

Preface



The White Paper on Korean Unification 2005 describes the efforts and accomplishments made last year to achieve peace and co-prosperity on the Korean Peninsula.

Since the inauguration of the Roh Moo-hyun Administration in early 2003, the Republic of Korea has undertaken a range of activities to realize not only peace on the Korean Peninsula, but also co-prosperity in Northeast Asia.

In 2004, there were many changes in the security environment surrounding the Korean Peninsula, including the North Korean nuclear issue and the relocation of US forces in the ROK. Amidst these strategic changes, the ROK has managed to maintain stability on the Korean Peninsula by focusing its efforts on creating a favorable environment for resolving the North Korean nuclear issue, while making progress in inter-Korean relations at the same time.

The two Koreas held a total of 25 meetings in various fields last year. During the inter-Korean ministerial talks, for example, the South Korean government urged North Korea to resolve the nuclear issue through the six-party talks.

At the inter-Korean general-level military talks, the two Koreas laid the groundwork for building military confidence over a range of issues, including measures to prevent armed conflicts in the West Sea.

The number of visits between South and North Korea reached a total of 26,534 in 2004 surpassing the 20,000 mark for the first time. There was also a steady increase in inter-Korean civilian interactions and humanitarian assistance for the North. There were two rounds of reunions for separated families last year. A total of 9,977 family members have been reunited during the 10 gatherings since the 2000 Inter-Korean Summit.

In the meantime, three major inter-Korean economic cooperation ventures – the Gaeseong Industrial Complex, the inter-Korean railway project, and the Mt. Geumgang tour – have been producing substantive results, acting as the driving force in inter-Korean relations.

First and foremost, the establishment of the Gaeseong Industrial Complex and the start of production by several factories there hold great meaning for the divided Korean Peninsula. Efforts are being made to ease tensions, pursue reconciliation, and foster peace, moving inter-Korean relations towards coexistence.

Reconnecting two inter-Korean railways and roads, and the inauguration of Mt. Geumgang tours via land routes are contributing to easing tensions on the Korean Peninsula, paving the way for deeper economic cooperation in the future.

Although inter-Korean dialogue at the government level remained at a standstill for 10 months since the latter half of last year, inter-Korean dialogue resumed in May of this year in the form of vice-ministerial talks. Moreover, the Korean governmental delegation went to Pyongyang to celebrate the fifth anniversary of the June 15 South-North Joint Declaration, laying the basis for normalizing stalled inter-Korean relations.

During the June 15 Unification Celebration, I, as special envoy of President Roh Moo-hyun, had a meeting with Chairman of the National Defense Commission of North Korea Kim Jong-il and explained the Korean government's efforts to resolve the North Korean nuclear issue peacefully and diplomatically, including the results of the June 11 ROK-US Summit.

I also urged the North to return to the six-party talks as soon as possible. Chairman Kim Jong-il responded by saying that once it is clear that the United States acknowledges and respects North Korea as a partner, it would be willing to return to the six-party talks in July. He also reconfirmed the validity of the Declaration on the Denuclearization of the Korean Peninsula, and expressed his willingness to abandon the nuclear program for the guarantee of regime security.

Moreover, we reached agreements on practical and detailed measures for the future development of inter-Korean relations such as holding reunions of separated families and North Korea's dispatch of high-level governmental delegation on the occasion of the joint celebration of the sixtieth anniversary of the August 15 National Liberation Day, resuming general-level military talks, holding talks between fishery ministries, and opening a direct air route between Seoul and Pyongyang.

The 15th inter-Korean ministerial talks were held in Seoul on June 21-24, and the South and the North Korean delegates focused on discussing the details, the schedule as well as the direction of implementing the agreements, serving as a springboard for a second leap of progress in inter-Korean relations.

When inter-Korean relations further mature and a resolution is found for the North Korean nuclear issue through the six-party talks, we will be one step closer to establishing peace on the Korean Peninsula and achieving inter-Korean co-prosperity.

The White Paper on Korean Unification 2005 is filled with details of our efforts and accomplishments for establishing peace on the Korean Peninsula, as well as for developing inter-Korean relations. This English version of the White Paper on Korean Unification is especially meaningful because it is the first publication of its kind since 2001.

It is my sincere hope that the White Paper will prove useful as a manual and guidebook for understanding the significance of meetings, exchanges, reconciliation, and trust between the two Koreas on the Korean Peninsula which remains as the only place in the world where the Cold War is at its peak, and for helping us to think about the preparations we need to make for peace and prosperity on the Korean Peninsula.

June 2005



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Minister of Unification

Chapter 1

Promoting the Policy of Peace and Prosperity

- I. Brief History of Unification Policies
- II. The Policy of Peace and Prosperity
- III. Accomplishments



Promoting the Policy of Peace and Prosperity

Promoting the Policy of Peace and Prosperity

The Roh Moo-hyun Administration introduced the Policy of Peace and Prosperity upon its inauguration in February 2003. The policy seeks to build upon the accomplishments of past administrations. The unification policies of past administrations took into account international circumstances, inter-Korean relations and public opinion of the time. Since the 1980s, the running theme of unification policies has been reconciliation and cooperation between North and South Korea.

I. Brief History of Unification Policies

1. Unification Policies of Previous Administrations

The Rhee Seungman Administration, which was the first government of the Republic of Korea (1948-1960), declared that the Republic of Korea was the sole legitimate government on the Korean Peninsula and emphasized that North Korea must join the Republic of Korea by holding free elections in accordance with the resolution passed by the United Nations General Assembly. Immediately following the Korean War, President Rhee called for the unification of the Peninsula by advancing into North Korea. The next administration headed by Chang Myon (1960-61) was opposed to unification by a northward advance. Instead, the Chang Administration proposed general elections, held simultaneously in North and South Korea under UN supervision, as the basis for national unification.

Inter-Korean relations faced new opportunities as the process of East-West detente proceeded in the 1970s. In his congratulatory speech on the 25th anniversary of National Liberation Day on August 15, 1970, President Park Chung-hee revealed plans for a peaceful unification. Subsequently, on August 12, 1971, the South Korean Red Cross proposed talks with the North Korean Red Cross. When the North Korean Red Cross accepted the proposal, the two Koreas were able to open an inter-Korean dialogue – beginning with humanitarian issues – for the first time since the country's division 26 years earlier. On July 4, 1972, the two Koreas simultaneously announced in Seoul and Pyongyang the July 4 Joint Communiqué, the first-ever written agreement between the two Koreas. Through the communiqué, three principles for national unification were declared: autonomy, peace, and solidarity of the Korean nation.

During the late 1980s, as the Cold War was finally coming to an end, inter-Korean relations faced a critical turning point. In 1988, the Roh Tae-woo Administration (1988-93) announced on July 7 that it would assist North Korea in coming out of isolation, induce

the opening of the North Korean regime in order to establish peace on the Korean Peninsula. On September 11, 1989, President Roh announced the National Community Unification Formula that featured a South-North confederation as a transition stage prior to unification and in August 1990, the Roh Administration enacted the Inter-Korean Exchanges and Cooperation Act.

Helped by these efforts, the first high-level inter-Korean talks were held in Seoul in September 1990. At the sixth round of talks in February 1992 in Pyongyang, the Agreement on Reconciliation, Non-Aggression and Exchange and Cooperation (often referred to as the Basic Agreement), the Joint Declaration on the Denuclearization of the Korean Peninsula and the Agreement on Creation and Operation of Joint Commissions came into effect.

The Kim Dae-jung Administration (1998-2003) promoted a policy of reconciliation and cooperation toward North Korea, which recognized North Korea as a partner for seeking coexistence and co-prosperity. At the same time, President Kim Dae-jung declared that there would be no tolerance of armed provocations by the North. He also rejected unification through unilateral absorption and instead actively promoted reconciliation and cooperation as principles to improve inter-Korean relations. Instead of hastily seeking a *de jure* unification, the objective was to realize a *de facto* unification in which people of North and South Korea can freely travel between the two sides to expand understanding and achieve reintegration through vitalization of exchanges and cooperation while maintaining a firm security posture. As a result of consistent promotion of such policy, the two Koreas held the first Inter-Korean Summit Meeting in June 2000 and adopted the Joint Declaration. Following the summit meeting, various inter-Korean talks have been held and meaningful progress in inter-Korean relations has been made including expanding exchanges of people and goods and reuniting separated families.

2. The National Community Unification Formula

The heart of this unification formula is to gradually build a single national community in three stages, starting with reconciliation and cooperation, followed by confederation and, finally, unification.

In the reconciliation and cooperation phase, the two Koreas would mutually recognize and respect each other, maintain peace amid division and work to overcome hostility and mistrust through exchanges and cooperation in the social, cultural and economic fields.

In the confederation stage, a peace mechanism would be installed, a common livelihood in the social, cultural and economic realms would be fostered, and institutional mechanisms such as inter-Korean summit meetings would be put in place while each side maintains

sovereignty over foreign affairs. Also, at this stage, military confidence would be built to firmly establish peace on the Korean Peninsula.

In the final unification stage, the two Koreas would build upon the common livelihood to fully integrate the two sides into a single political system where one nation of people under one state is realized. At this stage, parliamentarians from both sides would pass a unified constitution under which democratic general elections would be held to form a unified national assembly, a unified government, and a unified nation.

In short, to form a unified nation, the National Community Unification Formula focuses on the middle stage of South-North confederation to build “one nation, one state, one system, and one government” through a gradual process of achieving reintegration and a national community.

II. The Policy of Peace and Prosperity

1. Background and Concepts

The Policy of Peace and Prosperity is a comprehensive, long-term national development strategy initiated by the Roh Moo-hyun Administration. It seeks to foster peace on the Korean Peninsula and achieve mutual prosperity between South and North Korea in order to build the Korean Peninsula as an economic hub of Northeast Asia. To this end, the policy focuses on a peaceful resolution of the security issues on the Peninsula, starting with the North Korean nuclear issue; and in the long run, it seeks to build a permanent peace regime and inter-Korean economic community while seeking to create a cooperative regime for peace and prosperity in Northeast Asia.

In order to bring about a genuine era of Northeast Asia, a peace regime must first be institutionalized on the Korean Peninsula. It certainly is most unfortunate that the Peninsula still remains the last legacy of the Cold War of the 20th century. In the 21st century, we have to change the Peninsula into a land that sends out messages of peace to the world. It has to be reborn as Northeast Asia's gateway to peace that connects the Eurasian continent with the Pacific Ocean. We have to bring the day when passengers will be able to buy a train ticket in Busan and travel all the way to Paris in the heart of Europe via Pyongyang, Shinuiju, China, Mongolia and Russia.

From President Roh Moo-hyun's Inaugural Address, February 25, 2003, Seoul

The Policy of Peace and Prosperity was initiated for several reasons. First, the national pride and self-confidence have increased over the years through economic development and democratization. The economic growth during the 1960s and 1970s, democratization in the 1980s, globalization and development of information technology in the 1990s, recovery from the foreign exchange crisis in the late 1990s, and the successful holding of the 2002 World Cup have all contributed to increasing the national strength and confidence of the Korean people. Such increases in national status and public confidence expanded the role that South Korea can play in bringing an era of peace and prosperity to Northeast Asia and made the promotion of the Policy of Peace and Prosperity possible.

Second, the accomplishments of the previous administration's policies toward North Korea have created an opportunity to take inter-Korean relations to the next level. Since the inter-Korean summit meeting in June 2000, reconciliation and cooperation between the two Koreas have increased; and accordingly, an interest in economic cooperation in the Northeast Asian region has also increased among neighboring nations. In particular, as a result of the promotion of inter-Korean railroad and road reconnection, discussions on the inter-Korean railway's connection to the Trans Korean Railway, Trans Siberian Railway and Trans Chinese Railway as well as interest in regional energy cooperation have increased among the nations of the region. Also, although limited in scope, North Korea is promoting a pragmatic policy to expand its special economic zones and to implement economic reform measures. Thus, it is necessary to assist North Korea to continue such efforts so that it can change and develop in a stable manner.

Third, given that Korean Peninsula issues are increasingly becoming international issues, there was a need to expand the scope of the policy from inter-Korean relations to the entire Northeast Asian region. In particular, the North Korean nuclear issue, which has emerged as a serious security issue since October 2002, has shown anew that the establishment of peace on the Korean Peninsula is critical to the regional stability of Northeast Asia. In this regard, it is important to note that the former West Germany placed greater importance on international cooperation of stably managing the Cold War situation rather than its bilateral relations with East Germany.

Lastly, today, multilateral security cooperation and regionalism in the world economy is intensifying. As can be seen in the increasing role of multilateral cooperative bodies such as the Asia Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN) +3 (China, Japan and Korea) and ASEAN Regional Forum, there is a growing awareness of the need for regional cooperation in economic and security affairs.

2. Goals and Principles

A. Goals

The Policy of Peace and Prosperity has two goals: 1) the promotion of peace on the Korean Peninsula, and 2) the pursuit of mutual prosperity for North and South Korea and contribution to prosperity in Northeast Asia.

The promotion of peace on the Korean Peninsula is to increase actual cooperation between the two Koreas upon resolving security issues, starting with the North Korean nuclear standoff, so that an unstable armistice regime can be transformed into a permanent peace regime through military confidence building. When a durable peace is established on the Korean Peninsula, the unlimited potential for growth inherent to the Peninsula could be realized; thus, a foundation could be laid for the Korean Peninsula to become an economic hub of Northeast Asia.

Pursuit of mutual prosperity can expand benefits for the two Koreas by vitalizing economic cooperation to achieve an inter-Korean economic community and can contribute to prosperity of nations in Northeast Asia. Considering the geopolitical features of the Korean Peninsula, when the inter-Korean economic community is established, the Peninsula can work to bridge the continental and oceanic economies.

B. Principles

To accomplish these goals, the Policy of Peace and Prosperity has set four principles: 1) resolve disputes through dialogue; 2) seek mutual understanding and reciprocity; 3) promote international cooperation based on the principle of “parties directly concerned” 4) form policies reflecting the will of the people.

The first principle is to resolve all issues and disputes peacefully through dialogue. Tension and conflict have continued to exist on the Korean Peninsula due to the unstable armistice regime and the military standoff. The possibility of a military clash remains in the most militarized region of Northeast Asia. Considering these circumstances, any form of war that could destroy the Korean nation must be avoided, and the use of force can only be allowed as the last resort.

Second, the principle of mutual understanding and reciprocity involves not only South and North Korea, but also the neighboring nations in the Northeast Asian region. The region must overcome the hostile past of distrust and move toward reconciliation and cooperation based on mutual recognition and trust.

The third principle promotes international cooperation centered around the idea that issues must be dealt primarily by those parties that are directly involved in the issue. Since the issues of the Korean Peninsula are both concerns for South and North Korea as well as the international community, while the issues must be resolved by South and North Korea – parties directly concerned – it is also important to take the international community's interests into consideration to establish a more stable peace regime.

