envoy's first visit to the country in April 2002.

During his stay in North Korea, Lim delivered President Kim Dae-jung's letter to Kim Jong-il, chairman of the North Korean National Defense Commission, through Kim Yong-sun, secretary of the North Korean Workers' Party, and met with Kim Young-nam, head of the presidium of the North Korean Supreme People's Assembly. Lim also participated in several rounds of sincere consultations about current issues with high-ranking North Korean officials, including Kim Yong-sun, secretary of the North Korean Workers' Party.

Seeking to reach an understanding with the South Korean delegation regarding Chairman Kim Jong-il's failure to receive a courtesy call from the special envoy due to his ongoing important on-site guidance in local areas, North Korea delivered the chairman's message to the delegation.

Chairman Kim Jong-il said, "I received the honorable President's letter. I would like to express my gratitude to the President for sending me a special envoy with his letter, which contains warm advice." He requested that his message

above be conveyed to President Kim Dae-jung.

During his visit to North Korea, Special Envoy Lim Dong-won concentrated his efforts on fully conveying the concerns of South Koreans and the international community about the nuclear standoff and explaining the basic position of South Korea on the issue.

The special envoy emphasized that the nuclear standoff should be ended promptly and in a peaceful manner through dialogue as not only South Koreans, but also the entire international community were concerned about the nuclear measures taken by North Korea, and suspicions surrounding its nuclear program, if not redressed over a prolonged time, might touch off a security crisis on the Korean peninsula.

South Korea also elucidated its efforts to find a peaceful solution to the nuclear standoff and the atmosphere of late in the international community.

In addition, the South stressed that the North should take a more forward-looking attitude for peaceful settlement of the nuclear issue. Thus, the South sought to persuade the North to revert to the state prior to an aggravation in the relevant circumstances by retracting its declaration of its intent to withdraw from the NPT (Nuclear Non-Proliferation Treaty)

and restoring the nuclear freeze that it had lifted. The South also urged the North to clear up suspicions surrounding a uranium enrichment program and announce its dismantling.

The South called on the North to hold a dialogue with the U. S. and positively respond to the international community's recent efforts to peacefully end the nuclear standoff by taking the actions described above.

Carefully listening to the South's explanation, the North said that the country would “scrutinize it and contact the South, when necessary.”

However, North Korea did not back down from its position. More specifically, the country reiterated its argument that it “has not developed, nor has any intention of developing, nuclear weapons at the moment” and “is willing to prove this through a verification procedure” and that “the nuclear standoff is an issue that must be settled by North Korea and the U. S. through dialogue.”

As regards inter-Korean relations, the two sides reached a consensus that they should further promote mutual relations on the basis of the June 15 Joint Declaration. The North accepted the South's proposal that the Gyeongui (Seoul-Shinuiju) Line railway construction work be expedited

and completed in February, if possible, since the issues pertaining to the passage of personnel and equipment at the Military Demarcation Line had been ironed out between the military authorities of the two sides.

The South also mentioned that the new government to be inaugurated was in favor of the existing reconciliation and cooperation policy for engaging the North and would catapult the policy to a higher level, calling for cooperation from the North in that regard. In connection with this, Lee Jong-suk, an envoy of President-Elect Roh Moo-hyun and a member of the presidential transition committee, explained the President-Elect's position and emphasized resolution of the nuclear standoff in particular.



Chapter III.
Inter-Korean Ministerial
Talks

Chapter III. Inter-Korean Ministerial Talks

1. The Ninth Inter-Korean Ministerial Talks

A. Overview

The 9th round of the inter-Korean ministerial talks was slated for mid-January 2003 as agreed upon by the two Koreas in the preceding round. Accordingly, Chung Se-hyun, the chief South Korean delegate, proposed by telephone notification to North Korea on January 6 that the 9th-round meeting be held in Seoul January 14-17.

In reply, North Korea suggested in its telephone notification on January 9 that the talks be held January 21-24, one week later.

In the meantime, the North Korean government issued a statement on January 10 that it would pull out of the NPT (Nuclear Non-Proliferation Treaty).

Regarding a reason for its withdrawal from the NPT, North Korea said, “Under circumstances where it has again become evident that the U. S. is seeking to annihilate us and the International Atomic Energy Agency is being exploited as a medium to facilitate the hostile policy of the U. S. toward

North Korea, we can no longer remain within the framework of the NPT, letting the security of our country and the dignity of our people be violated.”

On the same date, South Korea said in a statement issued in the name of the spokesperson for its Ministry of Foreign Affairs and Trade, “We sternly warn of the danger of this measure and call on North Korea to immediately retract its statement of its intention to withdraw from the NPT and cooperate for settlement of the issue through dialogue.”

Following its lifting of the nuclear freeze imposed by the IAEA, North Korea declared its withdrawal from the NPT. Thus, the standoff surrounding its nuclear program escalated tensions on the Korean peninsula and seriously dimmed prospects for the 9th round of the inter-Korean ministerial talks.

The South Korean government upheld its position that it was desirable to prevent exacerbation of the nuclear standoff and create an atmosphere favorable for defusing the nuclear standoff by maintaining ongoing inter-Korean reconciliation and cooperation programs.

In particular, the South Korean government concluded that it was necessary to clarify its unflinching position on North

Korea's nuclear program through inter-Korean dialogues and to persuade, urge and induce North Korea to change its position for resolution of its nuclear issue.

Based on this position, South Korea accepted North Korea's proposal by telephone notification to the country on January 15, which subsequently led to the realization of the 9th-round meeting of the inter-Korean ministerial talks at Sheraton Grande Walkerhill Seoul January 21-24.

B. Proceedings

(1) The First Plenary Meeting (Jan. 22)

In the 1st plenary meeting, the two Koreas exchanged views on outstanding issues high on the agenda, including the North Korean nuclear standoff and inter-Korean economic cooperation projects.

South Korea, in its keynote address, pointed out the danger of nuclear development and made it clear that inter-Korean relations might hit a snag if the nuclear standoff were to remain unresolved.

Accordingly, the South strongly requested that the North clearly renounce its nuclear development program, restore the

nuclear freeze that it had lifted at the earliest possible date and retract its declaration of its intention to pull out of the NPT.

In response, North Korea said that it had neither formulated any plan to develop nuclear weapons, nor had any intention of producing such weapons. Arguing that it had only a peaceful plan to utilize nuclear power for the generation of electricity, North Korea referred to the nuclear standoff as a byproduct of U. S. policy to annihilate North Korea and an issue that must be settled between the two countries.

In addition, North Korea said that its targets which it had sought to keep at bay through its army-first policy were outside forces posing a threat to the sovereignty of the Korean people, and not South Korea, its brethren. With this rationale, the North contended that the South should recommend that the U. S. engage in genuine dialogue, and conclude a non-aggression treaty, with the North.

In the meantime, the South presented its stance on ongoing inter-Korean exchange and cooperation projects. Above all, it urged the North to accept the wording of the "agreement on military assurances for passage through a temporary road" that it had already suggested, and also put forward proposals concerning the schedule for road and railroad re-connection,

implementation of the Mt. Geumgang tour program by an overland route, hosting of reunions of separated families on a regular basis, construction of a reunion center, and so on.

North Korea cited intervention maneuvers by foreign power as the reason for the delay in inter-Korean economic and cooperation projects, maintaining that the two Koreas should overcome such maneuvers based on inter-Korean solidarity.

<Summary of South Korea's Keynote Address>

- o It is quite regrettable that the nuclear standoff triggered in October of last year has resulted in an obstacle to permanent peace on the Korean peninsula and reconciliation of the Korean people.
 - The North has recently lifted the nuclear freeze and declared withdrawal from the NPT.
 - These measures have aroused suspicions about its nuclear weapons development.
- o In 1992, the two Koreas adopted the Joint Declaration on the Denuclearization of the Korean Peninsula in the belief that it would not be helpful to the security and prosperity of the Korean people to be suspected of developing nuclear weapons or to possess such potential. In other words, the two sides pledged to neither develop nuclear weapons nor possess nuclear reprocessing and uranium enrichment facilities.

- The South and the North should carry out this national agreement in good faith. In order to convince the international community that the North has no intention of producing nuclear weapons, the North must specify detailed plans and put forward relevant action plans toward that end.
- o The South advises the North to clearly declare that it will abandon its nuclear program, repeal the lifting of the nuclear freeze immediately and revoke its withdrawal from the NPT.
- o For the purpose of promoting inter-Korean relations, the two sides have a responsibility to resolve several outstanding issues in the 9th round of inter-Korean ministerial talks.
 - The South hopes that the two sides will make progress and work out agreements regarding such issues as smooth implementation of the re-connection of roads and railroads on the Gyeongui (Seoul-Shinuiju) Line and Donghae (East Coast) Line, early commencement of the construction of the Gaeseong Industrial Complex, revitalization of the Mt. Geumgang tourism program, active implementation and ultimate institutionalization of reunions of separated families and full-fledged execution of mutual military dialogues.

<Summary of North Korea's Keynote Address>

- o The 9th round of the inter-Korean ministerial talks is being held amidst a very complicated situation wherein political circumstances on the Korean peninsula are rushing headlong toward a serious crisis.

- As the parties directly responsible for implementing the June 15 Joint Declaration, the delegations of the two sides must set the stage for developing inter–Korean relations this year toward dialogue, cooperation and ultimate unification in compliance with the grand principle of "Between the Korean People."

- o First, we expect that the two sides will bring bright hope and unswerving faith to all Korean people who are concerned about a possible rift in inter–Korean relations under the current political circumstances by clearly declaring once again firm determination to constantly adhere to the 6.15 Joint Declaration as an important milestone on the path toward unification of the Korean people.

- o Second, the two sides should head off the risk of war and safeguard the peace and security of the Korean people based on inter–Korean solidarity, effectively coping with serious political developments on the Korean peninsula.
 - Currently, the risk of war threatening peace on the Korean peninsula comes from the outside, not the inside. The destruction of peace by outsiders constitutes a disaster to not only the North, but also the South.

- o Third, the two Koreas should band together firmly and autonomously and ceaselessly implement mutual agreements for co–prosperity of the Korean people.

(2) The Second Plenary Meeting (Jan. 24)

Following the 1st plenary meeting, the two Koreas

proceeded with several rounds of chief delegates' talks and working-level delegates' meetings. In the process, the South did its utmost to induce the North to cultivate a more forward-looking attitude regarding resolution of the nuclear standoff, above everything.

In the early morning on January 24, the two sides held the second plenary meeting and issued a joint press statement asserting their commitment to bringing about a peaceful resolution to the North Korean nuclear standoff and to continuously pursuing inter-Korean exchange and cooperation projects, along with the agreed plan for the upcoming meeting.

The South mentioned in its closing speech that it expected proactive and concrete measures on the part of the North since the two Koreas had forged an agreement to make concerted efforts for the resolution of current security issues and for the promotion of mutual reconciliation and cooperation in this round of the inter-Korean ministerial talks.

The North underscored that the two Koreas should perform in good faith and implement their agreements steadfastly and indomitably based on a firm commitment to join hands amongst themselves and thus resolve all outstanding issues to serve the common interests of the Korean people.

—<Summary of the Joint Press Statement>—

- o The two sides are pleased with developments in inter-Korean relations after the June 15 Joint Declaration and will continuously observe and implement the Declaration.
- o The two sides openly exchanged their views on the nuclear issue and will strive to bring about a peaceful resolution to the issue.
- o The two sides will continue the existing inter-Korean exchange and cooperation programs in order to seek balanced development of the national economy and serve mutual interests, and hold the 4th round of the Inter-Korean Economic Cooperation Promotion Committee (Feb. 11-14, Seoul).
- o The two sides will hold the 10th round of the inter-Korean ministerial talks (Apr. 7-10, Pyongyang).

2. The Tenth Inter-Korean Ministerial Talks

A. Overview

The 10th round of the inter-Korean ministerial talks, which was originally slated for April 7 through 10 in accordance with the agreement reached in the 9th-round meeting, was not held as scheduled because of North Korea's failure to engage in working-level consultations regarding relevant procedures by April 7.

On April 7, the South expressed regrets over the foiled

ministerial meeting and called for swift resumption of dialogue in its telephone notification to the South.

In the telephone notification, Chung Se-hyun, South Korea's chief delegate, said, "It is a great pity that the 10th round of the inter-Korean ministerial talks, which had been scheduled to open in Pyongyang on April 7, was not held due to non-performance of the terms of the relevant agreement by the North." He stressed, "The more complicated international political circumstances are, the greater the need for the two Koreas to engage in dialogue so as to earnestly discuss current issues. Therefore, the two sides must hold the ministerial meeting as soon as possible."

In its telephone notification dated April 19, North Korea proposed that the 10th round of the inter-Korean ministerial talks be held April 27-29, and expressed its regret that the meeting had not commenced as scheduled due to South Korea's "heightened security alert" in relation to the war in Iraq.

The South consented to the proposal above in its telephone notification to the North on April 21, and the 10th round of the inter-Korean ministerial talks was finally held in Pyongyang April 27-30, 2003.

South Korea came to the negotiation table with a vision of institutionalizing the framework for inter-Korean dialogues through the 10th round of the ministerial talks by presenting the "policy for peace and prosperity" envisioned by the new government and the direction of policies for furthering inter-Korean relations.

In particular, the South sought to create a fresh culture of inter-Korean negotiations on the occasion of the launch of its new government. From this perspective, the South underlined that it was crucial for the two Koreas to develop bilateral relations with mutual respect on the basis of principles and trust. It also emphasized that the two sides should bring an end to an era where each side tried to secure an advantage over the other by resorting to various tactics and maneuvers.

Through several rounds of chief delegates' talks and working-level delegates' meetings including three rounds of plenary meetings during the 10th-round meeting, the two sides arrived at a six-point agreement encompassing the North Korean nuclear standoff and publicized the agreement in a joint press statement.

In the meantime, the launch of the participatory government in South Korea caused a change in its delegation.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Chung Se-hyun (Minster of Unification)	Kim Ryong-sung (Senior Cabinet Councilor)
Delegates	Kim Gwang-rim (Deputy Minister of Finance and Economy) Oh Ji-chul (Deputy Minister of Culture and Tourism) Shin Un-sang (Office Chief of the Ministry of Unification) Seo Young-gyo (Bureau Chief of the Ministry of Unification)	Cho Sung-bal (Deputy Minister-Level Officer of the Cabinet Secretariat) Choi Sung-ick (Department Chief of the Secretariat of the Committee for the Peaceful Reunification of the Fatherland) Kim Man-gil (Bureau Chief of the Ministry of Culture) Heo Su-rim (President of the National Economic Cooperation Federation and Director of the Guidance Bureau of Gwangmyungsung under the Ministry of Foreign Trade)

The 10th round of the inter-Korean ministerial talks held special meaning. The ministerial talks became the first inter-Korean talks held a number of times entering the double-digits in the history of the two Koreas' dialogues. Additionally, it was the first time in the history of inter-Korean dialogues that the two sides continued dialogue despite the change of government in the South.

B. Proceedings

(1) The First Plenary Meeting (Apr. 27)

In its keynote address, the South specified its position on current inter-Korean issues, including the nuclear standoff, and explained its new government's policy for peace and prosperity.

Making it clear that the South would never tolerate the North's possession of nuclear arms, the South urged the North to fully fulfill its obligations and responsibilities as agreed upon in the Joint Declaration on the Denuclearization of the Korean Peninsula.

In particular, the South requested the North to explicate its comment in the Beijing three-party talks held immediately before the 10th-round meeting of the inter-Korean ministerial talks (Apr. 23-24) that it possessed nuclear weapons, and called on the communist country to make an effort, in good faith, toward an early resolution to the nuclear standoff.

As regards whether it actually possessed any nuclear weapons, North Korea clung to its NCND (Neither Confirm Nor Deny) policy. The country simply claimed that the nuclear standoff had arisen as a result of the hostile policy

toward North Korea employed by the U. S.

Reiterating its existing position that the nuclear standoff should be settled between North Korea and the U. S., North Korea emphasized that it would peacefully resolve the nuclear issue through its dialogue with the U. S.

In the meantime, South Korea stressed, as regards a desirable direction for inter-Korean relations, that the two sides should establish bilateral relations founded on principles and mutual trust. It also stated that the building of trust on a military front and the institutionalization of inter-Korean relations were essential.

In response, North Korea underscored that it hoped for continuous implementation of inter-Korean economic cooperation projects and stimulation of civilian-level exchanges, giving credit to the new South Korean government for pledging to observe and follow through with the June 15 Joint Declaration and adhering to a commitment to pursue a reconciliatory and cooperative policy toward North Korea.

<Summary of South Korea's Keynote Address>

- o The policy for peace and prosperity is aimed at promoting peace on the Korean peninsula and seeking co-prosperity for the two Koreas.

- The South intends to continuously pursue inter–Korean reconciliation and cooperation as the country has done so far, and further enhance it.
- o The policy for peace and prosperity is intended to solidify the security and prosperity of the Korean people based on a deepening of the two Koreas' amicable and friendly relations with neighboring countries while fostering their co–existence and co–prosperity.
- o The principles and direction that both the South and the North should respect and pursue in the future are as follows:
 - First, maintain and further inter–Korean reconciliation and cooperation;
 - Second, develop inter–Korean relations with mutual respect on the basis of principles and trust;
 - Third, begin to take full–scale actions to build military trust and ease tensions; and
 - Fourth, seek the development of inter–Korean relations on an institutional basis.
- o Reportedly, the North conceded in the recent three–way talks in Beijing that it possessed nuclear weapons. First of all, the South expresses its deep regrets at this development.
 - Is it true that the North possesses nuclear weapons? If so, it is an evident breach of the Joint Declaration on the Denuclearization of the Korean Peninsula, above all. It also constitutes a material violation of various international duties.

- o The South can never tolerate the North's possession of nuclear weapons.
 - First of all, the South urges the North to fulfill its responsibilities and perform its duties for denuclearization of the Korean peninsula as mutually agreed upon in the Joint Declaration on the Denuclearization of the Korean Peninsula.

- o The South recommends that the North proactively engages in dialogues and cooperates with the countries concerned for peaceful resolution of the nuclear standoff.
 - The South emphasizes that it is needed to take reliable actions, above anything.
 - Hopefully, the North will ensure that dialogue launched in the interest of ending the nuclear standoff will never be deadlocked.
 - If the channel for dialogue is blocked, the situation will deteriorate gravely.

<Summary of North Korea's Keynote Address>

- o In the current political situation, there is no task more pressing than overcoming the power unilaterally wielded by outside forces, protecting the dignity and sovereignty of the Korean people, averting the risk of war with the firm unity of the Korean people and safeguarding the peace of the two countries.

- o The North proposes that the two sides discuss the following issues

in this meeting; reaffirmation of the basic spirit of the historic June 15 Joint Declaration and renewed demonstration of the two sides' determination to implement the Declaration in front of their entire populace; mutually putting an end to television broadcasting denouncing each other and loud-speaker propaganda lashing out at each other in the area near the Military Demarcation Line; full support at the government level of this year's June 15 Grand National Festival for Unification, which has already been agreed upon and is being pursued at the civilian level, and holding the event on a regular basis by expanding its scope to involve not only civilians but also the authorities of the two countries; conducting the significant ground-breaking ceremonies for the reconnecting of roads and railroads along the Donghae and Gyeongui Lines and construction of the Gaeseong Industrial District before the third anniversary of the June 15 Joint Declaration; and providing active support for and promptly proceeding with the ground-breaking ceremony for the Mt. Geumgang reunion center for separated families and relatives, which the authorities of the North and the South are pressing for based on consultation between their Red Crosses.

– In addition, the North hopes to engage in consultation regarding the following issues: the working out of an agreement, at an early date, on the passage of civilian vessels of either the North or the South in the other nation's waters and South Korean fishers' utilization of a portion of North Korea's fishing grounds in the East Sea which have been pursued based on the relevant agreement; the devising of measures to provide active support for inter-Korean economic cooperation projects undertaken by civilian organizations of the two sides, including the Mt. Geumgang tourism program, based on mutual consultation; and assurance that the South will

responsibly take action for the smooth execution of a series of business projects that the North's Asia–Pacific Peace Committee agreed to pursue with the South's Hyundai Asan.

(2) The Second Plenary Meeting (Apr. 28)

During the plenary meeting on the second day of the talks, South Korea explained its position on the nuclear standoff as it did in the plenary meeting on the first day, and urged North Korea to implement the Joint Declaration on the Denuclearization of the Korean Peninsula.

South Korea reminded North Korea that the country had said whenever the occasion arose, “We have no intention nor any ability to develop nuclear weapons, and our nuclear activities are limited to the peaceful purpose of power generation only.” The South also clarified again that it would never tolerate the possession of nuclear weapons by the North.

In addition, the South pointed out that since the North had started dialogue with the countries concerned, the nuclear standoff should be peacefully defused as soon as possible.

At the same time, the South expounded its position in favor of continued inter-Korean economic cooperation and social/

cultural exchanges and cooperation and proposed to settle such issues as reunions of separated families and repatriation of South Korean POWs and abductees through mutual consultation.

As regards the nuclear standoff, the North reiterated that it was an issue between the North and the U. S. and stated that its basic goal was to bring about a peaceful resolution to the standoff through dialogue.

In the meantime, North Korea mentioned that the two sides confirmed their commitment to consistently comply with the June 15 Joint Declaration and maintain/promote inter-Korean reconciliation and cooperation, and stressed the need for continued mutual consultation on the issues raised by each side.

(3) The Third Plenary Meeting (Apr. 30)

In addition to the two rounds of plenary meetings, the two Koreas held several rounds of chief delegates' talks and working-level delegates' meetings, and finally worked out a six-point joint press statement.

Up to the last day of the talks, South Korea did its best in order to induce a turnaround in North Korea's position on

and attitude toward the nuclear standoff. As a result of such efforts, the two sides agreed to continuously cooperate with each other in order to find a peaceful solution to the nuclear standoff as soon as possible.

At the same time, the two Koreas agreed, in principle, to proactively push ahead with mutual exchange and cooperation programs that were either underway or planned. They also hammered out a concrete agreement on plans for the 7th reunion of separated families, North Korea's participation in the Daegu Universiade, etc.

The two Koreas adopted a six-point joint press statement centered on these agreements, capping the 10th round of the inter-Korean ministerial talks.

In the closing session, the North expressed its support for South Korea's bid to host the 2010 Winter Olympics in Pyongchang, Gangwon Province.

— <Summary of the Joint Press Statement> —

- o The South and the North have reaffirmed the basic spirit of the June 15 Joint Declaration and will observe and thoroughly implement the declaration.
- o The South and the North have fully exchanged views on the nuclear issue and will continue to cooperate with each other for

peaceful settlement of the issue.

- o The South and the North will provide support for smooth execution and regular hosting of the Grand National Festival for Unification marking the 3rd anniversary of the June 15 Joint Declaration.
 - Discussed/pursued North Korea's possible participation in the Daegu Summer Universiade in August of this year.
- o The South and the North will press ahead with mutual cooperation projects that have been already agreed upon or planned:
 - Ceremonies for re-connection of roads and railroads on the Gyeongui and Donghae Lines, ground-breaking ceremony for the Gaeseong Industrial Complex, Mt. Geumgang tour project, fraternal/humanitarian issues, etc.
 - Convening of the Inter-Korean Economic Cooperation Promotion Committee in Pyongyang from May 19 to May 22.
- o The South and the North shall actively pursue resolution of the issue of separated families by:
 - carrying out the 7th reunion of separated families at Mt. Geumgang on the occasion of the 3rd anniversary of the June 15 Joint Declaration.
 - holding the ground-breaking ceremony for the reunion center for separated families at the earliest possible date.
- o The South and the North will hold the 11th round of inter-Korean ministerial talks in Seoul July 9-12.

3. The Eleventh Inter-Korean Ministerial Talks

A. Overview

Following the 10th round of the inter-Korean ministerial talks, the two Koreas made progress in implementing their agreements.

They held the 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee (May 19-23, Pyongyang), the 8th round of working-level military contact (June 4, Panmunjom), the 5th round of working-level contact on inter-Korean road and railroad re-connection (June 7-9, Gaeseong), the 3rd round of working-level consultative meetings on inter-Korean road and railroad re-connection (July 2-4, Munsan), working-level contact on the Daegu Universiade, etc. in that order. The two sides held the working-level contacts and working-level consultative meetings on inter-Korean road and railroad re-connection in Gaeseong and Munsan with the delegates commuting to the venues on a daily basis.

In addition, the two Koreas briskly executed mutual economic, social and cultural exchange and cooperation programs.

On June 14, ceremonies marking railroad re-connection on the Gyeongui and Donghae Lines were held at the Military Demarcation Line, which was followed by the ground-breaking ceremony for the Gaeseong Industrial Complex on June 30.

The 7th reunion of separated families was conducted from June 27 to July 2 as scheduled, without a hitch. In addition, the South had been providing the North with assistance in the form of 400,000 tons of rice and 200,000 tons of fertilizer, as agreed in the 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee.

However, the North Korean nuclear standoff still remained a stumbling block to the promotion of inter-Korean ties. In the wake of the Beijing third-party talks (Apr. 23-24), North Korea apparently refrained from taking any additional action that might aggravate the situation. On July 8, immediately before the 11th round of the inter-Korean ministerial talks, however, it was reported that North Korea conveyed a message to the U. S. through a New York channel that it had “completed nuclear reprocessing.”

Against this backdrop, South Korea accordingly placed its highest priority, as regards the 11th-round meeting, on creating conditions favorable for resolution of the nuclear

standoff. From the perspective of the South, there arose a need to prevent tensions on the Korean peninsula from escalating, at the very least, by keeping inter-Korean dialogues intact.

As agreed in the 10th round of the inter-Korean ministerial talks, the 11th-round meeting was held at Hotel Shilla Seoul July 9-12, 2003.

B. Proceedings

(1) The First Plenary Meeting (July 10)

In its keynote address, South Korea specified its basic position on the nuclear standoff and outstanding inter-Korean issues.

As regards the nuclear issue, the South stressed again its steadfast position of intolerance toward North Korea's nuclear development as well as the importance of peaceful resolution of the nuclear standoff and North Korea's compliance with the Joint Declaration on the Denuclearization of the Korean Peninsula and return to the NPT regime.

The South strongly urged the North to promptly accept expanded multilateral talks involving not only the two Koreas,

but also other interested parties including the U. S., Japan and China for settlement of the nuclear issue.

In particular, South Korea highlighted the fact that members of the international community, including the U. S., Japan, China and Russia, were in favor of such multilateral talks (inevitability), that participation by all interested parties would contribute favorably to the resolution of the problem (usefulness) and that multilateral talks should be undertaken as soon as possible to ease tensions on the Korean peninsula in the face of increasing pressure from the international community (urgency).

In addition, the South explained to the North that in the case of resolution of the nuclear standoff through multilateral dialogue, the North might be assured of its security and also be able to more rapidly bring about economic cooperation with the international community and the South.

The South also emphasized that the North should not take any actions to worsen the situation, conveying to the North the concerns and resolute stance of the international community regarding the recent nuclear standoff.

Concerning inter-Korean relations, South Korea proposed to discuss issues aimed at furthering bilateral relations, such

as early convocation of the second-round meeting of the inter-Korean defense ministers' talks for the reducing of tensions and military trust-building, the formation of a committee for the promotion of inter-Korean social and cultural cooperation, and reunions of separated families.

Emphasizing the implementation of the June 15 Joint Declaration in good faith, North Korea maintained that military buildup by the U. S. forces stationed in the South and the South's "doctrine of regarding the North as its archenemy" were adding to tensions on the Korean peninsula. North Korea also argued that the two Koreas should forge an inter-Korean solidarity to prevent a crisis situation and safeguard peace on the Korean peninsula.

The North also clarified its position on current inter-Korean issues, including the installation of a reunion center for separated families and the expansion of civilian-level exchanges and cooperation.

<Summary of South Korea's Keynote Address>

- o The standoff surrounding the North Korean nuclear issue is seriously jeopardizing peace on the Korean peninsula, and the internal and external circumstances surrounding the nuclear issue have become increasingly complicated.

- o Recently, the North stated that it might even possess so-called "nuclear deterrence."
 - This statement, which constitutes an overt violation of the Joint Declaration on the Denuclearization of the Korean Peninsula, is fueling the distrust of South Korean people toward North Korea.
- o The South again urges the North to immediately abandon its nuclear program.
 - A realistic option for resolution of the nuclear issue has evidently been put forward already: North Korea's renunciation of nuclear development and, in return, the international community's guarantee of its security.
 - Above all, the South hopes that the North will promptly accept expanded multilateral talks. In addition, it is advisable for the North to refrain from taking any actions that might create obstacles to dialogue and lead to degradation of the atmosphere of the international community.
 - From this standpoint, the South believes that it is realistically inevitable for the North to accept expanded multilateral dialogue involving the two Koreas as well as other countries concerned, including the U. S., China and Japan, and thus the South sincerely recommends the North to do so.
- o In some cases, commitments made by and between the two Koreas have not been fulfilled or have been delayed. For full-fledged promotion of inter-Korean reconciliation and cooperation, the South

believes that this issue should be resolved first and in good faith.

- The two sides must be more attentive and make more efforts to reduce military tension, and endeavor more strenuously to resolve the issue of separated families. In addition, the two Koreas must follow through with procedures to put into effect the four economic cooperation agreements adopted by the two sides at an early date and guarantee the stable pursuit of mutual economic cooperation.

<Summary of North Korea's Keynote Address>

- o The North and the South should awake to and cope with the reality of today's grave situation responsibly.
 - However, the South Korean military again presented the "archenemy doctrine," fuelling a potential confrontation among the Korean people. Such a dangerous act will aid the U. S. in its maneuvers to wage a new war on the Korean peninsula at the sacrifice of the Korean people.
- o The North proposes implementation of the following measures so that the North and the South can eliminate the risk of war created by the U. S., safeguard the peace of the two Koreas and expedite a mutual reconciliation process based on inter-Korean solidarity.
 - First, the North and the South should take actions to jointly confirm their determination to safeguard peace so as to fend off the risk of war created on the Korean peninsula and protect the well-being and peace of the Korean people.

- Second, neither the North nor the South should involve itself in any act to embroil the Korean peninsula in a war, in keeping with the spirit of the June 15 Joint Declaration. In addition, the two Koreas must confront any such act, based on inter-Korean solidarity.
- Third, the North and the South should completely and concurrently cease the broadcasting of any slander of each other from August 15, 2003, including television broadcasting targeting each other and broadcasting in the vicinity of the frontline.
- Fourth, the North and the South should fully cooperate with each other at the government level in order to make the August 15 National Liberation Day event, organized by civic groups this year, a grand festivity declaring the Korean people's opposition to war, their pursuit of peace and their determination for unification.
- Fifth, the North and the South should cooperate with each other so that their Red Crosses may carry out the 8th reunion of separated families and relatives at Mt. Geumgang on the occasion of this year's Chuseok, a major gala day of the Korean people, and the ground-breaking ceremony for a reunion center.

(2) The Second Plenary Meeting (July 12)

In the second plenary meeting, the two sides unveiled a six-point joint press statement adopted through several rounds of chief delegates' talks and working-level delegates' meetings.

With regard to the North Korean nuclear standoff, the bone of contention, the two sides agreed to seek a peaceful resolution by means of “appropriate dialogue” thanks to South Korea's steady persuasion.

It paved the way for possible resolution of the nuclear standoff through dialogue, including North Korea's participation in multilateral talks.

Concerning the advancement of inter-Korean relations, the two sides reached an agreement on holding the 8th reunion of separated families on the occasion of Chuseok (Korean version of Thanksgiving), the formation of a subcommittee on inter- Korean social and cultural cooperation, support for civilian organizations' August 15 National Liberation Day event, the schedule for the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee (Aug. 26-29, Seoul) and the 12th round of the inter-Korean ministerial talks (Oct. 14-17, Pyongyang), among others.

In the meantime, the South expressed its opinion on the procedures to put into effect the four agreements on inter-Korean economic cooperation during the meeting.

<Summary of the Joint Press Statement>

o The South and the North will seek an appropriate method for

dialogue to bring about the resolution of the nuclear standoff.

- o The two sides will implement the 8th reunion of separated families at Mt. Geumgang on the occasion of Chuseok and cooperate with each other to conduct a ground-breaking ceremony for a reunion center for separated families at Mt. Geumgang.
- o The two sides will hold the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee (Aug. 26-29, Seoul).
- o The two sides will examine the possibility of organizing a "subcommittee on inter-Korean social and cultural cooperation."
 - In its meetings, mutual social, cultural and sports exchanges and cooperation and other issues raised by either side, including discontinuing slanderous broadcasting, will be discussed.
- o The two sides will provide full support for the August 15 National Liberation Day event planned by civic groups this year.
- o The two sides will hold the 12th round of the inter-Korean ministerial talks in Pyongyang October 14-17, 2003.