The fourth principle is aimed at forming policies that reflect the will of the people. Making policies based on the active participation of the people and bipartisanship, and pursuing them transparently under the legal and institutional frameworks will increase public support.

3. Action Plans

A. Peaceful Resolution of the North Korean Nuclear Issue

In order to promote the Policy of Peace and Prosperity, the North Korean nuclear issue must be resolved in a peaceful manner. The North Korean nuclear standoff directly concerns the lives of the 70 million Korean people, and it is a matter of priority when seeking to establish peace on the Korean Peninsula and progress in inter-Korean relations.

In this respect, this administration seeks to resolve the nuclear issue while maintaining the following principles: 1) zero tolerance for the North's possession of nuclear weapons, 2) peaceful resolution through dialogue, and 3) an active role by South Korea on resolving the matter.

B. Establishment of a Peace Regime on the Korean Peninsula

The establishment of a peace regime on the Korean Peninsula entails the transition from the unstable armistice, which has defined the security order of the Peninsula for the past fifty years, to a state of peace, and an adoption of a peace agreement between North and South Korea with institutional assurances from the neighboring states.

For the establishment of a peace regime, it is important to normalize inter-Korean relations and continue to deepen cooperation to increase the substantial peace between the two Koreas. When mutual dependence increases through economic exchanges and cooperation, military tensions will be reduced accordingly. A good example of this is the

project to reconnect railroads and roads between the North and South – economic cooperation leading to cooperation in military and security areas, thereby, reducing military tension along the demilitarized zone.

Also, measures to reduce military tension need to be discussed between military authorities of the North and South, for example in the defense ministerial talks, so that they can be implemented gradually. Moreover, to foster international cooperation in building a peace regime on the Peninsula, efforts are needed to encourage security cooperation in Northeast Asia.

As inter-Korean cooperation deepens and military tensions ease to make the situation more favorable for peace on the Korean Peninsula, adopting a peace agreement between North and South Korea would be possible. The peace agreement should include comprehensive measures to prevent war and manage peace between the two Koreas.

C. Promoting the Era of Northeast Asia

In the long term, the Policy of Peace and Prosperity seeks to build a South-North economic community while creating a framework to facilitate peace and prosperity in Northeast Asia. The idea is to develop the Peninsula as a center of peace and prosperity and have it contribute to regional stability and prosperity.

In the inter-Korean economic community, the two Koreas would maintain their separate economies, but work to gradually integrate the economies through expanding exchanges and cooperation. The limitations caused by differences in systems and ideologies are relatively low while the potentials for complementary relations are high in inter-Korean economic cooperation. This makes the creation of a community comparatively easy, and it can serve to facilitate promotion of communities in other areas.

Amid regionalism and the creation of economic blocs, there is an increased interest among the nations of Northeast Asia regarding the need for economic cooperation, and the notion that security cooperation among regional nations is important to continue economic development is also spreading. If cooperation in economic and security realms increases among countries in the region, it would provide a favorable international environment for not only economic growth of South Korea but also more stable progress in inter-Korean relations. In addition, if North Korea participates in such a process, more favorable conditions for assisting the North's opening up and development can be created.

III. Accomplishments

The Roh Moo-hyun Administration has endeavored to realize the goals set forth in the Policy of Peace and Prosperity amid the rapidly changing security environment on the Korean Peninsula and the international security concerns like the North Korean nuclear standoff. The Roh Administration has defined the peaceful resolution of the North Korean nuclear issue through dialogue as its foremost task. The administration has concurrently sought to make progress in inter-Korean relations to bring about a more stable situation on the Korean Peninsula. It has also worked to strengthen cooperative relations between the two Koreas and to promote change in North Korea.

1. Promoting a Peaceful Resolution of the North Korean Nuclear Issue

The North Korean nuclear issue that arose anew in October 2002 posed a direct threat to the security of South Korea while presenting a major challenge to the peace and stability of Northeast Asia.

Through the efforts of South Korea and related nations, three-way talks consisting of the United States, China and North Korea convened in April 2003, starting a multilateral process. Based on this meeting, the first round of the six-party talks was held four months later in Beijing. The talks consisted of the United States, China, Japan, Russia and South and North Korea. Subsequently, two rounds of six-party talks, as well as two rounds of working-group meetings, were held in February and June 2004.

Through the three rounds of six-party talks, the parties agreed on important principles to resolve the North Korean nuclear issue: 1) denuclearization of the Korean Peninsula, 2) a peaceful resolution through dialogue, 3) a comprehensive resolution in stages. In the process of the talks, South Korea proposed a detailed plan to provide a basis for discussion among the parties involved and has actively engaged in diplomatic efforts to bring about substantial discussions and to narrow different views.

Along with this, South Korea has continued efforts to persuade North Korea through inter-Korean dialogue. Since the nuclear issue emerged in October 2002, during the seven rounds of inter-Korean ministerial talks that followed, South Korea relayed to North Korea the concerns of the South Korean people and the international community on the North Korean nuclear issue and continuously demanded a change in their attitude to achieve substantial progress on the issue.

In the mean time, from May to July 2003, President Roh Moo-hyun visited the United States,

Japan, and China to hold a series of summit meetings to clarify the principle of resolving the nuclear issue in a peaceful manner. At the ROK-US summit meeting on May 14, 2003, the two leaders prevented the escalation of military tension and the nuclear issue by agreeing to a compromise of pursuing the resolution of the nuclear issue by agreeing to a compromise of pursuing the resolution of the nuclear issue and improvements in inter-Korean relations at the same time. The meeting also helped to eliminate concerns about the deterioration of ROK-US relations surrounding the North Korean nuclear issue.

In the latter half of 2004, through a series of bilateral summit meetings among the five parties to the six-party talks from November 19-20 at the APEC meeting in Santiago, Chile, and the ROK-China-Japan trilateral summit at the ASEAN+3 meeting on November 29, an international consensus on the North Korean nuclear issue emerged. This consensus includes: 1) zero tolerance for nuclear weapons development by North Korea, 2) a peaceful resolution of the North Korean nuclear issue, 3) the need for North Korea to make a strategic decision, and 4) the need for an early resumption of the six-party talks. In particular, during the ROK-US summit meeting at APEC, the two sides agreed to treat the North Korean nuclear issue as a matter of top priority and reaffirmed that the issue would be resolved peacefully and diplomatically within the framework of the six-party talks.

The South Korean government will continue its active role to intensify cooperation with the United States and Japan as well as China and Russia while seeking progress in the six-party talks through inter-Korean talks.

2. Building a Foundation for Peace on the Korean Peninsula

At the time of its inauguration, the Roh Moo-hyun Administration stated its position to promote in earnest the establishment of peace on the Korean Peninsula through the Policy of Peace and Prosperity. Through inter-Korean exchanges and cooperation in various fields, the area along the military demarcation line, which has long served as a symbol of division and confrontation, is undergoing changes to become a place where inter-Korean exchanges and cooperation are taking place on a daily basis.

In the military field, an area which North Korea has been passive about, important progress has been made. At the 13th Inter-Korean Ministerial Talks on February 6, 2004, the two sides agreed that in order to stably develop inter-Korean relations, there needs to be a serious discussion of military tension reduction and confidence building. To this end, the two sides agreed to hold military talks separate from the working-level military talks that convene to provide military assurances for inter-Korean exchanges and cooperation. Accordingly, two rounds of Inter-Korean General-level Military Talks on May 26 and June 3-4 were held, and the two sides adopted the Agreement on the Prevention of Accidental Naval Clashes in the West

Sea, and the Cessation of Propaganda Activities in the Military Demarcation Line Areas. This was the first time, since the division of the Korean Peninsula, that South and North Korea agreed on a set of measures to reduce military tensions and build confidence. This agreement has great significance for fostering a foundation for peace on the Peninsula.

3. Progress in Inter-Korean Relations and Changes in North Korea

Since the inauguration of the Roh Moo-hyun administration, there has been an increase in inter-Korean dialogue and exchanges of people and goods. Inter-Korean talks have been held on 56 occasions from the beginning of the Roh Administration to the end of 2004, and 44 agreements have been reached. The scope of inter-Korean dialogue has become diverse and the contents of the talks have become more detailed and specialized to make the dialogue more substantial in nature.

Inter-Korean visits have also expanded. The number of visitors for both sides was 13,877 in 2002 and 16,303 in 2003. In 2004 the number people crossing over the military demarcation line reached 26,534, surpassing the 20,000 mark for the first time.

Inter-Korean economic cooperation, with its three major economic cooperation projects as focal points, has been promoted steadily to the point where an institutional framework for operating the projects is taking hold. One year after the groundbreaking ceremony, the Gaeseong Industrial Complex project saw the completion of the groundwork of the pilot-stage area on June 30, 2004, and the first factory produced its first batch of metal pots on December 15, 2004. As for the inter-Korean railroad and road reconnection project, the construction for the road connections was completed in November 2004, and the railroad construction is on-going with the goal of completion in 2005. The Mt. Geumgang tours, which began overland tours in September 2003, have recorded a steady increase in the number of visitors.

The South Korean government has made every effort to help reunite families that have been separated for more than 50 years by the 38th Parallel. During the Roh Administration, four reunion visits of separated families were held and 3,767 people took part in the reunions. At the 5th Inter-Korean Red Cross Talks in November 2003, the two sides agreed that South Korea would construct and operate a reunion center for separated families at Mt. Geumgang, providing a basis for the expansion of the reunions.

To improve the humanitarian situation in North Korea, the South Korean government has annually assisted the North with fertilizer and food. In 2004, in particular, to help the North's rehabilitation efforts following the Yongcheon explosion, the South Korean government and private organizations provided the North with aid worth US\$57 million.

Since the North launched sweeping economic reforms in July 2002, many changes are taking place in North Korea in the economic, social and cultural areas. The North is making a transition to a society that values skills and achievements. To expand the supply and distribution of scarce materials, the North has been intensifying the role of the market and adopting elements of the market economy, such as providing incentives to factory workers and farmers. Both in social and cultural terms, market-oriented behavior is growing among the people of North Korea.

Although the possibility of North Korea temporarily adjusting the pace of reform and opening-up due to inflation, increase in the budget deficit and loosening of ideological commitment of its people does exist, it will be difficult to reverse the trend toward change. Even in the case of China and Vietnam, reform and opening up faced temporary setbacks due to negative side effects and unintended consequences, such as inflation and corruption, but the two nations fully engaged in their reforms through Deng Xiaoping's Southern tour of China in 1992, and "doi-moi" or reform policy in Vietnam after 1986. We evaluate the changes occurring in North Korea as being the result of a combination of the North's own efforts for regime survival and South Korea's consistent policy of reconciliation and cooperation.

4. Building a Public Consensus on Policies toward North Korea

Having included the expansion of public participation as one of the guiding principles of the Policy of Peace and Prosperity, the Roh Moo-hyun Administration has endeavored to seek a public consensus and to win public support. First, the administration increased transparency in promoting its policy both internally and externally. It has sought to maintain transparency in policy decisions, policy implementation and contacts with North Korea, and to satisfy the people's right to know by implementing the policy in accordance with laws and regulations to increase public confidence in its policy moves.

Moreover, in order to increase understanding and cooperation from the political sphere, the administration has worked to improve the institutional capacity to cooperate with the National Assembly and political parties. The Administration has consulted with the National Assembly on key policy decisions, explaining and seeking advice from all of the major parties to forge a bipartisan consensus.

Also, the administration has surveyed a variety of opinions from the public in formulating and implementing its policy and has opened a channel of communication so as to expand opportunities for people to directly participate in the policy formulation. Through various committees and advisory bodies, the administration has expanded participation of experts from the private sector, and through events such as the Open Forum on Unification and the Dialogue with the Unification Minister, it has made two-way communication possible so that the voice of the people can be reflected in the policy making process. Thus, the Roh Administration has adopted the slogan of "Participatory Government."

Chapter 2

Progress in Inter-Korean Dialogue

- I. Promotion of Inter-Korean Talks
- II. Ministerial Talks
- III. Military Talks
- IV. Economic Talks
- V. Talks in Social and Cultural Areas

The background features a complex, abstract design with flowing, wavy lines in shades of light blue and white. A prominent, bright, glowing orb is positioned in the center, surrounded by concentric, shimmering rings that create a sense of depth and movement. The overall aesthetic is clean, modern, and ethereal.

Progress in Inter-Korean Dialogue

I. Promotion of Inter-Korean Talks

The government is determined to maintain a stable situation on the Korean Peninsula through inter-Korean dialogue. The government held talks with North Korea in a range of areas including the economy, military and athletics, as well as the Red Cross societies, centered around inter-Korean ministerial talks. In 2004, 25 rounds of talks (over 61 days) were held, and 19 agreements were adopted.

Since the North Korean nuclear issue remains unresolved, inter-Korean talks have been promoted with the goal of resolving the nuclear issue and seeking progress in inter-Korean relations concurrently. The South Korean government has conveyed to the North the concerns of the South Korean people and the international community on the nuclear issue and demanded a change in the North's position so that substantial progress could be made in the six-party talks.

In 2004, the emphasis of inter-Korean dialogue was on inter-Korean exchanges and cooperation in the economic and military spheres to build confidence and reduce tensions. Through the ministerial talks, the two Koreas adopted two agreements that led to general-level military talks, in which the two sides agreed to prevent accidental clashes in the West Sea and to stop propaganda activities along the Military Demarcation Line. As the two sides implemented these agreements they were able to establish a foundation upon which military confidence can be built.

In addition, institutional procedures were put in place so that economic cooperation between the two Koreas can be promoted without difficulties and an atmosphere for stable economic cooperation can be fostered. The Agreement on Entry and Stay in the Gaeseong Industrial Complex and Mt. Geumgang Tourist Area and the Basic Agreement on Operations of Railroads between South and North Korea were signed for more accessible cross-border visits, and the 2004 Agreement on Clearing Settlements was adopted to provide the basis for the clearing settlement system to be implemented.

Also, the two sides discussed the promotion of key economic cooperation projects, including construction of the Gaeseong Industrial Complex, inter-Korean railroads, and the schedule for opening of inter-Korean roads. Moreover, the two sides agreed to establish an office to discuss inter-Korean economic cooperation within the Gaeseong Industrial Complex to provide greater convenience for joint ventures, including consulting services for private businesses.

Talks on humanitarian affairs and social exchanges have been actively promoted. The two Koreas held talks for the relief of Yongcheon train explosion disaster, through which the South assisted the North with emergency relief aid together with equipment and materials for rehabilitation. Through working-level contacts with the Red Cross, the two sides also discussed holding regular separated family reunions and expanding the confirmation of the whereabouts of separated families and exchange of letters. In the working-level contacts for a joint procession at the Olympic Games in Athens, the two sides discussed various matters pertaining to the joint march. There were also efforts to form a separate subcommittee to discuss inter-Korean exchanges in social and cultural affairs, but it did not come into being.

Inter-Korean talks in 2004 reflected the fact that talks were becoming more specialized and business-like. At the same time, they served as practical channels for discussing pending issues between South and North Korea. However, in July, as inter-Korean relations came to a standstill, so did the inter-Korean governmental dialogue.

North Korea criticized the South for the cancellation of a condolence visit by a South Korean group to the North on the tenth anniversary of the death of Kim Il-sung which took place on July 8, and the North refused to hold the 5th Inter-Korean Working-level Contact on Marine Transportation Cooperation, which was scheduled to be held on July 13. Also, the North refused to respond to the proposal to hold the 3rd Inter-Korean Working-level Meeting for the General-level Military Talks that was scheduled to be held on July 19. Along with these events, the U.S. House of Representatives passed the North Korean Human Rights Act on July 21, and on July 27 and 28, a large group of North Korean defectors (468 people) were flown to South Korea, all of which were rather sensitive incidents from the North Korean perspective. North Korea expressed regret over these incidents, and it postponed indefinitely the 15th Inter-Korean Ministerial Talks and the 10th Inter-Korean Economic Cooperation Promotion Committee Meeting scheduled for August.

Although inter-Korean dialogue at the government level came to a standstill, the fact that economic cooperation as well as exchanges in social and cultural areas have continued shows that relations are different from the past where a standstill in governmental dialogue resulted in an overall halt in all exchanges between the two Koreas.

II. Ministerial Talks

There have been 14 rounds of inter-Korean ministerial talks since July 2000. Ministerial talks have served as a central medium through which pending issues of inter-Korean relations are discussed and resolved. In 2004, aside from pending inter-Korean issues, the ministerial talks focused on resolving the North Korean nuclear issue. The talks made the general-level military talks possible for a balanced development in the economic and military spheres.

1. The 13th Inter-Korean Ministerial Talks



As agreed in the 12th ministerial talks (Oct. 14-17, 2003), the 13th ministerial talks were held in Seoul from February 3 to 6, 2004. The South laid out the general direction that the two sides should work toward the advancement of peace on the Korean Peninsula and for practical improvements in inter-Korean relations. South Korea emphasized an early resolution of the nuclear standoff. As for specific cooperation efforts, the South proposed the steady promotion of the three major economic cooperation projects, cooperation in preserving cultural assets and joint research on ancient history, formation and operation of a subcommittee for social and cultural cooperation, resolving the separated family issue, and general-level military talks to discuss military confidence building.

North Korea laid out its position while mentioning that the 13th ministerial talks carried important meaning for foreshadowing how inter-Korean relations would materialize in the year 2004. First, on the nuclear issue, the North reiterated its existing position of "compensation for freeze." Also, the North demanded that two Koreas place their brand of nationalism (or "our nation first" policy) as the guideline for upgrading the level of cooperation and to promote economic cooperation by each government taking their responsibilities for the projects. The North claimed that progress in projects such as the Gaeseong Industrial Complex and Mt. Geumgang tours have not met its expectations due to pressure from the U.S. In addition, the North mentioned the issue of jointly proposing to the

UN in 2004 the matter regarding changing the English notation of “Korea” to “Corea,” the issue of effectualizing the agreement on inter-Korean cooperation in marine transportation and the issue of ending propaganda broadcasting.

Following several head delegate contacts and working-level contacts, the two sides announced the six-point joint press statement on February 6, 2004.

Summary of the Joint Press Statement

- The South and the North will cooperate for a fruitful second round of six-party talks and a peaceful resolution of the nuclear issue.
- The two Koreas will hold a meeting of military authorities at an early date to ease military tensions on the Korean Peninsula.
- The two Koreas will promote in earnest the first-stage development of one million ‘pyeong’ (3.3 million m²) in the Gaeseong Industrial Complex at an early date and actively cooperate in developing 10,000 ‘pyeong’ (33,000 m²) as a pilot project during the first half of the year.
- The two Koreas will continue discussions on the Flood prevention in the Imjin River Basin, the effectuation of the Inter-Korean Maritime Agreement, and the cessation of propaganda broadcasts against each other and other problems each may raise.
- The two Koreas will hold the 9th Reunion of Separated Families at the end of March 2004 at Mt. Geumgang.
- The two Koreas will hold the 14th Inter-Korean Ministerial Talks from May 4 to 7, 2004 in Pyongyang.

2. The 14th Inter-Korean Ministerial Talks

Although South and North Korea reached the difficult decision at the 13th ministerial talks to hold a dialogue between military authorities of the two sides, it did not take place because North Korea refused to respond accordingly. However, a quick response by the South to assist the North with the train explosion in Yongcheon on April 22 and North Korea’s show of appreciation for the aid it received made the prospects of the 14th ministerial talks bright.

There were other ups and downs in relations, but the 14th ministerial talks were held as originally agreed from May 4 to 7 in Pyongyang. At the talks, South Korea expressed regret over not holding the general-level military talks as agreed and demanded that the dates for the military talks be agreed during the 14th ministerial talks. As for the North Korean nuclear crisis, the South emphasized that a realistic solution to settle the matter must be agreed at the third round of the six-party talks and urged the North to take active measures to alleviate the concerns of the international community.



Moreover, South Korea proposed a set of tasks to be pursued for inter-Korean relations to rise to a higher level. The tasks include cooperating to smoothly implement inter-Korean economic cooperation projects, assisting private sector exchanges to become more structured and organized, forming and operating a subcommittee for cooperation in social and cultural exchanges, and holding the 10th Separated Family Reunion and early construction of the Family Reunion Center.

North Korea, on the other hand, said that in order for inter-Korean relations to progress, joint military exercises by the ROK and U.S. must cease, the plan to deploy Aegis ships in the East Sea must be withdrawn, and each side should recognize and respect the other's regime. The North also proposed an immediate cessation of propaganda broadcasts targeted at each other, including internet radio broadcasts by North Korean defectors residing in South Korea.

Through several head delegate and working-level delegate, the two sides narrowed their views on holding the 10th Separated Family Reunion and forming a subcommittee for cooperation in social and cultural exchanges without much difficulty. But as for the general-level military talks, the North said that such a matter was beyond the scope of the ministerial talks.

The South strongly demanded that the North implement the agreement to hold the general-level military talks and said that without a definitive response from the North, it will not linger over other agreements. Just before the Southern delegation was about to return to the South, the North proposed an emergency meeting and relayed their agreement to hold the general-level military talks. Thus, the two sides agreed to hold the military talks and agreed to further discuss the matters proposed by the other side.

III. Military Talks

North Korea proposed a general-level military talk for May 26 at Mt. Geumgang, and South Korea accepted the proposal. Thus, the first General-level Military Talks was held. In the two rounds of the general-level talks and one occasion of the working-level talks, the two sides agreed on a plan to prevent accidental military clashes in the West Sea and agreed on a plan to eliminate propaganda activities and equipment targeted at each other. As a result, since June 15, South and North Korean ships in the West Sea began to use a joint telecommunications network and visual signals, the both sides ceased propaganda activities along the Military Demarcation Line and began to remove equipment used for propaganda.

1. Inter-Korean General-level Military Talks

A. The 1st Inter-Korean General-level Military Talks

South Korea proposed four specific measures to prevent accidental military clashes in the West Sea: 1) establish and operate a military hotline between the naval fleets of each side in the West Sea; 2) designate a common radio frequency between naval patrol vessels in the West Sea; 3) designate visual signs between naval vessels; and 4) exchange information on regulating illegal fishing.

South Korea, while pointing out that military tensions rise during the crab season in the West Sea every year, emphasized that measures to prevent accidental naval clashes be discussed first so that there can be tangible results before the crab season. The North did not mention anything in connection with preventing accidental naval clashes in the West Sea but demanded that propaganda activities cease along the Military Demarcation Line and that equipment and tools for such activities be removed. Since the differences in positions made an agreement difficult in the first round of talks, the two sides ended the talks and decided to review each other's positions



1st Inter-Korean General-level Military Talks

and discuss the matter again in the second round of talks to be held on June 3 at Mt. Seorak, South Korea.

B. The 2nd Inter-Korean General-level Military Talks

In the second round of talks held in June, the two sides discussed matters raised by the other side during the first round, including preventive measures for accidental naval clashes in the West Sea, cessation of propaganda activities and removal of propaganda equipment along the Military Demarcation Line. The South emphasized that in order to reduce military tension on the Korean Peninsula, there was an urgent need to prevent accidental naval clashes in the West Sea, and proposed a detailed plan, including target dates to stop propaganda activities.

Consequently, the two sides agreed on preventive measures for naval clashes in the West Sea, discussed matters related to cessation of propaganda activities and removal of equipment used for such purposes, and agreed on the time frame, scope, schedule and a method to settle disputes that may arise during the removal process. The two sides narrowed their differences and finalized the text of the agreement and signed the Agreement on the Prevention of Accidental Naval Clashes in the West Sea, the Cessation of Propaganda Activities in the Military Demarcation Line Areas, and the Removal of Propaganda Equipment.

Summary of the Agreement

- The two sides will exert joint efforts to ease military tensions and solidify peace on the Korean Peninsula.
- In order to prevent accidental naval clashes in the West Sea, the following measures shall be taken as of June 15, 2004:
 - ▶ Use international standard radio frequencies (156.8 MHz, 156.6 MHz);
 - ▶ Enact regulations on marine signal flags and signal lights;
 - ▶ Exchange information on activities of illegal fishing boats;
 - ▶ Use the West Sea area communication line and establish a communication liaison office on each side by August 15.
- The two sides will cease propaganda activities and remove propaganda equipment in the area around the Military Demarcation Line.
 - ▶ Cease all propaganda activities including broadcasting, using signboards, etc. from June 15.
 - ▶ Initiate a three-stage measure to remove all propaganda tools by August 15.
 - 1st stage (June 16 - June 30): Military Demarcation Line post #0001-0100
 - 2nd stage (July 1 - July 20): Military Demarcation Line post #0100-0640
 - 3rd stage (July 21 - August 15): Military Demarcation Line post #0640-1292
 - ▶ The two sides will notify each other of and confirm the completion of the removal of propaganda equipment, and perform mutual inspections, when necessary.
 - ▶ The two sides will prohibit the reinstatement of propaganda equipment and the resumption of propaganda activities.

2. Inter-Korean Working-level Meeting for the General-level Military Talks

A. The 1st Working-level Meeting for the General-level Military Talks

As the agreement signed by the military authorities of South and North Korea came into effect on June 4, the two sides held the 1st Working-level Meeting for the General-level Military Talks from June 10 to 21 in Gaeseong to discuss practical matters needed in implementing the tension reduction measures. The two sides held different views on

procedural details, but through 11 rounds of contacts, they narrowed their differences and adopted the Subsidiary Agreement on the Prevention of Accidental Naval Clashes in the West Sea, the Cessation of Propaganda Activities in the Military Demarcation Line Areas, and the Removal of Propaganda Tools.

Summary of the Subsidiary Agreement

- Prevent Accidental Naval Clashes in the West Sea
 - ▶ Both sides will use international standard radio frequencies (156.80 MHz, 156.60MHz); if there is more than one ship on either side, the communication will only be between the ships in command.
 - ▶ Both sides will enact regulations on marine signal flags and signal lights.
 - ▶ Both sides will exchange information on activities of illegal fishing boats (time, location, number of vessels) once every day.
 - ▶ Both sides will establish and test new telecommunication lines on August 12.
 - ▶ Both sides will test operate various communication methods on June 14.

- Cease propaganda activities at the Military Demarcation Line and remove propaganda equipment and tools
 - ▶ Both sides will cease all propaganda activities at the Military Demarcation Line starting from June 15 at 00:00, including broadcasts, use of signboards, electrical signboards and dispersing materials using balloons or other mechanisms.
 - ▶ Tools and mechanisms subject to elimination include all loudspeakers, stone inscriptions, signboards, standing electronic boards, display panels, leaflets, propaganda images, slogans etc. in the Military Demarcation Line areas that propagandize one's ideological system and are deemed by the other party as slander, defamation or instigation.
 - ▶ The two sides will exchange the list of items to be removed and verify the results of removal of the items 7 days prior to the completion of the removal of tools.
 - ▶ If there are any questions following the visual verification, the matter shall be addressed through exchanges of telephone messages; if there are significant differences in views, the matter shall be discussed through working-level talks.
 - ▶ The two sides will hold working-level talks to confirm the results of the removal one day before the completion of each stage and begin the next stage.

B. The 2nd Working-level Meeting for the General-level Military Talks

According to the agreement reached at the inter-korean general-level military talks, two Koreas began test-operating a common channel of communication, signal flags and signal lights on June 14; the two sides stopped all propaganda activities along the Military Demarcation Line from June 15; and from June 16, the two sides began their work on removing the propaganda tools in the first stage area. As it was agreed on the Subsidiary Agreement that the two sides will verify the results of the removal work by holding a working-level meeting one day prior to the completion of each stage, the 2nd Working-level Meeting for the General-level Military Talks was held on June 29 in Paju (northeast of Seoul near the DMZ) to verify the results of the first stage removal work.

The two sides highly evaluated the efforts on both sides in faithfully implementing the removal of the propaganda tools in the first stage area, verified the items (tools and instruments) and results of their removal through eight occasions of head delegate contact, and agreed on most of the issues. On issues where they differed in views, the two sides agreed to resolve them through head delegate contact on July 5 in Gaeseong. The South and North further agreed to begin the second stage removal work from July 6.

3. Inter-Korean Working-level Contacts for the General-level Military Talks Concerning Telecommunications

As agreed during the general-level military talks, the first working-level contact on telecommunications was held on June 25 in the joint management area of the West Coast Line to discuss prevention of accidental naval clashes in the West Sea and to establish and operate telecommunications lines and the liaison offices for telecommunications.

In the second round of contacts on June 29, the North accepted the South's view that the new telecommunication liaison office would solely deal with the prevention of accidental naval clashes in the West Sea, and that the functions of the communication line for the military control already in existence and the line being installed to prevent naval clashes should be separate. The South agreed to provide materials and work toward a smooth connection of the telecommunication line.

IV. Economic Talks

In 2004, the Roh Administration steadily engaged the North in economic talks to foster an atmosphere for a peaceful resolution to the North Korean nuclear issue through continued discussions on economic cooperation between governments. Helped by such efforts, 13 rounds of talks on economic cooperation were held between the two Koreas in the first half of 2004, including the 1st Working-level Contact on Economic Cooperation System and the 1st Working-level Meeting on Clearing Settlements in January followed by the 8th and the 9th round meeting of the Inter-Korean Economic Cooperation Promotion Committee.