4. The Twelfth Inter-Korean Ministerial Talks

A. Overview

In the wake of the 11th round of the inter-Korean ministerial talks, the first-round meeting of the six-party talks to defuse the North Korean nuclear standoff was held and

there were positive indications of an ensuing meeting, which painted an optimistic picture for the development of inter-Korean relations.

The two Koreas steadily proceeded with their mutual reconciliation and cooperation projects. Tours for South Koreans of Mt. Geumgang by an overland route were resumed on September 1, while a tour of Pyongyang was launched on September 15. As agreed upon in the 6th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee, a South Korean delegation inspected the sites of North Korean food distribution September 20-29 with the cooperation of the North.

Additionally, civilian-level exchanges between the two Koreas were actively implemented, including the Korean National Foundation Day event and the opening ceremony for the Yoogyung Chung Ju-young Gymnasium.

Immediately before the scheduled 12th-round meeting of the ministerial talks, however, several events with potential to compromise inter-Korean relations took place. With North Korea reiterating its statement that the six-party talks would produce few results and that it had bolstered its nuclear deterrence, the country announced on October 2 that it had completed reprocessing spent fuel rods and had diverted

reprocessed plutonium toward the strengthening of its nuclear deterrence.

Against this backdrop, South Korea met with its northern counterpart in the 12th round of the ministerial talks for the purpose of reviewing and redressing certain issues regarding inter-Korean relations and creating an atmosphere conducive to settling the North Korean nuclear issue.

In its telephone notification on October 6, the North informed the South of a partial change in its delegation to the ministerial talks. Accordingly, Choi Young-geon, deputy minister of the Ministry of Construction and Building Materials Industries and Jeon Jong-su, department chief of the secretariat of the Committee for the Peaceful Reunification of the Fatherland, were newly added to the list of North Korean delegates, replacing Kim Man-gil and Cho Sung-bal. In addition, North Korea announced that Choi Young-geon would also serve as the North Korean chairman of the Inter-Korean Economic Cooperation Promotion Committee in lieu of Park Chang-ryon, the existing chairman.

B. Proceedings

(1) The First Plenary Meeting (Oct. 15)

In the process of the six-party talks, South Korea expressed its serious concerns and regrets regarding North Korea's announcement that it had completed nuclear reprocessing. The South also pointed out that such an announcement, regardless of whether it was actually true, would inflame distrust of the North and compromise stability on the Korean peninsula, swaying public opinion in the countries concerned in disfavor of the North.

In addition, the South said that such an announcement by the North constituted an overt breach of the Joint Declaration on the Denuclearization of the Korean Peninsula and was a great disappointment to South Koreans. The South strongly urged the North to stop taking actions or making comments that might aggravate the situation.

At the same time, the South reminded the North that the communist country had not voiced any objection to the agreements reached in the first round of the six-party talks. Noting that the other parties in the six-way talks had been endeavoring to arrange a second-round meeting, the South called on the North to promptly and positively respond to

the second round in good faith.

In addition, the South reiterated its intolerance toward North Korea's possession of nuclear arms and commitment to peaceful resolution of the nuclear standoff, and urged the North to pursue dialogue with honorable remarks and actions.

As regards inter-Korean relations, the South put forward its stance on such issues as seamless implementation of ongoing inter-Korean economic cooperation, expansion and institutionalization of social and cultural exchanges, and reunions of separated families.

The North opined that inter-Korean exchanges at the civilian level were actively being carried out. However, it also pointed to South Korean civic groups' criticism of the North Korean regime in such areas as the August 15 National Liberation Day event, sluggish construction of the Gaeseong Industrial Complex and little progress in mutual consultations regarding the construction of the reunion center for separated families.

Touching on the incidents at the civilian-level August 15 National Liberation Day event and the Daegu Universiade, the North urged the South to come up with measures to ensure respect for one another's establishments, and dissolution of

anti-Pyongyang organizations.

In addition, the North noted that construction of the Gaeseong Industrial Complex had been slow and recommended that the authorities of both sides push for the construction project with a strong sense of responsibility and ultimately construct the Gaeseong Industrial Complex as an exemplary project of inter-Korean economic cooperation.

For the resolution of humanitarian issues, the North also requested that the South repatriate unconverted communists who had served long prison terms in the South and complete construction of the Mt. Geumgang reunion center for separated families by next year's Chuseok.

In response to the complaints lodged by the North, the South pointed out their irrelevance, citing the diversity of South Korean society and saying that recognition of such diversity would constitute acknowledgment of and respect for each other's systems.

<Summary of South Korea's Keynote Address>

- o The North announced that it had completed nuclear reprocessing and diverted reprocessed plutonium so as to strengthen its nuclear deterrence.

- If this announcement is true, it is an outright violation of the Joint Declaration on the Denuclearization of the Korean Peninsula agreed upon by the two Koreas.

- o In particular, the South Korean people are very disappointed about a string of measures that the North has taken in relation to the nuclear issue. Some even express skepticism about inter-Korean reconciliation and cooperation itself.

- o The South will never tolerate nuclear development by the North.

- The South sincerely urges the North to come to the table for the second round of the six-party talks as soon as possible.

- In addition, the North should refrain from taking any actions or making any threats that could worsen the situation.

- o At the same time, the South expects that the two sides will engage in sincere consultations on smooth implementation of ongoing inter-Korean economic cooperation projects, reunions of separated families, and systematic pursuit of inter-Korean exchange and cooperation programs based on the formation of a subcommittee on inter-Korean social and cultural cooperation.

<Summary of North Korea's Keynote Address>

- o Some South Koreans maliciously slandered the Democratic People's Republic of Korea and engaged in thoughtless acts to defile its dignified systems.

- This kind of disturbance is very dangerous and provocative, and runs counter to the basic spirit of the June 15 Joint Declaration and the basic requirements of inter–Korean agreements to acknowledge and respect each other's systems.
 - Being concerned about the potential impact of reckless disturbances on the part of some ultra–right conservative groups in the South on inter–Korean relations, the North has repeatedly warned the South, but to no avail.
 - The seriousness of this issue lies in the fact that the South Korean authorities are acquiescing in and defending such disturbances.
 - North Korea strongly urges the South Korean authorities to awake to the gravity of the issue and devise measures to fundamentally redress the situation.
- o Based on a review of the implementation of the June 15 Joint Declaration after the 11th round of the inter–Korean ministerial talks and its fundamental position on the relevant issues, the North proposes the following as regards issues that must be resolved urgently:
- First, develop emergency measures to avert a situation where either side fundamentally denies the other's systems, slanders and defiles the other and consequently demolishes the foundation of inter–Korean ties;
 - Second, pursue inter–Korean cooperation projects substantively for balanced development of the national economy; and

- Third, settle humanitarian issues as soon as possible as requested in Paragraph 3 of the June 15 Joint Declaration.

(2) The Second Plenary Meeting (Oct. 17)

Following the plenary meeting on the first day, the two sides held several rounds of chief delegates' talks and working-level delegates' meetings to discuss major current issues pertaining to inter-Korean relations, including the nuclear standoff.

The South met with the North at the 12th round of the ministerial talks with the goal of examining and redressing certain issues regarding inter-Korean relations and creating an atmosphere favorable to resolution of the nuclear issue.

Against this backdrop, the South strongly urged the North to bring about resolution of the nuclear standoff whenever the opportunity arose in the course of public events including banquets and informal talks as well as official meetings and talks.

Expressing serious concerns about the North's announcement of its completion of nuclear reprocessing, the South called for prompt resolution of the nuclear issue.

The North underlined that its basic goal was to find a peaceful solution to the nuclear standoff through dialogue, and reiterated that the U. S. should abandon its policy of requiring the North to "give up its nuclear program first."

In the meantime, the South reacted strongly to the North's remark made during the ministerial talks (mentioned on Oct. 16 by the spokesperson for the North Korean Foreign Ministry) that the country might reveal the physical force of its nuclear deterrence.

The South vehemently protested that "such a measure on the part of the North constitutes an action that completely breaks faith with its dialogue partner." The South also pointed out that this threat prompted its people to distrust the North and develop doubts as to the future of inter-Korean relations, and caused some people to come to believe that inter-Korean dialogue was essentially useless and even clamor for the severance of inter-Korean relations.

The North explained that the comment made by the spokesperson for its Foreign Ministry was based on the following premise:

The announcement by the Foreign Ministry represents an expression of the country's stance in favor of bringing a

resolution to the nuclear standoff through dialogue. The North merely intended to clarify its willingness to engage in dialogue in a situation where the U. S. had been dragging its feet, unilaterally demanding North Korea's renunciation of its nuclear program first, and had been even reluctant to hold a New York meeting recently.

At the same time, the North said that it would “hold a dialogue irrespective of its form.” It went on to say that its position on dialogue would be manifested gradually.

Throughout the 12th round of inter-Korean ministerial talks, the South strongly called for a shift in North Korea's position, including participation in the second round of the six-party talks.

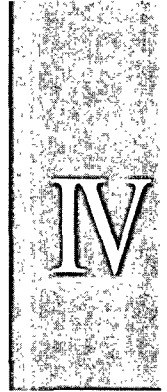
Under these circumstances, North Korea made an unexpected comment implying that it might "display the physical force of its nuclear deterrence", diminishing the productivity of the ministerial talks.

Furthermore, the North made unreasonable requests unacceptable to the South, such as for the dissolution of anti-North Korean groups and for the repatriation of unconverted long-term prisoners.

In consideration of the situation, the South concluded the 12th round by merely working out an agreement on the schedule for the next meeting with a view to ensuring the continuity of inter-Korean dialogue.

— <Summary of the Joint Press Statement> —

- o The two Koreas will continue to cooperate with each other in order to promote peace on the Korean peninsula and inter-Korean reconciliation and cooperation in line with the basic spirit of the June 15 Joint Declaration.
- o The two Koreas will continue to push for ongoing inter-Korean economic cooperation projects.
 - The two sides will convene the 7th round of the Inter-Korean Economic Cooperation Promotion Committee in Pyongyang in early November.
- o The two Koreas will hold the 13th round of the inter-Korean ministerial talks in Seoul February 3-6, 2004.



Chapter IV.
Military Talks

Chapter IV. Military Talks

1. The Eighth Round of Inter-Korean Working-Level Military Talks

A. Overview

In the 6th round of the working-level contact on inter-Korean road and railroad re-connection, the South and the North agreed to "examine possible utilization of the main roadbeds of the Gyeongui (Seoul-Shinuiju) and Donghae (East Coast) Lines for the passage of mutually agreed personnel, materials and equipment until the opening of the main roads." Accordingly, the chief South Korean delegate to the working-level military talks proposed that the location of temporary road re-connection at the Military Demarcation Line in the joint administrative zone of the two Koreas be changed to the main road routes. In response, the North suggested that a meeting be held between the two sides to discuss the issue. Thus, the 8th round of the inter-Korean working-level military talks was held at the Unification Pavilion in the northern part of the truce village of Panmunjom on September 17, 2003.

In the 8th-round meeting, the two sides adopted a "complementary agreement" to modify and supplement

paragraph 1 of the "provisional agreement for military assurances regarding passage via the temporary roads in the joint administrative zone of the two Koreas in the east and west coast areas" (referred to as "provisional agreement") that was adopted and effectuated during the 7th round of the inter-Korean working-level military contact (Jan. 27, 2003), which stipulated the opening of the Military Demarcation Line at the points of temporary road re-connection.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Mun Sung-muk (Head of the Inter-Korean Meeting Management Division of the Ministry of National Defense, colonel)	Yoo Young-chul (Deputy Bureau Chief of the Ministry of People's Armed Forces, senior colonel)
Delegates	Kim Ji-ho (Inter-Korean Exchange and Cooperation Officer of the Joint Chiefs of Staff, Colonel) Lee Myung-hun (Vice Commander of the 1st Division, Colonel) Gil Gang-seop (Gyeongui & Donghae Line Planning Officer, Lieutenant Colonel) Kim Gyung-jung (head of the Inter-Korean Transportation Department of the Ministry of Construction and Transportation)	Bae Gyung-sam (Ministry of People's Armed Forces, Colonel) Uhm Chang-nam (Ministry of People's Armed Forces, Colonel) Park Gi-yong (Ministry of People's Armed Forces, Colonel) Kim Sang-nam (Ministry of People's Armed Forces, Colonel)

B. Proceedings

In the meeting, the two sides specified their respective basic positions on the complementary agreement in their keynote addresses and exchanged draft agreements.

The South explained that the re-connection points for the temporary roads could be changed without the adoption of any additional agreements, and emphasized that even in the case of modification of re-connection points, the other provisions of the provisional agreement would not be affected.

In its keynote address, the North argued that an additional agreement modifying and supplementing the provisional agreement must be adopted since a change in the re-connection points of the temporary roads to the main road routes would require a change in the sections of the Military Demarcation Line to be opened.

After exchanging their respective draft complementary agreements, the two sides adjusted the language several times. Finally, they capped off the meeting with the adoption and effectuation of the "complementary agreement to the provisional agreement for military assurances regarding passage via the temporary roads in the joint administrative zone of the two Koreas in the east and west coast areas."

Under this agreement, which took effect from the date of its signing and exchange, the two sides made it possible to pass through the joint administrative zone, from September 18, 2003, via the main roads for which roadbed work had been completed, rather than the inconvenient temporary roads.

<Summary of the Complementary Agreement>

- o The two Koreas supplemented and modified paragraph 1 of the provisional agreement concluded on January 27, 2003 to include
 - use of the roadbeds for the main roads in the joint administrative zone of the two Koreas in the east and west coast areas as temporary roads until a new agreement for military assurances regarding passage via roads/ railroads is adopted and brought into force;
 - opening of the portions of newly reconnected temporary roads at the Military Demarcation Line in the joint administrative zone (10-meter section in the east coast area and 20-meter section in the west coast area); and
 - closing of the existing 10-meter temporary road section at the Military Demarcation Line.

2. The Sixth and Seventh Rounds of Inter-Korean Working-Level Military Contact

A. Overview

In the second meeting of the Inter-Korean Economic Cooperation Promotion Committee (Aug. 27-30, 2002), the two Koreas agreed to reconnect the temporary roads along the Donghae Line. In the third working-level contact on inter-Korean road and railroad re-connection (Dec. 15-17, 2002), the two sides agreed to open a temporary road prior to commencement of the construction of the Gaeseong Industrial Complex for the transport of materials and equipment necessary for cross-border road and railroad re-connection and personnel and equipment required for the construction of the industrial complex. Accordingly, the South proposed to the North the holding of a dialogue to discuss military assurances in relation to the opening of the temporary road, which was accepted by the North. Thus, the two Koreas held the 6th round of the inter-Korean working-level military contact at the House of Peace on Dec. 23, 2002 and the 7th round of the inter-Korean working-level military contact at the Unification Pavilion on January 27, 2003.

The meetings encountered a series of obstacles because of the two sides' divergent opinions on who should take

responsibility for dealing with affairs in the joint administrative zone of the two Koreas. Under the circumstances, the South proposed to the North a simplified plan whereby practical issues related to passage through the joint administrative zone would be handled based on the two sides reporting to each other directly in accordance with the principle that the Armistice Agreement should be respected in the joint administrative zone. With North Korea's acceptance of the proposal, the two Koreas concluded the talks by adopting and effectuating the "provisional agreement for military assurances regarding passage via the temporary roads in the joint administrative zone of the two Koreas in the east and west coast areas."

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Mun Sung-muk (Head of the Inter-Korean Meeting Management Division of the Ministry of National Defense, colonel)	Yoo Young-chul (Deputy Bureau Chief of the Ministry of the People's Armed Forces, Senior Colonel)
Delegates	Lee Myung-hun (Vice Commander of the 1st Division, Colonel) Chung Young-do (Deputy Chief of the Liaison Unit of the Military Armistice Commission, Colonel)	Bae Gyung-sam (Ministry of the People's Armed Forces, Colonel) Lee Byung-ryol (Ministry of the People's Armed Forces, Colonel) * Replacement at the 7th contact: Lee Byung-ryol → Uhm Chang-nam

B. Proceedings

At the 6th round of the inter-Korean working-level military contact held at the House of Peace in the southern part of Panmunjom on December 23, 2002, the South proposed in its keynote address the signing of an agreement on military assurances for railroad construction at the northern section of the Gyeongui Line and construction of the Gaeseong Industrial Complex, together with an agreement on passage via a temporary road along the Donghae Line for tours of Mt. Geumgang via an overland route. At the same time, the South emphasized that the two sides should reaffirm the fact that the joint administrative zone undisputedly constitutes a part of the Demilitarized Zone, and the Armistice Agreement therefore must be observed in the zone in order to open a temporary road there and provide military assurances for passage via the road.

In its keynote address, the North blamed the South for the failed verification of land mine elimination between the two sides and put forward a draft agreement encompassing both the Gyeongui and Donghae Lines. In its proposed agreement, the North argued that "any military issues raised in the joint administrative zone should be handled based on mutual consultations between the South and North" and asserted that the draft agreement proposed by the South was unacceptable.

The two sides endeavored to bridge the gap in their positions, continuing their dialogue until 23:20. However, the two sides failed to forge a final agreement because of North Korea's objection to the South's proposal that the "procedures and security issues regarding passage" be handled in accordance with the Armistice Agreement. As a result, they concluded the meeting by merely agreeing to continue discussions as regards issues that were not completely resolved.

Following the 6th round of the inter-Korean working-level military contact, the two sides engaged in consultations on the "provisional agreement for military assurances regarding passage via the temporary roads in the joint administrative zone of the two Koreas in the east and west coast areas" through an exchange of documents. In the process, the two sides significantly narrowed their differences as regards the handling of procedural issues surrounding approval of the passage through the Military Demarcation Line in accordance with the Armistice Agreement. As the two sides failed to work out a final agreement, however, they held the 7th round of the inter-Korean working-level military contact at the Unification Pavilion in the northern part of Panmunjom on January 27, 2003.

At the 7th meeting, the South suggested to the North that the simplified passage procedures being applied at

Panmunjom by the two sides be applied to the passage through the joint administrative zone and that other relevant practical issues be handled with the two sides reporting directly to each other. The North accepted the proposal by the South, and the two sides effectuated the "provisional agreement for military assurances regarding passage via the temporary roads in the joint administrative zone of the two Koreas in the east and west coast areas."

— <Summary of the Provisional Agreement> —

- o The two sides shall respectively open 10-meter sections at the Military Demarcation Line from the points where temporary roads are connected in the joint administrative zone in the east and west coast areas.
- o If either side intends to enter the other's joint administrative zone that is a part of the Demilitarized Zone through a temporary road, it shall provide prior notice to the other.
 - Procedural issues regarding approval of passage shall be discussed and handled in accordance with the Armistice Agreement.
- o The two sides shall provide security guarantees in their respective part of the joint administrative zone.

3. The Eighth Round of Inter-Korean Working-Level Military Contact

A. Overview

In its telephone notification on May 30, 2003, North Korea said that "mutual understanding as regards the status" of road and railroad construction was necessary as the construction work was entering the final stage, and proposed to hold a meeting in order to discuss relevant practical issues. As the South accepted the proposal, the two sides held the 8th round of the working-level military contact at the House of Peace located on the southern part of Panmunjom on June 4, 2003. During the contact, the two sides agreed on the plan for "on-site inspections of the status of road and railroad construction in the joint administrative zone," which provided for the two sides' respective dispatch of a ten-member delegation to the sites of road and railroad re-connection in the east and west coast areas on June 11, 2003.

In accordance with this agreement, the two Koreas implemented mutual on-site visits on June 11, 2003, as planned. This is the first time since the conclusion of the Armistice Agreement in 1953 that military personnel of the two Koreas visited each other's sides of the Demilitarized Zone. In the meantime, the procedures for passage via a

temporary road as agreed upon at the 7th round of the inter-Korean working-level military contact on January 27 applied to these on-site visits.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Mun Sung-muk (Head of the Inter-Korean Meeting Management Division of the Ministry of National Defense, Colonel)	Yoo Young-chul (Deputy Bureau Chief of the Ministry of the People's Armed Forces, Senior Colonel)
Delegates	Lee Myung-hun (Vice Commander of the 1st Division, Colonel) Chung Young-do (Deputy Chief of the liaison unit of the Military Armistice Commission, colonel)	Bae Gyung-sam (Ministry of the People's Armed Forces, Colonel) Uhm Chang-nam (Ministry of the People's Armed Forces, Colonel)

B. Proceedings

At the meeting, the South first inquired with the North regarding the specific meaning of "mutual understanding as regards the status" of the road and railroad construction sites. The North responded that it referred to identifying and tracking construction progress based on mutual visits.

North Korea laid down a specific draft plan for such visits, opining that it was necessary to mutually track the other's progress in construction to ensure balanced pursuit of construction work because railroad construction and roadbed

work neared completion. In the plan, the North suggested that the two sides make concurrent one-day field visits to each other's construction sites in the east and west coast areas in the morning and afternoon in order to check on the general status, in person, of road and railroad re-connection work, including the progress of construction, installation of structures and elimination of land mines, and to listen to each other's explanations.

The South proposed in its keynote address to commence an inter-Korean dialogue to formulate an agreement on military assurances for passage through the joint administrative zone to gear up for the completion of cross-border road and railroad re-connection. The South also touched upon the installation of guard posts in the joint administrative zone and the connection of communication lines for the Donghae Line pursuant to the "agreement on the establishment of the joint administrative zone in the east and west coast areas and military assurances for the construction of roads and railroads linking the South and the North" (Sept. 17, 2002). At the same time, the South called on the North Korean authorities to take appropriate measures concerning the encroachment of North Korean fishing vessels on the NLL (Northern Limit Line). Concerning mutual visits to the construction sites, the South pointed out that military personnel as well as civilian experts actually carrying out

construction projects should be included on the list of visitors. The South also proposed to conduct such visits on June 11.

At first, the North insisted that only military personnel be included as part of the delegations. At the last minute, however, it accepted the South's proposal. Accordingly, the two sides wrapped up the meeting by agreeing on the plan for "on-site inspections of the status of road and railroad construction in the joint administrative zone."

<Summary of the Plan for On-Site Inspections of the
Status of Road and Railroad Construction
in the Joint Administrative Zone>

- o Date: June 11, 2003
- o Time: Southern part of the east coast area: 09:00-12:00
Northern part of the east coast area: 14:00-17:00
Northern part of the west coast area: 09:00-12:00
Southern part of the west coast area: 14:00-17:00
- o Number of visitors: 10 persons from each side for the east and west coast areas respectively
- o Site of visit: Entire joint administrative zone of the two Koreas

4. The Ninth and Tenth Rounds of Inter-Korean Working-Level Military Contact

A. Overview

Paragraph 6, article 1 of the "agreement on the establishment of the joint administrative zone in the east and west coast areas and military assurances for the construction of roads and railroads linking the South and the North" (Sept. 17, 2002) provides that "each of the two sides shall install one guard post near their respective road in the joint administrative zone, which is 250 meters away from the Military Demarcation Line, and shall not build any other military installations." As the provision raised a need to deal with issues related to the construction and operation of the guard posts, South Korea proposed on November 8, 2003 that the two sides undertake negotiations to determine a standard size and shape for the guard posts and formulate their common operation standards. With North Korea consenting to the proposal, the two sides held the 9th inter-Korean working-level military contact at the House of Peace on November 14, 2003 and the 10th contact at the Unification Pavilion on November 28, 2003.

The two sides sought to coordinate their positions through the two rounds of working-level contact and managed to

hammer out an agreement on the shape of the guard posts, etc. However, they failed to resolve some differences regarding the functions and operation of the guard posts. Thus, the two sides concluded the talks with an agreement to continue mutual consultations in the form of an exchange of documents.

<List of the Two Sides' Delegates>

	South	Korea
Chief Delegate	Mun Sung-muk (Head of the Inter-Korean Meeting Management Division of the Ministry of National Defense, Colonel)	Yoo Young-chul (Deputy Bureau Chief of the Ministry of the People's Armed Forces, Senior Colonel)
Delegates	Lee Myung-hun (Vice Commander of the 1st Division, Colonel) Chung Young-do (Deputy Chief of the liaison unit of the Military Armistice Commission, colonel)	Kim Sang-nam (Ministry of the People's Armed Forces, Colonel) Uhm Chang-nam (Ministry of the People's Armed Forces, Colonel)

B. Proceedings

During the 9th round of the inter-Korean working-level military contact, the two sides put forward their respective draft agreements on the construction and operation of guard posts in the joint administrative zone and engaged in relevant consultations.

The South proposed that until the adoption of a new agreement for military assurances for passage through the joint administrative zone, the two sides conclude a provisional agreement on such guard posts. However, the North argued that it was not appropriate to sign a provisional agreement since the matters pertaining to the construction and operation of the guard posts were of a permanent nature.

The two Koreas agreed on the size and shape of the guard posts (11.5-square-meters, octagonal building) and the principle of day duties; however, they failed to work out an agreement on other matters, including the number of personnel to be stationed in the posts. The two sides concluded the meeting by agreeing to hold another round of working-level contact after scrutinizing the each other's proposals.

At the 10th inter-Korean working-level military contact held two weeks later, the South presented the North with a modified draft agreement substantially reflecting the opinions of the North such as the adoption of a permanent agreement as opposed to a provisional one. The North also put forward its own modified draft agreement partly accepting the proposal from the South, including the stationing of 3 persons per guard post.

During the 10th-round contact, the two sides hammered out a final agreement on the size and shape of the guard posts and reached a consensus on the installation of traffic control points and the number of personnel to be stationed there (3 persons). However, they failed to bridge differences over the timing of installation and operation and the functions of the guard posts. Under the circumstances, the two sides wrapped up the meeting with an agreement to continually engage in consultations through exchange of documents to resolve the outstanding issues at an early date.

5. The First and Second Rounds of Working-Level Contact on Communication Line Connection on the Donghae Line

Paragraph 4, article 4 of the "agreement on the establishment of the joint administrative zone in the east and west coast areas and military assurances for the construction of roads and railroads linking the South and the North" (Sept. 17, 2002) provides that the "two sides shall connect two wired communication lines respectively in the east and west coast areas to guarantee communication between the sites of construction" and that "such connection in the east coast area shall be performed after the complete removal of land mines." Accordingly, the communication lines linking the Gyeongui Line construction sites of the two Koreas were connected on

September 25, 2002. In compliance with the agreement, the South repeatedly proposed to the North the implementation of a communication line connection regarding the Donghae Line upon completion of land mine elimination (Dec. 11, 2002). However, the North demonstrated a lukewarm reaction to this proposal.

At the 8th inter-Korean working-level military contact (June 4, 2003), the South again pointed out the need to connect a communication line for the Donghae Line. As the North gave its consent on the issue, the two sides held the 1st round of the working-level contact on communication line connection on the Donghae Line at the point of road connection in the joint administrative zone in the east coast area on June 20, 2003. Working-level military personnel from the two sides in charge of the construction sites in the east coast area participated in the contact: four persons from the South, including Colonel Im Bong-rae, and three persons from the North, including Colonel Park Gi-yong. At the 1st working-level contact on communication line connection on the Donghae Line, the two sides exchanged their opinions on the method of communication line connection and the section to be connected.

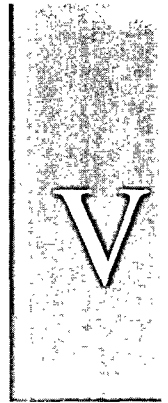
Following the 1st working-level contact on communication line connection on the Donghae Line, the South and North

continued their mutual consultations in the form of exchange of documents. At the 9th inter-Korean working-level military contact (Nov. 14, 2003), the two sides agreed to hold the second working-level contact on communication line connection on the Donghae Line. Accordingly, the South sent the North a telephone notification in the name of its chief delegate to the inter-Korean working-level military talks on November 18, 2003 proposing that the second working-level contact on communication line connection on the Donghae Line be held on November 21. With the North giving consent to the proposal on November 19, the second-round contact was held at the point of road re-connection in the joint administrative zone in the east coast area on November 21, 2003.

Working-level military personnel from the two sides in charge of the construction sites in the east coast area attended the second working-level contact on communication line connection on the Donghae Line: four persons from the South, including Colonel Im Bong-rae, and four persons from the North, including Colonel Uhm Chang-nam.

During the meeting, the two sides agreed to connect two wired communication lines in the east coast area on December 5, 2003 to guarantee communication between the construction sites of the two sides pursuant to paragraph 4, article 4 of the "agreement on the establishment of the joint administrative

zone in the east and west coast areas and military assurances for the construction of roads and railroads linking the South and the North" (Sept. 17, 2002). More specifically, the two Koreas agreed that the point of communication line connection would be east of the point of road re-connection at the Military Demarcation Line in the joint administrative zones in the east coast area and that the two sides would respectively build terminal boxes at a point 250 meters behind the Military Demarcation Line and connect the terminal boxes with communication cables.



Chapter V.
Inter-Korean Economic
Talks

Chapter V. Inter-Korean Economic Talks

1. The Fourth Meeting of the Inter-Korean Economic Cooperation Promotion Committee

A. Overview

In accordance with the agreement reached in the third-round meeting held in Pyongyang in November 2002, the 4th round of the Inter-Korean Economic Cooperation Promotion Committee was held in Seoul during February 11-14, 2003.

The two Koreas engaged in consultations about the North Korean nuclear standoff and the specific implementation schedule for the previously agreed upon economic cooperation projects of the two sides including cross-border road and railroad re-connection and the commencement of construction of the Gaeseong Industrial Complex.

However, the two sides could not produce a written agreement due to a failure to narrow their differences regarding the nuclear issue and matters related to road and railroad re-connection on the Gyeongui (Seoul-Shinuiju) and Donghae (East Coast) Lines. Thus, the meeting concluded with the issuance of a joint press statement containing the

details of the consultation.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Yoon Jin-shik (Deputy Minister of Finance and Economy)	Park Chang-ryon (Senior Deputy Chairman of the State Planning Commission)
Delegates	Cho Myung-gyun (Head of the Exchange & Cooperation Bureau of the Ministry of Unification) Kang Gyo-shik (Head of the National Land Policy Bureau of the Ministry of Construction & Transportation) Kim Chang-se (Head of the Water Resource Bureau of the Ministry of Construction & Transportation) Kim Hae-jong (Officer of the Office of the Prime Minister)	Park Jung-sung (Head of the External Railway Cooperation Bureau of the Ministry of Railways) Choi Hyun-gu (President of Samcholli General Company) Park Sung-hee (Deputy Bureau Chief of the Ministry of Power and Coal Industries) Cho Hyun-ju (Deputy Minister-Level Officer of the National Economic Cooperation Federation)

B. Proceedings

(1) The First Plenary Meeting (Feb. 12)

In their keynote speeches, the two sides specified their basic positions on inter-Korean road and railroad re-connection, construction of the Gaeseong Industrial Complex and establishment of an institutional mechanism to

boost mutual economic cooperation, and subsequently presented their respective draft written agreements.

In particular, the South conveyed the concerns of its populace and the international community and urged the North to take actions to peacefully end the nuclear standoff. The South also emphasized that an improvement in the security environment on the Korean peninsula would be integral to the promotion of inter-Korean economic cooperation.

At the same time, the South noted that it was important to successfully put the finishing touches on inter-Korean economic cooperation projects being pursued at the moment, proposing that the two sides fully cooperate with each other to reconnect the Gyeongui Line railroad at the earliest possible date, complete the re-connection of the Donghae Line by an agreed deadline, and fully cooperate with each other for rapid construction of the Gaeseong Industrial Complex.

In addition, the South emphasized that it was necessary to conduct joint surveys of the Imjin River basin in March, put the four major agreements on inter-Korean economic cooperation into force at an early date, engage in consultations on related follow-up measures and inspect the sites where food, materials and equipment supplied by the South were

distributed.

In the meantime, the North refused to discuss its nuclear issue in the meeting, on the grounds that it had already clarified its position on the issue. The North also said that it would maintain and further ongoing inter-Korean economic cooperation projects, highly esteeming the projects.

Concerning the Gyeongui and Donghae Line railroad re-connection projects, the North emphasized the principle of "simultaneous re-connection and simultaneous opening." In particular, the North contended that construction of the Onjeongri -Jeojin section of the Donghae Line should be completed as soon as possible.