However, in the second half of 2004, North Korea, while criticizing South Korea for not allowing the condolence visit to North Korea on the 10th anniversary of Kim Il-Sung's death and accepting a sizable group of North Korean refugees to enter South Korea, did not respond to the call for governmental contacts. Thus, inter-Korean dialogue came to a standstill, which included the cancellation of the 10th round meeting of the Inter-Korean Economic Cooperation Promotion Committee scheduled for August 31, 2004.

Regardless of the standstill in inter-governmental talks, the momentum of economic cooperation has been steadily maintained through on-going work to reconnect the railways and roads and production of goods from the Gaeseong Industrial Complex pilot stage.

1. Inter-Korean Economic Cooperation Promotion Committee Meetings

The Inter-Korean Economic Cooperation Promotion Committee (hereinafter the "Committee") is a consultative body that oversees the economic exchanges and cooperation between the two Koreas. It was formed according to the 2000 Joint Declaration in which the two sides agreed to promote balanced development of the national economy through economic cooperation; the formation and operations of the Committee were agreed during the 4th Inter-Korean Ministerial Talks in Pyongyang (December 12-16, 2000).

The first round meeting of the Committee began in December 2000, and nine rounds of meetings were held until the end of 2004 to discuss pending issues concerning vitalization of inter-Korean economic cooperation, such as the reconnection of railways and roads, the

construction of the Gaeseong Industrial Complex, and cooperation in electric power. The 10th round meeting has not been held yet because North Korea refused the meeting while criticizing the South's ban on the condolence delegations for the 10th anniversary of former President Kim, il-sung's death.

A. The 8th Inter-Korean Economic Cooperation Promotion Committee Meeting

In accordance with the agreement reached during the 7th round meeting of the Committee, the 8th round meeting was held from March 2-5, 2004 in Seoul. The two sides discussed details of the schedule concerning economic cooperation already underway, like the groundbreaking of the Gaeseong Industrial Complex and matters related to the reconnection of railroads and roads.

For the Gaeseong Industrial Complex project, the two sides agreed to accommodate enterprises for the production of goods as soon as the construction of the pilot stage of 33,000 m² is complete; undertake to build infrastructure for the stage 1 area (3.3. million m²); and provide electricity and telecommunications on a commercial basis and in a timely manner.

Regarding the railroad and road reconnection, the South, while considering the position of the North, agreed to test-run a section of the Donghae (East Coast) Railway and the Gaeseong-Munsan section of the Gyeongui (Seoul-Shinuiju) Railway in 2004. Two Koreas further agreed to complete the pavement work of the Gyeongui and Donghae roads as quickly as possible.

The two sides ended the talks by issuing a joint press statement with a seven-point agreement, including the commencement of the flood prevention project in the Imjin River Basin in April and the establishment of the Inter-Korean Economic Cooperation Office.

Summary of the Joint Press Statement

- Development of the Gaeseong Industrial Complex
 - ▶ Private enterprises begin production as soon as the preparation for 10,000 'pyeong' (33,000 m²) pilot project area is complete within the first half of the year.
 - ▶ Actively promote the construction of the infrastructure of the first-stage development area of one million 'pyeong' (3.3million m²); accommodate private enterprises beginning next year.
 - ▶ Efforts shall be made on providing electricity and telecommunications on a commercial basis and in a timely manner.
- Reconnection of Railways and Roads
 - ▶ Test-run the Gaeseong-Munsan section of the Gyeongui (Seoul-Shinuiju) Railroad and the Onjeongri-Jeojin section of the Donghae (East Coast) Railroad this year; and complete the pavement work of the Gyeongui and Donghae roads as soon as possible.
 - ▶ Discuss issues regarding cooperation in designing and providing equipment and materials for constructing railroad stations around the border area to the extent necessary for the opening of the railroads.
- Finalize the development plan of the Mt. Geumgang Tourist District at an early date and actively cooperate in devising measures to revitalize the Mt. Geumgang tours.
- Operate the Inter-Korean Economic Cooperation Office for the expansion of direct trade as soon as the office is established with the Gaeseong Industrial Complex Development Office in the first half of this year in the Gaeseong Industrial Complex, and actively cooperate for the revitalization of private economic cooperation projects.
- Work to adopt an Agreement on the Flood Prevention in the Imjin River Basin through exchanges of documents, and conduct on-site surveys starting in April.
- Work to realize the visit of a South Korean economic mission to the North and the visit of a North Korean working-level economic mission to the South.
- Hold the 9th Inter-Korean Economic Cooperation Promotion Committee Meeting in Pyongyang from June 2 to 5.

B. The 9th Inter-Korean Economic Cooperation Promotion Committee Meeting

As agreed in the 8th meeting of the Committee the 9th round of meetings convened from June 2-5, 2004 in Pyongyang. The fact that the 2nd Inter-Korean General-level Military Talks (June 3-4, Mt. Seorak) were being held at the same time added meaning to the occasion.

In the 9th meeting, South and North Korea agreed on a specific the timetable for economic cooperation, such as the Gaeseong Industrial Complex Project and the reconnection of the railroads and roads. The North officially brought up the issue of rice aid, and the South, while considering progress in inter-Korean relations, responded by agreeing to loan 400 thousand tons of rice.

Summary of Agreements

- Development of the Gaeseong Industrial Complex
 - ▶ Cooperate in providing electricity and telecommunications on a commercial basis beginning in September.
- Reconnection of the Railroads and Roads
 - ▶ Test-run the rail lines in October 2004
 - ▶ Open the Gyeongui (Seoul-Shinuiju) and Donghae (East Coast) roads by the end of October 2004.
- Loan 400 thousand tons of rice to North Korea.
- Hold the 10th Inter-Korean Economic Cooperation Promotion Committee Meeting in Seoul from August 31 to September 3.

2. Inter-Korean Working-level Contacts on Economic Cooperation System

The North and the South held the 4th Working-level Meeting on Economic Cooperation System in Pyongyang from December 17 to 20, 2003, but as the two sides could not agree on the transit to and from Gaeseong and Mt. Geumgang, the first Working-level Contact on Economic Cooperation System was held from January 27 to 29 in Gaeseong. At the meetings, the two sides focused their discussion on the issue of guaranteeing personal safety for the adoption of the agreement on transit to and from Gaeseong and Mt. Geumgang.

Through the seven rounds of contacts, the two sides agreed that 1) North Korea will first investigate any legal violation and notify the South; 2) according to the severity of the violation, the North will take appropriate measures such as issuing a warning, imposing a fine, or deporting the accused to South Korea; and 3) the North will guarantee basic rights to the accused during the period of investigation. In case of a “serious violation” as agreed by South and North Korea, the two sides will take special steps upon agreement. The two sides finalized the agreement on entry procedures, overnight stays and guarantee of personal safety and adopted the Agreement on Entry and Overnight Stays in the Gaeseong Industrial District and Mt. Geumgang Tourism District.

3. Inter-Korean Working-level Meetings on Clearing Settlements

A. The 3rd Working-level Meeting on Clearing Settlements

Following the second round of meetings from January 27-29, 2004, where the South and North could not reach an agreement, the third Working-level Meetings on Clearing Settlements was held from April 20-22 in Paju, north of Seoul.

At the beginning of the meeting, the North reiterated its basic position on disputed issues, such as the transaction method, interest rate and the settlement of balances at the end of the year, but in the end, it accepted the South’s position. The most difficult issue was the settlement of balances at year’s end. The North strongly demanded that it be done in kind rather than cash. Considering the position of the North, the South proposed to have the receiving side decide between U.S. dollars and payment in kind; the North accepted and agreed to this option.

In selecting the items for settlement clearing, the two sides agreed that desired import and export items of each side should be selected, but the North made the agreement difficult by demanding that limits on the quantity of items be fixed when deciding on the items. In the end, the North accepted the South’s view that transactions should be carried out based on the decisions of individual businesses, and agreed on all points except for the selection of items and signed the 2004 Agreement on Clearing Settlements.

B. Working-level Contact between the Clearing Settlements Banks

The first working-level contact between the representative banks of South and North Korea on clearing settlements was held from May 18-19, and the second working-level

contact took place from June 24-25. The consultation between the banks went smoothly. However, there were differences in positions on issues concerning the names of the banks and the calculation of interest. The North demanded that "Korea" and "DPRK" be omitted from the names of the banks in the agreement and have the bank name be "Export-Import Bank" (South Korea) and "Trade Bank" (North Korea).

In calculating interest, the South proposed a compound interest and indemnity rate for delay at 1%, but the North demanded a simple interest. The two sides reached a compromise by agreeing to use the official names of each bank in the agreement and by agreeing to apply the simple interest without any indemnity. The two sides agreed on other matters such as items, period, currency of settlement clearing, and procedures for repayment of loans and adopted the Agreement on Settlement Clearing Services.

4. Working-level Meeting on the Construction of the Gaeseong Industrial Complex

According to the Agreement reached at the 9th round meeting of the Committee, South and North Korea held the second working-level meeting at the Gaeseong Industrial Complex from June 24-25 to discuss matters related to supplying electricity and telecommunications and adopting subsidiary agreements on communications, customs and quarantines.

On the issue of electricity, the North accepted the South's position that to provide the quality and quantity of electric power needed, a South Korean firm will need to oversee the architectural design, construction and operation of the power supply system. Also, the North agreed to actively participate in guaranteeing the transit of the construction and maintenance personnel.

In addition, the two sides agreed that South Korea will provide materials and equipment to construct a water pipeline between the Wolgo Reservoir and the Gaeseong Complex and that the North will provide the waste dumping site. However, the meeting ended without agreement because both sides could not come to agreement on the communications issue and the adoption of the subsidiary agreement.

5. Inter-Korean Working-level Meetings on the Reconnection of Railroads and Roads

A. The 9th Working-level Contact on the Reconnection of Railroads and Roads

South and North Korea held the 9th Working-level Contact on the Reconnection of Railroads and Roads from February 25 to 28, 2004 in Gaeseong. At the meetings, the two sides discussed issues concerning pavement work of the East Coast and the West Coast roads, signals for the railroads, communications, construction of the electrical system and construction of railway stations in the border area. The two sides also agreed on issues other than the construction of the railway stations.

B. The 4th Working-level Meeting on the Reconnection of Railroads and Roads

South and North Korea held the fourth Working-level Meeting on the Reconnection of Railroads and Roads from April 8-10, 2004 in Gaeseong. Originally, the North proposed that the meeting be held from March 24, but in the midst of discussing the detailed schedule, North Korea delayed the meeting until the beginning of April in protest to the ROK-US joint military exercises.

At the meeting, the two sides adopted an agreement on train operations and providing equipment and materials for the construction of railroad stations in the border area. Also, the two sides discussed institutional measures needed for opening inter-Korean railroads and roads, such as establishing a vehicle operation office and setting the timetable for equipment and technical assistance.

C. The 10th Working-level Contact on the Reconnection of Railroads and Roads

South and North Korea held the 10th Working-level Contact on the Reconnection of Railroads and Roads from June 30 to July 2. The North responded positively to the architectural design of the railroad station that the South delivered to the North prior to the meeting, and requested that the groundwork for the construction begin for both East Coast and West Coast lines in early August. The South responded by agreeing to provide the North with the basic layout upon additional technical discussion in early August. At the same time, the South stressed that materials and equipment not directly connected to the opening of the railroads and roads could not be provided. Also, the two sides agreed to adjust the items and the amount of necessary materials and equipment according to the additional material assistance, such as the construction of the median strip.

V. Talks in Social and Cultural Areas

In 2004, South and North Korea held three talks in the social and cultural areas, including the talks on the Yongcheon disaster relief. On April 22, 2004, as soon as the news broke concerning a huge train explosion disaster in Yongcheon (the northwest city of North Korea), the South Korean government acted immediately to confirm the facts and to prepare for an emergency relief operation. On April 24, the South Korean government relayed its message of condolence for the victims of the disaster to North Korea as well as its intent to assist in the rehabilitation. The North responded by proposing to hold a working-level contact on April 27 for discussions on the delivery of emergency relief materials and restoration work. Accordingly, the Red Cross societies of South and North Korea held talks on disaster relief since the first one 20 years ago in 1984 to provide relief for the flood disaster that occurred in Seoul and Gyeonggi province.

Aside from these talks, two Koreas held working-level talks in Beijing concerning the joint march in the opening and closing ceremonies of the 2004 Olympic Games in Athens; and the two sides held the Fourth Working-level Red Cross Contact for the resolution of the separated family issue at Mt. Geumgang.

1. Talks on the Yongcheon Train Explosion Disaster Relief

Talks on the Yongcheon disaster relief were held on April 27 in Gaeseong. The South Korean delegation was headed by the Director-General of Social and Cultural Exchange Bureau of the Unification Ministry and other members of the delegation included officials from the Ministry of Construction and Transportation, Ministry of Health and Welfare, and the Red Cross.

At the talks, South Korea explained the delivery plan for the emergency relief and medical aid and expressed the intent to dispatch medical units and assist in recovery and restoration efforts. North Korea expressed its appreciation for the South's offer, explained the situation in Yongcheon and relayed the list of materials and equipment needed such as cement, windows, bulldozers, excavators, food, etc. The South ended the talks without any agreement because the main purpose of the meeting was to find out what North Korea needed. Subsequently, the South assisted the North with relief materials and equipment worth 41.9 billion won, over a three-month period from May 7 to August 4.

2. The 4th Inter-Korean Red Cross Working-level Contact

Upon a proposal by North Korea to hold a working-level contact, South Korea counter proposed that the contact take place from May 24 to 25. Upon acceptance by the North, the 4th Red Cross Working-level Contact took place at Mt. Geumgang. The South Korean side was headed by Lee Byung-woong, Special Advisor to the President of the South Korean Red Cross and the North Korean side was headed by Choi Song-ik, a ranking member of the Central Committee of the North Korean Red Cross. Each delegation was composed of three members.

While emphasizing that the main purpose of the contact was to discuss the separated family issue, the South proposed the dates for the 10th Separated Family Reunion and stressed the need to expand confirmation of whereabouts and exchanges of letters by separated families as well as of those lost in war. The North responded by proposing to agree on a comprehensive deal that would include the 10th Separated Family Reunion, assistance to modernize the Red Cross hospital in Pyongyang and food assistance discussed by the President of the South Red Cross when he visited the North. The South made clear that humanitarian assistance cannot be a subject of negotiation, but it is a matter to be decided internally and within reasonable bounds. Also, the South stressed that it is unreasonable for North Korea to connect the separated family reunions with humanitarian assistance.

The two sides further discussed the matter on May 25 through a plenary meeting and a head delegate contact. South Korea further stressed that the 4th Red Cross Working-level Contact was held to resolve the issue pertaining to separated families and proposed specific measures to this end, whereas the North focused on assistance to modernize the Red Cross hospital in Pyongyang and humanitarian aid. Thus, a comprehensive agreement was difficult to reach. Unable to narrow the gap, the two sides ended the contact by merely agreeing to discuss the dates and procedure for the 10th Separated Family Reunion at a later date.