The North also suggested that the two sides discuss and implement a timeline for matters pertaining to mutual economic cooperation, including the establishment of an institutional mechanism for maritime cooperation and economic cooperation.

<Summary of South Korea's Keynote Address>

- o As the nuclear standoff is a pressing issue, the North should no longer aggravate the situation and must take measures essential to peaceful resolution of the issue. Such measures will significantly contribute to the promotion of inter-Korean economic cooperation.

o Since the projects agreed upon by the two Koreas to date are integral to the promotion of inter-Korean relations and the expansion of mutual economic cooperation, the South expects that the two sides will reach a consensus on the need to successfully put the finishing touches on these projects and subsequently pursue mutual consultations toward that end from a constructive point of view.

o First, inter-Korean road and railroad re-connection;

– Above all, the South expects that the reconnecting of the Gyeongui Line railroad will be finished at the earliest possible date and that the re-connection project on the Donghae Line be executed at the fastest pace and completed by an agreed deadline.

– In addition, the two sides should discuss the conclusion of an agreement on train operation, the opening of an office for train and motor vehicle operation, on-site surveys for the design of materials and equipment of signal, communication and electric systems, and so forth.

o Second, construction of the Gaeseong Industrial Complex;

– The two sides must proactively cooperate with each other so that a ground-breaking ceremony can be held as soon as the relevant schedule is determined based on consultations between the two sides' business entities concerned.

– Since the South is exerting every effort for the successful construction of the industrial complex, including support for its infrastructure construction, the North should take such actions as prompt enactment of sub-regulations of the Gaeseong Industrial

District Act and reduction of construction costs.

o Third, prevention of flooding at the Imjin River basin;

- Hopefully, a joint survey will be conducted in March at the latest and practical anti-flooding measures, including the installation of flood warning facilities, will be taken prior to this year's rainy season.
- The South expects that the two sides will exchange meteorological and sluice gate-related data, together with materials on hydraulic systems, prior to a joint survey and hammer out an agreement on the South's potential supply of seedlings in a smooth manner.

o Fourth, establishment of an institutional mechanism for economic cooperation;

- Since the South has been striving to put the four major agreements on inter-Korean economic cooperation into effect, including the agreement on investment protection, the South hopes that the North will promptly undertake procedures for their effectuation.
- Concerning South Koreans' round-trip passage to and from North Korea, the adoption of an agreement on passage to and from the Gaeseong and Mt. Geumgang districts may be considered first, if the North finds it difficult to adopt a framework agreement on such passage at this stage.

o Fifth, inspection of the distribution sites of food, materials and equipment supplied by the South;

- The South hopes that the North will notify the South of the details

of distribution of the 4th food loan shipment and render generous support for the scheduled second visit by a South Korean delegation to the sites of distribution.

- The South also hopes that the North will notify the South of the results of its use of the materials and equipment provided by the South for road and railroad re-connection, and fully cooperate to allow South Korean technicians to visit its construction sites at the earliest possible date.

<Summary of North Korea's Keynote Address>

- o Due to outside forces that have been disgruntled with inter-Korean economic cooperation projects and created hurdles by interfering with and applying pressure on the two Koreas, the political situation on the Korean peninsula has been deteriorating, casting a dark shadow over the economic cooperation projects. In the belief that the two sides, through this meeting, should bring strong confidence and optimism about national prosperity and unification to the Korean people hoping for sustained implementation of the June 15 Joint Declaration, the North intends to specify its position on matters to be discussed in this meeting.
- o First, Donghae and Gyeongui Line road and railroad re-connection;
 - The North reiterates its principle of simultaneous re-connection and simultaneous opening as regards cross-border road and railroad re-connection along the east and west coasts.
 - Regarding the two lines, the North proposes that the two sides finish railroad re-connection in the Demilitarized Zone first, and then

proceed with construction work in the direction of their respective nation. In particular, the North suggests that construction of the Onjeongri–Jeojin section of the Donghae Line railroad be completed as soon as possible.

o Second, construction of the Gaeseong Industrial Complex;

– The North proposes that the two sides fully cooperate with each other in order to ensure that a ground–breaking ceremony for the industrial complex will be executed at the earliest appropriate time in February and full–fledged development of the complex be undertaken subsequently.

o The North also suggests that the two sides sincerely discuss and execute the implementation schedule for matters related to inter–Korean economic cooperation projects, including the establishment of an institutional mechanism for marine cooperation and economic cooperation.

(2) Contact Between Chairmen/Committeemen (Feb. 12-13)

The two sides held chairmen's meetings and committeemen's meetings to discuss the nuclear standoff and current issues regarding inter-Korean economic cooperation.

The South sought to convince the North that it was necessary to incorporate the two Koreas' dedication to the denuclearization of the Korean peninsula and to finding a peaceful resolution to the nuclear standoff into their written

agreement, at least in a symbolic sense, given that the standoff had been serving as a hindrance to the development of inter-Korean relations. However, the North contended that the nuclear standoff was not an issue to be dealt with in a meeting of the committee as it had repeatedly been discussed in earnest in inter-Korean ministerial talks. With regard to this, the two sides failed to bridge the gap in their opinions.

The two Koreas forged a consensus on swift pursuit of road and railroad re-connection, commencement of Gaeseong Industrial Complex construction, joint surveying of Imjin River and effectuation of the four inter-Korean economic cooperation agreements, as well as the need for visits to North Korea by South Korean delegations to check the status of foods, materials and equipment supplied by the South. However, they failed to reach an agreement on specific issues, including the timing of such visits.

(3) The Second Plenary Meeting (Feb. 13)

In the second plenary meeting, the South and the North agreed that they should continuously expand and further mutual economic exchanges and cooperation. They wrapped up the meeting by issuing a joint press statement that they would formulate concrete measures for execution of the existing agreements and continue to engage in mutual

consultations toward that end.

◁Summary of the Joint Press Statement▷

- o The two sides forged a consensus that they should constantly expand and further inter-Korean economic exchanges and cooperation currently underway.
- o The two sides agreed to formulate concrete measures for execution of the existing agreements, including road and railroad re-connection, construction of the Gaseong Industrial Complex and flooding prevention in the Imjin River basin, and continue to engage in mutual consultations.
- o The two sides decided to hold the 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee in Pyongyang in April.

2. The Fifth Meeting of the Inter-Korean Economic Cooperation Promotion Committee

A. Overview

The 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee was held in Pyongyang May 19-23, 2003. The meeting encountered a bumpy road as indicated by the fact that the meeting was extended for a day because of an unexpected remark by the North during the meeting.

In its keynote address during a plenary meeting (May 20), the North threatened, as regards the "further steps" mentioned in a joint statement by the leaders of South Korea and the U.S., that "if South Korea engages itself in confrontation with the North, it will face disaster." This situation disrupted the talks, leaving the two sides unable to enter into consultations on practical issues until the afternoon of May 22.

Concerning the "disaster" comment made by the North, the South sought to sound out the intention of the North through working-level meetings, while strongly demanding that the North take reasonable measures to address the situation.

Since the North explicated its comment in the afternoon of May 22, the two sides embarked on consultations about current issues. They capped off the meeting by adopting a seven-point agreement on events to celebrate the Gyeongui and Donghae Line track re-connection and other issues.

<List of the Two Sides' Delegates>

	South	North
Chairman	Kim Gwang-rim (Deputy Minister of the Ministry of Finance and Economy)	Park Chang-ryon (Senior Deputy Chairman of the State Planning Commission)

Members	Cho Myung-gyun (Head of the Exchange & Cooperation Bureau of the Ministry of Unification)	Park Jung-sung (Head of the External Railway Cooperation Bureau of the Ministry of Railways)
	Kang Gyo-shik (Head of the National Land Policy Bureau of the Ministry of Construction & Transportation)	Choi Hyun-gu (President of Samcholli General Company)
	Kim Chang-se (Head of the Water Resource Bureau of the Ministry of Construction & Transportation)	Park Sung-hee (Deputy Bureau Chief of the Ministry of Power and Coal Industries)
	Kim Hae-jong (Officer of the Office of the Prime Minister)	Cho Hyun-ju (Deputy Minister-Level Officer of the National Economic Cooperation Federation)

B. Proceedings

(1) The First Plenary Meeting (May 20)

Unprecedentedly, North Korea demonstrated its basic position on sitting for the dialogue by separating its speeches into a "keynote address" and a "proposal address."

In its keynote address, North Korea lashed out at the South Korea-U.S. joint statement. It claimed that "the South must keep in mind that if it takes the path to confrontation with the North by raising such issues as the nuclear standoff or "further steps," inter-Korean relations will be reduced to naught and the South will face unimaginable disaster."

At the same time, the North expressed its views on rice supply, road and railroad re-connection, development of the Gaeseong Industrial District, prevention of flooding in the Imjin River basin and mutual cooperation regarding electrical power in its separate "proposal address," putting forward a five-point agreement.

In its keynote address, the South explained its participatory government's policy for peace and prosperity and its principle of inter-Korean economic cooperation, and also stressed peaceful resolution of the nuclear standoff for the stable pursuit of inter-Korean economic cooperation.

In addition, it expressed its stance on the implementation of existing inter-Korean economic cooperation projects including the Gyeongui and Donghae Line road and railroad re-connection, construction of the Gaeseong Industrial Complex, revitalization of the Mt. Geumgang tour program and flood prevention in the Imjin River basin.

<Summary of North Korea's Keynote Address>

- o The two sides are holding the 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee at a time when it is feared that their mutual economic cooperation, which has been implemented in accordance with the historic June 15 Joint Declaration, might break down.

- o In the joint statement by the South and the U.S., the South agreed to the so-called "further steps" that people around the world construe and worry about as a maneuver for a potential blockade and military action against the North. Additionally, the South promised the U.S. that it would pursue inter-Korean economic cooperation according to the degree of progress in efforts to resolve the "nuclear issue," and proclaimed that it would "no longer yield to North Korea's will."
- o The South must keep in mind that if it takes the path to confrontation with the North by raising such issues as the nuclear standoff or further steps, inter-Korean relations will be reduced to naught and the South will face unimaginable disaster.
- o The North expresses deep regret over the situation and request that the South provides a reasonable explanation on the issue.

<Summary of North Korea's Proposal Address>

- o *The basic issues raised in the keynote address reflect the Korean people's yearning for co-prosperity and other realistic needs. These issues, which are essential to the advancement of mutual economic cooperation, must be resolved without fail.*
- o The North puts forward the following proposals to ensure that this meeting will provide a significant opportunity to give new momentum to mutual economic cooperation projects undertaken by the two sides in good faith.
- o First, rice supply;

- It is proposed that the South supply approximately 500,000 tons of polished rice. If the South finds it difficult to provide 500,000 tons of rice all at once due to problems associated with its preparation, the North hopes that an initial supply of 200,000 tons of rice will be provided in late May.
- o Second, road and railroad re-connection;
 - It is requested that the two sides hold events to mark the Donghae and Gyeongui Line railroad reconnection around June 10 and complete the re-connection projects as soon as possible by promptly formulating necessary technical and practical measures in relation to the supply and utilization of materials and equipment.
- o Third, construction of the Gaeseong Industrial District;
 - The South should take responsibility for ensuring that a ground-breaking ceremony for the Gaeseong Industrial District will be conducted around June 20, at the latest, with the participation of Hyundai Asan's officers in charge of the development.
- o Fourth, prevention of flood in the Imjin River basin;
 - The North proposes that an independent or joint survey be implemented in the Imjin River basin of the two Koreas in June after military assurances are provided, and that the two Koreas work out an agreement on establishment of a flood warning system prior to this year's rainy season.
- o Fifth, mutual cooperation regarding electrical power supply;

- It is desirable to pursue power transmission line re-connection through the section of the west coast railroad re-connection immediately after the ground-breaking ceremony for the construction of the Gaeseong Industrial District.
- o In addition, it is required to lay the institutional foundation for inter-Korean economic cooperation as soon as possible by giving effect to the four major agreements on economic cooperation including those on investment protection and prevention of double taxation, as well as the agreement on maritime transportation in June.

<Summary of South Korea's Keynote Address>

- o The participatory government, which was launched in the South last February, has embraced the policy for peace and prosperity. The goal of this policy is to bring a lasting peace to the Korean peninsula and achieve co-prosperity of the two Koreas and ultimate development of the peninsula into an economic hub in Northeast Asia.
- o The new government was launched with its firm determination to constantly seek and further inter-Korean economic cooperation. However, the North Korean nuclear standoff is hampering creation of conditions favorable for attainment of such purpose and serving as an impediment to pursuit of inter-Korean economic cooperation.
- o Hoping for settlement of the nuclear issue and smooth implementation of the projects agreed by the two Koreas, the South intends to specify its position on ongoing inter-Korean economic cooperation projects.
- o First, Gyeongui and Donghae Line road and railroad re-connection;

- In the 4th-round working-level contact on inter-Korean road and railroad re-connection, the two sides agreed to hold events to mark re-connection of the Gyeongui and Donghae Line railroads in late March this year. However, the North unilaterally cancelled such events without giving any explanation. Expressing regrets over the situation, the South hopes that the events will be held on or before June 15.

- Since opening of the Gyeongui Line railroad is necessary for the transport of materials and equipment and efficient movement of personnel for the purpose of the construction of the Gaeseong Industrial Complex, the South calls for completion of the construction works as soon as possible. In addition, the two sides must ensure that the Donghae Line road and railroad re-connection works will be completed within an agreed deadline.

o Second, construction of the Gaeseong Industrial Complex;

- Concerning land lease fees, compensation costs for existing buildings and structures and so forth, the North should actively accept the opinions of South Korean businesses involved in the construction so as to sharpen the competitive edge of the Gaeseong Industrial Complex. The South also hopes that the North will promulgate the five major sub-regulations of the Gaeseong Industrial District Act, already agreed by the two sides, before beginning of the construction.

o Third, revitalization of the Mt. Geumgang tour program;

- Hopefully, the Mt. Geumgang tour program, which remains suspended because of 'SARS (Severe Acute Respiratory

Syndrome)', will be resumed on or prior to June 15. In addition, the two sides should adopt an agreement on communication, customs and quarantine regarding the district to prevent any inconvenience on the part of tourists.

o Fourth, prevention of flood in the Imjin River basin;

- The South hopes that the draft agreement on prevention of flood in the Imjin River basin delivered to the North on March 20 will be adopted as soon as possible so that a joint survey can be conducted before this year's rainy spell.
- As the two Koreas should be allowed to jointly use a joint river, it is requested that the North provide data on Imnam Dam in Bukhan River and Hwanggang Dam in Imjin River.

o Fifth, food and fertilizer supply;

- As the South expressed its willingness to provide the North with food and fertilizer in the 10th round of the inter-Korean ministerial talks, it will take necessary steps for such supply. Under the situation, the South hopes that the North will fully cooperate with the South for smooth implementation of such supply and take relevant measures to enhance the transparency of their distribution.

(2) Contact between Chairmen/Committeemen (May 20~23)

With respect to North Korea's comment on a 'disaster' during the 1st plenary meeting (May 20), South Korea applied

strong pressure on the North by postponing the official schedule of the dialogue and calling for reasonable measures by the North in chairmen's contact, etc.

The North, which at first disapproved of a vehement protest by the South, said in the 1st committeemen's meeting in the afternoon of May 22, "We would like to make it clear that the comment on a disaster basically came from our hopes to attain co-prosperity of the two Koreas by preventing intensification of any confrontation between them from bringing inter-Korean relations to naught, and any disaster from reducing both the North and the South to a miserable state." Accordingly, the two sides embarked on consultations about substantive issues from the 4th-round committeemen's meeting (May 23).

Concerning rice supply, North Korea requested that South Korea provide 500,000 tons of rice. It demanded that, if it was difficult for the South to prepare and supply 500,000 tons of rice at one time, the South provide 200,000 tons of rice first in late May.

The South responded that it would provide 400,000 tons of rice for humanitarian reasons. It noted that the North should not worsen the situation, including circumstances surrounding the nuclear issue, to ensure that the rice could

be supplied smoothly, stressing the need to take actions to improve transparency regarding rice distribution.

With respect to the Gyeongui and Donghae Line track re-connection, the ground-breaking ceremony for the Gaeseong Industrial Complex, joint survey for flood prevention in the Imjin River basin and the resumption of Mt. Geumgang tours by overland and sea routes, the two sides had some differences as to the timing for implementation. However, they coordinated their positions through mutual consultations.

As a result, the two sides reached a seven-point agreement on South Korea supplying 400,000 tons of rice in the form of a loan, execution of inter-Korean railroad track re-connection events around June 10, etc.

(3) The Second Plenary Meeting (May 23)

The two Koreas held the second plenary meeting on May 23, one day later than originally scheduled. The two sides concluded the meeting by adopting a seven-point "agreement of the 5th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee" on the execution of a ground-breaking ceremony for the Gaeseong Industrial Complex in late June, and the implementation of a joint

survey in June for flooding prevention in the Imjin River basin, resumption of South Koreans' tour of Mt. Geumgang by overland and sea routes in June, etc.

—<Summary of the Agreement>—

① Gyeongui and Donghae Line road and railroad re-connection work

- The two sides will hold track re-connection events around June 10 at the re-connection points of the lines at the Military Demarcation Line.
- The two sides will strive to complete the road and railroad re-connection work at the earliest possible date by laboriously carrying out the construction.

② Construction of the Gaeseong Industrial Complex

- The two sides will hold a ground-breaking ceremony in late June in accordance with an agreement between their relevant business entities.
- The two sides will fully cooperate with each other to develop the industrial complex into an internationally competitive facility.

③ Prevention of flooding in the Imjin River basin

- The two sides will conduct a joint survey in June and establish a flood warning system prior to the rainy season.
- North Korea will give a notice on discharge of Innam Dam, when necessary, to brace for a rainy spell.

④ Establishment of an institutional mechanism for economic cooperation

- The two sides will put into effect the four agreements on economic cooperation, the agreement on maritime transportation and the agreement on communication, customs and quarantine relevant to the Gaeseong Industrial Complex at an early date based on necessary procedures.

⑤ Stimulation of Mt. Geumgang tourism

- The two sides will strive to resume the tour by overland and sea routes in June.

⑥ South Korea's supply of 400,000 tons of rice to North Korea in the form of a loan

- ※ North Korea will actively cooperate with South Korea for smooth execution of the supplying of rice, including guaranteeing South Korea an opportunity to examine the transparency of rice distribution (agreement on provision of a food loan).

⑦ Convocation of the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee (late August, Seoul)

- The two sides will hold the working-level consultative meeting and working-level contact under the Inter-Korean Economic Cooperation Promotion Committee in Gaeseong or Munsan according to a schedule to be determined by mutual agreement.

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

A. Overview

As agreed in its 5th-round meeting held in May 2003, the 6th round meeting of the Inter-Korean Economic Cooperation

Promotion Committee was held in Seoul August 26-28, 2003. Kwon Do-yeop, Choi Young-chul and Kim Ho-hong participated in the 6th round as new South Korean members of the committee, because of a partial shuffling of members.

As the six-party meeting for a peaceful resolution to the nuclear standoff was to be held (Aug. 27-29, Beijing) and there were no particular thorny issues between the two Koreas, the 6th round meeting of the Inter-Korean Economic Cooperation Promotion Committee was held for only three days, one day less than the ordinary duration of such a meeting.

Based on focused consultations about current issues concerning ongoing economic cooperation projects, the two Koreas adopted a nine-point agreement on the finalization of the schedule for road and railroad re-connection and so forth, and signed and exchanged the "agreement on origin certification procedures for goods traded between the South and the North."

<List of the Two Sides' Delegates>

	South	North
Chairman	Kim Gwang-rim (Deputy Minister of the Ministry of Finance and Economy)	Park Chang-ryon (Senior Deputy Chairman of the State Planning Commission)

Members	Cho Myung-gyun (Head of the Exchange & Cooperation Bureau of the Ministry of Unification)	Park Jung-sung (Head of the External Railway Cooperation Bureau of the Ministry of Railways)
	Kwon Do-yeop (Head of the National Land Policy Bureau of the Ministry of Construction & Transportation)	Choi Hyun-gu (President of Samcholli General Company)
	Choi Young-chul (Head of the Water Resource Bureau of the Ministry of Construction & Transportation)	Park Sung-hee (Deputy Bureau Chief of the Ministry of Power and Coal Industries)
	Kim Ho-hong (Officer of the Office of the Prime Minister)	Cho Hyun-ju (Deputy Minister-Level Officer of the National Economic Cooperation Federation)
		Kim Byung-chil (Bureau Chief of the Ministry of National Environmental Protection)

B. Proceedings

(1) The First Plenary Meeting (Aug. 26)

In its keynote address, the South stressed that inter-Korean economic cooperation should be pursued without setbacks and presented concrete plans for the three major inter-Korean economic cooperation projects.

The South proposed that the Gyeonggi Line railroad be connected to the Gaeseong Industrial Complex within the year and that the Donghae Line railroad also linked to the

industrial complex as soon as possible. The South also suggested that the connecting of the Gyeongui and Donghae Line roads be executed within the year.

With respect to construction of the Gaeseong Industrial Complex, the South requested that the North enact and promulgate relevant sub-regulations at an early date and provide support for smooth construction of its infrastructure. In addition, the South called on the North to allow overland tours of Mt. Geumgang on a regular basis, fix the boundary of the Mt. Geumgang special district, and lay the necessary institutional groundwork, including the signing of an agreement on passage to and from the special district.

In addition, the South proposed that a joint survey for prevention of flooding in the Imjin River basin be carried out in October and that South Korean delegations visit at least one North Korean food distribution center in the east and west coast areas respectively in September.

In response, the North suggested in its keynote address that the two Koreas catapult mutual economic cooperation projects to a higher level, expressing appreciation for the role of the late Hyundai Asan chairman Chung Mong-heon and his company in the promotion of inter-Korean economic cooperation and stressing its principle of "between the Korean

people."

As regards cross-border road and railroad re-connection, the North proposed that railroad track construction and roadbed work on the Gaeseong-Munsan and the Onjeongri-Jeojin routes be concurrently completed by the end of the year.

Concerning development of the Gaeseong Industrial Complex, North Korea demanded that the South Korean authorities provide responsible support so that Hyundai may fully perform its role as a developer. The North also called for early effectuation of the inter-Korean agreement on maritime transportation and the launch of mutual consultations about its subsidiary agreement.

In addition, the North proposed that the two sides discuss the establishment of electric power networks in Northeast Asia and the construction of gas pipes by holding a working-level consultative meeting on cooperation in electrical power supply. It also proposed to discuss expansion of inter-Korean direct trade by trading merchandise or goods manufactured on a subcontracting basis in the form of direct trade, and the promotion of mutual cooperation regarding vessel dismantling and overseas construction.

<Summary of South Korea's Keynote Address>

- o Hoping that the six-party talks, which will kick off tomorrow in Beijing, will provide a good opportunity for resolution of the nuclear issue and that inter-Korean economic cooperation and investment will be subsequently invigorated for the two Korea's development into a hub of Northeast Asia, the South intends to clarify its position on the issues that should be discussed in this meeting.

- o First, inter-Korean road and railroad re-connection;
 - It is necessary to make an effort to link the Gyeongui Line railroad to the Gaeseong Industrial Complex within this year and also complete the re-connection work on the Donghae Line railroad at an early date.

 - It is desirable to reconnect both the Gyeongui and Donghae Line roads within this year to allow the operation of motor vehicles on the roads.

- o Second, construction of the Gaeseong Industrial Complex;
 - It is necessary to enact and promulgate the sub-regulations of the Gaeseong Industrial District Act at an early date and formulate detailed accords of the agreement on communication, customs and quarantine between the two Korea's.

 - Since the South plans to smoothly pursue development of the infrastructure for the Gaeseong Industrial Complex, the South hopes for active cooperation and support by the North in respect to construction costs, including land leases and relocation

expenses for existing buildings and structures.

o Third, improvement of the conditions of Mt. Geumgang tourism;

– In order to turn the Mt. Geumgang tour program into a profitable business, it is necessary to improve the business environment by fixing the boundary of the special district and promulgating the sub-regulations of the Mt. Geumgang Tourism District Act as soon as possible.

– It is urgently needed to set up an institutional mechanism related to passage, communication, customs and quarantine, and promptly adopt an agreement on passage to and from the district as a first step.

o Fourth, prevention of flooding in the Imjin River basin;

– The South hopes that on-site surveys will be conducted in October at the latest and proposes that a working-level consultative meeting be held for discussion of specific issues.

o Fifth, visits to the sites of food distribution;

– As the first shipment of 100,000 tons has already been delivered, it is necessary for South Korean inspectors to visit sites of food distribution to at least one area on the east and west coast respectively in September.

o In addition, it is desirable to devise practical measures for a South Korean economic monitoring delegation's visit to North Korea, the opening of a consultation channel for small- and medium-sized

companies, and joint economic research projects between the two Koreas.

<Summary of North Korea's Keynote Address>

- o The remarkable progress that the two Koreas have made recently in their economic cooperation projects demonstrates again the legitimacy and viability of the guiding principle of the June 15 Joint Declaration, "between the Korean people."
- o In the belief that it is important to take a position and attitude of observing and implementing the June 15 Joint Declaration with actions, not words, the North puts forward the following proposals for discussion in this meeting.
 - o First, pursuit of economic cooperation;
 - The North proposes that road and railroad construction be stepped up so that railroad track construction and roadbed work for the Onjeongri–Jeojin section of the Donghae Line and the Gaeseong–Munsan section of the Gyeongui Line may be completed by the end of this year.
 - Regarding pursuit of the construction of the Gaeseong Industrial Complex, it is suggested that the South take active measures for rapid completion of the comprehensive design of the stage 1 development area and commencement of infrastructure construction in the industrial district. In addition, the South is requested to take responsibility for providing full support for Hyundai Asan's smooth performance of its role as a developer.

- The two sides should effectuate the inter–Korean agreement on maritime transportation at an early date and enter into discussions in order to conclude a subsidiary agreement for its implementation.
- o Second, further expansion of inter–Korean economic cooperation projects;
 - The North proposes the holding of a subcommittee meeting on electrical power supply to discuss the establishment of electrical power networks in Northeast Asia and the construction of gas pipes.
 - It is also necessary to formulate practical measures required for direct trade of merchandise and goods produced on a subcontract basis.
 - In addition, the two sides should discuss matters of inter–Korean economic cooperation in relation to ship dismantling and overseas construction as proposed in the civilian–level talks between the two sides.

(2) Contact between Chairmen/Committeemen and Working-Level Contact by Area (Aug. 26-28)

In the chairmen's meetings and the working-level meetings by area, which were introduced for the first time in the 6th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee, the two sides engaged in in-depth discussion of various current issues.

South Korea focused on such issues as flooding prevention in the Imjin River basin, transparency of food distribution, the visit of a South Korean economic monitoring delegation to North Korea and the opening of a consultation channel for small- and medium-sized enterprises, in addition to the three major inter-Korean economic cooperation programs of road and railroad re-connection, development of the Gaeseong Industrial Complex and Mt. Geumgang tours.

Taking a lukewarm attitude toward the issues raised by the South, the North strongly called for inter-Korean energy cooperation, including establishment of electrical power networks in Northeast Asia and connection of gas pipes, expansion of the trade of merchandise and goods produced on a subcontracting basis in the form of inter-Korean direct trade, and promotion of mutual cooperation regarding ship dismantling and overseas construction.

The two sides easily reached agreements on solidification of an institutional mechanism concerning mutual economic cooperation, pursuit of the three major economic cooperation projects and expansion of direct trade. However, they expressed sharply divergent opinions on other issues.

The South mentioned that it was inappropriate to discuss mutual cooperation in energy at a time when there were

numerous issues more urgently requiring cooperation between the two sides. In addition, the South sought to convince the North that civilian-level economic cooperation concerning ship dismantling and overseas construction should be left in the hands of individual businesses.

Regarding flooding prevention in the Imjin River basin, the South reiterated the need for a joint on-site survey, calling for the summoning of the third-round working-level consultative meeting in September and execution of an on-site survey in October.

The South also suggested that its delegation should visit two food distribution centers in each of the east and west coast areas respectively in September, as agreed in the 5th meeting of the Inter-Korean Economic Cooperation Promotion Committee. The South also noted that mutual visits by economic monitoring delegations should be realized for the expansion and promotion of inter-Korean economic cooperation. Finally, the two sides worked out a nine-point agreement stipulating a South Korean delegation's visit to food distribution sites in September.

(3) The Second Plenary Meeting (Aug. 28)

In the second plenary meeting, the two Koreas adopted a

nine-point "agreement of the 6th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee" containing completion of track building and roadbed construction on the Gyeongui and Donghae Lines within the year, expansion of inter-Korean direct trade and execution of practical measures for such purposes before concluding the meeting.

<Summary of the Agreement>

① Gyeongui and Donghae Line road and railroad re-connection

- The two sides will complete railroad track construction and roadbed work on the Munsan-Gaeseong section of the Gyeongui Line and the Jeojin-Onjeongri section of the Donghae Line by the end of the year.
- The South will supply necessary materials and equipment to the North as soon as possible.

② Development of the Gaeseong Industrial Complex

- The two sides will ensure that the infrastructure construction of the industrial complex will be launched upon completion of the comprehensive design of the stage 1 development area and that related sub-regulations will be formulated and promulgated at the earliest possible date.

③ Mt. Geumgang tour

- The two sides will cooperate with each other for implementation of the agreements between the relevant entities, including the agreements on tours of the mountain by sea and overland routes and development of the tourism district.

④ Establishment of an institutional mechanism for inter-Korean economic cooperation

- The two sides will concurrently hold, in early October, the third round of the working-level consultative meeting on an institutional framework for inter-Korean economic cooperation and the third round of the working-level contact on inter-Korean cooperation for maritime transportation as regards the follow-up measures for the four economic cooperation agreements, effectuation of the inter-Korean agreement on maritime transportation and signing of a subsidiary agreement.

⑤ Prevention of flooding in the Imjin River basin

- The two sides will formulate specific anti-flooding measures by discussing the proposed agreement on the prevention of flooding in the Imjin River basin, which is under mutual consultation through an exchange of documents.

⑥ Expansion of direct trade

- The two sides will expand inter-Korean direct trade and execute practical measures toward that end, including the opening of a consultation channel.

⑦ Mutual visits by economic monitoring delegations

- The two sides will make an effort to realize mutual visits by the economic monitoring delegations of the two sides at an appropriate time.

⑧ Inspection of food distribution sites

- A South Korean delegation will visit a total of 3 food distribution sites along the east and west coast regions in September to investigate regarding 100,000 tons of rice already provided to North Korea, with the number of South Korean delegates placed at 5 to 7 for each visit.

⑨ Seventh meeting of the Inter-Korean Economic Cooperation Promotion Committee

- The meeting will be held in Pyongyang in late October.

4. The Seventh Meeting of the Inter-Korean Economic Cooperation Promotion Committee

A. Overview

As agreed in the 6th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee in August 2003, the two Koreas held its 7th meeting in Pyongyang November 5-8, 2003.

During the meeting, in which North Korea called strongly for mutual cooperation on electrical power supply, the two sides discussed economic cooperation across the board, adopting a seven-point agreement on such issues as creation of a consultative office for expansion of inter-Korean direct trade.

In addition, the two Koreas signed and exchanged the "agreement on the establishment and operation of the South-North Commercial Dispute Arbitration Committee" (agreed upon on Oct. 12) and the "agreement of the 7th working-level contact on inter-Korean road and railroad re-connection" (agreed upon on Oct. 28).

<List of the Two Sides' Delegates>

	South	North
Chairman	Kim Gwang-rim (Deputy Minister of the Ministry of Finance and Economy)	Choi Young-geon (Deputy Minister of the Ministry of Construction and Building Materials Industries)
Members	Cho Myung-gyun (Head of the Exchange & Cooperation Bureau of the Ministry of Unification) Kwon Do-yeop (Head of the National Land Policy Bureau of the Ministry of Construction & Transportation) Choi Young-chul (Head of the Water Resource Bureau of the Ministry of Construction & Transportation) Kim Ho-hong (officer of the Office of the Prime Minister)	Park Jung-sung (Head of the External Railway Cooperation Bureau of the Ministry of Railways) Choi Hyun-gu (President of Samcholli General Company) Park Sung-hee (Deputy Bureau Chief of the Ministry of Power and Coal Industries) Cho Hyun-ju (Deputy Minister-Level Officer of the National Economic Cooperation Federation) Kim Byung-chil (Bureau Chief of the Ministry of National Environmental Protection)

B. Proceedings

(1) The First Plenary Meeting (Nov. 6)

In their keynote addresses, the South and the North expressed their basic stance on mutual economic cooperation, including road and railroad re-connection and construction of the Gaeseong Industrial Complex, and exchanged related draft

agreements. In particular, North Korea underscored that mutual cooperation in electrical power supply must be put before any other economic cooperation projects, clamoring for convocation of a second round of the working-level consultative meeting on cooperation in electrical power supply.