3. Working-level Talks for South-North Joint March in the Opening and Closing Processions at the 28th Olympic Games in Athens

On January 30, 2004, the Korean Olympic Committee (KOC) sent a letter to the Olympic Committee chairman of North Korea proposing to discuss a joint march during the opening and closing processions of the Olympic Games in Athens as well as other sports exchanges. Subsequently, in the 13th Ministerial Talks (February 3-6, 2004, Seoul) two Koreas reached verbal agreement to march together at the 28th Olympic Games in Athens. Also, in the

General Assembly of the Association of National Olympic Committees (ANOC) held in Greece, the delegations of South and North Korea met to reaffirm the verbal agreement on a joint march during the opening and closing processions at the Athens Olympic Games and agreed to hold working-level talks to discuss the matter on an early date (Feb. 25, Athens). The working-level talks were held from June 23 to 24 in Beijing.

At the working-level talks in Beijing, South Korea first proposed to the North the joint march in the opening procession to follow the precedent set at the 2000 Olympic Games in Sydney. The North Korean side agreed to the South's proposal without much disagreement for there were previous precedents on joint marches.

Chapter 3

Expansion of Inter-Korean Exchanges and Cooperation

- I. Inter-Korean Personnel Exchanges
- II. Inter-Korean Trade
- III. Inter-Korean Visits, Communications and Navigation
- IV. Inter-Korean Economic Cooperation Projects
- V. Development of the Gaeseong Industrial Complex
- VI. Inter-Korean Social and Cultural Exchanges and Cooperation
- VII. Building the Foundation for Inter-Korean Exchanges and Cooperation

The background features a light blue color palette. On the right side, there is a stylized, semi-transparent map of the Korean peninsula. On the left side, there are numerous thin, light blue lines radiating outwards from a central point, creating a sunburst or fan-like effect. The overall aesthetic is clean and modern.

Expansion of Inter-Korean Exchanges and Cooperation

Expansion of Inter-Korean Exchanges and Cooperation

Inter-Korean exchanges and cooperation have led to a substantial improvement in inter-Korean relations, including laying the foundation for the formation of a Korean national community, fostering the proper atmosphere for the settlement of the North Korean nuclear issue, building military confidence, and easing tensions.

In addition to expanding social and cultural exchanges and raising people's awareness of North Korea, inter-Korean economic cooperation is exerting a positive influence on the overall state of inter-Korean relations. Such exchanges are playing a major role in inducing North Korea to participate in Northeast Asian cooperation.

Despite the suspension of inter-Korean government talks in the second half of 2004, exchanges and cooperation in the economic field have progressed smoothly. The re-connection of roads on the Gyeongui Line and the Donghae Line was completed at the end of November 2004. Moreover, Living Art, one of 15 companies in the model Gaeseong Industrial Complex, produced its first batch of pots there, opening a new chapter in the history of inter-Korean economic cooperation.

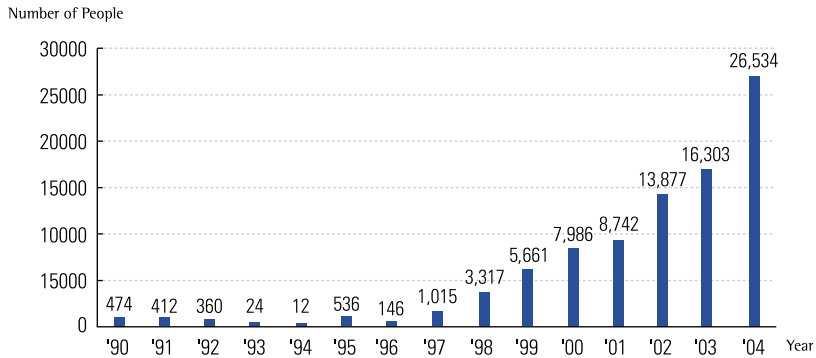
As for the Mt. Geumgang tours, since regular overland tours began in September 2003, the number of tourists in 2004 has increased remarkably, establishing a stable foundation for tourism promotion. In light of these achievements, it can be said that the momentum for inter-Korean exchanges and cooperation was maintained in 2004, despite the temporary suspension of inter-Korean government dialogue.

I. Inter-Korean Personnel Exchanges

1. Inter-Korean Exchanges

In 2004, the number of visitors to North Korea, excluding tourists to Mt. Geumgang was 26,213, the largest number in a single year since visits to North Korea were first approved in 1989. This is a 71.5% increase compared to the total of 15,280 visitors the previous year. The increase is mainly due to a sharp rise in visits for economic purposes, including the construction of the Gaeseong Industrial Complex. The number of North Korean residents visiting South Korea remained at 321, a 218% decline compared to 1,023 visitors the previous year. However, in 2004, the total number of inter-Korean visitors was 26,534, indicating steady growth.

Inter-Korean Personnel Exchange

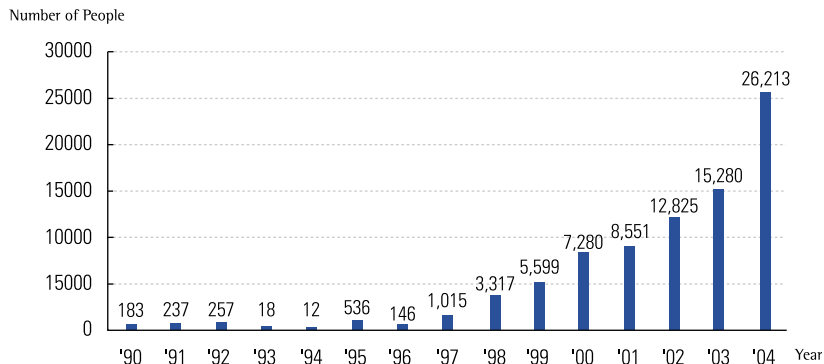


2. Visits to North Korea by Sector

Despite the halt in inter-Korean governmental talks, the first stage construction of 330ha area of the Gaeseong Industrial Complex and its pilot project of 9.3ha proceeded smoothly. This resulted in a sharp growth in the number of people visiting the North for economic purposes compared to other years.

South Koreans visited the Gaeseong Industrial Complex development project to attend various commemorative events, including the ground-breaking ceremonies for factories. On December 15, 2004, 385 South Koreans, including 79 lawmakers, attended a ceremony to celebrate the manufacture of the first products in the Gaeseong Industrial Complex - kitchen pots from the company Living Arts.

Visitors to the North



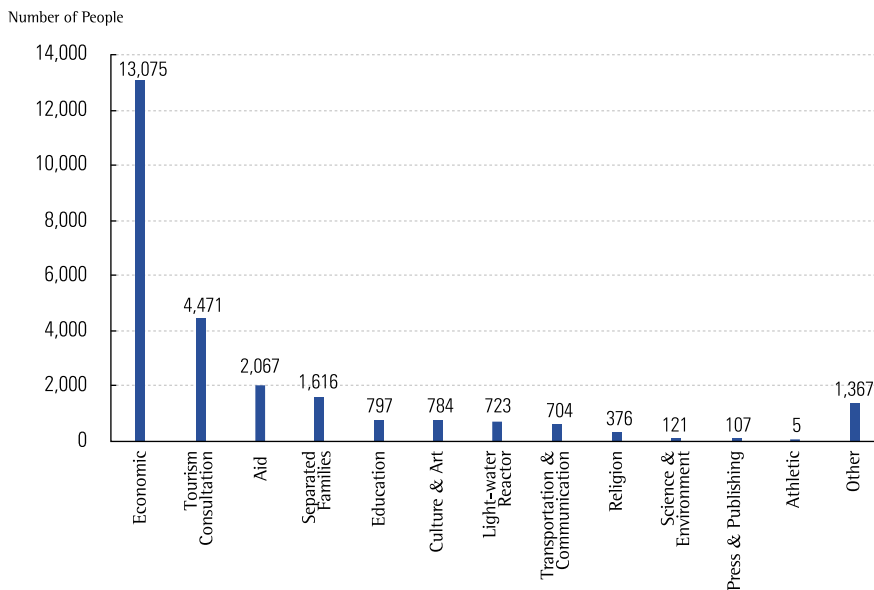
There were also visits to North Korea to provide materials and equipment necessary for road and railroad re-connection and to promote inter-Korean economic cooperation, including an automotive assembly project by Pyeonghwa Motors.

From 1989 through 2004, visitors to North Korea for social and cultural purposes numbered 6,695, of which 2,190 visited in 2004. Compared to the 2,472 visitors in 2003, this is a 12.8% reduction, mainly attributable to the unprecedentedly large number of defectors that entered South Korea in 2004 and the government's ban on condolence delegations on the tenth anniversary of former President Kim Il-sung's death.

In 2004, visits to North Korea in the fields of scientific research and athletics included a North-South joint academic seminar and exhibition for the return of cultural assets plundered by Japan, and a North-South joint seminar and exhibition to celebrate the listing of the Goguryeo tombs as a World Heritage site. In total, 832 South Koreans visited North Korea.

The most important visits to North Korea in the media sector in 2004 included initiatives for the National Writers' Conference, the publication of the Great Dictionary of the Korean People, the production of the "Revival of Goguryeo" by KBS, the production of "Food and Drink of North Korea" by MBC, and the Korean Broadcasting Commission consultations on the broadcasting of the Athens Olympic Games.

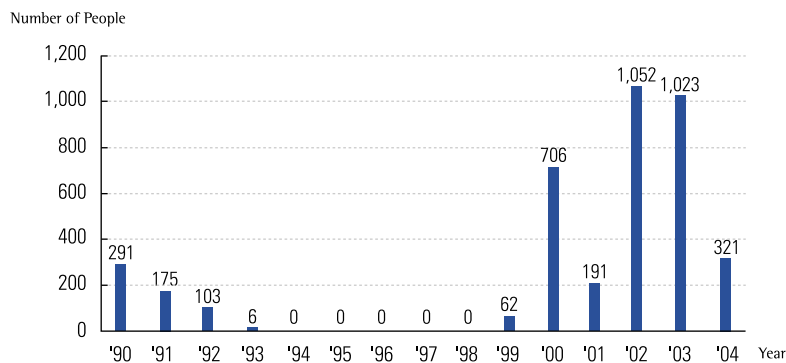
Visitors to the North by Sector



In the area of religion, the level of personnel exchanges in 2004 was similar to other years, despite the issue of condolence visits in July. The most significant visits to North Korea in 2004 included the restoration of the Singye Temple at Mt. Geumgang by the Jogye Order of Korean Buddhism, the Cheontae Order's cooperation project for the restoration of Youngtong Temple in Gaeseong, and the North-South Korean joint prayer meeting by the Presbyterian Church in the Republic of Korea.

As for visits to North Korea in other sectors, including civic organizations in 2004, there were trips to participate in joint events such as the joint Liberation Day (August 15) ceremony, the North-South Student Conference, consultation of exchanges and cooperation projects at the local government level, as in the cases of Gangwon province and the city of Jecheon, the second South-North Farmers' Unification Rally and a North-South Labor Day event.

Inter-Korean Visitors

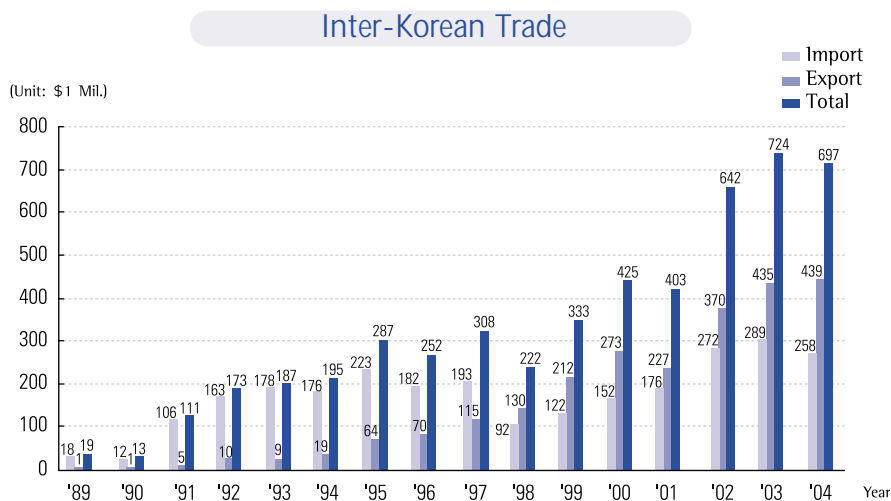


II. Inter-Korean Trade

1. Inter-Korean Trade of Goods

A. Trade Volume

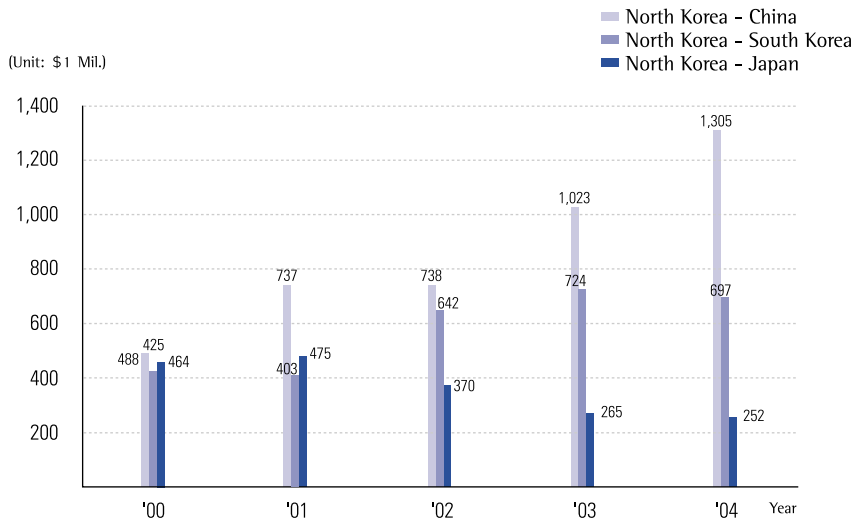
Inter-Korean trade in 2004 remained steady at US\$697 million, a 3.8% drop from the previous year due to sluggish commercial trade while non-commercial trade showed a steady growth in the wake of full-scale development of the Gaeseong Industrial Complex, promotion of the Mt. Geumgang tours project and extended humanitarian support to North Korea, including the Yongcheon disaster assistance.



While goods imported declined by 10.8% compared to the previous year, recording US\$258 million, goods exported increased by 0.9% compared to the previous year, rising to US\$439 million. The decline in imports is mainly due to volume quotas on some agricultural and fishery products designed to protect South Korean producers, and fewer processing deals as a result of a weak demand in South Korea.

As for North Korea's trade with major countries in 2004, trade with China hit US\$1,385 million, a 35.4% increase, while trade with Japan decreased by 4.8% to US\$251 million compared to the previous year.