In addition, North Korea demanded that mutual visits to the sites of road and railroad construction be conducted in November, requesting that the South Korean government render full support for construction of the Gaeseong Industrial District. It also proposed organization of a subcommittee on clearing settlement for discussion of follow-up measures regarding the agreement on clearing settlement. At the same time, the North called for conclusion of the agreement for the prevention of flooding in the Imjin River basin and prompt effectuation of the inter-Korean agreement on maritime transportation.

In the meantime, South Korea focused on its delegation's visits to food distribution sites in order to enhance transparency of distribution, establishment of a consultative office for expansion of direct trade and exchange of economic monitoring delegations. The South also demanded that resolution of the nuclear standoff, which was posing an obstacle to inter-Korean economic cooperation, be put on the front burner, expressing its expectations for a fruitful outcome

to the six-party talks.

<Summary of North Korea's Keynote Address>

- o The North and the South should continuously hoist the flag of inter-Korean solidarity high and spur mutual economic cooperation so as to pave the way for promotion of inter-Korean relations and ultimate realization of unification and prosperity.

- o In order to attain balanced development of the national economy underscored in the June 15 Joint Declaration, the North and the South should make concerted efforts to bring about a fundamental breakthrough in mutual economic cooperation programs. From this perspective, the North intends to express its position on the relevant issues.
 - o First, more vigorous pursuit of the Donghae and Gyeongui Line railroad re-connection;
 - It is desirable for the two sides to seek working-level visits by personnel concerned to the other's Donghae and Gyeongui Line construction sites in November in order to finish the construction work as soon as possible.

 - o Second, inter-Korean cooperation on electrical power supply;
 - It is proposed that the North and the South hold a subcommittee meeting on electrical power supply to discuss efficient utilization of electrical power resources by the two sides and establishment of electrical power networks in Northeast Asia.

- o Third, pursuit of the construction of the Gaeseong Industrial Complex;
 - North Korea hopes that the South Korean authorities will provide full support for completion, within this year, of the infrastructure for the stage 1 development area of about 3.3 million square meters currently being pursued by developers, and launch the primary construction in the following year.
 - The North requests the South to form a managerial authority that can perform general management of developers that would move into the Gaeseong Industrial District.
- o Fourth, establishment of an institutional foundation for economic cooperation;
 - The North proposes that the two sides form and operate a sub-committee on clearing settlement to discuss follow-up measures concerning the inter-Korean agreement on clearing settlement.
 - The North also hopes that the two sides will proceed with specific working-level consultations regarding other issues, including certification of the place of origin, as already agreed by them.
- o Fifth, other economic cooperation programs;
 - The North requests that the South clarify its position on the proposed draft agreement on flood prevention in the Imjin River basin that the North delivered to the South last June.
 - It is necessary to devise measures for early effectuation of the

inter-Korean agreement on maritime transportation and step up discussions for conclusion of its subsidiary agreement.

<Summary of South Korea's Keynote Address>

- o Expecting that the Joint Declaration on the Denuclearization of the Korean Peninsula will be thoroughly observed and that dialogue for peaceful resolution of the nuclear standoff will produce a fruitful outcome, the South intends to express its position on the relevant issues.

- o First, road and railroad connection of the Gyeongui and Donghae Lines;
 - The North is requested to guarantee the transparency of the use of materials and equipment supplied by the South, and provide support for smooth delivery and receipt of such materials and equipment.

 - It is proposed that mutual visits to the construction sites be implemented after examination of practical issues, with the characteristics of the relevant areas taken into account.

- o Second, active cooperation for the construction of the Gaeseong Industrial Complex;
 - The South has already secured the resources necessary to support infrastructure construction in the industrial complex, and is poised to start its construction early next year.

 - The South urges the North to take forward-looking steps to substantially reduce the lot sale price in the industrial complex and

to formulate within this year the relevant sub-regulations and other agreements that must be adopted by the authorities of the two sides.

- For full-scale construction, an agreement on passage to and from the industrial district must be adopted as soon as possible.

o Third, increased efforts to invigorate the Mt. Geumgang tour project;

- Since the South is examining a variety of ways to revitalize the tour project, the North is requested to enact the sub-regulations of the "Mt. Geumgang Tourism District Act" and provide active support for the improvement of tour conditions as demanded by the South Korean business entity concerned.

- In line with full-fledged pursuit of development of the special tourism district, the North Korean authorities urgently need to set up an institutional mechanism including measures to guarantee South Koreans' efficient passage to and from the district.

o Fourth, prompt execution of measures to expand direct inter-Korean trade;

- The South proposes that an office where South Korean businessmen can meet directly with their northern counterparts to discuss business affairs be opened and put into operation in Gaeseong in March of next year.

o Fifth, exchange of economic monitoring delegations;

- Since the two sides agreed, in the 6th-round meeting, to push for

mutual visits by economic monitoring delegations, it is necessary to execute such visits by the end of this year.

o Sixth, pursuit of a project for the prevention of flooding in the Imjin River basin;

– The South expects that the two sides will engage in working-level consultations to smoothly reach an agreement on a joint survey.

o Seventh, South Korean inspectors' visits to food distribution sites;

– The South hopes that the two sides will work out a concrete agreement on the third and 4th-round visits by a South Korean delegation.

o Eighth, joint efforts to tackle illegal fishing activities by third-nation fishing vessels;

– It is necessary to explore ways to jointly grapple with such illegal fishing activities to preserve fish stocks in the West Sea fishing ground and prevent fishers of the two Koreas from sustaining any losses.

(2) Contact between Chairmen/Committeemen (Nov. 6-8)

In an early phase of the meeting, the North sought to put the focus on inter-Korean cooperation on electrical power supply in the chairmen's talks and committeemen's talks. The North took the position that the two parties must work out

an agreement, in this meeting, to hold the second round of the working-level consultative meeting on cooperation on electrical power supply, even insisting that without conclusion of the issue, it would be unnecessary to discuss other issues.

However, the South stuck to its stance that it might impede the execution of other economic cooperation projects to newly raise the issue of mutual cooperation in electrical power supply at the current stage. As the North, at the third chairmen's meeting (Nov. 7), backed off from its position, the two sides managed to engage in consultations in earnest.

The South presented a time frame for the following year's full-swing construction of the Gaeseong Industrial Complex, urging the North to promulgate the relevant sub-regulations by the end of 2003 and conclude an agreement on passage to and from the district at an early date to facilitate the construction. At the same time, South Korea concentrated on the opening of a consultative office for the expansion of inter-Korean direct trade, the exchange of economic monitoring delegations, South Korean inspectors' visits to North Korean food distribution centers (third and 4th) and concerted efforts to curb the illegal fishing activities of third-country fishing vessels.

The North raised such issues as mutual visits to the sites

of road and railroad construction, early conclusion of the agreement on flooding prevention in the Imjin River basin, effectuation of the inter-Korean agreement on maritime transportation by the end of 2003 and formation of a subcommittee on clearing settlement.

Based on an adequate exchange of opinions on agenda items, the two sides forged a consensus on a wide variety of issues and agreed to pursue the implementation of projects, that could not be immediately executed, from the following year based on internal consultations.

Thus, the two Koreas hammered out a seven-point agreement on mutual visits to the sites of road and railroad construction, a construction schedule for the Gaeseong Industrial Complex, implementation of inter-Korean clearing settlement on a trial basis, opening of a consultative office to expand inter-Korean direct trade, etc.

(3) The Second Plenary Meeting (Nov. 8)

At the second plenary meeting, the South and the North worked out a seven-point agreement including the opening of a consultative office in the Gaeseong Industrial Complex within the first half of the following year for such purposes as expansion of inter-Korean direct trade, and adopted the

agreement as the "agreement of the 7th meeting of the Inter-Korean Economic Cooperation Promotion Committee."

—<Summary of the Agreement>—

- ① Mutual visits to the construction sites for road and railroad re-connection
 - Gyeongui Line (Dec. 8): Panmun Station-Dorasan Station
 - Donghae Line (Dec. 2): Within the joint administrative zone of the two Koreas
 - The two sides will hold the 8th-round working-level contact on inter-Korean road and railroad re-connection (Dec. 2-5, Sokcho).
- ② Construction of the Gaeseong Industrial Complex
 - The two sides agreed on enactment and promulgation of the relevant sub-regulations and completion of stage 1 district design within this year.
 - The two sides will commence infrastructure construction by early next year and develop a 33,000-square-meter model complex in the first half of next year.
- ③ Clearing settlement
 - The two sides will implement inter-Korean clearing settlement on a trial basis from the next year.
 - The two sides will hold working-level consultations on clearing settlement (late Nov., Pyongyang).
- ④ Agreements on maritime transportation and prevention of flooding in the Imjin River basin

- The two sides will effectuate the inter-Korean agreement on maritime transportation, sign its subsidiary agreement and conclude the agreement on flooding prevention in the Injin River basin at the earliest possible date.

⑤ Office for consultation on the expansion of direct trade

- The office will be set up in the Gaeseong Industrial Complex in the first half of next year.

⑥ Meetings pertaining to economic cooperation

- The two sides will hold the 1st round of the working-level consultative meeting on certification of the place of origin and the 4th round of the working-level consultative meeting on an institutional framework for inter-Korean economic cooperation (late Nov. - early Dec., Pyongyang or Gaeseong).

⑦ Eighth meeting of the Inter-Korean Economic Cooperation Promotion Committee

- March 4-7, 2004, Seoul

5. Working-Level Contact on Construction of the Gaeseong Industrial Complex

A. Overview

The South and the North held a working-level contact on construction of the Gaeseong Industrial Complex at Mt. Geumgang December 6-8, 2002 to discuss implementation of the agreements reached in the 1st round of the working-level

consultative meeting on construction of the Gaeseong Industrial Complex.

At the meeting, the two parties discussed various issues such as early enactment of the sub-regulations of the Gaeseong Industrial District Act and construction of the infrastructure. In addition, they fixed the date for a ground-breaking ceremony and concluded the "agreement on communication, customs and quarantine in the Gaeseong Industrial District."

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Kang Gyo-shik (Head of the National Land Policy Bureau of the Ministry of Construction & Transportation)	Choi Hyun-gu (President of Samcholli General Company)
Delegates	Kim Joong-Tae (Head of the Coordination Division of the Inter-Korean Exchange and Cooperation Bureau of the Ministry of Unification)	Park Sung-il (Officer of the General Customs Bureau) Choi Myong-nam (Deputy Bureau Chief of the Ministry of Posts and Telecommunications)

B. Proceedings

(1) The First Plenary Meeting (Dec. 7)

In its keynote address, South Korea urged North Korea to enact and promulgate necessary competitive sub-regulations on labor, taxes and establishment of new businesses prior to the commencement of construction for the creation of a competitive industrial complex. In addition, the South proposed that the two sides reach an agreement, during the dialogue, on issues pertaining to communication, customs and quarantine in the industrial district since businesses would demand rapid transit and customs clearance, along with guarantees of the freedom of communication, for the creation of a successful industrial complex.

In response, North Korea suggested that the two Koreas select a place to commence construction within the stage 1 development area of 3.3 million square meters in the Gaeseong Industrial District, and conduct a joint ground-breaking ceremony on December 25, 2002. At the same time, the North underscored the need for prompt selection of appropriate developers for rapid construction of the industrial complex infrastructure.

<Summary of South Korea's Keynote Address>

o Institutional mechanism for construction of a competitive industrial complex;

- Necessary sub-regulations, on labor, taxes and establishment of new businesses, with competitive provisions must be enacted before the launch of construction of the industrial complex.
- The two sides should make headway in their discussions on the proposed agreement on communication, customs and quarantine, and work out a final agreement during this meeting.
- Land leases and demolition expenses for existing structures should be adjusted so as to minimize industrial complex construction costs.

o ground-breaking ceremony;

- It is desirable for the relevant entities of the two sides to iron out matters related to commencing construction at the earliest possible date based on mutual consultations.
- It is advisable to build a temporary road leading to the industrial district, even prior to completion of Gyeongui Line road construction, to facilitate the transport of personnel and materials necessary for the construction of the industrial complex.

o Infrastructure construction;

- The North should ensure that construction of the external infrastructure necessary to sharpen the competitive edge of the Gaeseong Industrial Complex will be undertaken commercially, and

also render unsparing support to this end to the extent permitted at the government level.

- The North is also required to provide support for early conclusion of construction such as providing, free of charge, the land necessary for infrastructure construction, supplying labor and establishing an institutional mechanism for the recovery of investment costs.

<Summary of North Korea's Keynote Address>

o Launch of Gaeseong Industrial District construction;

- It is suggested that the two sides select a place to commence construction within the stage 1 development area of 3.3 million square meters in the Gaeseong Industrial District, and conduct a joint ground-breaking ceremony on December 25, 2002.
- It is proposed that the two sides discuss the scale, type and method as regards the ground-breaking ceremony during the talks.

o Construction of the Gaeseong Industrial District infrastructure;

- The South should promptly select companies to be involved in the development and exert every effort to expedite construction of the infrastructure in line with the ground-breaking ceremony.

o Communication, customs and quarantine in the Gaeseong Industrial District;

- The two sides should make progress in consultations on the conclusion of three agreements on these issues.

(2) The Third Plenary Meeting (Dec. 8)

In the third plenary meeting, on December 8, the South and North adopted the basic agreement on communication, customs and quarantine agreed upon in the two preceding plenary meetings and five rounds of head delegates' and working-level delegates' meetings. They also adopted a joint press statement containing a schedule for the ground-breaking ceremony for the Gaeseong Industrial Complex and the opening of a Munsan- Gaeseong temporary road prior to the launch of its construction.

This laid the institutional groundwork for launching Gaeseong Industrial Complex construction, a major project epitomizing inter-Korean economic cooperation, into the stage of substantial implementation.

<Summary of the Joint Press Statement>

- o The two Koreas will jointly begin construction of the Gaeseong Industrial Complex sometime between December 26 and 30, with the specific date, scale, form and method to be agreed upon by those businesses involved in the development project through an exchange of documents.

- The North will open a temporary road between Gaeseong and Munsan ahead of the ground-breaking ceremony for efficient transport of the personnel, vehicles, materials and equipment from the South required to commence and proceed with construction

of the Gaeseong Industrial Complex.

- The North will legislate the necessary sub-regulations concerning labor, taxation, incorporation of new businesses and so forth prior to the commencement of construction, and the South will actively cooperate with the North to expedite negotiations between developers and infrastructure providers to facilitate infrastructure development including electricity, communications and water supply facilities in line with the timing of construction commencement.
- o The two Koreas adopted an agreement on communications, customs and quarantine in the Gaeseong Industrial Complex and will effectuate the agreement at the earliest possible date in the form of an exchange of documents.

<Summary of the "Basic Agreement on Communications, Customs
and Quarantine in the Gaeseong Industrial District">

<Major Details of the Agreement on Communications>

- o Guarantee of the freedom of postal communication and telecommunication as internal exchanges of the Korean people, not inter-country exchanges, and allow direct switching and connection.
- o Guarantee of the confidentiality of postal matters and communications and prohibition of their use for any political and/or military purposes.
- o Setting up of a managerial authority to handle postal affairs and allowing for the installation and operation of necessary telecommunication networks by a designated business entity.

<Major Details of the Agreement on Customs>

- o Waiving of any and all taxes and commissions imposed on goods brought in and out of the district.
- o Guarantee of simple and fast customs clearance and inspection procedures for goods brought in and out of the district.

<Major Details of the Agreement on Quarantine>

- o Assurance of rapid transit of goods based on simplified quarantine procedures and omission of quarantine procedures concerning persons, transportation vehicles and equipment that enter or exit the district through a designated channel.
- o Consultation with the South Korean office for train and motor vehicle operation prior to performing quarantine of persons, transportation vehicles and equipment that are not subject to quarantine procedures, in cases where such a quarantine procedure is necessary under special circumstances.

6. Overview of Working-Level Consultative Meetings and Contacts on Inter-Korean Road and Railroad Re-connection

The two Koreas, which agreed to cross-border road and railroad re-connection of the Gyeongui (Seoul-Shinuiju) and Donghae (East Coast) Lines and South Korea's supplying of necessary materials and equipment in the first round of the working-level consultative meeting on inter-Korean road and

railroad re-connection (Sept. 17, 2002), worked out an agreement, through the first and second rounds of working-level contact, on the items and their quantity for the first shipment of materials and equipment, procedures for their delivery and receipt, procedures and methods for joint surveys and so on.

The two sides then held two rounds of working-level consultative meetings and five rounds of working-level contact as part of continuing efforts to facilitate cross-border road and railroad re-connection.

The two Koreas agreed to reconnect the roads and railroads starting from the Military Demarcation Line and then proceeding toward their respective areas. They also determined the items and volume of all necessary materials and equipment and the design standards for signal, communication and electrical systems.

In a bid to ensure efficient inter-Korean operation of trains and motor vehicles, the two Koreas continually engaged in consultations on the establishment of a requisite institutional framework, adopting a basic agreement on motor vehicle operation and resolving their differences over the basic agreement on train operation for the most part.

Against this backdrop, the South and the North reaffirmed their dedication to inter-Korean road and railroad re-connection by simultaneously linking the railway tracks of the Gyeongui and Donghae Lines at the railroad re-connection points on June 30, 2003.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Cho Myung-gyun (Head of the Exchange & Cooperation Bureau of the Ministry of Unification)	Park Jung-sung (Head of the External Railway Cooperation Bureau of the Ministry of Railways)
Delegates	Sohn Bong-gyun (Transport and Logistics Officer, Ministry of Construction and Transportation) Lee Sung-han (Head of the International Economic Cooperation Division of the Ministry of Finance and Economy)	Gil Won-guk (Office Chief of the Ministry of Railways) Kim Chang-shik (Division Chief of the Ministry of Railways)

※ Starting from the third round of working-level consultative meetings, the South replaced Sohn Bong-gyun with Kim Gyung-jung (head of the Inter-Korean Transportation Division). In the case of working-level contacts, only Cho Myung-gyun, the chief delegate, and Sohn Bong-gyun, a delegate (Kim Gyung-jung starting from the third round of working-level consultative meetings), attended those meetings.

※ The North replaced Gil Won-guk with Choi Jin-tack (from the third round of working-level consultative meetings).

7. The Third Working-Level Contact on Inter-Korean Road and Railroad Re-connection

A. Overview

In order to discuss possible completion of Gyeongui Line railroad re-connection by the end of December, South Korea proposed to North Korea in its telephone notification that the two sides hold the third working-level contact on inter-Korean road and railroad re-connection in Pyongyang or at Mt. Geumgang December 11-12. North Korea made a counter proposal that the contact be held, together with the second round of working-level contact on inter-Korean cooperation for maritime transportation, from December 25-28.

After the exchange of several telephone notifications regarding the date and venue for the meeting, the two sides agreed to hold the third working-level contact at Mt. Geumgang from December 15-17, 2002.

B. Proceedings

(1) Day 1 (Dec. 16)

In the plenary meeting, South Korea presented its basic position on the items and their quantity to be contained in

the second shipment of materials and equipment necessary for railroad track construction, including rails and sleepers, execution of the procedures for initialling and exchanging the basic agreement on motor vehicle operation, the opening of a temporary road on the Gyeongui Line, and adjustment of the overall construction schedule.

North Korea responded that there would be no particular problems with adjusting the construction schedule and opening a temporary road so long as South Korea would guarantee to supply materials and equipment. As regards the agreement on train operation and the complete list of materials and equipment to be supplied by South Korea, however, North Korea maintained that additional mutual consultations would be required.

The two sides concluded the plenary meeting by agreeing to exchange and further examine draft agreements on train operation and the complete list of materials and equipment to be provided.

In the ensuing head delegates' talks, the South proposed that the two sides proceed with construction on the Gyeongui Line with the goal of completing re-connection of the Dorasan Station-Panmun Station section by January 15, 2003.

In addition, the South stressed the need for exemption from tolls and fines, a contentious issue regarding the agreement on motor vehicle operation, and also called for the opening of a temporary road on the Gyeongui Line at an early date.

In regard to this suggestion, the North said that it had been working to use the roadbed of the main road as a temporary road for the purpose of transporting equipment necessary for road and railroad re-connection and launching the construction of the Gaeseong Industrial Complex. It also said that it was preparing a draft agreement on train operation, consenting to the proposed agreement on motor vehicle operation drafted by the South.

Through working-level delegates' meetings, the two sides agreed, concerning signal, communications and electrical systems, that the relevant materials and equipment would be provided according to the design of the South, with the construction performed by the North.

(2) Day 2 (Dec. 17)

On Day 2 of the dialogue, the two sides reached an agreement on the materials for track construction, for the most part. Concerning re-connection of the Gyeongui Line, however, the two Koreas decided to proceed with further consultations

as the North linked the issue to the supplying by the South of necessary materials and equipment, including trailers.

Finally, the two sides reached a consensus on the agreement on motor vehicle operation, the opening of a temporary road, etc., and issued a four-point joint press statement.

—<Summary of the Joint Press Statement>—

- o The two Koreas agreed to make active efforts so that inter-Korean road and railroad re-connection could be completed according the agreed schedule and to fully cooperate with each other so that necessary materials and equipment could be provided according to the construction schedule.
- o The two Koreas agreed to open a temporary road to transport materials and equipment necessary for road and railroad re-connection and personnel and equipment required for the construction of the Gaeseong Industrial Complex prior to the commencement of Gaeseong Industrial Complex construction.
- The two sides will pursue consultations between their military authorities for the opening of a temporary road on the Gyeongui Line and passage via the temporary roads of the Gyeongui and Donghae Lines by referring the issue to the relevant authorities.
- o The two Koreas agreed to bring into effect the basic agreement on motor vehicle operation as soon as possible based on its due signing and exchange procedures and to adopt the basic agreement on train operation at an early date by means of an exchange of documents.
- o The two Koreas will hold the second round of the working-level

consultative meeting on inter-Korean road and railroad re-connection in Pyongyang in mid-January 2003.

8. The Second Round of Working-Level Consultative Meetings on Inter-Korean Road and Railroad re-connection

A. Overview

In accordance with an agreement reached in the third working-level contact on inter-Korean road and railroad re-connection, North Korea proposed in its telephone notification dated January 16, 2003 to hold the second round of the working-level consultative meetings on inter-Korean road and railroad re-connection in Pyongyang January 22-26, 2003, which was accepted by the South. Thus, the second round meeting was held in Pyongyang January 22-26, 2003.

B. Proceedings

(1) The First Plenary Meeting (Jan. 23)

In the keynote address, the South Korean chief delegate proposed that the two sides hold consultations on the subject of the supplying of track construction materials and equipment necessary for re-connection of the Gyeongui Line

railroad in mid-February, along with the particulars associated with an opening ceremony.

In addition, he suggested that the two sides reach an agreement on overall materials and equipment to be supplied by the South and discuss matters pertaining to the signing of the agreement on train operation and the opening of an office for train and motor vehicle operation to prepare for the operation of cross-border roads and railroads.

In response, North Korea contended that the commencement of cross-border road and railroad re-connection, an event displaying the Korean people's resoluteness to achieving autonomous unification, had been hampered by the intervention and interference of outside forces.

The North emphasized that for promotion of the road and railroad re-connection project, it was necessary to re-discuss and finalize the construction schedule in an innovative manner and that the agreed items and quantity of construction materials and equipment to be provided by the South and the date of their delivery should be redetermined accordingly.

<Summary of South Korea's Keynote Address>

o re-connection of the Gyeongui and Donghae Line railroads;

- It is necessary to reach an agreement on issues related to the supply of materials and equipment for track construction and discuss the opening ceremony for the Gyeongui Line railroad so as to complete Gyeongui Line railroad re-connection at an early date.
- o Overall materials and equipment to be supplied by the South;
 - It is necessary to work out an agreement on overall materials and equipment to be provided. In addition, the two sides should discuss mutual visits by technical staff to the of construction sites, North Korea's reporting of the results of the use of materials and equipment supplied by South Korea, and the opening of temporary roads along the Gyeongui and Donghae Lines as soon as possible for the timely supply of necessary materials and equipment.
- o Agreement on train operation and the office for train and motor vehicle operation;
 - The two sides should engage in consultations about the particulars of the agreement on train operation and the opening of an office for train and motor vehicle operation.
- o The South also requests that the North note and provide support for South Korea's gaining of OSJD (Organization for Railway Cooperation) membership.

〈Summary of North Korea's Keynote Address〉

- o It is required to redefine the construction schedule for inter-Korean road and railroad re-connection in an innovative manner, and accordingly redetermine the items and quantity of construction

materials and equipment, the date of their delivery and so forth.

- The two sides should discuss practical matters for rapid implementation and completion of construction work, along with other relevant issues.

(2) The Second Plenary Meeting (Jan. 25)

Based on five rounds of head delegates' talks and three rounds of working-level delegates' meetings, the South and the North reached an agreement on the construction method for Gyeongui and Donghae Line railroad re-connection and the materials and equipment to be supplied for track construction. In the second plenary meeting held in the early morning of January 25, the two sides initialed and exchanged the "agreement of the second round of working-level consultative meetings on inter-Korean road and railroad re-connection," wrapping up all scheduled official meetings.

<Summary of the Agreement>

- o The two sides will perform railroad re-connection work on the Gyeongui and Donghae Lines from the Military Demarcation Line toward their respective directions, and carry out the reconnecting as soon as possible.
- o The South will provide materials and equipment necessary for road and railroad re-connection on the Gyeongui and Donghae Lines, including those needed for track construction, in accordance with the relevant construction schedule.

- The first shipment of materials and equipment as well as those necessary for track construction will be supplied by sea and overland routes.
- o The two sides have exchanged a basic agreement on train operation and will adopt this agreement as soon as possible in the form of an exchange of documents.
- o The two sides will continue to discuss the opening of an office for train and motor vehicle operation, the execution of on-site surveys necessary for the design of signal, communications and electrical systems and other relevant issues through working-level contact and exchange of documents.

9. The Fourth Working-Level Contact on Inter-Korean Road and Railroad re-connection

A. Overview

The 4th contact was held in Gaeseong March 10-12 to discuss visits by a South Korean delegation to the sites where materials and equipment were being utilized for road and railroad re-connection work as well as the format for reporting the results of such utilization.

The delegation became the first South Korean government delegation to use the Gyeongui Line temporary road to enter the North. The two sides held their three-day meeting at Janamsan Hotel.

B. Proceedings

(1) Day 1 (March 11)

The South proposed that the two sides focus on discussing the visita of a South Korean delegation to the sites of material and equipment utilization, the commencement of Gyeongui and Donghae Line railroad connection projects in late March, the supplying of relevant materials and equipment for track construction and a possible adjustment to the items and their quantity to be included in the first shipment of materials and equipment.

In particular, the South underlined that visits to the sites of material and equipment utilization and regular reporting of the results of such utilization would be essential to normal management and operation of the supplied materials and equipment and transparency of their use, and suggested that the two sides visit to the construction sites on the Gyeongui and Donghae Lines March 24-26 and March 28-30 respectively. As for reporting of utilization results, the North accepted the South's proposal. Concerning a South Korean delegation's visits, however, the North suggested that such visits should be performed only with a view to ensuring normal management and use of the supplied materials and equipment and that the two sides should focus on discussing

measures for normal operation of malfunctioning equipment during the talks.

In particular, the North requested that the South concentrate its efforts on construction of the Donghae Line, stressing its principle of concurrent implementation of Donghae and Gyeongui Line construction. The North also proposed to the South that the ground-breaking ceremony for re-connection of the Gyeongui and Donghae Lines be meaningfully carried out.

(2) Day 2 (March 12)

The South suggested that the two sides start track re-connection work on the Gyeongui and Donghae Lines from the Military Demarcation Line in late March and then continue onward in their respective directions, without any official ceremony to mark the event.

Proposing that the two sides should undertake re-connection work on the two railroad lines around March 28 starting from the Military Demarcation Line and proceeding toward their respective areas, the North strongly suggested that the two parties jointly conduct a ceremony attended by chief officers in charge of the construction project.

In both head delegates' meetings and working-level meetings by area, the two sides discussed such issues as the possible launch of the Gyeongui and Donghae Line railroad re-connection projects in late March. Finally, they adopted a joint press statement containing their agreements.

— <Summary of the Joint Press Statement> —

- o The two sides will simultaneously start work to connect the tracks of the Gyeongui and Donghae Line railways in late March from the Military Demarcation Line and continuing onward toward their respective directions without suspension.
- o The results of utilization of the materials and equipment supplied by the South shall be reported to the South to ensure their normal use, and South Korean technical staff will perform on-site visits.
 - Field visits will be carried out March 20-22 for the Gyeongui Line and March 24-26 for the Donghae Line.
 - Technical staff: 8 to 9 persons including 1 team leader and 4 to 5 technicians.
 - The technical staff will visit the North via the respective temporary roads of the Gyeongui and Donghae Lines.
 - The North will provide a document detailing the results of the use of materials and equipment that were provided by the South up to January as well as the schedule for the on-site visits at least five days prior to the South Korean technical staff's departure for the North. The North will also submit a monthly report, in writing, on the results of the use of the materials and equipment to the South in the name of its delegation to the working-level consultative meeting on inter-Korean road and railroad re-connection.
- o The two sides will be subject to Exhibits 1 and 2 respectively, with regard to the items and quantity of materials and equipment needed

to launch the projects to connect the tracks of the Gyeongui and Donghae Lines and adjustment of the items and quantity of the first shipment of materials and equipment.

- * Exhibit 1: Track materials (37 items) and equipment (31 items)
- * Exhibit 2: Adjustment of the items and quantity of the first shipment of materials and equipment (Number of material items: 33 → 35, Equipment: measuring equipment and others added)

- o The two sides will proactively cooperate with each other so that materials and equipment necessary to connect the railways and roads can be delivered and received via the temporary roads of the Gyeongui and Donghae Lines.
- o The two sides will continue consultations, by means of exchange of documents, to resolve issues concerning overall materials and equipment to be supplied to the North and the agreement on train operation.

10. The Fifth Working-Level Contact on Inter-Korean Road and Railroad re-connection

A. Overview

As the two Koreas agreed in the 5th meeting of the Inter-Korean Economic Cooperation Promotion Committee to hold ceremonies to mark the track re-connection of the Gyeongui and Donghae Lines around June 10, the two sides held the 5th working-level contact on inter-Korean road and railroad re-connection in Gaeseong June 7-9 to discuss issues related to such events and other practical issues concerning the cross-border road and railroad re-connection.

The South Korean delegation to the dialogue commuted to the meeting venue in Gaeseong every day, entering the North at the Military Demarcation Line around 9 a.m. and returning to the South in the afternoon.

B. Proceedings

(1) Day 1 (June 7)

During the meeting, South Korea proposed that events marking the re-connection of the inter-Korean roads and railroads be held on June 12 in the presence of 40 persons from each side under the auspices of the chief delegates to the working-level consultative meeting on inter-Korean road and railroad re-connection (bureau chief-level officials), and that the events be modest to properly reflect their significance. In addition, the South underlined that on-site surveys necessary for the designing of signal, communications and electrical systems should be conducted as soon as possible, saying that such field visits should be made on a regular basis to ensure normal operation of the equipment supplied.

With respect to the re-connection ceremonies, North Korea strongly suggested that events contributing to the atmosphere of cooperation between the Korean people and attended by minister- or deputy minister-level officials as principal guests

be held meaningfully on June 14.

In addition, the North requested that the South provide technical support for the repair of any malfunctioning equipment in both the Donghae and Gyeongui Line areas twice respectively, and also render technical support for the construction and operation of concrete mixing plants in those areas from June 20 to July 10.

(2) Day 2 (June 8)

With regard to events marking cross-border road and railroad re-connection, North Korea proposed that deputy minister-level officials (chairmen of the Inter-Korean Economic Cooperation Promotion Committee) or above attend such events as principal guests. It also suggested that "unification flags" be hoisted around the event venues to boost the atmosphere. Demanding that the South increase its oil and cement supply, the North proposed that on-site surveys for the designing of signal, communications and electrical systems be carried out during July 10-12 and July 15-18 in consideration of its internal circumstances.