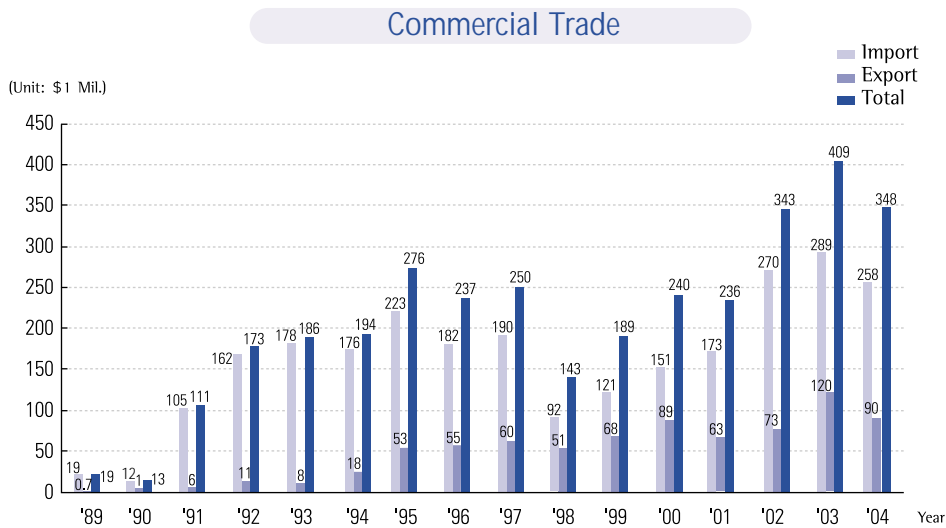
North Korea's Trade Level with 3 Major Trading Partners



B. Inter-Korean Trade by Category

In 2004, commercial trade (business transactions and commission-based trade) declined by 14.9% to US\$348 million compared to the previous year, accounting for 49.9% of total amount of trade. Goods imported and exported decreased by 10.8% (US\$258 million) and 24.8% (US\$90 million), respectively, compared to the previous year.

In commercial trade, business transactions dwindled to US\$172 million or by 23.2% compared to the previous year, accounting for 24.6% of total trade and 49.4% of the commercial trade amount. Commission-based trade reached US\$176 million, a 4.9% decline compared to the previous year, representing 25.3% of the total trade and 50.6% of the commercial trade amount.



Meanwhile, non-commercial trade rose by 10.7% to US\$349 million compared to the previous year, accounting for 50.1% of total trade. By category, humanitarian support to North Korea amounted to US\$259 million, accounting for 74.0% of the non-commercial trade volume. At the same time, general cooperative projects including construction of the Gaeseong Industrial Complex, the Mt. Geumgang tours and the light-water reactor project recorded US\$49 million, US\$42 million and US\$460,000, accounting for 13.9%, 12.0% and 0.1% of the non-commercial trade volume, respectively.



C. Inter-Korean Trade Balance

As for the trade balance in 2004, nominally, South Korea had a surplus of US\$181 million. However, in terms of the real trade balance excluding non-business goods brought in and out, South Korea had a deficit of US\$168 million. As for the cumulative nominal balance of trade from 1989 through 2004, South Korea had a deficit of US\$235 million. However, the cumulative real trade balance, excluding non-business trade, suffered a much greater loss of US\$1.85 billion.

Although South Korea has a nominal surplus, its real trade balance is negative largely because of the large share of non-commercial trade. Goods taken to North Korea have increased with the full-scale development of the Gaeseong Industrial Complex, promotion of the Mt. Geumgang tours, and the surge in humanitarian assistance to North Korea.

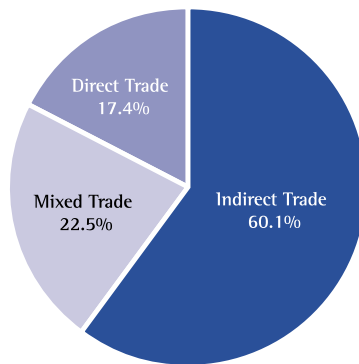
The lopsided real trade balance is mainly attributable to the poor purchasing power of North Korea. Given the foreign currency situation in North Korea, the current trend is likely to persist. However, it is expected to improve gradually when the previously agreed settlement clearing system is implemented.

D. Inter-Korean Trade Structure

In the early years, inter-Korea trade mainly took the form of indirect trade through third countries. Beginning in the mid-1990s, the share of direct trade rose in areas of oriental medicine, agricultural products and some items for processing deals, as a result of direct agreements between the North and South Korean parties. However, there are still many instances of third-party merchant trade in order to lower transaction risks associated with restricted travel and telecommunications.

When the Ministry of Unification and the Korea International Trade Association conducted a joint survey of some 300 inter-Korean trading companies on the status of trade in September 2003, results showed that while the percentage of firms engaged in direct trade via agreements between North and South Korean parties was 17.4%, firms engaged in indirect trade via merchants in third countries represented 60.1%, and trade involving both direct and indirect trade accounted for 22.5%.

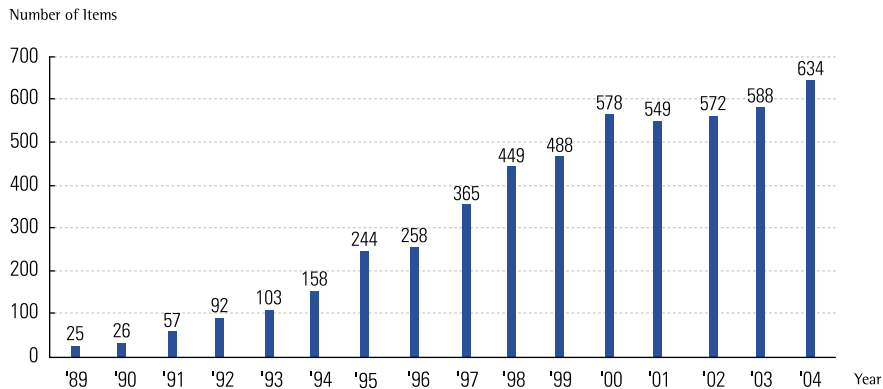
Trade with North Korea by Type



When the environment for inter-Korean direct trade improves, including implementation of institutional mechanisms such as an office for economic cooperation and the agreed-upon settlement clearing system, the share of inter-Korean direct trade is expected to rise gradually.

In 1989, only 25 different goods were traded between the two Koreas. The scale and scope of trade has grown steadily, however, to 572 products in 2002, 588 in 2003, and 634 in 2004. A breakdown of 2004 shows that while the number of items imported increased by 17, to a total of 202, the number of items exported grew by 45, to a total of 575.

Number of Items Traded

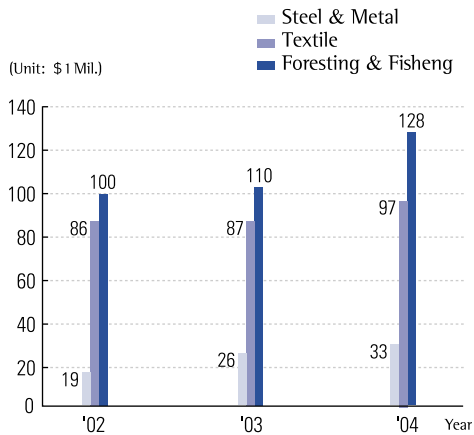


Among items brought from North Korea to South Korea, agricultural, forestry and fishery products represent the largest share, followed by textile goods, and steel and metal products. In 2004, incoming agricultural, forestry and fishery products decreased compared to the previous year, to 39.5%. These are mainly fishery items, including shellfish, dried fish and processed fish products.

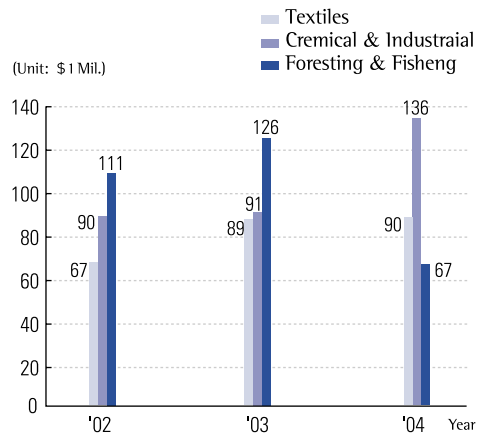
As for goods going to North Korea, chemical products, such as vinyl materials for farming, formed the bulk of trade in the early years. However, the share of textiles in goods going to North Korea has been on the rise with the launch of the processing on commission (POC) trade. Recently, chemical, agricultural, forestry and fishery products have represented a large share due to food, fertilizers and medical supplies that were provided to North Korea.

In 2004, the major products, in the order of share, going to North Korea were: chemicals (31.0%), textiles (20.4%), agricultural, forestry and fishery products (15.2%), machinery (9.8%), mineral products (6.6%) and steel and metal goods (4.9%).

Major Import Items for the Last 3 Years



Major Export Items for the Last 3 Years

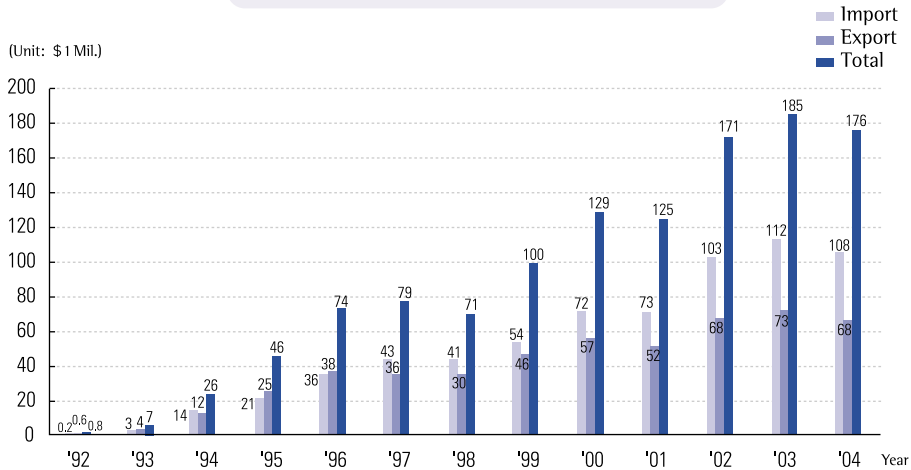


2. Processing on Commission Trade

The processing on commission (POC) trade takes place by a South Korean company sending raw materials and semi-processed goods to North Korea to be processed in North Korea. Then, the processed goods are sent back to South Korea, with a certain amount of wages paid to the North Korean counterpart for the processing services. In 2004, the amount traded through POC trade remained at US\$176 million, a 4.9% reduction compared to the previous year, and represented 25.3% of the total trade amount and 50.6% of the business trade. Textiles, which represent over 80% of POC trade and electronics, including television sets and some household commodities are produced under POC and brought to South Korea.



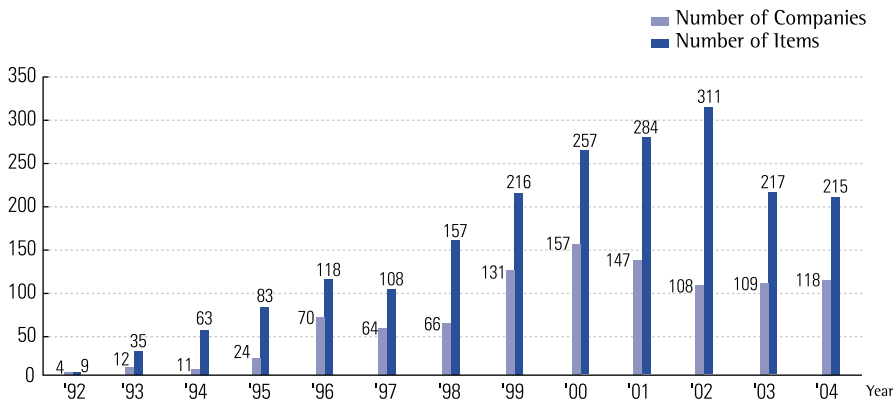
Annual POC Trade



The number of firms engaged in the POC trade, which stood at 118 in 2004, appears to have stabilized gradually over time. However, because this type of trade went through a transition period, some major fluctuations have occurred. For example, the number of firms engaged in this trade plunged from 157 in 2000 to 108 in 2002. Growing interest in full-fledged inter-Korean trade after 2000 led numerous companies to invest in the POC.

However, small companies that brought in less than US\$50,000 in processing trade failed to survive economically and companies with a higher level of trade took the lead, which resulted in a significant increase in the number of goods and the amount traded.

Companies and Items in POC Trade



III. Inter-Korean Visits, Communications and Navigation

1. Visits

A. Establishing a South-North Transit Office and Institutionalizing Overland Passage

Through the first and second rounds of inter-Korean ministerial talks in 2000 and a special envoy's visit to North Korea in 2002, the North and the South forged a dramatic breakthrough



South-North Transit Office

by agreeing to reconnect inter-Korean railroads and roads that had been disconnected for over half a century. This project would bring about increased transfer of materials and equipment necessary for the reconnection work. Moreover, as the Mt. Geumgang tours were started, there was a need for a standing organization to look after affairs concerning entry and exit between the two Koreas. Accordingly, the South Korean government opened a temporary transit

office in February 2003, and later that year, established the Office of North-South Transit, under the Ministry of Unification, on November 20, 2003 to facilitate inter-Korean entry and exit affairs.

The South-North Transit Office is in charge of the operation of inter-Korean railroads and roads, consultations and contacts with North Korea about operating vehicles between the South and the North, addressing emergency situations in inter-Korean transits, approving operation of transportation equipment between the two Koreas, and accepting applications for bringing goods in and out. The Transit Office also performs inter-Korean entry/exit procedures including customs inspections, immigration and quarantines when people travel between the two Koreas either by road or railroad on the Gyeongui and Donghae Lines and when goods are brought in and out.

B. Status of Passage via Inter-Korean Overland Routes

On January 27, 2003, the two Koreas signed the "Provisional Agreement for Military Assurances regarding Passage via Temporary Roads in the Joint Administrative Zone of the

Two Koreas in the East and West Coast Areas.” The new law cleared the way for the Mt. Geumgang tours via overland routes as well as the transportation of materials and equipment for the re-connection of railroads and roads. In addition, personnel and vehicles for various inter-Korean talks, economic cooperation projects, socio-cultural exchanges and cooperation and humanitarian programs are entering and exiting North Korea via roads along the Gyeongui and Donghae Lines.

As for the status of entry/exit between the two Koreas via overland routes, 43,038 people (3,643 people via the Gyeongui Line and 39,395 people via the Donghae Line) including 36,028 tourists to Mt. Geumgang and 4,392 vehicles have traveled between the two Koreas through overland routes during 2004. In 2004, the number of inter-Korean travelers reached 321,088 (24,164 people via the Gyeongui Line and 296,924 people via the Donghae Line) including 268,420 tourists to Mt. Geumgang, which translates to 26,700 visitors per month or 890 visitors a day. A total of 30,899 vehicles (about 2,500 vehicles per month, or 80 vehicles per day) have traveled between the two Koreas.