The South responded that use of unification flags would be inappropriate for a government-level event. Concerning the supplying of oil and cement by the South, the two sides

merely agreed, in principle, that the North would calculate the volume of its oil and cement use, in detail, and notify the South of the figures and that the proposed on-site surveys would be performed in mid-July. The South suggested that a specific schedule for such surveys be determined in an subsequent contact.

(3) Day 3 (June 9)

Through head delegates' talks and working-level meetings on the three respective areas of railroad tracks, roads, and signal, communications and electrical systems, the South and the North agreed on the execution of events to celebrate the re-connection, technical support for the repair of malfunctioning equipment, and implementation of on-site visits to design signal, communications and electrical systems, and signed the agreement of the 5th working-level contact on inter-Korean road and railroad re-connection and the three subsidiary agreements.

<Summary of the Agreement>

- o The two sides agreed to jointly hold ceremonies to celebrate the re-connection of inter-Korean railroads at the re-connection points of the Gyeongui and Donghae Lines on June 14, 2003.
- The two sides will mutually give notice regarding event participants two days prior to each event, and guarantee their

safety and convenience.

- Exhibit 1 of this agreement shall apply as regards the format, scale and method of the events.
- o The South shall provide technical support from mid June to late July for installation and normal operation of equipment.
 - Technical support will be provided according to Exhibit 2 of this agreement.
- o For the delivery of materials and equipment and South Korean technical staff's visits, the temporary roads of the Gyeongui and Donghae Lines will be used.
- o On-site surveys for the design of signal, communications and electrical systems will be conducted at an agreed time in July.
- o The third round of working-level consultative meetings on inter-Korean road and railroad connection will be held in Munsan July 2-4.

11. The Third Round of Working-Level Consultative Meetings on Inter-Korean Road and Railroad re-connection

A. Overview

As agreed in the 5th meeting of the Inter-Korean Economic Cooperation Promotion Committee and the 5th round of the

working-level contact on inter-Korean road and railroad re-connection, the two Koreas held the third round of working- level consultative meetings on inter-Korean road and railroad re-connection at the Hongwon Training Center near Munsan July 2-4, with the delegates commuting to the venue on a daily basis.

This is the first time since the division of the Korean peninsula that a North Korean delegation visited Munsan, a local South Korean city, through the Gyeongui Line temporary road for an inter-Korean dialogue. This attests to the diversification of the venues of and the means of transportation to inter-Korean meetings.

During the meeting, the two parties discussed the items and quantity of materials and equipment to be provided by the South and the schedule for on-site visits necessary for the designing of signal, communications and electrical systems in order to seamlessly execute cross-border road and railroad re-connection work in their respective directions.

B. Proceedings

(1) The First Plenary Meeting (July 2)

In a keynote address, the head of the South Korean

delegation proposed to finalize the total quantity and items in terms of materials and equipment to be provided for the re-connection of the Gyeongui and Donghae Line roads and railroads so that they can be supplied in a timely fashion. He also suggested that on-site surveys for the design of signal, communications and electrical systems be conducted at an early date, calling for mutual consultations on the provision of technical support for the repair of malfunctioning equipment and the installation of concrete mixing plants, as well as the conclusion of an agreement on train operation.

In the meantime, North Korea underscored its position that the Gyeongui and Donghae Line road and railroad re-connection projects should be implemented in parallel in order to open them simultaneously. Regarding the southern section of the Donghae Line in particular, the North requested that the South formulate measures to link the line to Gangneung. In addition, the North proposed that the two sides reach an agreement on the overall quantity and items to be supplied, and discuss issues related to the design of signal, communications and electrical systems as well as technical support regarding the equipment provided.

<Summary of South Korea's Keynote Address>

- o Overall material and equipment supply;

- It is necessary to determine the items and quantity of materials and equipment to ensure that materials and equipment necessary for Gyeongui and Donghae Line road and railroad re-connection will be provided in a timely manner in accordance with the construction schedule.
- o Schedule and procedures for on-site surveys for the designing of signal, communications and electrical systems;
 - It is proposed that on-site surveys be carried out over three days: July 21–23 for the Gyeongui Line, and July 24–26 for the Donghae Line.
 - The delegation for such on-site surveys will consist of seven persons, including one leader, one technician specializing in each of signal, communications and electrical systems, and three support staffers.
- o Technical support for the equipment provided;
 - It is proposed that technical support be regularly provided once a month.
- o Agreement on train operation and the office of train and motor vehicle operation;
 - The two sides should discuss the conclusion of an agreement on train operation, the resumption of South Koreans' tours of Mt. Geumgang by an overland route, and the installation and operation of an office for train and motor vehicle operation to gear up for full-swing construction of the Gaeseong Industrial Complex.

<Summary of North Korea's Keynote Address>

- o The two sides should carry on with railroad re-connection work toward their respective directions without suspension under the principle of pursuing the construction of the Donghae and Gyeongui Lines in parallel and simultaneously launching their operation.
 - In particular, it is necessary to devise practical measures to complete the construction works from the re-connection point of the Donghae Line at the Military Demarcation Line to Jeojin, South Korea as soon as possible, and then continue the work to link it with Gangneung.
- o Materials and equipment for road and railroad re-connection;
 - It is proposed that the two sides work out a basic agreement on the overall items and quantity of materials and equipment and formulate measures to ensure the supplying of the materials and equipment at an early date, ahead of the construction schedule.
- o Design of railroad signal, communications and electrical systems and technical support for the equipment supplied;
 - The two sides are required to discuss practical measures to complete the designing of signal, communications and electrical systems as soon as possible, together with technical support for normal operation of the equipment supplied.

(2) The Second Plenary Meeting (July 4)

Through nine rounds of head delegates' talks and five rounds of working-level delegates' meetings, the South and

North reached an agreement on the overall items and quantity of materials and equipment to be provided by the South, the execution of on-site surveys for the designing of signal, communications and electrical systems, and other items on the agenda. In the second plenary meeting held at 6 p.m. on July 4, the two sides initialled and exchanged the "agreement of the third round of working-level consultative meetings on inter- Korean road and railroad re-connection," wrapping up all scheduled official talks.

<Major Details of Exhibit 1>

(Overall Items and Quantity of the Materials and Equipment)

- o 79 items in total: 45 material items (provided by sale) and 34 equipment items (28 items provided by sale and 6 items provided by lease) for railroad track construction
- o Materials and equipment for signal, communications and electrical systems
 - To be designed by the South.
- o 36 material items (provided by sale) and 25 equipment items (13 items provided by sale and 12 items provided by lease) for road construction
- ※ Said items and quantity of materials and equipment may be adjusted based on mutual agreement in accordance with the construction's progress.

<Summary of the Agreement>

- o The two sides agreed on the items and quantity of all materials and equipment to be provided by the South in accordance with the agreement on materials and equipment for road and railroad re-connection.
 - Concerning signal, communications and electrical systems, the two sides will finalize the items and quantity of relevant materials and equipment at a later date, based on mutual consultations.
- o On-site surveys for the designing of signal, communications and electrical systems will be carried out.
 - Gyeongui Line: July 15-17, Donghae Line: July 22-24
- o The South will continue to provide technical support for normal operation of the equipment it has supplied, and related issues will be resolved based on mutual consultations in the form of an exchange of documents.
- o The two sides will continue to discuss the signing of a basic agreement on train operation and installation of an office for train and motor vehicle operation.
 - The agreement will be effectuated and implemented prior to train and motor vehicle operation.
- o The next round of working-level contact will be held in Gaeseong in early August.

12. The Sixth Working-Level Contact on Inter-Korean Road and Railroad re-connection

A. Overview

According to the agreement reached in the third round of working-level consultative meetings on inter-Korean road and railroad re-connection, on-site surveys for the designing of signal, communications and electrical systems were conducted (July 15-17 for the Gyeongui Line and July 22-24 for the Donghae Line). Based on the results of such on-site surveys, South Korea produced draft design standards and pursued working-level talks with North Korea to finalize the plans.

In a telephone notification, the North proposed the 6th working-level contact be held in Gaeseong August 6-8. Considering the small number of issues on the agenda, the South suggested that the dialogue be held August 7-8.

Due to the death of Chung Mong-heon, then-chairman of Hyundai Asan, however, the North postponed the meeting until after his funeral. Amidst this situation, the North's national flag was burnt during a rally held on August 15 by conservative civic groups in the South, which prompted the North to declare its non-participation in the Daegu

Universiade. Under these circumstances, the two sides failed to hold a liaison officers' meeting on the working-level contact.

Upon President Roh's expression of regrets over the incident on August 19, the two Koreas finally agreed to hold the 6th working-level contact in Gaeseong August 21-22.

B. Proceedings

(1) Day 1 (Aug. 21)

The South underscored its position that it would begin to supply materials and equipment for road and railroad re-connection from October, with labor-related supplies and oil provided first, and the design of signal, communications and electrical systems confined to the scope necessary for cross-border train operation only. In addition, the South proposed that the timing for its additional technical support be finalized and that the roadbed of the main roads, rather than the temporary roads, begin to be used with more extensive usage.

In the meantime, the North said that it intended to propose, in the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee, finalization of the opening dates for

the Gyeongui and Donghae Lines within the year, and requested prompt supply of the materials and equipment. The North also suggested that the two sides discuss the installation and operation of concrete mixing plants, the timing for technical support by the South for the repair of malfunctioning equipment, and practical issues related to signal, communications and electrical systems.

(2) Day 2 (Aug. 22)

The two Koreas coordinated their positions on the schedule for technical support and the design of signal, communications and electrical systems through head delegates' talks as well as working-level meetings on signal, communications and electrical systems and other issues.

North Korea essentially responded positively to utilization of the Gyeongui Line main road and expansion of the scope of its utilization, on the condition that cooperation with military authorities would be required. In addition, the North demanded that the South provide facilities for the building of an electric railway line between Gaeseong and Panmun Station and set up communication lines linking the sites of road and railroad re-connection (Gyeongui and Donghae Lines) to Pyongyang (Ministry of Railways).

The South emphasized that the two sides had already agreed at the third working-level contact to exclude discussion of facilities for construction of an electric railway, and also informed the North of its position that it could not build communication lines in areas other than the road and railroad re-connection sections.

The two sides released the agreement of the 6th working-level contact on inter-Korean road and railroad re-connection encapsulating what they agreed on, together with its Exhibit.

—<Summary of the Agreement>—

- o The two sides will fully cooperate with each other so that all materials and equipment can be supplied starting from October, in accordance with the construction schedule.
 - The items and quantity of materials and equipment related to signal, communications and electrical systems will be included in Exhibit 1, as agreed by the two sides.
- o Technical support for the installation, repair and maintenance of equipment already supplied will be provided as follows:
 - Technical support for concrete mixing plants: Sept. 1-6 for the Gyeongui Line and from Sept. 16 until necessary for the Donghae Line.
 - Technical support for the repair and maintenance of equipment provided: Sept. 1-7 for the Donghae Line and Sept. 16-25 for the Gyeongui Line.

- The South will continue to provide components necessary for the repair and maintenance of materials and equipment supplied, along with technical support.
- o As regards the methods and procedures for technical support, Exhibit 2 of the agreement of the 5th working-level contact on inter-Korean road and railroad re-connection (the agreement on technical support concerning materials and equipment provided for inter-Korean road and railroad re-connection) will apply mutatis mutandis.
- o The South and the North will perform the design of signal, communications and electrical systems according to the Exhibit of the agreement of the 6th working-level contact on inter-Korean road and railroad re-connection and implement technological cooperation for their design and construction.
 - The South will finish designing the signal, communications and electrical systems by the end of October and provide the North with the relevant design data.
- o The two sides examined possible utilization of the roadbeds of the main roads of the Gyeongui and Donghae Lines for the transport of personnel, materials and equipment agreed upon by them, until the main roads are opened.

13. The Seventh Working-Level Contact on Inter-Korean Road and Railroad re-connection

A. Overview

In its telephone notification, North Korea proposed to hold

the 7th working-level contact on inter-Korean road and railroad re-connection at Mt. Geumgang October 20-22 so as to discuss issues related to promptly providing guarantees for the supply of oil and explosives necessary for the completion of track construction and roadbed works agreed to be finished by the end of the year.

In its reply, South Korea suggested that the issue be discussed in area-by-area consultations in the 7th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee scheduled for late October.

Through continued consultations as to the date and venue for the working-level dialogue, the two sides finally agreed to hold the talks in Gaeseong October 27-28. The two Koreas agreed that South Korean delegates would stay in North Korea during the talks instead of commuting to the venue on a daily basis in consideration of the early sunset and resulting problems associated with their transportation.

B. Proceedings

(1) Day 1 (Oct. 27)

With respect to the possibility of its supplying explosives that had been urgently requested by the North, the South

emphasized that the transparency of their use should be guaranteed. Concerning possible expansion of the quantity of oil supplied, the South mentioned that it would be necessary to scrutinize the amount of oil demand by such means as a review of equipment operation ratios.

The South also suggested providing related technical support from the end of November. In addition, the South expressed regret over the North's refusal to allow the South Korean delegation to the preceding inter-Korean ministerial talks to cross the border by an overland route, and proposed to expand the scope of the use of temporary roads.

The North requested that the South, after an on-site inspection process, provide the required amount of explosives once or twice a week in consideration of the blasting site and the scale of blasting. In addition, the North proposed that relevant technical support be provided in December (Dec. 6-12 for the Donghae Line and Dec. 15-21 for the Gyeongui Line) and that mutual visits to the construction sites be carried out in mid November. The North also suggested holding the 8th working-level contact in Sokcho in late November.

(2) Day 2 (Oct. 28)

The North strongly argued that the date for mutual visits

to the construction sites should be finalized during the working-level talks (Nov. 26-27 for the Donghae Line and Dec. 4-5 for the Gyeongui Line). The North also suggested that the two sides engage in detailed consultations concerning the quantity of materials for bedrock removal and the procedures and methods for their supply.

The South proposed that such particulars as the timing, procedures and methods of mutual visits to the construction sites be discussed in a meeting of the Inter-Korean Economic Cooperation Promotion Committee after sufficient examination of those issues. In addition, the South urged the North to take a forward-looking attitude toward expansion of the scope of use of the temporary roads, requesting that its position be conveyed to the higher echelons of the North.

Based on both chief delegates' meetings and working-level talks on signal, communications and electrical systems, the two Koreas initialled the agreement of the 7th working-level contact on inter-Korean road and railroad re-connection, reflecting the results of their consultations.

<Summary of the Agreement>

- o The two sides assure that all materials and equipment will be supplied in line with the construction schedule agreed upon by the two sides, starting from late October.

- o The materials and equipment for such purposes as bedrock removal will be provided in a way that guarantees transparency.
 - first on-site visit to that end: Nov. 8 for the Gyeongui Line and Nov. 5 for the Donghae Line.
 - Regarding the details, the provisions of Exhibit 1 will apply.
- o The 6th technical support session will be provided December 15-21, 2003 for the Gyeongui Line and December 6-12 for the Donghae Line.
- o Regarding the design of signal, communications and electrical systems, the two sides agreed to proceed with the supply of materials/equipment and technical support as discussed and decided in their working-level talks.
- o The two sides will hold mutual visits to the construction sites and the 8th working-level contact on inter-Korean road and railroad re-connection at an early date, and determine the relevant time, venue and methods in the 7th meeting of the Inter-Korean Economic Cooperation Promotion Committee, based on mutual consultation.

—<Summary of the Quantity of Materials for Bedrock Removal
and the Procedures and Methods for Their Supply>

- o The South will provide NewMITE Plus I (50 mm, 25 mm), electric detonators (6M) and related accessory devices.
 - The two sides may adjust the quantity of materials based on mutual consultations, and any remaining materials after construction and all non-consumable accessory devices will be

returned to the South.

- o Materials will be transported once a week via the overland routes of the Gyeongui and Donghae Lines. A single supply for the re-connection sites along the east and west coasts will include 16 tons of NewMITE Plus I and 11,200 electric detonators. The two sides may adjust the quantity and frequency of the supply based on mutual consultations.
- o As regards transportation, explosives and detonators will be carried separately by specialized transportation vehicles. One technician specializing in the management of explosives and the like will accompany delivery staff.
 - A mark indicating that the vehicle is carrying explosives and the like will be attached to the front and rear of the vehicle, which will be differentiated from vehicles carrying ordinary materials in order to ensure the safe transport of explosives and detonators.
- o Delivery/receipt of materials will be conducted by experts from the two sides at a North Korean material warehouse in accordance with the preset delivery/receipt procedures and methods for the materials and equipment.
 - North Korea will take measures, in advance, to ensure safe passage of South Korean transport vehicles and safe unloading of materials. South Korean delivery staff will cooperate for verification of material registry books.
- o North Korea will provide support for South Korea's observation of the utilization status of the first three shipments of materials. A South Korean observation team will consist of three to four persons, including one or two technicians specializing in the management of explosives and the like.

14. The First Round of the Working-Level Consultative Meetings on an Institutional Framework for Inter-Korean Economic Cooperation

A. Overview

The four economic cooperation agreements adopted by the two Koreas in the second working-level contact on inter-Korean economic cooperation (Nov. 11, 2000) were signed and exchanged in the 4th round of the inter-Korean ministerial talks (Dec. 16, 2000), raising the need for follow-up measures for specific implementation of the aforementioned agreements.

With regard to giving legal effect to the agreements, the South said in its letter to the North dated May 18, 2001 that it had been following procedures applicable to the effectuation of treaties in order to bring the agreements into force, requesting that the North execute corresponding procedures for their effectuation.

In addition, the South proposed that the two Koreas engage in mutual consultations by means of an exchange of documents concerning the "agreement on inter-Korean commercial dispute resolution procedures" and the "agreement on inter-Korean clearing settlement" until convocation of the second meeting of the Inter-Korean Economic Cooperation Promotion

Committee. The South also delivered its draft version of the "agreement on the establishment and operation of the South-North commercial dispute arbitration committee," together with its "position on the selection of banks for inter-Korean clearing settlement."

In the second-round meeting of the Inter-Korean Economic Cooperation Promotion Committee (Aug. 27-30, 2002), the two Koreas reached an agreement to organize a working-level consultative body in an effort to establish an institutional basis for the implementation of follow-up measures regarding the four agreements on inter-Korean economic cooperation and certification of place of origin. In the third-round meeting of the Inter-Korean Economic Cooperation Promotion Committee (Nov. 6-9, 2002), the two sides worked out an agreement on the place and venue for a meeting of this working-level consultative body. Thus, the first round of working-level consultative meetings on institutional framework for inter-Korean economic cooperation was held in Seoul December 11-13, 2002.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Kim Sung-jin (Head of the Economic Cooperation Bureau of the Ministry of Finance and Economy)	Kim Chun-geun (General Secretary of the National Economic Cooperation Federation)

Delegates	Uhm Jong-shik (Exchange and Cooperation Officer of the Ministry of Unification)	Yoon Seon-ho (Deputy Minister-Level Officer of the Jurist Committee)
	Gu Bon-min (Head of the Special Law Division of the Ministry of Justice)	Kim Gi-mun (Deputy Chief of the Immigration Bureau)

B. Proceedings

(1) The First Plenary Meeting

The South proposed the execution of follow-up measures in preparation for effectuation of the four agreements on inter-Korean economic cooperation, the formation and operation of an inter-Korean commercial dispute arbitration committee, the selection of banks for clearing settlement, and expansion of the institutional mechanism for the promotion of mutual economic cooperation.

Stressing legal guarantees for inter-Korean economic cooperation projects, the North requested resolution of issues related to follow-up measures concerning commercial disputes and clearing settlement, investment protection and prevention of double taxation, verification of the place of origin and the entrance/exit of personnel and equipment.

The two sides agreed to lay the institutional foundation for

mutual economic cooperation. Regarding follow-up measures for the four economic cooperation agreements and the adoption of an inter-Korean passage agreement, however, they manifested certain differences.

Under the circumstances, the South proposed the adoption of the "agreement on the establishment and operation of the South-North commercial dispute arbitration committee" and the selection of banks for clearing settlement. However, the North argued that discussing the follow-up measures for the four agreements when those agreements were not yet in effect was akin to putting the cart before the horse.

In respect to the proposal by the South to adopt an inter-Korean passage agreement in consideration of increasing personnel exchanges between the two sides, the North suggested that South Koreans' passage to and from the Gaeseong and Mt. Geumgang districts be implemented on a trial basis until the adoption of a general passage agreement.

〈Summary of South Korea's Keynote Address〉

o It is necessary to discuss follow-up measures for the four agreements on economic cooperation to gear up for their effectuation. The four agreements signed in December 2000 provide that follow-up measures in connection with commercial dispute resolution procedures and clearing settlement should be discussed within six

months from their signing.

o Formation and operation of an inter-Korean commercial dispute arbitration committee;

- The arbitration committee should be comprised of personnel versed in laws and practical matters of international trade and investment, and must be a corporate entity that functions independent of the government.
- It is proposed that the composition of the arbitration committee, which must be discussed and determined within six months from the signing and exchange of the "agreement on inter-Korean commercial dispute resolution procedures," be subject to mutual consultations through an exchange of documents and working-level contact.
- After the formation of an arbitration committee, the two sides should discuss such issues as the enactment of arbitration regulations, the production and exchange of lists of arbitrators and the designation of an agency to handle arbitration affairs.

o Clearing settlement;

- The two sides need to pursue the selection of banks for clearing settlement in a balanced manner for efficient execution of clearing settlement affairs.
- As regards the selection of banks that will handle payments other than those processed on an inter-Korean clearing settlement basis, the South proposes that multiple banks be allowed to perform such

functions, with the convenience of remittance and the nature of the clearing settlement system as internal transactions among the Koreans taken into account.

- The two sides may discuss the items and limits pertaining to clearing settlement, credit lines of settlement accounts and interest rates at a later date, in working-level talks.
- o In addition, the two sides should discuss measures for setting up an institutional system to support recent inter-Korean exchanges and cooperation during this meeting.
- Determining the procedures and methods of the passage of South and North Korean people between the two Koreas is a particularly pressing task given that the opening of the Donghae Line temporary road and the completion of the Gyeongui Line road and railroad construction are imminent. In the course of the talks, the South hopes to discuss with the North specific procedural issues regarding such passage, including bearing of certificates, immigration inspection, period of stay, and guarantee of convenience and personal security in the visited areas.
 - In addition, the two sides should set up a system to certify place of origin in order to promote mutual interests through the expansion of inter-Korean trade and keep the order of fair trade between the two sides intact. Certification of origin is essential to exemption of duties for and application of the inter-Korean clearing settlement system to goods traded between the South and the North. The customs authorities of the two sides should be delegated for the performance of certification of origin.

o In addition, the two sides must discuss consolidation of an institutional mechanism regarding industrial standards and industrial property rights, and mutual exchange of the statutes related to economic cooperation.

<Summary of North Korea's Keynote Address>

o North Korea proposes the following concerning practical issues for inter-Korean economic cooperation.

o Follow-up measures concerning the "agreement on inter-Korean commercial dispute resolution procedures";

– It is proposed that the two sides each form an arbitration committee, produce a list of arbitrators and arbitration regulations and exchange them within 30 days of the effectuation of the agreement.

o Follow-up measures regarding the "agreement on inter-Korean clearing settlement";

– It is suggested that the two Koreas exchange documents on the implementation of clearing settlement for those goods traded between the North and the South, the selection of items subject to the clearing settlement system and the designation of banks for clearing settlement within 30 days from the effectuation of the "agreement on inter-Korean clearing settlement."

o The "inter-Korean agreement on investment protection" and the "inter-Korean agreement on prevention of double taxation on income";

- The two sides should effectuate and implement these agreements.
- o "Agreement on origin certification procedures for goods traded between the North and South";
 - Since the two sides have already exchanged and studied the relevant documents, it is advisable to adopt a final agreement based on mutual consultations during this meeting.
- o Passage of personnel and equipment between the North and the South;
 - It is proposed that the two sides discuss such issues as South Koreans' exit/entrance, stay and residency in North Korea necessary for the development, management and operation of the Gaeseong Industrial District and the Mt. Geumgang Tourism District, an agenda item regarding which legal guarantees have been already established, so that the two sides can finalize these issues by means of exchange of documents at a later date.

If matters related to passage to and from these districts are ironed out, the passage system should be implemented on a trial basis. It is important for the two sides to continue to discuss overall affairs related to such passage in accordance with progress in the establishment of relevant legal assurances.

(2) Contact between Chief Delegates/Working-Level Delegates

After the first plenary meeting, the two sides held meetings of head delegates and working-level delegates to discuss the inter-Korean passage agreement, certification of origin,

formation of the commercial dispute arbitration committee, and follow-up measures regarding clearing settlement.

North Korea proposed the "agreement on passage, stay and residency registration in the Gaeseong Industrial District and the Mt. Geumgang Tourism District" and the "agreement on origin certification procedures for goods traded between the North and the South."

The two sides reached an agreement, for the most part, on the selection of banks for clearing settlement and the adoption of the agreement on origin certification. However, they managed merely to identify the position of the other concerning the nature and scope of application of the inter-Korean passage agreement, institutions to certify place of origin, formation of a commercial dispute arbitration committee and selection of banks for ordinary settlement.

In the case of the inter-Korean passage agreement, South Korea stressed that since such an agreement would provide the general terms of passage between the two sides, it should not be limited to the Gaeseong Industrial Complex and the Mt. Geumgang Tourism District, emphasizing that the agreement should contain specific provisions guaranteeing personal security. In addition, the South noted that the relevant draft agreement presented by the North constituted

by nature the sub-regulations of its Gaeseong Industrial District Act and contained a number of provisions inappropriate for an inter-Korean agreement.

The North contended that, realistically, the resolution of issues related to passage to and from the Gaeseong and Mt. Geumgang districts was an urgent task, and argued that the insertion of basic provisions guaranteeing personal security would be sufficient.

Concerning certification of origin, the South emphasized that, as the primary purpose of such certification is exemption from duties, the customs authorities of the two sides with competent jurisdiction over tariffs should serve as an entity for certifying origin.

However, the North demanded that its National Economic Cooperation Federation act as a certifying agency, stating that the designation of an institution in charge of issuance of certificates of origin and confirmation of place of origin constituted an internal affair with which the other party should not interfere.

As regards the formation of a commercial dispute arbitration committee, the South proposed that the two Koreas jointly form such a committee and adopt an agreement on the

establishment and operation of this committee for its effectuation in conjunction with the four major agreements on inter-Korean economic cooperation in the future.

In the meantime, the North suggested that the two sides discuss the formation of a commercial dispute arbitration committee upon effectuation of the four agreements. It also maintained that the two Koreas should each organize a respective arbitration committee and stipulate matters pertaining to the establishment and operation of such committees in the arbitration regulations.

Regarding follow-up measures for clearing settlement, the South and the North agreed to designate the Export-Import Bank of Korea and the Trade Bank of the Democratic People's Republic of Korea as their respective banks for clearing settlement. In respect to the selection of banks for ordinary settlement, however, the South proposed to involve all banks engaging in the foreign exchange business while the North insisted that only a limited number of banks should be allowed to perform such services. Acknowledging the disparity in their systems and perceptions regarding inter-Korean economic cooperation, the two Koreas orally agreed to hold the next round of consultative meetings in January 2003.

(3) The Second Plenary Meeting

When it became apparently impossible to adopt an agreement, North Korea expressed its strong hope for the issuance of a joint press statement containing the results of the talks and the schedule for the ensuing meeting. However, South Korea opined that it would be meaningless to release a joint press statement in a situation where they worked out no specific agreement. Thus, the two sides wrapped up the meeting by specifying their respective positions in closing remarks.

15. The Second Round of the Working-Level Consultative Meetings on an Institutional Framework for Inter-Korean Economic Cooperation

As the 4th round of the Inter-Korean Economic Cooperation Promotion Committee held in February 2003 came to a close without any agreement on the timing for convening working-level consultative meetings under its command, South Korea proposed in its telephone notification dated February 21 that the two Koreas continue to discuss ways to build an institutional mechanism for inter-Korean economic cooperation.

Based on the exchange of several telephone messages, the two sides agreed to hold the second round of the working-level consultative meetings on an institutional framework for inter-Korean economic cooperation in Pyongyang during March 26-29.

However, the meeting was not held as scheduled because North Korea unilaterally declared postponement of the meeting on March 22 in a statement issued in the name of its chairman of the Inter-Korean Economic Cooperation Promotion Committee, on the grounds of the South Korean government's heightened military alert amidst the war in Iraq and its official's mistaken remark about the possibility of its military alert status being upgraded to DEFCON 2.

In the meantime, South Korea sought to sound out North Korea's position on the effectuation of the four major agreements on inter-Korean economic cooperation during the third round of working-level consultative meetings on inter-Korean road and railroad re-connection held in Munsan July 2-4, as its National Assembly passed a motion for the conclusion of the agreements on June 30, 2003. North Korea responded that it would "take necessary steps as soon as possible."

During the liaison officers' meeting at Panmunjom on July

5, 2003 for the 11th inter-Korean ministerial talks, the South expressed its hopes that the two Koreas would discuss in detail in the ministerial talks the possibility of an exchange of documents for the effectuation of the four agreements.

In a telephone notification dated July 12, North Korea proposed holding the second round of working-level consultative meetings on an institutional framework for inter-Korean economic cooperation, saying that it "acknowledges the urgent need for the implementation of institutional measures in connection with economic cooperation between the North and the South." Thus, the two sides held the meeting in Gaeseong July 29-31.

For the second-round meeting, Uhm Jong-shik, a South Korean delegate, was replaced by Kim Ho-nyon, while Choi Jeong-won replaced North Korean delegate Kim Gi-mun.

During the meeting, the two sides decided to exchange the written notices for the effectuation of the four economic cooperation agreements through Panmunjom on August 6, and adopted an agreement on origin certification procedures.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Kim Sung-jin (Head of the Economic Cooperation Bureau of the Ministry of Finance and Economy)	Kim Chun-geun (General Secretary of the National Economic Cooperation Federation)
Delegates	Kim Ho-nyon (Exchange and Cooperation Officer of the Ministry of Unification) Gu Bon-min (Head of the Special Law Division of the Ministry of Justice)	Yoon Seon-ho (Deputy Chief of the Legal Division of the Ministry of Foreign Trade) Choi Jeong-won (Office Chief of the Immigration Bureau)

B. Proceedings

(1) The First Plenary Meeting

The South placed high on the agenda completion of procedures to bring into effect the four major agreements on inter-Korean economic cooperation, formation and operation of an inter-Korean commercial dispute arbitration committee, and execution of follow-up measures for the four agreements, including designation of clearing settlement banks. In addition, the South proposed that the two sides adopt the agreements on origin certification procedures and passage to and from the Gaeseong and Mt. Geumgang districts, discuss ways to expand the institutional foundation for economic

cooperation, including matters pertaining to industrial standards and industrial property rights, and exchange statutes on economic cooperation, including inter-Korean passage and investment.

Meanwhile, North Korea suggested that the two sides discuss only the establishment and operation of a commercial dispute arbitration committee, certification of origin and the adoption of an agreement on passage to the districts, with the other issues putting on the back burner for discussion in later talks.

In the plenary meeting, the two sides exchanged their respective draft agreements on the establishment and operation of a South-North commercial dispute arbitration committee, certification of origin and passage to and from the Gaeseong and Mt. Geumgang districts.

<Summary of North Korea's Keynote Address>

- o The North intends to specify its position on practical issues raised in relation to providing institutional guarantees for inter-Korean economic cooperation.
- o First, origin certification procedures for goods traded between the North and the South;
 - Since the two sides reached a basic agreement on this issue during

the first round of the working-level consultative meetings on an institutional framework for inter-Korean economic cooperation, it is advisable for the two sides to discuss the appointment of issuing bodies of certificates of origin, the exchange of certificate forms and the commencement of certificate issuance in order to adopt a relevant agreement during this meeting.

o Second, inter-Korean passage, stay and residency;

- It is proposed that the two sides discuss the pressing issue of passage to and from, and stay and residency in, the Gaeseong Industrial District and the Mt. Geumgang Tourism District.

o Third, inter-Korean commercial dispute resolution procedures;

- According to paragraph 4, article 19 of the "agreement on inter-Korean commercial dispute resolution procedures," it is desirable to discuss matters related to the formation and operation of a North-South commercial dispute arbitration committee during this meeting, while discussing other follow-up measures at a later date.