These figures are based on the passage (both ways) of South Koreans and vehicles via the Gyeongui and Donghae Lines. As for North Korean personnel and vehicles entering South Korea, 80 people and 12 vehicles entered in order to attend the three rounds of inter-Korean talks held in Sokcho and Munsan.

2. Communications

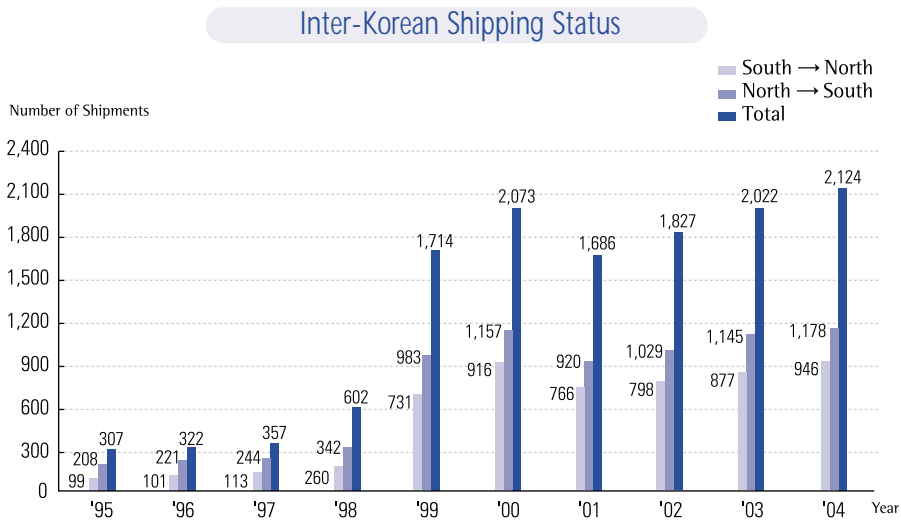
In terms of a South-North communications network, in 2004 two indirect lines were connected by satellite to allow the Gaeseong Industrial Complex Management Committee to go forward with plans for the Gaeseong Industrial Complex. By the end of 2004, a total of 66 lines had been connected between the two Koreas, including 33 direct and 33 indirect lines.

The 2004 agreement for direct optical communications with the Gaeseong Industrial Complex has opened an era of direct optimal communication, offering improved call quality. In addition, the installation of 50 additional lines is planned to offer more convenient communications services for Mt. Geumgang tourists. In contrast, South Korean workers dispatched to the Sinpo light-water reactor site in North Korea depend on international mail services via China.

3. Navigation

In 2004, the total number of sailings between the two Koreas was 2,124 trips, a growth of 5% over the previous year. Among them, the number of sailings from South Korea to North Korea was 946, which increased by 7.8% compared to the previous year. The number from North Korea to South Korea was 1,178, a 2.9% increase from the previous year. In addition, vessels are operating regularly on the Incheon-Nampo, Busan-Najin and Sokcho-Yanghwa maritime routes to transport goods and personnel.

In order to establish a stable maritime transportation system and to initiate cooperation in maritime affairs between the two Koreas, the “Inter-Korean Agreement on Maritime Transportation” and the subsequent implementing agreement reached after four rounds of working-level contacts on inter-Korean cooperation for maritime transportation were adopted in May 2004.



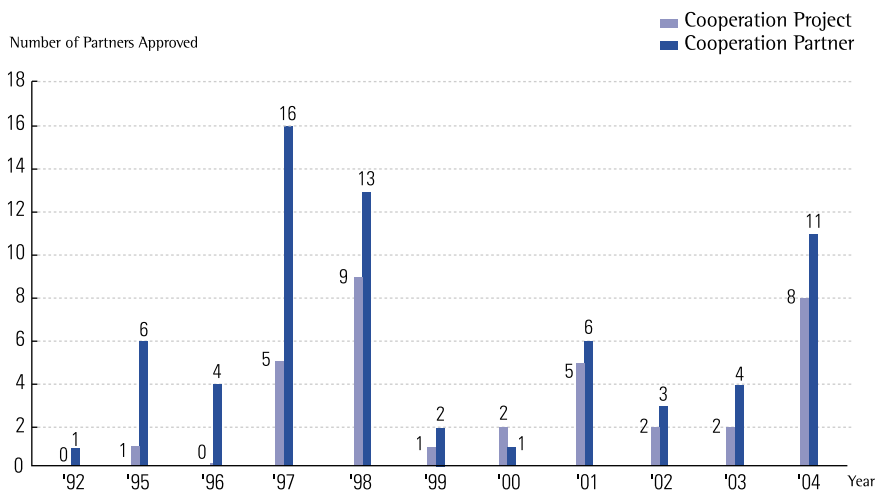
As for flights between the two Koreas, since the first direct flight for the inter-Korean Summit Meeting in 2000, there were 43 flights in 2000, 19 in 2001, 67 in 2002 and 111 in 2003. However, in 2004, the number of flights dropped sharply as a result of stalled inter-Korean relations, which also included suspension of government talks from the second half of the year. Flights in 2004 totaled only 28 and were mainly to transport relief supplies to North Korea.

IV. Inter-Korean Economic Cooperation Projects

1. Status of Economic Cooperation Projects

The year 2004 saw major efforts to push ahead inter-Korean economic cooperation projects in regions other than Gaeseong, as well as full-fledged initiatives for the development of the Gaeseong Industrial Complex. As part of such efforts, eleven economic cooperation partners and eight economic cooperation projects were approved (excluding the Gaeseong Industrial Complex-related projects) in a single year, marking significant growth in the number of approvals compared to 2003. Looking back over the period of 1992-2004, 67 economic cooperation partners and 35 economic cooperation projects have been approved.

Economic Cooperation Partner/Project Approval



Despite efforts by the South Korean government and the private sector to boost inter-Korean economic cooperation, North Korea has not allowed South Korean officials to visit Pyongyang since July 2004. Consequently, inter-Korean economic cooperation initiatives experienced some challenging moments when cooperation projects that had been underway lost momentum and a majority of newly approved projects could not be launched. However, production of some items in the manufacturing sector, which had begun in 2000, continued without interruption.

In the case of Green Cross, since bringing in semi-manufactured urokinase for the first time in July 2001, it continued to bring in semi-manufactured goods worth US\$420,000 by 2004. In addition, since the construction of an automotive assembly plant in Nampo in April 2002, Pyeonghwa Motors has produced 571 automobiles (four models) including “Hwiparam” (Whistle) and “Ppeokkugi” (Cuckoo) and has sold 410 of them by the end of 2004.

The Mt. Geumgang spring water development project by Taechang, which had been stalled due to restrictions on transporting commercial goods via overland routes, entered a new phase as spring water was to be brought overland into South Korea on the Donghae Line. Drawing much attention in North Korea is Andong Daema Textiles, which was approved as a cooperation project in September 2004. The company plans to establish a hemp-product business, complete with an integrated operating system and various production facilities.

In order to build production facilities in Pyongyang and expand its operation for glass products, G-Hanshin Co. Ltd. increased its investment from US\$2.9 million to US\$5.6 million and obtained approval to send materials required for the construction of a new plant to North Korea. Because visits to Pyongyang are now prohibited, however, it has suspended shipment of materials to North Korea.

Samsung Electronics, which gained approval for an economic cooperation project in March 2000, also signed an agreement on five new initiatives for a joint software development project in 2004 and has continued business initiatives. In collaboration with North Korea, Hanabiz.com established “The Hana Program Center” in Dandong, China in 2001, and is pushing ahead joint program development projects, which are going relatively smoothly despite the prohibition against South Korean visitors to North Korea.

Meanwhile, KT, which was approved as a cooperation partner in 2004, has completed a joint project with North Korea on building a voice data system to reinforce a wireless automated speech recognition exchange system and is in the process of seeking a new project.

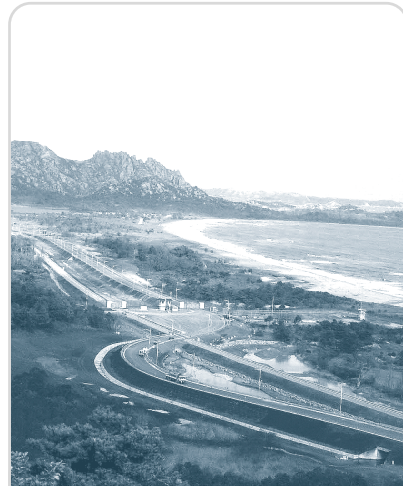
2. Reconnection of Railroads and Roads

During the first round of inter-Korean ministerial talks held shortly after the inter-Korean Summit Meeting in July 2000 and the second round in August 2000, agreement was reached on reconnecting the railroad (Seoul-Sinuiju) and road (Munsan-Gaeseong) on the Gyeongui Line. South Korea began construction work on the Gyeongui Line railroad and road on September 18, 2000, completing the South's portion of the railroad in late December 2002 and the road in late October 2003.

On September 18, 2002, the North and the South held concurrent ground-breaking ceremonies for the re-connection of the railroad and roadway. Since the ceremonies, the two Koreas have made steady progress. An opening ceremony for a temporary road on the Donghae Line was held on February 11, 2003 and a pilot program for the overland Mt. Geumgang tours was launched. During the ninth round of Inter-Korean Economic Cooperation Promotion Committee meetings held in June 2004, in consideration of the progress made, agreement was reached to open the roads on the Gyeongui Line and the Donghae Line in October, and to open railroads in late 2005 after test operations on selected sections of the track.



Railroad & Road on Gyeongui Line



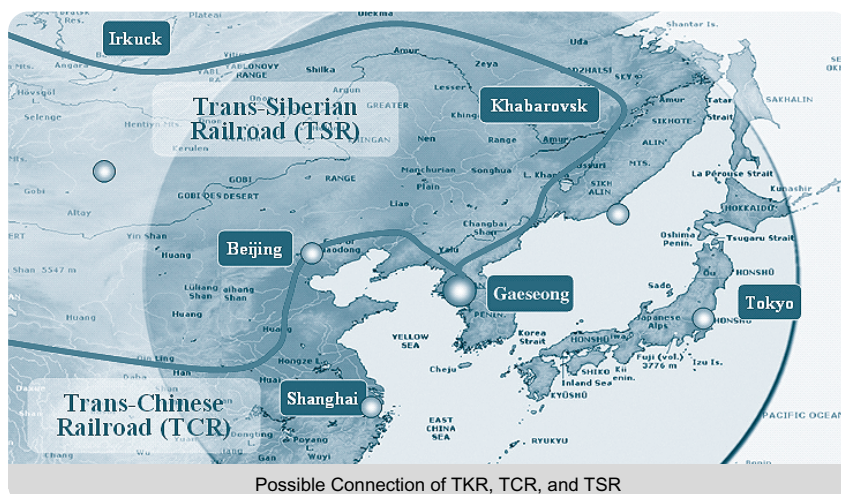
Railroad & Road on Donghae Line

Currently the reconnection work has been completed and preparations for test operations on selected railway sections have proceeded according to the agreed timeline. However, since inter-Korean government talks were halted in July, no formal consultations have taken place. North Korea has announced that when inter-Korean government talks resume, events

celebrating the opening of roads and the test operation of railroads may be held. Against this backdrop, in order to open a temporary road on the Donghae Line and to promote utilization of the completed roads before an official opening between the two Koreas, the South Korean government fully opened the roads to personnel and goods for humanitarian and commercial purposes.

During the fourth Inter-Korean Working-level Meeting on the Reconnection of Railroads and Roads in April 2004, the Basic Agreement on Inter-Korean Railroad Operations was signed. As a result, basic institutional mechanisms necessary since the reconnection of railroads and roads have been established, along with an agreement on motor vehicle operation.

Going forward, the full-scale operation of inter-Korean railroads and roads will mean a reduction in logistics costs and transportation time, which once hindered inter-Korean trade. This will increase trade substantially. In the process, it will naturally create an environment for discussions to ease military tensions and build trust, and will encourage the peaceful use of the Demilitarized Zone, laying the foundation for a peaceful national unification.



Possible Connection of TKR, TCR, and TSR

As part of plans to link the Trans-Korean (TKR) and Trans-Siberian railways (TSR) after inter-Korean railroads reconnection, the South Korean government held the first round of three-way railroad expert meetings of South Korea, North Korea and Russia in Moscow in April 2004. The meeting had been agreed to by the presidents of South Korea and Russia at the APEC conference in October 2003. Technical and practical matters concerning the connection of the TKR-TSR were discussed and participants agreed to hold future meetings.

The ASEM international symposium on the “Iron Silk Road,” organized by the Korea Railroad Research Institute in June 2004, was attended by civilian and government officials from 25 Asian and European countries. Participants, including Park Jong-song, head of the External Railway Cooperation Bureau of the Ministry of Railways of North Korea, discussed possible international cooperation in accordance with the future progress of inter-Korean railroad reconnection.

When the TKR and the Trans-Asian railway are connected, the cheap and abundant natural resources and labor in Russia, China, Mongolia and North Korea can be combined with the technological strength and capital of South Korea and Japan to accelerate the creation of a huge economic bloc similar to the EU.

3. Mt. Geumgang Tours

The Mt. Geumgang tours resulted from a South Korean government policy toward North Korea: “greater interaction and cooperation will create peace.” On April 30, 1998, the South Korean government announced “Actions for Promoting inter-Korean Economic Cooperation”. In June of the same year, the late Hyundai Group Honorary Chairman Chung Ju-yung visited North Korea and reached an agreement with the North’s Asia-Pacific Peace Committee on the Mt. Geumgang tours and development project.

Then, on November 18, the cruise ship Geumgang set sail from Donghae port with 826 people aboard, including separated family members, marking the beginning of the historic Mt. Geumgang tours. However, in 2002, economic difficulties experienced by the tour operator, Hyundai Asan, and a delay in starting overland tours resulted in a sharp decline in the number of tourists. The Mt. Geumgang tour was on the verge of termination.