<Summary of South Korea's Keynote Address>

o The South intends to specify its position on those issues that must be discussed in this meeting in order to set up an effective and rational institutional system for economic cooperation.

o First, establishment of procedures to bring into effect the four agreements on inter-Korean economic cooperation;

- Since both the South and the North have completed the procedures necessary for the effectuation of the four economic cooperation agreements, the only remaining task is to give legal effect to the agreements through an exchange of documents.
 - The South hopes that the two sides will be able to work out an agreement on the details of such documents as well as the method and timing of their exchange, etc. in this meeting.
- o Second, follow-up measures concerning the effectuation of the four agreements on economic cooperation;
- The two sides are supposed to discuss matters necessary for the formation and operation of a commercial dispute arbitration committee within six months from the date of signing the "agreement on inter-Korean commercial dispute resolution procedures." In addition, the South and the North should jointly form the arbitration committee, enact arbitration regulations and produce/exchange a list of arbitrators. The South expects that the two sides will forge a consensus in line with this agreement.
 - With regard to the follow-up measures for the agreement on clearing settlement, the two sides can discuss the items and limits of inter-Korean clearing settlement, credit lines of settlement accounts, interest rates and so forth through working-level talks after designation of banks for clearing settlement, since the two sides reached a provisional agreement on the designation of such banks during the first-round meeting. Detailed technical issues that must be resolved for the management of open accounts, including the procedures and methods for settlement, may be determined by the banks for clearing settlement based on their mutual consultation

in working-level talks. In addition, it would be reasonable to designate banks for ordinary settlement in consideration of the convenience of remittance and the cost of financial transactions.

o Third, procedures for origin certification;

- Certification of origin is aimed at waiving duties imposed on goods traded between the two Koreas, setting the order of fair transactions and promoting the expansion of inter-Korean trade. Since it constitutes the inherent rights and obligations of the authorities concerned to make decisions on tariff exemption and ensure the transparency of trade, the South reiterates that certification and verification of origin should be explicitly guaranteed by the duly authorized entities of the two sides.

o Fourth, adoption of an inter-Korean agreement on passage to and from each other;

- The South takes the position that an inter-Korean framework passage agreement setting forth the overall terms of passage should be adopted. Given the situation in which the two Koreas are pressing ahead with construction of the Gaeseong Industrial Complex, tours of Mt. Geumgang, and re-connection of the Gyeongui and Donghae Line roads and railroads, however, the South agrees to the North's proposal to adopt the agreement on passage to and from the Gaeseong and Mt. Geumgang districts first.
- Considering the reality of inter-Korean relations and the characteristics of the Gaeseong and Mt. Geumgang districts, the agreement on passage to and from these districts must contain specific provisions guaranteeing personal security and

convenience. The South also stresses that even such detailed issues as entry/exit procedures must be determined based on a mutual agreement.

o In addition, the two sides should engage in consultations regarding the ways to expand the institutional framework for economic cooperation, including industrial standards and industrial property rights, and the exchange of laws on passage, investment, commercial dispute arbitration, origin certification, etc.

(2) Chief Delegates' Contact

① Effectuation of the Four Agreements on Economic Cooperation

In relation to effectuation of the four major agreements on inter-Korean economic cooperation, the North requested an exchange of the draft documents for bringing into effect the agreements during this meeting, saying in the plenary session that it had completed the related internal procedures based on a decision by the Supreme People's Assembly Presidium on July 24, 2003.

Making it clear that the two sides must hammer out an agreement on the details of the documents and the date of their exchange, the South suggested that the two sides discuss the issue during the meeting. In addition, the South sought

to persuade the North to include the effectuation issue in a joint press statement, since it was an important issue that should be given publicity.

However, the North Korean delegation contended that it was not empowered to negotiate the format of such documents and the timing of their exchange, claiming that the issue could not be included in a joint press statement.

In addition, the North suggested that the two sides affix either the name of each country or the title of the signees, or anything else they deem appropriate to the written notices for effectuation of the four inter-Korean economic cooperation agreements. However, the North ultimately accepted the South's position that it was necessary to insert the name of the countries in the documents for consistency, since their names were already stated in the four agreements.

The two sides agreed on the wording of the documents and decided to exchange them through liaison officers at Panmunjom on August 6.

② Agreement on Origin Certification Procedures for Goods Traded Between the South and the North

Concerning certification of origin, the two sides entered

into discussions in a situation where both sides consented to the details of the agreement for the most part. By engaging in consultations on a respective modified draft agreement, the two parties easily reached a consensus on the issue.

The two sides agreed that the issuers of certificates of origin would be the Korea Customs Service and the Korea Chamber of Commerce and Industry (South), and the Korean National Economic Cooperation Federation (North). They also agreed that Korea Customs Service (South) and the Korean National Economic Cooperation Federation (North) would serve as certifiers. They decided to exchange documents to confirm that these institutes were duly authorized by the authorities of the two Koreas.

The South delivered to the North its own draft version of the "agreement on confirmation of the issuers of certificates of origin concerning goods traded between the South and the North," along with its proposed draft "certificates of origin jointly used by the South and the North."

③ Agreement on the Designation of "Banks for Clearing Settlement"

According to the "agreement on inter-Korean clearing settlement," the South and the North selected the Export-

Import Bank of Korea and the Trade Bank of the Democratic People's Republic of Korea as their respective banks for clearing settlement. The two sides agreed that these banks would also perform ordinary settlements until their conclusion of a separate agreement.

At the same time, the two sides agreed to engage in further discussions on the items and limits of clearing settlement, credit lines of settlement accounts, interest rates, etc.

④ Format and Details of Documents Encapsulating the Meeting Results

Concerning the format of the "agreement of the second round of working-level consultative meetings," North Korea suggested that only those matters that the two sides discussed based on relevant draft agreements, including passage, place of origin and the commercial dispute arbitration committee, be included in the agreement, as the major details of the agreement, upon conclusion of the meeting.

In the meantime, the South argued that it was appropriate to announce the results of the plenary meeting in the form of a joint press statement because such matters as passage, certification of origin and the commercial dispute arbitration committee would be incorporated into separate agreements

when adopted. Concerning the major details of the joint press statement, the South suggested that the agenda items discussed by the two sides, including effectuation procedures for the four economic cooperation agreements, selection of the banks for clearing settlement and ordinary settlement, consultation on the agreements on passage, origin certification and the commercial dispute arbitration committee, industrial property rights, and exchange of statutes, be comprehensively included in the joint press statement.

Based on mutual consultations, the two sides agreed to publicly announce the meeting results in the form of an agreement, and insert the designation of clearing settlement banks as well as matters related to the commercial dispute arbitration committee and inter-Korean passage in the statement.

(3) Chief Delegates' Contact on the Formation and Operation of the Commercial Dispute Arbitration Committee

On the basis of the draft agreement presented by the South during the first round of working-level consultative meetings, the North put forward its own version reflecting an advancement in its stance on such issues as the legal status of the committee. Under the circumstances, the two sides

reached an agreement on the legal status and composition of the committee, the enactment of arbitration regulations, and the producing and exchanging of a list of arbitrators.

However, the two sides had divergent opinions on the insertion of the judiciary functions of the committee (regarding filing for revocation of an arbitration ruling, appeals by the party concerned, etc.) in the agreement on the establishment and operation of a commercial dispute arbitration committee, as well as the requirements for convening the committee and the disclosure of the results of its meetings.

The South put forward two modified draft agreements in a bid to conclude the agreement. However, the two sides failed to bridge their differences, and thus concluded the meeting with a decision to continue discussing the issue by such means as an exchange of documents.

(4) Chief Delegates' Contact on Passage

Accepting the South's proposal to conclude a passage agreement encompassing both the Gaeseong and Mt. Geumgang districts, the North presented the "agreement on the order of passage, stay and residency in the Gaeseong Industrial District and the Mt. Geumgang Tourism District."

The two sides reached a partial agreement on the exit/entry procedures for personnel and transportation vehicles, exit/entry inspection, etc. However, they failed to narrow their differences regarding visitors' certificates and the guarantee of personal security. Thus, they decided to continue discussions of unresolved issues through an exchange of documents.

As regards visitors' certificates, South Korea strongly suggested that South Korean visitors be allowed to enter and exit the districts if they carried only certificates issued by the South Korean authorities. However, North Korea argued that the certificates issued by the managerial authority of the relevant district were also required.

Concerning the guarantee of personal security, the South sought to convince the North that arrest, detainment, seizure or search of South Koreans should be prohibited and that extradition of any South Korean violator of North Korean laws to the South must be guaranteed for the success of the Gaeseong Industrial District and the revitalization of the Mt. Geumgang tourism project.

However, North Korea argued that it, as a sovereign nation, could not accept the request for extradition, adhering to its position that the Gaeseong and Mt. Geumgang districts, unlike the Rajin-Seonbong special economic zone, were highly

sensitive areas requiring stringent application of North Korean laws.

(5) The Second Plenary Meeting

On July 31, the two Koreas held the second plenary meeting. On the basis of their two-day negotiation results, the two sides adopted the five-point "agreement of the second round of working-level consultative meetings on an institutional framework for inter-Korean economic cooperation" and the ten-article "agreement on origin certification procedures for goods traded between the South and the North," wrapping up the meeting.

In the meantime, the written notices for effectuation of the four economic cooperation agreements, which the two sides agreed to exchange on August 6, were exchanged on August 20 due to postponement by the North on two occasions: first on the grounds of the death of then Hyundai Asan Chairman Chung Mong-heon and then the anti-Pyongyang rally held by South Korean civic groups on August 15.

<Summary of the Agreement>

- o The South and the North will exchange written notices bringing into effect the four agreements on inter-Korean economic cooperation through the liaison officers at Panmunjom on August

6, 2003.

- o The South and the North adopted the "agreement on origin certification procedures for goods traded between the South and the North."
- o Pursuant to the "agreement on inter-Korean clearing settlement," the South and the North selected the Export-Import Bank of Korea and the Trade Bank of the Democratic People's Republic of Korea as their respective banks for inter-Korean clearing settlement.
- o The two sides agreed to continue discussions on the formation and operation of a commercial dispute arbitration committee and passage to and from the Gaeseong and Mt. Geumgang districts by means of an exchange of documents, etc.
- o The two sides will determine the date and venue for the third meeting through an exchange of documents.

—<Notice for Effectuation of the Four Agreements>—

To: Kim Ryong-sung, head of the North's delegation to the inter-Korean ministerial talks and Senior Cabinet Councilor of the Democratic People's Republic of Korea

I hereby inform you that the Republic of Korea has completed the procedures necessary to bring into effect the "inter-Korean agreement on investment protection," the "inter-Korean agreement on prevention of double taxation on income," the "agreement on inter-Korean commercial dispute resolution procedures" and the "agreement on inter-Korean clearing settlement" signed and adopted

in the 4th inter- Korean ministerial talks on December 16, 2000.

July, 2003

Chung Se-hyun, head of the South's delegation to the inter-Korean ministerial talks and Minister of Unification of the Republic of Korea

<Summary of the Agreement on Origin Certification Procedures>

o Scope of application

- Goods traded between the South and the North

o Origin certificate issuers

- Customs and the Korea Chamber of Commerce and Industry for the South and the National Economic Cooperation Federation for the North.
- The two sides will give notice to each other on relevant matters including the issuers' seals and the format of a certificate of origin, as well as any change in such matters.

o Certificate of origin

- A certificate of origin will specify the consignor, consignee, producer, place of production, means of transport, item name, number and type of packages, volume, weight, place of issue, date of issue, issue number, issuer, issuer's seal, etc.

o Origin judgment standards

- If any goods from the South or the North were produced, processed and manufactured in the South or in the North in their entirety, the South or the North is acknowledged as the place of origin.
- In the case of production, processing and manufacture of goods in

more than one country, the South or the North is acknowledged as the place of origin to the extent that the South or North has been finally involved in the substantive production, processing or manufacturing process that gives the goods their inherent characteristics.

- As regards goods produced in a third country and merely transported via the South or North, neither the South nor the North will be acknowledged as the place of origin.

o Origin certification procedures

- If the authenticity of a certificate of origin is in question, either party, by meeting certain requirements, will request the other to verify the authenticity.
- A party that is requested to verify the authenticity of a certificate of origin will notify the other of its verification results.
- The South or the North may not be acknowledged as the place of origin of such goods if either party fails to notify the other of the verification results within a designated notification period or if the declared place of origin turns out to be false.

o Origin certifiers

- Customs for the South and the National Economic Cooperation Federation for the North.
- The two sides will notify each other of the address of the certifier and the chief officer concerned, together with any change in such information.

o Targets of certificate waiver

- Private consignments of a certain amount or less, tourists' personal effects, normal trade items, etc.

o Working-level consultative meeting on origin certification

- It will discuss identification of the authenticity of certificates of origin, detailed standards for origin certification, etc.

16. The Third Round of the Working-Level Consultative Meetings on an Institutional Framework for Inter-Korean Economic Cooperation

A. Overview

The South and the North held the third round of working-level consultative meetings on an institutional framework for inter-Korean economic cooperation in the South Korean city of Munsan October 11-12, 2003. In the third meeting, the two sides focused on the discussion of matters concerning the agreement on passage to and from the Gaseong and Mt. Geumgang districts, and the formation/operation of a commercial dispute arbitration committee.

In the course of the two-day meeting, the two parties failed to narrow their differences over the adoption of the passage agreement. However, they successfully worked out an agreement on the formation and operation of a commercial dispute arbitration committee.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Im Young-rok (Head of the Economic Cooperation Bureau of the Ministry of Finance and Economy)	Kim Chun-geun (General Secretary of the National Economic Cooperation Federation)

Delegates	Kim Ho-nyon (Exchange and Cooperation Officer of the Ministry of Unification)	Yoon Seon-ho (Deputy Chief of the Legal Division of the Ministry of Foreign Trade)
	Lee Seung-seop (Head of the Special Law Division of the Ministry of Justice)	Choi Jeong-won (Office Chief of the Immigration Bureau)

B. Proceedings

(1) The First Plenary Meeting (Oct. 11)

In their keynote addresses, the two sides proposed to discuss matters regarding implementation of the agreement on the establishment and operation of a South-North commercial dispute arbitration committee, the agreement on passage to and from the Gaeseong and Mt. Geumgang districts and the agreement on origin certification procedures, and to exchange related statutes.

The South proposed implementation of inter-Korean clearing settlement in early 2004 and noted the need for mutual consultations on the limit of clearing settlement, subject items, credit lines, interest rates, etc. The South also suggested possible cross-application for and recognition of industrial property rights.

<Summary of South Korea's Keynote Address>

- o First, adoption of the agreement on the establishment and operation of the South–North commercial dispute arbitration committee;
 - The South believes that it is desirable to insert provisions on the judicial functions and guaranteed independence of the committee in the agreement. The South proposes that the two sides form an arbitration committee within 4 months of the signing of the agreement and exchange draft arbitration regulations within six months therefrom.

- o Second, adoption of the agreement on passage to and from the Gaeseong and Mt. Geumgang districts in consideration of the characteristics of these areas;
 - Given the unique traits of inter–Korean relations, it is stressed again that special consideration should be given concerning visitors' certificates and security guarantees for the successful development of the Gaeseong Industrial District and stimulation of the Mt. Geumgang tour project.

- o Third, specific arrangements including the ceiling for clearing settlement and selection of items;
 - The position of the South is that the clearing settlement ceiling must be set at a reasonable level in consideration of the size and recent trend of commercial transactions between the two Koreas and that the scope of clearing settlement should be expanded in phases according to the status of inter–Korean trade.

- Credit lines should be fixed at a reasonable level in consideration of the promotion of inter-Korean trade and possibility of year-end credit and debit balance settlement. In addition, it is possible to determine interest rates by taking into account the interest rates applied in the international financial market.
 - The items and limits for clearing settlement must be set in consideration of the details of the preceding year's transactions, mutual demand and so forth.
 - It is necessary to hold working-level talks between banks for clearing settlement at the earliest possible date for mutual consultations about the specific procedures and methods for clearing settlement.
- o Fourth, discussion of follow-up measures concerning effectuation of the agreement on origin certification procedures;
- The two sides need to discuss the organization of a working-level consultative body on origin certification in order to formulate detailed standards for such certification.
 - The South proposes that the two sides exchange related data, including the detailed regulations they presently have in force, and implement the inter-Korean origin certification procedures on a trial basis.
- o The South also hopes that the North will respond positively to potential cross-application for and acknowledgement of industrial property rights and the exchange of economy-related laws.

<Summary of North Korea's Keynote Address>

- o First, establishment and operation of a South–North commercial dispute arbitration committee;
 - As the two sides basically reached a consensus in the second–round meeting, working–level officers of the two sides may coordinate the wording of the agreement for its subsequent conclusion.

- o Second, passage to and from the Gaeseong Industrial District and Mt. the Geumgang Tourism District and the order governing stays in the districts;
 - As the two sides basically reached an agreement on the issue in the second–round meeting, the two parties may adopt the agreement based on mutual consultations regarding some provisions yet to be agreed to.

- o Third, exchange of laws and regulations;
 - The two sides should discuss which statutes are to be exchanged.

- o Fourth, the two sides should exchange their views on issues that could potentially arise with regard to implementation of the "agreement on origin certification procedures for goods traded between the South and the North," delegating the agencies concerned to execute practical affairs.

(2) Chief Delegates' Contact

① Clearing Settlement

The South clarified its basic position on the ceiling for clearing settlement, subject items, interest rates and so on, and proposed mutual consultations on these issues. However, the North insisted that the ceiling for clearing settlement and subject items be discussed and determined in a meeting of the Inter-Korean Economic Cooperation Promotion Committee, and credit limits and interest rates in the working-level talks between the relevant banks. Thus, the two sides agreed to continue discussing the matters in the next round of meetings.

In addition, the South requested that the North confirm its planned payment order communication method for clearing settlement banks in order to prepare for implementation of the inter-Korean clearing settlement system. The North said that it would respond to this request in the next meeting.

② Certification of Origin

The two Koreas agreed to form a working-level consultative meeting on origin certification consisting of approximately three bureau/division chief-level officials from each side. They also agreed to discuss the timing for its convocation

in the 7th meeting of the Inter-Korean Economic Cooperation Promotion Committee and to implement the origin certification procedures in mid-November on a trial basis.

In the meantime, the South reminded the North that it had sent the North a notice containing the addresses and other contact information of the 42 local customs offices and 61 local chambers of commerce and industry that would issue certificates of origin in the South. The South requested that the North provide a corresponding notice, and the North orally promised to provide such information to the Korea Customs Service of the South.

③ Exchange of Statutes

The South delivered to the North a list of North Korean statutes that it needed, including both basic acts and the laws governing the development of the Gaeseong and Mt. Geumgang districts, road and railroad re-connection, maritime transportation and harbors, passage, customs clearance, quarantine, communications, investment, taxation, trade and other economic activities. The North said that it would specify its position in a subsequent meeting after reviewing the list.

(3) Chief Delegates' Contact on the Formation and Operation of a Commercial Dispute Arbitration Committee

During the five rounds of chief delegates' talks, the North accepted the South's position concerning the majority of unresolved thorny issues such as the insertion of explicit provisions on the functions of the commercial dispute arbitration committee in the relevant agreement and the prohibition of retrial by the courts of the two Koreas regarding the committee's rulings.

As regards the functions of the committee, which represented the most contentious issue, the South persuaded the North by saying that "since the Arbitration Act of the South provides that the authority to make a final decision concerning a file for appeal, challenge or judgment revocation is vested in courts, such matters as prohibition of retrial must be stipulated in the agreement."

The two sides exchanged modified draft agreements three times respectively and finally adopted the "agreement on the establishment and operation of a South-North commercial dispute arbitration committee."

(4) Chief Delegates' Contact for Adoption of the Agreement on Passage

The two sides engaged in consultations about the draft agreements they respectively proposed, with focus placed on review of the wording. However, they could not bridge the gap in their positions on such disputed issues as issuance of visitors' certificates and guarantee of personal security.

South Korea contended that South Korean visitors should be allowed to enter or exit the Gyeongui and Mt. Geumgang districts if they carried only the visitors' certificates issued by the South Korean authorities. However, North Korea stood by its existing position that certificates issued by the managerial authority of a relevant district would also be required.

Concerning the guarantee of personal security, the foremost bone of contention, North Korea proposed a four-point modification. However, it inserted a proviso that "any grave violation of laws, including infringement upon North Korea's sovereignty, may be handled according to North Korean laws," clearly positioning itself against South Korea's argument that the application of North Korean laws should be excluded.

In an effort to hammer out an agreement, South Korea presented the modification that "any South Korean who

violates North Korean laws shall be forcefully extradited to the South and the relevant investigation shall be conducted as determined by the South and the North based on mutual consultations." However, North Korea decided to specify its opinion in an ensuing dialogue after further studying the modified version proposed by South Korea. Thus, the two sides ended the meeting without any concrete agreement.

(5) The Second Plenary Meeting (Oct. 12)

On the basis of the results of chief delegates' talks and working-level delegates' meetings by area, the two Koreas adopted the "five-point joint press statement of the third working-level consultative meeting on an institutional framework for inter-Korean economic cooperation" and the "agreement on the establishment and operation of a South-North commercial dispute arbitration committee."

<Summary of the Joint Press Statement>

- o The two sides adopted the "agreement on the establishment and operation of a South-North commercial dispute arbitration committee."
- o The two sides agreed to form and operate a working-level consultative body for the implementation of the agreement on origin certification procedures and to conduct certification of the origin of goods in November on a trial basis.
- o The two sides agreed to continue consultations, in the form of

an exchange of documents, on matters concerning passage to and from the Gaeseong Industrial District and the Mt. Geumgang Tourism District.

- o The two sides agreed to engage in consultations on the ceiling for clearing settlement, item selection, interest rates and so forth in the ensuing meeting.
- o The two sides agreed to exchange copies of the laws and regulations related to inter-Korean economic cooperation at an appropriate time.
- o The two sides agreed to set the venue and date for the 4th round of working-level consultative meetings on an institutional framework for inter-Korean economic cooperation in the 7th-round meeting of the Inter-Korean Economic Cooperation Promotion Committee.

<Summary of the Agreement on the Establishment and
Operation of a South-North Commercial Dispute
Arbitration Committee>

- o Legal status of the committee
 - To be entitled to serve as an independent corporate entity in the South and the North.
 - To be entitled to sign agreements, acquire and dispose of property and institute legal actions within the scope necessary for the performance of its duties.
- o Composition of the committee
 - To form a committee consisting of 1 chairman and 4 members

respectively appointed by the South and the North among those possessing thorough knowledge of practical legal and international trade/investment affairs and expertise in other necessary areas.

o Functions of the committee

- Based on its consultations, the committee shall swiftly decide on issues raised in the course of processing and handling cases, including decisions on a party's challenge to the ruling of an arbitrator/appraiser, objection to the authority of the arbitrator, objection to the scope of authority of the arbitration court or the filing to revoke an arbitration ruling, within the scope of its delegated authority.

<Summary of the Agreement on the Establishment and
Operation of a South-North Commercial Dispute
Arbitration Committee>

o Effect of the committee's decisions

- The courts of the South and the North shall not re-deliberate any ruling of the committee made according to paragraphs 1 and 2, article 3.

o Procedures for committee meetings

- The committee shall be convened whenever necessary at the request of an arbitration ruling unit or an arbitrator.

o Cancellation of arbitration rulings

- In the event the committee deliberates on a filing for cancellation of its ruling and the parties to the dispute fail to

work out an agreement within 3 months of the commencement of such deliberation, the case shall be deemed dismissed.

o Guarantee of the committee's activities

- For the parties involved in the resolution of a dispute, the South and the North shall guarantee conditions for their efficient execution of duties, including personal security, passage and communications.

- If one or more party to a dispute is the authorities of the South and/or the North, the committee shall not be subject to legal action by the courts of the South and/or the North.

o Notification

- The chairman of each side shall submit notices to each other through liaison officers at Panmunjom.

o Consultation and modification/supplementation

- Concerning matters related to the interpretation and application of the agreement, the Inter-Korean Economic Cooperation Promotion Committee or an agency designated by the Committee shall be requested to resolve such matters and their decision shall apply.

17. The Second Working-Level Contact on Inter-Korean Cooperation for Maritime Transportation

A. Overview

During the first working-level contact on inter-Korean

cooperation for maritime transportation (Nov. 18-20, 2002, Mt. Geumgang), the South and the North agreed to hold the second working-level contact in December 2002. In accordance with the agreement, the two Koreas held the second working-level contact on inter-Korean cooperation for maritime transportation in Pyongyang from December 25-28, 2002.

In the plenary meetings and head delegates' talks, the two sides discussed relevant issues, with focus placed on the draft agreements on maritime transportation presented by each side. Thus, they initialled and adopted the "inter-Korean agreement on maritime transportation," comprised of 15 articles and 37 paragraphs.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Gang Mu-hyun (Head of the Maritime Transportation and Logistics Bureau of the Ministry of Maritime Affairs and Fisheries)	Cha Seon-mo (Bureau Chief of the Ministry of Land and Marine Transport)
Delegates	Seo Ho (Division Chief of the Ministry of Unification) Kim Jin-hong (Division Chief of the Office of the Prime Minister)	Choi Jeong-nam (Senior Officer of the Ministry of Land and Marine Transport) Cho Jeong-chul (Officer of the Ministry of Land and Marine Transport)

B. Proceedings

(1) The First Plenary Meeting (Dec. 26)

In the first plenary meeting, the two sides exchanged modified draft agreements on maritime transportation reflecting the details discussed in the first working-level contact on inter-Korean cooperation for maritime transportation. In addition, each side specified its basic position regarding its own draft agreement.

Stressing its unflinching determination to set up an institutional mechanism for inter-Korean marine transportation, South Korea proposed to discuss the increasing of harbors used to open sea routes, the economic benefits of inter-Korean maritime transportation and the establishment of a marine traffic zone in consideration of the current status of inter-Korean relations.

In the meantime, North Korea demanded that vessels from either side be allowed to pass through the territorial waters of the other and that the shortest navigation routes between the harbors of the two sides be established.

After exchanging their views on the proposed draft agreements, the two sides concluded the meeting by agreeing

to scrutinize the draft versions and further discuss the issue.

(2) The Second Plenary Meeting (Dec. 27)

In the second plenary meeting, South Korea stressed that a sea route between the two Koreas must be treated as an internal, not an inter-country, route and that South Korean vessels berthing in a North Korean harbor should be assured of direct communication with the outside.

However, North Korea argued that guarantees of communications for a berthed vessel could not be included in the agreement because it would require a revision of its domestic laws.

(3) The Third Plenary Meeting (Dec. 28)

Following the second plenary meeting, the two Koreas held several rounds of head delegates' talks and working-level delegates' meetings. Through these efforts, the chief delegates of the two sides adopted and initialled the "inter-Korean agreement on maritime transportation" based on an agreement that the North would revise its communications-related regulations at the earliest possible date. At the same time, the two parties presented their overall views on its 'subsidiary agreement.' In the third plenary meeting held in the morning

of December 28, they confirmed and publicized their agreements, wrapping up the talks.

<Summary of the Inter-Korean Agreement
on Maritime Transportation>

1. Guarantee of inter-Korean maritime transportation and the opening of a sea route

- The two sides will guarantee the navigation of ships approved by either party and authorized by the other under the relevant provisions of this agreement and its subsidiary agreement.
- The two sides will acknowledge a sea route between them as an internal sea route.

2. Mutual cooperation in the event of a maritime accident

- The two sides will guarantee emergency evacuation and perform rescue activities and marine pollution control measures if any incident arises, including collision, stranding, capsizing or fire, or in the case of an emergency patient aboard either party's vessel in the other party's territorial waters.
- The two sides will jointly perform rescue activities or take marine pollution control measures, if necessary.

3. Guarantee of vessel communication

- The two sides ensure that a vessel from either side is able to communicate with its marine transport company or agency and the relevant authorities in the territorial waters of the other, if necessary.

4. Information sharing and technological exchanges

- The two sides will establish and operate a communication network between the maritime authorities of the two Koreas in order to exchange information necessary for the navigation of vessels, including marine meteorological information.

5. Formation and operation of a consultative body between the maritime authorities of the two Koreas

- The two sides will form and operate a consultative body between the maritime authorities of the two sides in order to promote mutual exchanges and cooperation regarding maritime transportation and harbors, and to prevent maritime accidents.

18. The Third Working-Level Contact on Inter-Korean Cooperation for Maritime Transportation

A. Overview

During the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee (Aug. 26-28, 2003, Seoul), the two Koreas agreed to hold the third working-level contact on inter-Korean cooperation for maritime transportation in early October. Accordingly, the two Koreas discussed the timing of the meeting through telephone notifications and finally held the meeting in Munsan October

11-12, 2003.

For the adoption of a subsidiary agreement to specifically implement the "inter-Korean agreement on maritime transportation" that the two sides initialled during the second working-level contact on inter-Korean cooperation for maritime transportation, the two sides held several rounds of plenary meetings and head delegates' talks and worked out an agreement on many aspects of the issue. Because of their differences over some facets of the issue, however, they failed to reach a final agreement. They concluded the meeting with an agreement to continue mutual consultations.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Choi Jang-hyun (Head of the Maritime Transportation and Logistics Bureau of the Ministry of Maritime Affairs and Fisheries)	Cha Seon-mo (Bureau Chief of the Ministry of Land and Marine Transport)
Delegates	Bae Gwang-bok (Division Chief of the Ministry of Unification) Park Gyu-shik (Division Chief of the Office of the Prime Minister)	Choi Jeong-nam (Senior Officer of the Ministry of Land and Marine Transport)

B. Proceedings

(1) The First Plenary Meeting (Morning of Oct. 11)

In their keynote addresses, the two sides clarified their positions on a subsidiary agreement, and exchanged their respective draft versions of the "subsidiary agreement for the implementation of and compliance with the inter-Korean agreement on maritime transportation."

South Korea pointed out the need to establish a marine traffic zone with consideration of economic feasibility, safety and current inter-Korean relations, joint rescue and salvage activities in the event of a maritime accident, and a guarantee of direct communication for South Korean vessels berthing in a North Korean harbor.

Demanding prompt effectuation of the "inter-Korean agreement on maritime transportation," North Korea expressed its stance on the adoption of a subsidiary agreement.

The two Koreas wrapped up the meeting with a decision to review the draft subsidiary agreement presented by the other and continue their consultations.

(2) The Second through Fourth Plenary Meetings (Afternoon of Oct. 11 to the Morning of Oct. 12)

In the three rounds of plenary meetings, the South clarified its basic position that the subsidiary agreement must be concluded at an early date in order to speed up effectuation of the inter-Korean agreement on maritime transportation. As regards the establishment of a marine traffic zone, the South emphasized that the current status of inter-Korean relations should be taken into account, repeatedly placing stress on the importance of guarantees of direct communication for South Korean ships berthing in a North Korean harbor.

North Korea repeatedly called for the reducing of the inter-Korean marine traffic zone, while taking a passive stance on guarantees of communication.

(3) The Fifth Plenary Meeting (Afternoon of Oct. 12)

The two Koreas held several rounds of plenary meetings and head delegates' talks over two days in an effort to conclude a subsidiary agreement. As a result, they reached an agreement on a wide array of issues, including procedures for authorizing the navigation of vessels, basic principles and prohibited acts applicable to ships of either side during their passage through the other side's territorial waters, and mutual

cooperation plans in the event of a maritime accident. However, they failed to bridge their differences over several issues, including the establishment of a marine traffic zone and guarantees of communication. The two sides, which held the 5th plenary meeting in the afternoon of October 12, ended the meeting by issuing a joint press statement in which they announced a plan to continue discussions on outstanding issues.

<Summary of the Joint Press Statement>

- o The two sides acknowledged the significance of bringing into effect the already adopted "inter-Korean agreement on maritime transportation" and adopting a subsidiary agreement for its implementation. With earnest consultations, the two sides reached an agreement on a number of issues.
- o Based on the details discussed during this contact, the two sides agreed to continue discussions of such issues as the marine traffic zone and guarantees of communication.
- o The two sides also agreed to set the time and venue for the 4th working-level contact on inter-Korean cooperation for maritime transportation by means of an exchange of documents.

Chapter VI.
Inter-Korean Talks on
Humanitarian and Social
/ Cultural Issues



VI

Chapter VI. Inter-Korean Talks on Humanitarian and Social/Cultural Issues

1. Inter-Korean Red Cross Working-Level Contact

A. Overview

The two Koreas held two rounds of inter-Korean Red Cross working-level contact in December 2002 and January 2003 to discuss the construction of a reunion center at Mt. Geumgang and other issues related to separated families.

On the basis of their discussions during the first working-level contact, the two sides engaged in consultations on such issues as construction of the reunion center, identification of the fates and whereabouts of separated family members on a trial basis, increased exchange of letters among them, and tracking of the fates and whereabouts of those who went missing during the Korean War.

In the third working-level contact on January 22, 2003, the South and the North adopted a five-point agreement on the construction and operation of the reunion center, execution of the 6th reunion of separated families, and resolution of such issues as confirmation of the condition and whereabouts of people separated from their families and the

missing from the Korean War and the exchange of letters among separated families in a subsequent meeting.

B. The Second Inter-Korean Red Cross Working-Level Contact

On December 4, 2002, the South suggested to the North that they hold the 2nd-round working-level contact as soon as possible. In its telephone notification on December 6, the North proposed to hold the 2nd round at Mt. Geumgang December 15-17, 2002.

Upon the South's acceptance of the proposal, the two sides held the 2nd working-level contact at Mt. Geumgang from December 15-17, 2002.

The South and the North each created a three-member delegation, and these were respectively headed by Lee Byung-woong, special aide to the president of the Republic of Korea National Red Cross, and Lee Geum-chul, member of the Central Committee of the Red Cross Society of the Democratic People's Republic of Korea.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Lee Byung-woong (Special Aide to the president of the ROK National Red Cross)	Lee Geum-chul (Member of the Central Committee of the Korean Red Cross Society)
Delegates	Yoon Mi-ryang (Member of the Committee for Separated Families of the ROK National Red Cross) Yoo Gwang-soo (Member of the Committee for Separated Families of the ROK National Red Cross)	Ham Dong-hyuk (design expert) Ryu Sung-soo (architectural expert)

(1) Plenary Meeting (Dec. 16)

The South and the North held the 1st plenary meeting at 10 a.m. on December 16, 2002. At the meeting, the two sides expressed their basic positions on the agenda items, exchanged the relevant draft agreements and discussed matters related to separated families, including the construction of the Mt. Geumgang reunion center.

Concerning the proposed reunion center, the two parties decided to jointly construct the building in front of Jopo Village, Onjeong-ri, and also agreed to establish and operate the "Mt. Geumgang Reunion Center Construction Promotion Group" as a consultative and executive body.

However, the South and the North failed to find common ground regarding the scale, designing entity, ground-breaking ceremony and management method for the reunion center as they continued to uphold their respective positions taken in the 1st-round contact.

South Korea proposed that the reunion center have a total floor space of 7,600 square meters and that the South draft a basic design forming the basis of the building and engage in mutual consultations with the North on the design. The South also proposed that a ground-breaking ceremony be conducted within a week of the completion of the design. In addition, the South suggested that matters related to the operation of the reunion center be discussed and finalized one month prior to the completion of its construction.

In the meantime, the North proposed to build a reunion center capable of accommodating approximately 1,000 persons, take responsibility for its basic design, and carry out a ground-breaking ceremony after two months. It also demanded that affairs pertaining to the operation and management of the reunion center be discussed and finalized as construction neared completion.

The South suggested discussing such issues as individuals who went missing during the Korean War, identification of

the fates and whereabouts of and the exchanging of letters among members of separated families, and the 6th inter-Korean reunion of separated families. However, North Korea did not present any concrete proposal regarding those issues.

The "keynote address" the South delivered during the 1st plenary meeting is as follows:

<Summary of South Korea's Keynote Address>

- o The South proposes that the Mt. Geumgang reunion center be built in front of Jopo Village, Onjeong-ri and be of a total floor space of 7,600 square meters. In addition, the South suggests that a Mt. Geumgang Reunion Center Construction Promotion Group be formed, consisting of ten persons from each side respectively, and its 1st meeting held in January 2003.

- o The South proposes that it take charge of producing a basic design for the reunion center and that construction be started within a week of completion of the design. The South also suggests that matters related to the operation and management of the reunion center be discussed and finalized one month prior to the completion of its construction. In addition, the South proposes that it provide materials and equipment while the North supply labor for the construction. The South also suggests that inter-Korean reunions of separated families be carried out on a regular basis until construction of the reunion center is completed, and that the 1st reunion be conducted on the occasion of the lunar New Year in 2003.

- o For the tracking of the fates and whereabouts of those who went missing during the Korean War, it is proposed that the South and the North provide each other with a list of such persons in January 2003, and also discuss and resolve the issue of those who went missing after the war.

- o The South suggests that the fates and whereabouts of those forced apart from their families be identified on a trial basis in January and February 2003 and that an exchange of letters be implemented in February involving 300 persons from among those whose condition and whereabouts are identified.

Without making a separate keynote address, the North presented its position by reading a draft agreement that it had prepared. Its basic position is as follows:

- o It is proposed that the Mt. Geumgang reunion center be built in front of Jopo Village, Onjeong-ri with a capacity of approximately 1,000 persons. The North also proposes that the Mt. Geumgang Reunion Center Construction Promotion Group consist of 10 persons from each side, and that its 1st meeting be held in December 2003.

- o The North should supervise the basic design of the reunion center. With the goal of completing its construction within one year, it is proposed that construction begin in February 2003. The North also suggests that the two Koreas discuss and determine matters related to the operation and management of the reunion center in its completion stage. In addition, it is proposed that the South provide materials and equipment, with the North supplying land and labor.

- o The North suggests that the 6th inter-Korean reunion of separated families be carried out at Mt. Geumgang on the occasion of the lunar New Year in 2003.

(2) Chief Delegates' Contact (Dec. 16-17)

The South and the North held six rounds of head delegates' contact on December 16 and 17, 2002 to coordinate their positions on thorny issues.

On the basis of its stance specified in the plenary meeting, the South put forward specific ways to conduct exchanges among separated families on a regular basis, including the construction of the Mt. Geumgang reunion center, steady execution of reunions prior to the completion of its construction, confirmation of the fates and whereabouts of individuals who went missing during the Korean War and separated families, and expansion of the exchange of letters among separated families.

Demanding that the two sides concentrate on construction of the Mt. Geumgang reunion center, the North repeatedly argued that the two sides should discuss, at a later date, the measures proposed by the South to make substantive headway in exchanges among separated families.

(3) Plenary Meeting (Dec. 17)

As the South and the North failed to bridge their differences over the issue of separated families in the head delegates' contact, they held a plenary meeting on December 17, 2002 and issued a joint press statement saying that the issues raised in the second working-level contact would be subject to continuous consultations, wrapping up the three-day talks. The summary of the joint press statement is as follows.

—<Summary of the Joint Press Statement>—

- o The South and the North reached an agreement on the location and design of the Mt. Geumgang reunion center and the formation of a "Mt. Geumgang Reunion Center Construction Promotion Group," and also agreed in principle to carry out the 6th reunion of separated families on the occasion of the lunar New Year in 2003.
- o Both sides will continue consultations, during their next round of meetings, on the size of the reunion center, tracking of the fates and whereabouts of and expansion of letter exchanges among separated families, and confirmation of the fates and whereabouts of people who went missing during the Korean War.
- o On the basis of the results of their discussions in this meeting, the South and the North will continue their consultations in their third working-level contact in January 2003.

C. Third Inter-Korean Red Cross Working-Level Contact

In its telephone notification to North Korea on January 6, 2003, the South proposed to hold the 3rd round of the inter-Korean Red Cross working-level contact at Mt. Geumgang during January 20-22, 2003.

As the North gave its consent to the proposal, the 3rd working-level meeting was held at Mt. Geumgang Jan. 20-22, 2003.

The list of the two sides' delegates is the same as that of the 2nd working-level contact.

(1) Plenary Meeting (Jan. 21)

In the 1st plenary meeting held at 10 a.m. on January 21, 2003, the South and the North presented their basic positions.

On the basis of its stance in the second working-level contact, the South specified its position on the construction and operation of the reunion center, the reunion of separated families on a regular basis prior to the completion of its construction, including execution of the 6th reunion, identification of the fates and whereabouts of those who went missing during the Korean War, confirmation of the condition

and whereabouts of separated family members on a trial basis, and the exchange of letters among them.

The North placed on the agenda the size of the reunion center, the date of its ground-breaking ceremony, the date of the 6th reunion of separated families, tracking of the condition and whereabouts of persons who went missing or were separated from their family members during the Korean War, and the exchange of letters among separated family members. In particular, the North advanced a step from its existing position that it might discuss the issue of separated families, including their reunion, at a later date, proposing to discuss the issue with the date of the ground-breaking ceremony as a deadline.

The two sides' keynote addresses can be summarized as follows.

<Summary of South Korea's Keynote Address>

- o The South proposes that the Mt. Geumgang reunion center be built near Jopo Village, Onjeong-ri, with a capacity to accommodate 1,000 persons. It is suggested that the 1st meeting of the Mt. Geumgang Reunion Center Construction Promotion Group be held on February 10, 2003.

- o The South suggests that the basic design be jointly produced by the two sides while the detailed design be supervised by the South. It

is also proposed that the two sides conduct a ground-breaking ceremony within a week of the completion of the design process, and discuss and finalize matters associated with the operation and management of the reunion center one month prior to the completion of its construction.

- o The South suggests that the 6th round of inter-Korean reunions of separated families be executed at Mt. Geumgang February 17–22, 2003, and that reunions of those forced apart from their families be carried out steadily prior to the completion of the construction of the reunion center.
- o The South proposes that the two sides exchange lists of 200 persons from each side in February and March 2003 respectively to identify the condition and whereabouts of those persons who went missing during the Korean War, and lists of 100 persons separated from their families from each side in March and April 2003 respectively to confirm the fates and whereabouts of separated family members.
- o The South proposes that the 5th round of inter-Korean Red Cross talks be held in Seoul in March 2003.

<Summary of North Korea's Keynote Address>

- o The North proposes that the Mt. Geumgang reunion center be built in front of Jopo Village, Onjeong-ri, with a maximum capacity of approximately 1,000 persons. The total floor space of the reunion center should be discussed and finalized by working-level construction officers. It is also suggested that the 1st meeting of the Mt. Geumgang Reunion Center Construction Promotion Group be held at Mt. Geumgang February 3–4, 2003.

- o The North suggests that the two Koreas jointly perform the designing and conduct a ground-breaking ceremony in April 2003.
- o The North proposes that the 6th reunion of separated families be executed from February 27, 2003 to March 4, 2003.
- o It is suggested that such issues as identification of the fates and whereabouts of those who went missing during the Korean War, confirmation of the condition and whereabouts of separated family members on a trial basis, and the exchange of letters among them be discussed and resolved after the 6th reunion of separated families and the commencement of the construction of the reunion center.
- o The North proposes that the 4th working-level contact be held in late April 2003.

(2) Chief Delegates' Contact (Jan. 21-22)

The South and the North held five rounds of head delegates' contact during January 21-22, 2003 to coordinate their positions on major contentious issues, including the size of the reunion center.

As regards the size of the reunion center, the thorniest issue, North Korea insisted on a total floor area of approximately 73,000 square meters, making it difficult to work out an agreement. In the last-minute negotiations, however, the two sides managed to resolve the issue because

the North backed down from its position that the size of the reunion center should be explicitly stated, proposing to discuss the issue at a later date through the Mt. Geumgang Reunion Center Construction Promotion Group.

The two sides agreed that the two Koreas would jointly produce the basic design of the reunion center.

Until the last minute, the two sides had sharp differences over the ground-breaking ceremony and the operation procedures for the reunion center. However, they managed to find some common ground, with the South accepting the North's proposed date for the ground-breaking ceremony and the North consenting to the South's position on the operation and management of the reunion center.

In the meantime, the South laid down specific methods for the identification of the fates and whereabouts of separated family members on a trial basis, expansion of their exchange of letters, and the confirmation of the fates and whereabouts of those who went missing during the Korean War, calling on the North for a positive reaction.

In response, the North suggested that the two sides focus on the construction of the reunion center first, and discuss and resolve the other issues after the ground-breaking

ceremony, as it had already stated in the plenary meeting.

During the 3rd round of the inter-Korean Red Cross working-level contact, the South accepted the North's suggestion that they hammer out an agreement on the construction of the reunion center and the 6th reunion of separated families first, and discuss and resolve other disputed issues such as identification of the fates and whereabouts of separated family members on a trial basis in ensuing talks.

(3) Plenary Meeting (Jan. 22)

Based on coordination between their head delegates in the course of the meetings, the South and the North held a plenary meeting on January 22, 2003 and adopted a five-point agreement on the construction of the Mt. Geumgang reunion center, etc.

The agreement can be summarized as follows.

<Summary of the Agreement>

1. Construction and operation of the Mt. Geumgang reunion center
 - o The reunion center will be built in front of Jopo Village, located in Onjeong-ri, Goseong-gun.
 - o The reunion center will be a comprehensive complex consisting

of reunion halls, guest rooms and conference rooms, with the capacity to accommodate approximately 1,000 persons. Its total floor area will be determined based on consultations among the working-level construction officers concerned.

- o The South will provide materials and equipment while the North will provide the site and labor.
 - o The South and the North will engage in mutual consultations as regards its design.
 - o Construction of the reunion center will be completed within one year, with its ground-breaking ceremony conducted in April.
 - o For the discussion of practical issues vital to the construction of the reunion center, the Mt. Geumgang Reunion Center Construction Promotion Group will be organized, consisting of ten persons from each side. Its 1st meeting will be held on February 10.
 - o Matters related to its operation will be finalized one month prior to the completion of its construction.
2. The two sides will carry out the 6th reunion of separated families at Mt. Geumgang February 20-25, 2003.
 3. The two sides will discuss and resolve such issues as identification of fate and whereabouts of the missing during the Korean War, confirmation of the fates and whereabouts of people separated from their families and the expansion of exchanges of letters among them after the ground-breaking ceremony for the reunion center.
 4. The 4th round of the inter-Korean Red Cross working-level contact will be held at Mt. Geumgang in late April 2003.

2. Meeting of the Mt. Geumgang Reunion Center Construction Promotion Group

A. Overview

In accordance with the agreement reached in the 3rd round of the inter-Korean Red Cross working-level contact, the South and the North held three rounds of meetings of the Mt. Geumgang Reunion Center Construction Promotion Group at Mt. Geumgang during the period from February to August, 2003 for mutual consultations on the construction of the reunion center.

On the basis of the results of their negotiations during the three rounds of inter-Korean Red Cross working-level contact, the two Koreas discussed the total floor space of the reunion center, selection of the party who would take charge of its basic design, the ground-breaking ceremony, etc.

However, there existed a wide gap between the two sides' positions on the total floor area of the reunion center. They also had different views as to which party should supervise its basic design, the date of its ground-breaking ceremony, and the management and operation of the reunion center. Against the backdrop, the two sides wrapped up the meetings without the adoption of any agreement.

B. The First Meeting (Feb. 13-15)

As agreed in the 3rd round of the inter-Korean Red Cross working-level contact, the South sought to hold the 1st meeting of the Mt. Geumgang Reunion Center Construction Promotion Group on February 10, making arrangements in line with this schedule. Because of a change in the operation schedule of the Sulbong, the ship plying the route between the South and Mt. Geumgang, however, the adjustment of the date of the meeting was unavoidable.

Accordingly, the South proposed to the North in its telephone notification on February 4, 2003 that the scheduled date for the 1st meeting of the Group be adjusted to February 13-15, 2003.

As the North expressed its consent to the South's proposal on February 5, the 1st meeting of the Mt. Geumgang Reunion Center Construction Promotion Group was held at Mt. Geumgang February 13-15, 2003.

Each delegation consisted of ten members who were design, architectural, electrical and other construction-related experts. The list of the delegates from each side is as follows.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Min Byung-dae (Head of the Inter-Korean Exchange Bureau of the ROK National Red Cross)	Ham Dong-hyuk (construction expert)
Delegates	Yoo Jong-ryol (ROK National Red Cross official) Lee Jae-ho (ROK National Red Cross official) Yoo Gwang-soo (ROK National Red Cross official) Choi Young-un (ROK National Red Cross official) Choi Bo-won (ROK National Red Cross official) Lee Chang-wook (construction expert) Song Jae-won (machinery expert) Yoo Jae-bong (electrical expert) Kim Young-woong (design expert)	Hwang Chul (ROK National Red Cross official) Kim Sung-chul (ROK National Red Cross official) Ryu Sung-soo (construction expert) Kim Sung-il (construction expert) Choi Joong-chun (design expert) Roh Dae-hyun (design expert) Lee Jae-woo (design expert) Lee Myung-geun (design expert) Jeon Joo-yang (design expert)

※ Choi Bo-won and Yoo Jae-bong, South Korean delegates, did not attend the 3rd round meeting of the group, while the North replaced its delegate Kim Sung-chul with Kim So-hyung.

The South and the North held the 1st plenary meeting on February 14, 2003, and presented their basic stances on technical issues associated with construction of the reunion center, together with the desirable direction for the management of the group.

Up until the delegations' departure from the venue on February 15, the two sides held several rounds of working-level meetings to exchange their views on concrete technical issues.

In connection with the size of the reunion center, the South emphasized that it would be possible to calculate the specific size of the reunion center upon finalizing the structure and basic facilities of the building. By contrast, the North asserted that the total floor area of the reunion center should be determined first, presenting a proposed total floor space of about 73,000 square meters and the details of auxiliary facilities.

In connection with the basic design, the South suggested that the two sides respectively formulate drafts for discussion and finalization by the group and that the detailed design be supervised by the South. However, the North maintained that it should perform the basic design, with the detailed design supervised by the South.

In addition, the South said that it would be desirable to finalize initial processes, including determination of the structure and design of the building, and then discuss the implementation of a ground-breaking ceremony at a later date. The South also suggested that the group convene twice a

month on a regular basis for mutual consultations on construction issues.

Arguing that the ground-breaking ceremony should be conducted in April 2003, the North even submitted a detailed statement of necessary materials and equipment. The North also demanded that the group be stationed in the Mt. Geumgang area for continued mutual consultations and requested that the South guarantee the financial support necessary for management of the North Korean delegation to the group.

The South and the North discussed the size and design of the reunion center in two rounds of plenary meetings and five rounds of head delegates' talks and working-level meetings. Due to a large discrepancy in their positions, however, they failed to reach an agreement.

The two sides capped off the meeting by agreeing to hold the 2nd-round meeting at Mt. Geumgang March 3-5, 2003 to continue discussions on contentious issues, including the structure, basic facilities, size and design of the reunion center.

C. The Second Meeting (March 3-5)

As agreed in the 1st-round meeting of the group, the two sides held the second round at Mt. Geumgang during March 3-5, 2003.

There was no change in the delegates of the two sides from the 1st round.

On the basis of the results of their discussion during the 1st round, the South and the North continued consultations on the size and structure of the reunion center, the supply of materials and equipment necessary for the ground-breaking ceremony and the operation of the group.

Concerning the size of the reunion center, the most contentious issue at the first round, the South presented a proposal partially accepting the North's position.

To be specific, the South said that it would be advisable to build a reunion center of 10,047 square meters in consideration of the future operation plans of the reunion center. In addition, it stressed that it would be desirable to construct the reunion center in the form of a condominium (family hotel) to ensure convenient reunions of separated families.

In addition, the South made it clear that it would provide materials and equipment necessary for the ground-breaking ceremony as soon as the two sides reached an agreement on the schedule for initial processes.

Regarding the size of the reunion center, the North made a concession from its position in the 1st round by presenting a total floor size of 60,000 square meters as its final proposal.

In terms of the building's structure, the North suggested that the reunion center take the form of a comprehensive complex of less than 10 to 12 floors so as not to damage the scenic beauty of the Mt. Geumgang area, with its topographical conditions also taken into account.

In the 2nd-round meeting, the North put forward the particulars of those basic and common facilities of the reunion center that it had not proposed in the 1st round, moving one step closer to the South's position.

Concerning the ground-breaking ceremony, however, the North requested that the South provide materials and equipment required for the ceremony in stages, on the premise that the ceremony would be conducted in April 2003, which was deemed unacceptable by the South.

During the 2nd-round meeting of the group, the South and the North discussed technical issues pertaining to the construction of the reunion center in a plenary meeting and three rounds of working-level consultations. As a result, the two sides reached a consensus on such issues as the basic and common facilities of the reunion center and the composition of the group.

However, they failed to work out an agreement on the core issues of reunion center construction, including the structure of the building and its total floor area, because they upheld their respective positions as stated in the 1st round.

With this situation, the South and the North decided to engage in continued consultations on any disputed issues in a later meeting. However, they wrapped up the second round without determining the date of the next meeting.

D. The Third Meeting (Aug. 21-23)

With the subsequent meeting yet to be held more than five months after the second-round meeting of the group and the construction of the Mt. Geumgang reunion center overdue, the South and the North reached the consensus that construction of the reunion center should no longer be delayed.

Accordingly, the two Koreas agreed to cooperate with each other to hold a ground-breaking ceremony for the reunion center in the 11th inter-Korean ministerial talks held July 9-12, 2003 in Seoul.

In its telephone notification to the South on August 14, 2003, the North suggested the 3rd-round meeting of the group be held August 21-23, 2003. At the same time, the North expressed its intention to work out a reasonable agreement on the size of the reunion center, which had been at an impasse, in the 3rd round, and hold the groundbreaking ceremony on the occasion of Chuseok (Korean Thanks-giving).

As the South consented to this proposal, the 3rd-round meeting of the group was held at Mt. Geumgang during August 21-23, 2003.

In the three-day meeting, the South and the North engaged in focused discussions of such contentious issues as the size and essential components of the reunion center, and its management and operation plans following the completion of its construction.

Regarding its size, the South emphasized that it would be most logical to calculate the total area after fixing all its

essential components and that an area of 10,046 square meters would be sufficient to accommodate 1,000 persons.

Although the North agreed to finalize the total floor space after reaching an agreement on the essential components of the reunion center, it still had a severely divergent opinion on the total floor area, proposing 50,000 square meters.

Concerning the date of the ground-breaking ceremony, the North suggested that the ceremony be carried out during the 8th reunion of separated families slated for September 20, 2003 after the conclusion of an agreement on basic matters, including the size of the reunion center. However, the South responded that it was desirable to conduct the ground-breaking ceremony as soon as possible upon the two sides' reaching of an agreement on the size and components of the reunion center only.

The South also proposed that the two sides begin discussing matters pertaining to management and operation of the reunion center even prior to completion of its construction, stressing that administrative expenses associated with the reunion center after its completion constituted one of the major factors in determining its size. However, the North insisted that the center's operation plans be finalized one month prior to the completion of its construction as agreed

in the 3rd round of the inter-Korean Red Cross working-level contact.

In the 3rd-round meeting of the group, the South and the North sought to work out a final agreement, presenting each other with modified proposals containing concessions. However, they had sharply divergent views on core issues related to the construction of the reunion center, including its size and the method of its management and operation.

The South and the North wrapped up the meeting with an agreement to continue consultations on disputed issues in a 4th-round meeting of the group at Mt. Geumgang to be held September 5-7, 2003.

3. The Fifth Round of Inter-Korean Red Cross Talks

A. Background

In the 4th round of the inter-Korean Red Cross talks held in September 2002, the South and the North agreed to build and operate a reunion center for those separated from their family members. They adopted the "joint construction and joint management" approach whereby the South would provide materials and equipment required for the construction of the reunion center, and the North would supply the site

and labor.

As follow-up, the two sides held three rounds of inter-Korean Red Cross working-level contact and three meetings of the Mt. Geumgang Reunion Center Construction Promotion Group to discuss practical issues pertaining to the construction of the reunion center, including its size and design. However, they failed to make any progress in those meetings due to a failure to narrow their differences over the size of the reunion center. In South Korea, some raised concerns that with the joint construction approach, the two sides would encounter many conflicting views on each and every process of the construction and management/operation of the reunion center, even if they could reach an agreement on its construction. They argued that the time-consuming procedures to coordinate such conflicting opinions would ultimately lead to a delay in the construction of the reunion center.

Accordingly, the South came to the conclusion that it was necessary to shift to an approach whereby one party was to take charge of the construction and management of the reunion center in order to ensure rapid construction of the center and efficient management and operation of its facilities upon the completion of its construction. Under the circumstances, the South judged that it would be appropriate for the South, which would bear the costs of materials and

construction, to take charge of construction. The South Korean-led "exclusive construction and exclusive management" approach mandates that the South take responsibility for the construction of the reunion center as well as the management and operation of its facilities after the completion of construction. At the same time, however, it fully considers and reflects the position of the North.

The South presented this vision and fully explained its position to the North through various dialogue channels, including inter-Korean ministerial talks.

In this process, the North came to agree that the "exclusive construction and exclusive management" approach proposed by the South was a rational option, showing a positive response. Against this backdrop, the two Koreas held the 5th round of inter-Korean Red Cross talks aimed at discussing the new construction plan.

B. Overview

In its telephone notification on October 28, 2003, the South proposed to the North that the two sides hold the 5th round of inter-Korean Red Cross talks at Mt. Geumgang during November 3-5 so as to discuss matters related to people separated from their families, including construction of the

Mt. Geumgang reunion center.

In its telephone notification to the South on October 28, 2003, the North suggested that the schedule of the meeting be changed to Nov. 4-6, which was accepted by the South. Thus, the 5th round of the inter-Korean Red Cross talks was held at Mt. Geumgang one year following the preceding round.

During the 4th round of inter-Korean Red Cross talks, both the South and the North replaced its delegates, including the chief delegates.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Lee Byung-woong (Special aide to the president of the ROK National Red Cross)	Choi Sung-ick (Executive member of the Central Committee of the Korean Red Cross Society)
Delegates	Choi Gi-sung (Expert member of the Inter-Korean Exchange Committee of the ROK National Red Cross) Yoo Jong-ryol (Expert member of the Inter-Korean Exchange Committee of the ROK National Red Cross)	Choi Chang-hun (Member of the Central Committee of the Korean Red Cross Society) Hwang Chul (Member of the Central Committee of the Korean Red Cross Society)

C. Proceedings

(1) The First Plenary Meeting (Nov. 5)

At 10:00 a.m. on November 5, 2003, the South and the North held a plenary meeting and exchanged their basic opinions on issues associated with people separated from their families, including the 9th reunion of separated families, identification of the condition and whereabouts of separated family members and their exchange of letters, and tracking of the fates and whereabouts of those who went missing during the Korean War. They also exchanged their respective draft agreements on the construction of the Mt. Geumgang reunion center.

With respect to construction of the reunion center, the two sides agreed that the reunion center would be constructed in front of Jopo Village in Onjeong-ri, Goseong-gun, Gangwon-do, and that the South would take the initiative for its construction and ensuing management upon its completion, with the North's opinions reflected to the greatest possible extent.

Regarding the size of the reunion center, the two sides forged a consensus that the reunion center would be of a size sufficient for the implementation of reunions of separated

families as well as execution of the Mt. Geumgang tour program, meetings and other events.

In addition to the construction of the reunion center, the South proposed identification of the condition and whereabouts of separated families, their exchange of letters, and confirmation of the fates and whereabouts of those who went missing during and after the Korean War. In the meantime, the North suggested repatriation of additional unconverted long-term prisoners to the North.

The South proposed that the 9th reunion of separated families be conducted on the occasion of the lunar New Year in 2004. The South also suggested they determine the specific dates for the reunion event in order to avoid frigid weather and in consideration of the age and health of separated family members.

While agreeing to hold the 9th reunion of separated families in 2004, the North mentioned that it was advisable to carry out the reunion in the warmer weather of spring, rather than the cold of winter.

The South proposed the specific dates and scale as regards identification of the fates and whereabouts of separated family members, exchange of letters among them, and confirmation

of the condition and whereabouts of the missing from the Korean War. By contrast, the North said that it was advisable for the two sides to smooth out issues related to construction of the Mt. Geumgang reunion center first, and discuss and decide other matters associated with separated families after the ground-breaking ceremony for the reunion center, as agreed in the 3rd round of the inter-Korean Red Cross working-level contact.

In the meantime, the North requested the repatriation of additional unconverted long-term prisoners in the South wishing to go to the North, along with the families of unconverted long-term prisoners who had already been repatriated to the North. Emphasizing that the issue had been previously concluded with the repatriation of 63 unconverted long-term prisoners on September 2, 2000, the South reacted sternly to the North's request.

The keynote addresses encapsulating the positions of the two sides are summarized as follows.

<Summary of South Korea's Keynote Address>

- o According to the agreement reached in the 4th round of the inter-Korean Red Cross talks, the South and the North have discussed, in several rounds of talks, practical issues surrounding the construction of a reunion center. The South fully agrees that rapid

construction of the reunion center is of great importance for the resolution of the issue of separated families as well as the improvement of inter-Korean relations.

- o In this meeting, the two sides should endeavor to embark on construction of the reunion center as soon as possible by adopting and bringing into effect the "agreement on the construction of the Mt. Geumgang reunion center."
- o For the purpose of identifying the condition and whereabouts of persons separated from their families, the South proposes that the two sides exchange a list of 100 people from each side, in November and December, 2003 respectively, and that an exchange of letters be executed among 300 persons from each side in 2004.
- o In order to track the fates and whereabouts of those who went missing during the Korean War, the South proposes that a list of 300 people from among the list of the missing submitted to the ROK National Red Cross be delivered to the North in December 2003. In addition, the South hopes that the two sides will make headway in inquiring into the condition and whereabouts of those persons who disappeared after the Korean War, based on mutual consultations.

<Summary of North Korea's Keynote Address>

- o During the 4th round of the inter-Korean Red Cross talks held in September of last year, the two Koreas agreed to build a reunion center for separated relatives at Mt. Geumgang.
- o Fortunately, the two sides are to conclude discussions of practical issues related to construction of the Mt. Geumgang reunion center,

although some differences were manifested during the three rounds of working-level contact and three meetings of the Mt. Geumgang Reunion Center Construction Promotion Group.

- o In this meeting, the two sides should demonstrate, at home and abroad, the fact that the Korean people are ironing out inter-Korean issues amongst themselves, and actively contribute to resolving the issue of separated families by adopting and effectuating the agreement on the construction of the Mt. Geumgang reunion center.

(2) Chief Delegates' Contact (Nov. 5)

The South and the North held the head delegates' contact from 3:30 p.m. They adjusted the wording of the "agreement on the construction of the Mt. Geumgang reunion center" and continued consultations on the identification of the fates and whereabouts of separated family members, their exchange of letters and so forth.

Concerning the construction of the reunion center, the two sides agreed that the South would take charge of its construction, management and operation, while the North would guarantee personal security and prevent any inconveniences to South Korean personnel in the course of their construction work at Mt. Geumgang.

The two sides also agreed that the reunion center would

be built in front of Jopo Village, Onjeong-ri, Goseong-gun, and have a total floor area of about 20,000 square meters, with possible extensions in the future if necessary.

They decided to use the reunion center primarily for reunion events for separated families. In an effort to enhance productivity and efficiency, the two sides agreed to use the reunion center as a venue for inter-Korean talks as well as events or facilities for Mt. Geumgang tours by South Koreans, when necessary.

Even though the two sides reached an agreement on the construction of the reunion center, they failed to bridge differences over identification of the fates and whereabouts and exchange of letters among separated family members, and the confirmation of the condition and whereabouts of those who went missing during the Korean War.

Stating that the two sides had agreed in the third working-level contact to discuss and resolve issues of separated families other than the construction of the reunion center after its ground-breaking ceremony, the North asserted that those issues should be discussed after the commencement of construction.

In the belief that it was imperative to finalize the issue

of the construction of the Mt. Geumgang reunion center, which had remained at a stalemate for over a year, the South accepted the North's position.

(3) The Second Plenary Meeting (Nov. 6)

The South and the North held a plenary meeting at 10:00 a.m. on November 6, 2003 and adopted the eleven-point "agreement on the construction of the Mt. Geumgang reunion center," wrapping up the three-day dialogue.

Concerning such contentious issues as the tracking of the fates and whereabouts of separated family members, the exchange of letters among them and the confirmation of the condition and whereabouts of those who went missing during the Korean War, the two sides decided to continue mutual consultations after the commencement of construction of the reunion center.

The agreement is summarized as follows.

— <Summary of the Agreement> —

1. The two sides agreed to fully cooperate with each other to attain the goal of completing construction of the reunion center within a year of its commencement. It will be built in front of Jopo Village, Onjeong-ri, Goseong-gun, Gangwon Province, and have a total floor area of about 20,000 square meters, with possible extensions in the future, if necessary.

2. The South will take charge of construction of the reunion center. As regards its basic design, the North's opinion will be considered to the fullest extent. The North will guarantee the supply of labor and materials needed by the South, for which the South will make payments.
3. The North will guarantee the personal security and convenience of South Korean personnel who enter or exit the North in connection with the construction of the reunion center in accordance with the practices applied to the South Korean entity in charge of the Mt. Geumgang tourism project.
4. The South and the North will respectively establish, in stages, legal and administrative measures required for the construction of the reunion center.
5. The ground-breaking ceremony for the reunion center will be conducted within a month of the completion of a geological site survey and the producing of a detailed design. Specific procedural issues related to the ground-breaking ceremony will be discussed and finalized through an exchange of documents.
6. The South will take charge of management and operation of the reunion center after the completion of its construction.
7. The South and the North will discuss matters pertaining to operation of the reunion center and present their opinions on the utilization of its facilities to a facility manager by installing a reunion office of approximately 1,000 square meters within the reunion center.
8. The reunion center will be used for purposes other than reunions as well, such as the Mt. Geumgang tourism program.
9. If the two sides need to engage in mutual consultations on construction of the reunion center, they will use the Red Cross liaison office at Panmunjom, and establish a separate local communication system.

4. Working-Level Contact on North Korea's Participation in the 2003 Daegu Summer Universiade

A. Background

In preparing for the 2003 Daegu Summer Universiade, the South Korean government and the Universiade organizing committee actively explored the possibilities of a North Korean delegation participating in the event for the successful hosting of the event and the promotion of sustained inter-Korean reconciliation and cooperation. In particular, the fact that the participation of a North Korean athletic delegation and cheering squad in last year's 14th Busan Asian Games had brought much publicity to the event and a great boost to the atmosphere of inter-Korean reconciliation and cooperation highlighted the need for a North Korean delegation to participate in the Universiade.

Based on prior consultations with the FISU (The International University Sports Federation), the organizing committee forged a consensus on North Korea's participation in the athletic event. In August 2002, the committee sent an official invitation to North Korea. North Korea's willingness to participate in the Universiade was confirmed by North Korean sports officials who took part in the 14th Busan Asian Games in October 2002. At unofficial meetings between

sports officials of the two Koreas during the Winter Asian Games held in Aomori, Japan in February 2003, South Korea reaffirmed North Korea's intention to participate in the Universiade, and stressed the need to hold an inter-Korean working-level consultative meeting to discuss the issue at the earliest possible date.

The organizing committee sent the North Korean Ministry of Education PR materials and regulations for the Daegu Universiade, as well as relevant forms of an application for participation, a letter of final commitment to participate in group competitions and a list of referees.

During the 10th round of the inter-Korean ministerial talks held in Pyongyang in April, the South officially placed on the agenda the potential participation of a North Korean delegation in the Daegu Universiade. Upon the conclusion of the meeting, the two sides issued a joint press statement saying that the North would dispatch an athletic delegation and a cheering squad to the Daegu Universiade and that the South would fully guarantee their convenience.

With the opening of the Daegu Universiade approximately two months away, South Koreans' tours of Mt. Geumgang, which had been suspended due to SARS (Severe Acute Respiratory Syndrome), resumed in late June. Immediately

after the resumption of the tour program, the South Korean government and the organizing committee proposed in a letter sent to North Korea that an inter-Korean working-level contact be held at Mt. Geumgang June 27-29.

As the group draw for final group competitions had already been completed and the fees for participation in group competitions had to be paid in their entirety by early July, the determination of the competitions in which the North would participate was the most urgent issue for the organizing committee.

However, North Korea sent a belated telephone notification on June 27 suggesting the schedule of the proposed working-level contact be changed to July 4-6 because the 7th inter-Korean reunion of separated families would be held at Mt. Geumgang from June 27 to July 2. The South consented to this suggestion.

B. Proceedings

The South dispatched a 20-member delegation led by Ha Jin-gyu, Secretary General for the Daegu Universiade, while the North sent a delegation headed by Jang Jeong-nam, deputy chairman of the University Students Sports Association.

<List of the Two Sides' Delegates>

	South	North
Chief Delegate	Ha Jin-gyu (Secretary General for the 2003 Daegu Summer Universiade)	Jang Jeong-nam (Deputy Chairman of the DRPK University Students Sports Association)
Delegates	Kim Seung-chul (Honorary Director of the Korea University Sports Board) Kim Seung-gon (Deputy Secretary General of the Korea Sports Council)	Ahn Myung-guk (Executive member of the University Students Sports Association) Yoon Yong-bok (Executive member of the University Students Sports Association)

As the two Koreas had experience in working-level contact as well as practical experience in the management of similar events due to the participation of a North Korean athletic delegation and cheering squad in the 14th Busan Asian Games the preceding year, the South and the North expected that they would smoothly proceed with the meeting on the Daegu Universiade. At the dinner on the first day of the meeting, North Korean officials held an overall optimistic attitude toward the prospects for the meeting.

(1) Day 1 (July 5)

In its keynote address during the 1st plenary meeting in the morning, North Korea said that it would dispatch a 220-member athletic delegation, along with a 310-member

cheering squad, to compete in 10 events, including women's soccer, tennis, and track and field. The North proposed that its delegation and cheering squad use a direct Pyongyang-Daegu air route on a North Korean airplane.

In addition, the North requested that the South cover the expenses for accommodations and guarantee the convenience of its athletic delegation as much as possible. Pointing out that insufficient telephone lines caused significant inconvenience during the Busan Asian Games, the North also demanded that the South provide 12 direct inter-Korean lines and international lines for its athletic delegation and cheering squad and 9 lines for its journalists. In addition, the North proposed that the two teams jointly participate in the opening and closing ceremonies under the "flag of a single Korean team (Korean Peninsula flag)" in accordance with the precedent set in the Busan Asian Games.

There was no significant difference in the proposals presented by the North and the South. Concerning the opening and closing ceremonies and the guarantee of conveniences, the two sides engaged in discussions in a smooth manner by reaching a consensus to follow the precedent of the Busan Asian Games.

However, the South judged that the size of the cheering

squad proposed by the North exceeded the capacity of accommodations prepared by the organizing committee, and that the requested number of communication lines was unnecessarily large.

<Comparison of the Positions of the Two Sides>

	South	North
① Composition of athletic delegation and the competitions in which they will participate	-	<ul style="list-style-type: none"> o Athletic delegation (220 persons): athletes, officials, referees, reporters, etc. o Events (10): women's soccer, tennis, track & field, diving, judo, etc.
② Entry registration documents	o To be submitted by July 21	o To be submitted by Aug. 5
③ Entrance/exit route	o Use of Gimhae Airport and a North Korean airplane	<ul style="list-style-type: none"> o Use of a direct Pyongyang-Daegu air route and a North Korean plane o Same for the return (Sept. 1)
④ Opening and closing ceremonies	o Simultaneous entry, carrying the Korean Peninsula flag	o Simultaneous entry with the Korean National flag - Following the precedent of the Busan Asian Games regarding the use of the name, "Korea" and uniforms
⑤ Participation in competitions and meetings	o Respective competition in athletic events and dispatch of respective representatives to various meetings	o Respective competition in athletic events
⑥ Awards ceremony	o Hoisting of the national flag and playing of the FISU anthem	o Hoisting of the national flag and playing of the national anthem

<p>⑦ Personal security and maintenance of order</p>	<ul style="list-style-type: none"> o North Korean delegation's accommodation and personal security to be guaranteed by South Korea during its stay in the South o North Korean delegation to comply with the guidelines and order set by the South 	<ul style="list-style-type: none"> o Guarantee of personal security during their stay in the South
<p>⑧ Financial support for stay</p>	<ul style="list-style-type: none"> o North Korean delegation's expenses incurred during its stay in the South to be borne by the South o South Korea to guarantee full convenience for the North Korean cheering squad as well 	<ul style="list-style-type: none"> o Expenses for the North's delegation/ cheering squad's travel and stay to be borne by the South o Expenses for the North Korean delegation's uniforms and emblems for the opening/closing ceremonies to be borne by the South o Full convenience in training, competitions and cheering activities to be provided
<p>⑨ Hoisting of the Korean Peninsula flag and the North Korean national flag</p>	<ul style="list-style-type: none"> o Use of the Korean Peninsula flag for simultaneous entry during the opening/closing ceremonies and inter-Korean competitions only o Hoisting of the North's national flag in accordance with FISU regulations and international practices 	<ul style="list-style-type: none"> o Subject to international practices and FISU regulations concerning hoisting of the national flag and use of the name of the country
<p>⑩ Cheering squad composition & accommodations</p>	<p>-</p>	<ul style="list-style-type: none"> o 310 persons/accommodation at a hotel
<p>⑪ Guarantee of communications</p>	<ul style="list-style-type: none"> o 2 international telephone lines and 10 inter-Korean direct telephone lines to be provided to the North Korean athletic delegation 	<ul style="list-style-type: none"> o 1 international telephone line and 5 inter-Korean direct lines for the North Korean athletic delegation and cheering squad respectively o 1 video, 1 audio, 1 photo transmission channel and 5 telephone lines for the press

⑫ Period of the event	o Friendly discussions and resolution based on mutual trust	o Resolution with warm fraternal love and trust o Use of Panmunjom inter-Korean liaison lines in Daegu
⑬ Future working-level consultations	o Consultations in the form of an exchange of documents through Panmunjom	o Consultations in the form of an exchange of documents through Panmunjom

Noting these problems, the South requested that the North reduce them to a reasonable and rational quantity. Concerning a transportation route, the South suggested the use of Gimhae International Airport rather than Daegu International Airport. The comparison of the two sides' basic positions is as follows:

In the morning session, the South and the North fully exchanged their views and worked out an agreement on most items on the agenda except for several contentious issues. The South strongly requested the North meet the deadline for the submission of entry registration documents (July 21) in consideration of fairness and equality with other countries. In addition, it explained to the North that the FISU hymn, instead of a national anthem, would be played during the awards ceremony under the regulations of the event, and drew the consent of the North.

As regards the size of the North Korean cheering squad, the route for entrance into and exit from the South, and the

number of communication lines to be guaranteed, the major bone of contention, the two Koreas continued mutual consultations by holding a second plenary meeting in the afternoon.

Concerning the scale of the cheering squad, the South said that a squad of approximately 250 members would be appropriate given the capacity of available accommodations. Regarding the course for travel, the South suggested that Gimhae International Airport would be more reasonable for the sake of convenience in operating the athletic event and in consideration of the precedent set in the Busan Asian Games. With respect to communication lines, the South also demanded concession by the North, citing the scale of expenses as a reason.

However, North Korea obstinately upheld the position it specified in the morning. Rather, the North requested that the number of video transmission lines for its reporters be further increased from one to two, using the number of communication lines that it provided to the South during the 2000 inter-Korean summit as an example. Failing to hammer out any agreement in the meeting on Day 1, the two sides proceeded to the next meeting on Day 2.

(2) Day 2 (July 6)

The meeting on Day 2 started with a head delegates' contact at 11:25 a.m., more than one hour behind the original schedule, due to a delay by the North.

The South accepted the 310-member cheering squad proposed by the North, reminding the North that the squad would have to put up with some inconvenience because of limited accommodation space. As regards the course for cross-border travel, the North accepted the South's proposal, agreeing to use Gimhae International Airport.

Concerning the number of communication lines, the South limited the number of inter-Korean direct lines to 12 in total on the condition that the number of international telephone lines be raised, if necessary. The North gave its consent to the proposal, demanding that the South guarantee 12 inter-Korean direct lines, 1 television transmission line, 1 photograph transmission line and 10 international lines, including 2 facsimile lines.

Thus, the South and the North worked out a final agreement on practical issues pertaining to the participation of the North's athletic delegation and cheering squad in the 2003 Daegu Summer Universiade. After one round of working-

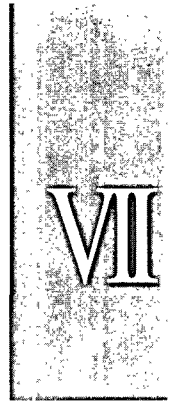
level meeting to finalize the wording, the two sides signed and exchanged a final agreement in a closing session.

<Summary of the Agreement>

- o The North will dispatch an athletic delegation of approximately 200 members, including athletes, officials and referees, a 310-member cheering squad and a 19-member press corps.
- o The North will submit a list of its athletic delegates according to event, together with entry registration documents, to the organizing committee by July 21.
- o The athletic delegation and cheering squad from the North will enter the South on a North Korean airplane using a direct inter-Korean air route on August 17 and August 18, respectively, with the same applied to their return.
- o The two Koreas will simultaneously enter the opening and closing ceremonies, with their flag-bearers carrying a Korean Peninsula flag.
- o The South will guarantee the convenience of the North during its athletic delegation and cheering squad's stay in the South, and the North will comply with the guidelines and order of the South.
- o The two Koreas will respectively compete in events, and have their respective national flags hoisted and the FISU hymn played at awards ceremonies.
- o The South will bear the expenses of the North's athletic delegation and fully guarantee the convenience of its cheering squad and

press corps.

- o The Korean Peninsula flag will be used during the two Koreas' joint entry and inter-Korean competitions, and the hoisting of the North's national flag and the use of its name will be subject to the FISU regulations and international practices.
- o The South assures the North of 12 inter-Korean direct phone lines, 6 international phone lines, 1 TV transmission line, 1 photo transmission line, etc.
- o The two Koreas will amicably resolve other issues based on mutual trust.
- o The two Koreas will dispatch a liaison officer to one another for mutual consultations.
- o Other practical issues will be discussed through an exchange of documents at Panmunjom.



Chapter VII.
Light Water Reactor
Project

Chapter VII. Light Water Reactor Project

1. Status of Light Water Reactor Construction

A. Conclusion of the Turnkey Contract

In accordance with the Agreed Framework between North Korea and the United States (Oct. 1994), KEDO (Korean Peninsula Energy Development Organization) and North Korea signed the "agreement on the supply of two light water reactors" (Dec. 1995). In line with the signing of follow-up protocols and the completion of detailed procedures necessary to launch light water reactor construction by 1997, KEDO embarked on site preparations at the construction site in the Kumho district, South Hamgyeong Province on August 19, 1997, starting with a ground-breaking ceremony.

Conclusion of the Turnkey Contract between KEDO and KEPCO (Korea Electric Power Corporation) in Seoul on December 15, 1999 laid the groundwork for implementation of the light water reactor project in full swing.

The Turnkey Contract took effect on February 3, 2000, following the conclusion of a loan agreement between KEDO and the Export-Import Bank of Korea on December 15, 1999 and a loan agreement between KEDO and the Japan Bank

for International Cooperation on January 31, 2000.

The Turnkey Contract signed between KEDO and KEPCO, which is an enormous document of more than 1,800 pages, consists of 38 articles stating general terms and conditions (150 detailed provisions) and 22 appendices. Its major details are specified below.

B. Implementation of Main Construction

With the effectuation of the Turnkey Contract, the light water reactor project entered into the primary stage of construction. The site grading work was completed on August 31, 2001. In the meantime, North Korea issued a construction permit on September 1, 2001 on the basis of the preliminary safety analysis report and the environmental impact assessment report submitted by South Korea. Accordingly, the basic excavation work for the main buildings, the first major process of primary construction, was launched on September 3, 2001.

On August 7, 2002, the ground-breaking ceremony for the initial concrete pouring for the construction of the main buildings was held at the construction site, with the representatives of KEDO members, reporters and North Korean officials in attendance.

<Major Details of the KEDO-KEPCO Turnkey Contract>

1. Obligations

- o KEPCO: Construction of two 1,000 MW pressurized light water reactors, construction and operation of infrastructure and various residential facilities, site operation, responsibility for construction methods, etc.
- o KEDO: Provision of the construction site, guarantee of personal security for relevant personnel, maintenance of order at the site, etc.
- o North Korea: Performance of its obligations under the agreement on the supply of two light water reactors and follow-up protocols.

2. Construction Period: To be determined in a separate protocol between the KEDO and North Korea (protocol on delivery schedule and performance)

3. Contractual Amount: US\$4.08 billion based on the fixed price as of January 1997 (on the condition of compensating for price fluctuations)

4. Contract Terms

- o Financial and legal indemnities regarding liability for damages incurred in the event of a nuclear accident
 - KEDO shall take financial and legal measures to protect KEPCO and its suppliers against liability for damages incurred in the event of a nuclear accident.
- o Dispute and arbitration procedures: International commercial arbitration rules
- o Education & training: The KEDO shall train a sufficient number

of North Korean trainees in accordance with the "protocol on training" signed by the KEDO and North Korea.

o Warranties

- Electrical output: 1,000 MW (acceptable error: $\pm 3\%$)

Construction of the exterior walls of the nuclear reactor and basic work on the auxiliary building were subsequently launched for reactor unit no. 1, and basic excavation work was completed for reactor unit no. 2. Infrastructure construction work, including site grading, access roads, intake and discharge breakwaters, an inclined wharf, and water and electric power supply facilities, is generally nearing completion, while the construction of convenience facilities in the residential section, including residential quarters, a cafeteria and sports facilities for workers, has mostly been finished.

The emergence of a fresh North Korean nuclear standoff in October 2002, however, presented a challenge to normal implementation of the light water reactor project. In response to the situation, members of the KEDO Executive Board engaged in consultations about the future of the project. Starting from February 2003, they slowed down execution of the project while keeping the project intact. On November 21, 2003, however, they decided to suspend construction since

the requirements for continuing the project were not met.

As of the end of November 2003, with the project suspended temporarily, the percentage of progress in the overall implementation process stands at 34.02%, with the comprehensive design 60.91% completed, the procurement of nuclear reactor facilities 68.36% completed and construction 21.48% completed.

Currently, a construction consortium (Hyundai Engineering & Construction, Daewoo Engineering & Construction, Dongah Construction, and Doosan Heavy Industries and Construction) as well as KEPCO, the main contractor, are participating in the light water reactor construction project. As of the end of November 2003, a total of 555 workers including 353 South Korean workers, 100 North Korean workers, 95 Uzbekistani workers and the staff of KEDO's Kumho district office are jointly working on the project. In addition, more than 280 heavy machines and vehicles including bulldozers and back-hoes (fork-lifts) are being used in the construction.

2. Negotiation Between KEDO and North Korea

A. Negotiations on Follow-Up Protocols of the "Agreement on the Supply of Two Light Water Reactors"

After KEDO and North Korea laid the foundation for the light water reactor project by signing the "agreement on the supply of two light water reactors" on December 15, 1995, the two sides initiated negotiations on a total of 13 follow-up protocols for implementation of the agreement in April 1996. In July 1996, they signed the "protocol on the juridical status, privileges and immunities, and consular protection of KEDO in North Korea," the "protocol on transportation" and the "protocol on communications." The two sides also concluded the "protocol on site take-over, site access and use of the site" and the "protocol on service" in January 1997, and the "protocol on actions in the event of non-payment" in June 1997. Thus, they signed and effectuated a total of 6 follow-up protocols up to 1997.

In 1999, the two sides began negotiations on the "protocol on training," which would provide for issues related to the training of North Korean personnel for operation and maintenance of the light water reactors. They finally worked out an agreement on disputed issues during their third-round negotiations in July, 2000 and the protocol was signed in

Pyongyang on October 20, 2000 by then KEDO Executive Director Desaix Anderson and Kim Hee-mun, the Deputy Director General of North Korea's General Bureau for the LWR Project at the time.

The protocol on training stipulates the particulars of the training of North Korean personnel who will take charge of operation and maintenance of the light water reactor plants. This protocol contains the provisions on the procedures to formulate, execute and complete training plans, including the training sites and the number of trainees, as well as the assignment of related duties between KEDO and North Korea and the means of mutual cooperation.

In addition, KEDO and North Korea engaged in negotiations concerning the "protocol on quality assurance and warranties" from November 1997. The protocol came into force on December 3, 2001 with its official signing by KEDO Executive Director Charles Kartman and Lee Jae-seon, the Director General of the North Korean General Bureau for the LWR Project.

<Status of Negotiations on Follow-up Protocols>

Protocol	Major Details	Rationale	Remarks
Juridical status, privileges & immunities, and consular protection	KEDO's juridical status, protection of personal security of KEDO personnel, etc.	Paragraphs 6 & 7, Article 4 of the LWR supply agreement	Effectuated on July 11, 1996
Transportation	Site access for KEDO personnel (free entrance/exit procedures) and opening of an efficient route	Paragraphs 3 and 6, Article 9 of the LWR supply agreement	"
Communication	Detailed procedures to secure efficient means of communication within and outside of the site	Paragraphs 5 and 6, Article 9 of the LWR supply agreement	"
Site take-over, site access & use of the site	Details on site take-over, site access and use of the site	Paragraph 3, Article 5 of the LWR supply agreement	Effectuated on Jan. 8, 1997
Service	Terms and conditions of North Korea's supply of labor, commodities, facilities and other services	Paragraphs 4 and 6, Article 9 of the LWR supply agreement	"
Actions in the event of non-payment	Particulars of penalty calculation and imposition in the event of non-payment of financial obligations	Paragraph 3, Article 16 of the LWR supply agreement	Effectuated on June 24, 1997
Training	Training plans for North Korean personnel for the purpose of operation and maintenance of the light water reactors	Paragraph 2, Article 7 of the LWR supply agreement	Effectuated on Oct. 20, 2000
Quality assurance & warranties	Quality and performance assurance for the light water reactors	Paragraph 4, Article 6 of the LWR supply agreement	Effectuated on Dec. 3, 2001
Compensation for nuclear accident	Details of indemnities in the case of a nuclear accident	Paragraph 2, Article 11 of the LWR supply agreement	2 rounds of presentations in 2000-2001, 4 rounds of negotiations in 2002

Delivery schedule and performance	Timeline for imposition and lifting of North Korea's nuclear freeze, and light water reactor supply	Paragraph 3, Article 3 of the LWR supply agreement	To be discussed
Payment terms	Sum of and payment conditions for the consideration for light water reactor construction	Paragraph 4, Article 2 of the LWR supply agreement	"
Spent fuels	Details of safe storage and processing of spent fuels and transfer to a third country	Paragraph 4, Article 8 of the LWR supply agreement	"
Nuclear safety and regulations	Procedures and schedule for regular safety review after completion of light water reactor construction	Paragraph 5, Article 10 of the LWR supply agreement	"

Under the principle that North Korea should participate in the quality assurance activities performed by KEDO, the "protocol on quality assurance and warranties" provides for the rights and obligations of KEDO and North Korea in the process of quality assurance activities, indemnities for KEDO and its contractors, and the scope and timing of the provision of documents and records related to quality assurance, together with the technical details of and conditions for warranties regarding electrical output, major components, initial nuclear fuels and installations of the two light water reactors provided by KEDO.

In 2002, four rounds of negotiations were carried out concerning the "protocol on compensation for damages in the case of a nuclear accident" to provide for the scope of liability

and the system for compensation in the event of damages incurred by an accident at the nuclear power plant. However, the negotiations broke down because of the nuclear standoff in October 2002. As North Korea was rather unfamiliar with the concept of the protocol above, KEDO gave North Korea two presentations on the basic concept of the protocol and the principles related to compensation for damages in 2000 and 2001, ahead of full-swing negotiations.

The following outlines the status of the negotiations on the follow-up protocols between KEDO and North Korea up to October 2002, when the nuclear standoff disrupted the negotiations.

B. Expert Meetings on Current Issues

Apart from the negotiations on follow-up protocols, KEDO and North Korea held working-level expert negotiations on occasion in order to formulate detailed procedures for implementation of the existing protocols and resolve various outstanding issues raised in the process of execution of the light water reactor project.

Based on several rounds of high-level expert meetings every year since 1998, KEDO and North Korea discussed diverse current issues including efficient and economic use of a sea route, wages for North Korean workers, North

Korea's utilization of a KEDO bank, and morale-boosting measures for KEDO personnel.

In February and December 2000, KEDO and North Korea held high-level expert meetings. During the first meeting held February 22-26, the two sides discussed a wide array of issues for full-scale construction in line with the effectuation of the KEDO-KEPCO Turnkey Contract and commencement of primary construction work on February 3, 2000. In the second meeting held December 9-12, KEDO and North Korea discussed such outstanding issues as a switchyard, nuclear safety, and compensation for damages incurred by a nuclear accident. In relation to implementation of the protocol on transportation, KEDO proposed to open a direct inter-Korean air route to expedite the project. The two sides also agreed to increase the maximum number of passengers of each passenger and cargo barge from 30 to 50.

In 2001, three rounds of high-level expert meetings were held. During the meeting held in May, the maximum number of passengers of each passenger and cargo barge was increased from 50 to 100, and such issues as installation of an independent satellite communication network and opening of an inter-Korean direct air route were discussed. In the second-round meeting held in August, ahead of North Korea's issuance of a construction permit, KEDO emphasized that the

North Korean nuclear power safety control authorities must issue a construction permit in a timely manner lest implementation of the light water reactor construction be affected. North Korea itself was eager to exert efforts to facilitate the light water reactor project. In the 3rd-round meeting held in early November, KEDO and North Korea engaged in a focused discussion of the possibility of North Korean high-ranking nuclear officials touring South Korea and a third country, and expressed their respective opinions on the potential opening of an inter-Korean direct air route and the procedures for customs clearance.

In May 2002, one round of high-level expert meetings was held for the discussion of issues pertaining to labor, installation of an independent satellite communication network, establishment of electricity supply facilities outside the nuclear plant and nuclear security. During the meeting, KEDO delivered a construction time-line to North Korea.

In addition to the high-level expert meetings, KEDO and North Korea have engaged in mutual consultations on occasion in their working-level expert meetings by area concerning practical issues including export control for execution of the light water reactor project and nuclear safety. Such current issues as site management and individual services were resolved through frequent consultations

between KEDO and the North Korean General Bureau for the LWR Project through KEDO's Kumho office and the on-site offices of KEPCO and construction consortium.

In September 1999, when North Korea requested in a high-level expert meeting that the wages for its laborers be raised from the current US\$110 to US\$ 600, the wage issue emerged as a major outstanding issue that needed to be settled by KEDO and North Korea. On the grounds that the wage issue was unresolved, North Korea unilaterally withdrew 100 of its 200 workers from the construction site in April 2000. As a result, workers from Uzbekistan have been deployed at the site since March 2001. As of December 2003, the number of Uzbekistani workers stands at 95. As the two sides strove to bridge their differences through two rounds of high-level talks (March and June 2001), consultations during KEDO Executive Director Charles Kartman's visit to North Korea (December 2001) and two rounds of expert meetings (June and September 2002), they managed to narrow their differences considerably. However, the nuclear standoff, which was sparked in October 2002, prevented the two sides from making any further progress.

In relation to the light water reactor project, an aviation experts' meeting was held in Pyongyang January 12-15, 2002 for the discussion of "possible opening of an efficient and

economical additional air route," an issue raised in high-level expert meetings for more efficient transport of personnel and materials for the project. During the meeting, the two sides worked out an agreement on the opening of a direct air route over the East Sea and the visit of North Korean aviation officials to South Korean airport facilities. Accordingly, North Korean aviation officials visited Yangyang and Gimhae International Airports in South Korea during May 19-24 for on-site tours of the relevant facilities. After the conclusion of an agreement on the scope of necessary services for airplane operation, including ground support, technical issues and a shortened air route, in a meeting in Pyongyang June 20-25, a test flight (first flight) between Yangyang and Seondeok was conducted on July 20, officially opening a direct inter-Korean air route over the East Sea.

According to the "protocol on training" effectuated in October 2000, KEDO laid out training plans for North Korean staff and subsequently implemented specific training based on consultations with the North. During Dec. 16-30, 2001, 19 North Korean high-ranking officials, including Kim Hee-mun, head of the North Korean General Bureau for the LWR Project, toured the South Korean training and nuclear facilities in an effort to examine matters necessary for the training of its nuclear plant operation staff in earnest. In February and September 2002, KEDO and North Korea held

two rounds of training experts' meetings in which they reached significant agreements on such issues as the living conditions for trainees through mutual consultations on phase 1 operation staff training. From June 5, 123 North Koreans for phase 1 nuclear plant operation were given indoor theoretical training at the Kumho Training Center located on the construction site. They completed the course on October 9. Subsequent training of North Korean operation staff was suspended because of the emergence of the nuclear standoff.

In addition, KEDO has sought to build an independent satellite communication network in line with an increase in demand for massive data communications between South Korea and the construction site, including transmission/reception of design data and tele-conferences required for the construction of the light water reactors. The two sides engaged in multiple consultations on this issue in high-level expert talks. Besides, KEDO held a communication experts' meeting with the North in October 2002. However, they failed to reach an agreement on the timing for the launch of a communication network in the face of the nuclear standoff.

Concerning nuclear safety and quality assurance, 25 North Korean nuclear control staffers took a basic course on nuclear control at the Korea Institute of Nuclear Safety in Daejeon, South Korea during July 2-27, 2002. In addition, KEDO and

North Korea held several rounds of working-level meetings to jointly conduct nuclear control and quality assurance inspections within the site to ensure the safety of the nuclear plant.

3. New Nuclear Crisis and Temporary Suspension of the LWR Project

On October 17, 2002, the U.S. announced that North Korea had admitted to the existence of its enriched uranium-based nuclear weapons development program and mentioned that they "regard the Geneva Agreed Framework as having been annulled" during U. S. Assistant Secretary of State James Kelly's visit to the country (Oct. 3-5). The U. S. also issued a statement calling for North Korea's prompt dismantling of its new nuclear weapons development program.

On October 17, 2002, the South Korean government clarified that it opposed any nuclear development by the North. Urging the North to comply with inter-Korean agreements and international accords, the South suggested that the nuclear issue be peacefully resolved through dialogue.

In the statements issued in the name of the spokesperson for its Foreign Ministry on October 25 and November 21, 2002, North Korea refuted the U.S. argument that the

communist country should scrap its nuclear program first, presenting its position that U.S. security concerns might be eliminated in the case of its conclusion of a non-aggression treaty with the U.S. On January 10, 2003, it declared that it would pull out of the NPT.

Since then, South Korea, the U.S. and Japan have been grappling with the North Korean nuclear standoff through close cooperation, holding a tripartite summit during the APEC meeting (Oct. 26, 2002) and several rounds of TCOG (Trilateral Coordination and Oversight Group) meetings (Nov. 9, 2002, Jan. 6, 2003 and June 12, 2003). The three countries stated their position that North Korea's nuclear development constituted a material violation of the Geneva Agreed Framework, the NPT, the IAEA agreement and the Joint Declaration on the Denuclearization of the Korean Peninsula, and that peaceful resolution of the nuclear issue should be achieved through dialogue. They called on North Korea to comply with international agreements, and promptly and verifiably scrap its nuclear program.

In the meantime, KEDO convened its Executive Board (comprised of South Korea, the U. S., Japan and the EU) in New York on November 14, 2002. In the meeting, the Executive Board called for early resolution of the nuclear standoff and issued a statement that North Korea's future

relations and interaction with KEDO and the members of its Executive Board would hinge upon complete and permanent elimination of its nuclear weapons program. In particular, the statement made it clear that KEDO would suspend the supply of heavy oil as of December unless the North took "concrete and credible actions" to completely dismantle its enriched uranium program.

In addition, the KEDO Executive Board opted to slow down the light water reactor construction in an unofficial meeting on February 3, 2003 in recognition of the many problems caused by the nuclear standoff. KEDO took such measures as reduction and postponement of unnecessary work and the delay of contracts on the placement of orders for materials and equipment to the extent that it would not affect the overall construction schedule. As mentioned previously, all negotiations between KEDO and the North were suspended after the nuclear standoff was touched off in October 2002. Technical problems caused by the suspended KEDO-North Korean negotiations on the protocol on compensation for damages in the event of a nuclear accident in particular posed serious impediments to the implementation of the light water reactor project as originally planned.

In an effort to discuss these problems and negotiate the future of the light water reactor project, KEDO held five

rounds of unofficial meetings of its Executive Board in 2003 alone. Bilateral consultations between South Korea and Japan and between South Korea and the EU were also held six times.

Based on these ongoing consultations, the KEDO Executive Board unveiled its decision on November 21, 2003 to suspend the light water reactor project for a year as of December 1, 2003, with the judgment that it would be difficult to continue the project due to the nuclear standoff. Upon effectuation of the decision to suspend the project from December 1, 2003, any and all work under the project, including design, construction and production, was suspended in principle. In consideration of possible resumption of construction, measures to preserve and maintain the construction site and the devices and equipment under construction were carried out, with maintenance and management activities to be performed during the period of construction suspension.

Since North Korea's cooperation is integral to orderly and peaceful implementation of such follow-up measures in the wake of suspension of the light water reactor construction, KEDO is scheduled to hold meetings with the North December 9-13 to discuss matters related to the suspension.

Resumption of the project will be decided through

consultations among the members of the KEDO Executive Board prior to the expiration of the suspension period.

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