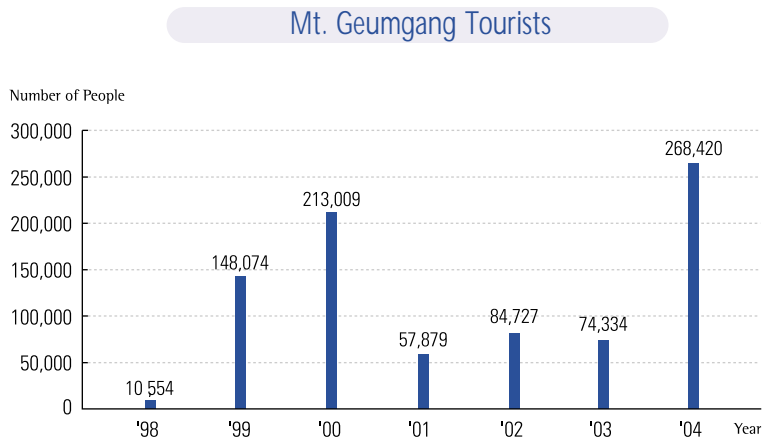
Overland Tours to Mt. Geumgang

Although the South Korean government provided financial support, in an attempt to develop more stable inter-Korean relations, the fundamental solution depended on introducing tours via overland routes as quickly as possible. Accordingly, the reconnection of a temporary road on the Donghae Line was completed on December 11, 2002. Subsequent efforts focused on

fostering an environment for starting the Mt. Geumgang tours via overland routes, which included signing a 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 on January 27, 2003. The two governments agreed on the resumption of the tours by overland routes at the fifth meeting of the Inter-Korean Economic Cooperation Promotion Committee on May 23, 2003 and, as a result, the tour started again the following September.

With implementation of the overland tours came a variety of tour programs including one-day trips and two-day packages. Efforts were also made to promote tours linking the Mt. Sorak (South) and Mt. Geumgang (North) regions. Consequently, in 2004, the Mt. Geumgang tours were firmly on track with the number of tourists averaging over 20,000 a month and 260,000 per year.



After the overland tours were well established and the number of tourists had soared, the operator, Hyundai Asan, worked to establish a stable growth rate by expanding the lodging, entertainment and public facilities. Consequently, the Mt. Geumgang Hotel opened on July 2, 2004 and construction plans for a family hotel were proposed. In addition, South Korea funded the construction of a world-class golf course. The ground-breaking ceremony on November 19, 2004 was held on the sixth anniversary of the Mt. Geumgang tours.

Meanwhile, for the safety and convenience of tourists, the government utilized the Inter-Korean Cooperation Fund to pave the road between Onjeong Pavilion and Guryong Falls (13.4Km) and assisted with the maintenance of existing roads, including the section between Onjeong Pavilion and the Mt. Geumgang Hotel (7.5Km).

In addition, to raise interest among South Korea's youth about national unification and to give them an accurate understanding of changes in North Korea, Mt. Geumgang programs were

organized during the winter vacation from December 2004 to February 2005. A total of 20,000 middle and high school students (including teachers) were selected to launch the Mt. Geumgang experience.

As they passed through the DMZ and some areas of North Korea, the South Korean students saw the railroads and roads that have been reconnected between the two Koreas. They had the opportunity to better understand North Korea by looking at recent developments in inter-Korean relations and through encounters with North Korean tour guides at Mt. Geumgang.

In a survey conducted of Mt. Geumgang tourists in 2004, 78% of the respondents answered that their negative views of North Korea and their views on national unification had become more positive as a result of visiting Mt. Geumgang, demonstrating the effectiveness of the Mt. Geumgang tours in educating people about national unification. In particular, although inter-Korean relations have been stalled since July 2004, the Mt. Geumgang tours have continued without disruption, reinforcing their role as a peace business, making significant contributions to easing tensions and building trust on the Korean Peninsula.

At the same time, institutional foundations for developing special districts are being fostered. In particular, North Korea announced real estate regulations in October 2004, allowing South Koreans, Koreans living overseas, and foreign companies and individuals to acquire land-use rights and own buildings in North Korea. These regulations have established a legal foundation for boosting investment in the Mt. Geumgang region.

In cooperation with the World Tourism Organization, Hyundai Asan is in the process of developing a comprehensive development plan for the Mt. Geumgang Tourism District. Once the plan is finalized, Hyundai Asan plans to attract investment from South Korean and foreign companies in order to launch a full-scale special district development project, including the construction of hotels, golf courses and ski resorts. The South Korean government is strongly backing the comprehensive development plan for the Mt. Geumgang Tourism District, which envisions sound development and economic viability while conserving the natural environment of Mt. Geumgang.

4. Food Aid for North Korea

The South Korean government agreed in 2004 to provide 400,000 tons of rice on humanitarian grounds to North Korea to ease the food shortage. At the ninth meeting of the Committee on the Promotion of Inter-Korean Economic Cooperation in June 2004, agreement was reached to supply 400,000 tons of rice in the form of a loan. On July 16, the Council on Inter-Korean Exchange and Cooperation passed a resolution to allocate a maximum of US\$124 million from the Inter-Korean Cooperation Fund to purchase the rice.

Details of Agreement on Inter-Korean Food Loan (July 13, 2004)

- Provisions: 400,000 tons of rice (100,000 tons domestically grown, 300,000 tons foreign grown)
- Unit price: US\$300 per ton; Loan amount: US\$124.00 million (maximum)
- Terms of the loan: Repayment over 20 years with a 10-year grace period, interest rate at 1% per annum
- Signatories to the loan: (South) Korea EXIM Bank (North) Joseon Trade Bank,
- Shipment schedule and conditions:
 - ▶ First shipment to leave within two weeks of the date of signing the food loan agreement in the case of overland route transport, and within eight weeks in the case of sea route delivery
 - ▶ Unloading ports: Six ports including Nampo, Haeju, Hongnam, Wonsan, Cheongjin and Songlim
 - ▶ North Korea will pay for unloading and port expenses and demurrage incurred in the unloading areas
- Distribution Transparency Guarantee
 - ▶ Supplier Label: Rice, 40kg, Republic of Korea
 - ▶ Inspections at distribution sites: After every transport of 100,000 tons, at least one inspection of distribution sites is carried out in each of the east and west coast regions and inland areas.

The food loan was delivered by overland route for the first time since rice supplies to North Korea began in 1995. This increased utilization of the roads on the Gyeongui and Donghae Lines, which had been completed after four years of construction, and expanded food transportation routes to inland areas. It also provided the momentum to further promote overland routes for transporting humanitarian aid supplies and traded goods in the future.

Moreover, many North Koreans witnessed these convoys of vehicles transporting food, and they understood that South Korea was supplying rice. Around 360 personnel and 340 trucks traveled back and forth across the eastern and western parts of the DMZ every week for approximately three months during the overland route transport period, and it contributed to reducing military tensions.



First Delivery of Food Loan to North Korea by Land

Meanwhile, in order to secure transparency in the distribution of food, the South Korean government reached an agreement with North Korea on obligating Pyongyang to notify the South of the detailed process of rice distribution, and to allow South Korean personnel to visit distribution sites in person to witness the distribution process.

Consequently, North Korea notified the South of distribution activities in 10 metropolitan cities/provinces and 194 cities/counties for every 100,000 tons. On-site visits to distribution sites were made twice in October and December 2004 to observe the distribution process and to inspect distribution sites. The remaining third and fourth rounds of inspections were done in January and February 2005. With slight variations across regions, the inspections showed that North Korea distributed the South Korean rice at US\$0.04, and the foreign rice at US\$ 0.03 per kilogram. The distribution took place twice a month and each person was supplied 300 to 380 grams of rice a day.

North Korean residents expressed appreciation to the people of South Korea and responded positively on the quality and taste of the rice. The South Korean government believes that such food provisions in the form of loans have contributed to promoting inter-Korean reconciliation and cooperation, fostering a Korean national community and firmly establishing inter-Korean economic transactions.



Food Distribution Site



Food Distribution Record

V. Development of the Gaeseong Industrial Complex

1. Overview

A. Development Overview

The Gaeseong Industrial Complex development project is the largest economic cooperation plan ever to construct an industrial complex in North Korea, mainly for South Korean companies. The project, which will be initiated in three stages, aims to develop some 66 million m² (26 million m² for the industrial complex and 40 million m² for towns in surrounding areas) around Gaeseong, North Korea.

In stage 1, which is currently being developed, Korea Land Corporation (KOLAND) and Hyundai Asan are working jointly to develop an industrial complex of 3.3 million m². As a model project before the full-scale operation of the industrial complex, a complex of 93,000 m², which will house 15 companies, is being developed.

For the remaining 63 million m², which will be developed in stages 2 and 3, developers and North Korean authorities are continuing discussions. According to the basic framework of the phased development plan, stage 1 aims to create a labor-intensive complex for small and medium enterprises (SMEs) of 3.3 million m². The goals of stages 2 and 3 are to construct a global export base and a combined industrial complex of heavy chemical engineering and industrial facilities, respectively.

Gaeseong Industrial Complex Development Plan

Total Plan

- Area: 66 million m² in total
 - ▶ Industrial complex: 26 million m²; new towns in surrounding areas: 40 million m²
- Phased development in three stages
 - ▶ Phase 1: A labor-intensive SME complex of 3.3 million m²
 - ▶ Phase 2: A global export base
 - ▶ Phase 3: A combined industrial complex of heavy chemical engineering and industrial facilities
 - New towns in surrounding areas will be developed based on future discussions

Stage 1 Development (3.3 million m²)

- Location: Area around Bongdong-ri, Gaeseong
- Period: 2002–2007 (including preliminary work)
- Implementers: Hyundai Asan and Korea Land Corporation
- Project method: Lease land from North Korea for fifty years; after developing industrial complex, sell lots to Korean and foreign companies and manage the complex
 - Develop a model complex of 93,000 m² to accommodate 15 companies

B. Significance of the Gaeseong Project

The Gaeseong Industrial Complex is a unique special economic district in North Korea in which South Korean developers lease land for an industrial complex on a long-term basis from North Korea, take the lead in developing and selling lots in the complex and building internal and external infrastructure, and establish and run an administrative organization as a North Korean company. Meanwhile, South Korean companies make direct investments in plant facilities, technology, raw materials and subsidiary materials and produce goods.

As an unprecedented cooperation project whose structure is completely different from earlier types of inter-Korean economic cooperation, the development of the Gaeseong Industrial Complex holds the following significance.

First, the Gaeseong Industrial Complex promotes the mutual interests of the two Koreas by combining the capital and technology of South Korea with the land and workforce of North Korea. Such an arrangement is expected to help lower the costs for Korean companies, and at the same time, lessen the economic hardship of North Korea.

In addition, the Gaeseong Industrial Complex will encourage improved inter-Korean relations and accelerate the easing of tensions on the Korean Peninsula. The promotion of inter-Korean economic cooperation driven by the Gaeseong Industrial Complex development will contribute to easing military tensions, in bringing stability and peace to the Korean Peninsula, as well as resolving the North Korean nuclear issue.

The Gaeseong Industrial Complex will also be beneficial to North Korea in its efforts to achieve change and stable growth. With the successful development of the Gaeseong Industrial Complex, the North is expected to adopt further economic reforms.

Furthermore, from a mid-to long-term perspective, the Gaeseong Industrial Complex will provide a bridge for achieving the era of Northeast Asia, which is envisioned by the current South Korean administration's Policy of Peace and Prosperity. When the financial center of Seoul and the logistics function of Incheon, which are geographically close, are linked with Pyongyang and Nampo, the Gaeseong Industrial Complex is expected to serve as an outpost for economic cooperation in Northeast Asia.

In short, the Gaeseong Industrial Complex project epitomizes the Policy of Peace and Prosperity supported by the Roh Administration. It is a mutually beneficial, prosperous project for both Koreas as well as a peace project that transcends the Cold War through the economy.

C. Development Status

The Gaeseong Industrial Complex project commenced on August 22, 2000 when Hyundai Asan and the North's Asia-Pacific Peace Committee and the National Economic Cooperation Federation signed an agreement on the development of the Gaeseong Industrial Complex. Following the ground-breaking ceremony for Gaeseong on June 30, 2003, an agreement worth US\$16 million on land-lease fees (for stage 1 development of 3.3 million m² and compensation costs for existing buildings and structures) was signed with North Korea on April 13, 2004. Subsequently, considering the period required to establish the infrastructure and the demands of small and medium-size companies for early sales of lots, it was decided to develop a pilot complex of 93,000 m², out of the 3.3 million m², into which companies could move in first. Developers, who had been approved by the Ministry of Unification on April 23, 2004, commenced construction on the Phase 1 site and the pilot complex.

On June 14, 2004, a total of 15 companies selected for tenancy in the pilot complex signed tenant agreements, and completed the four-step government approval process on cooperation projects. Living Art was the first to begin construction of its factory on September 10, and 11 companies had either commenced or completed factory construction by the end of January 2005. In particular, Living Art's Gaeseong factory held a historic ceremony celebrating the first production and shipment of goods (kitchen pots) from Gaeseong on December 15, 2004.



Opening Ceremony of the Gaeseong Industrial District Management Committee

In addition, the Gaeseong Industrial District Management Committee, the district's administrative organization, celebrated its opening on October 20 and began administrative duties for the industrial complex.

Recognizing that development of the industrial complex can contribute to its economic recovery, North Korea is working to enact institutional mechanisms. Since promulgating the Gaeseong Industrial District Act on November 27, 2002, North Korea has legislated a total of 11 regulations so far: seven laws and regulations including the Provisions on Gaeseong Industrial District Development in 2003 and four regulations including the Provisions on Foreign Currency Management in 2004. Pyongyang also plans to announce the remaining accounting regulations in the near future.

In addition, following the adoption of an agreement on customs, communications and quarantine relevant to the Gaeseong Industrial Complex on December 8, 2002, the two Koreas effectuated four agreements on economic cooperation, including an investment guarantee, the prevention of double taxation, commercial dispute resolution procedures and settlement clearing. Then, on January 29, 2004, the Agreement on Passage and Stays in the Gaeseong Industrial District and the Mt. Geumgang Tourism District was signed, laying the institutional foundation to steadily pursue projects with North Korea.

As described, the Gaeseong Industrial Complex project has made great headway during 2004. A government and civilian-level framework as well as legal and institutional mechanisms were established to initiate the project. Among companies that have commenced construction of factories in the pilot complex, two companies hired North Korean workers and began joint production. Four and a half years after Hyundai Asan and North Korea agreed to develop the Gaeseong Industrial Complex in 2000, the project has finally begun to bear fruit.

2. Stage 1: Development of 3.3 Million Square Meters

A. Pilot Complex Development

(1) Sale of Factory Plots

In order to distribute plots in the pilot complex, the Korea Land Corporation (KOLAND) formed the Plot Sale Screening Committee on April 8, 2004 and finalized the screening criteria and methods. Notices of the plot sale were announced in daily newspapers on May 18, 2004, and applications were received from May 24 through 27. A total of 136 companies submitted applications, of which 15 companies were selected. They signed tenant

agreements with KOLAND on June 14. The lots were leased at US\$45 per square meter, which was in line with the development costs.

(2) Factory Construction and Operation

Tenant companies that were assigned plots in the pilot complex obtained government approval on cooperation projects in a four-step process. By the end of January 2005, 11 companies had commenced or completed the construction of their factories. The remaining four companies had also finalized designs and were preparing for ground-breaking. In particular, Living Art, the first among the tenant companies to commence construction of its factory on September 10, celebrated the completion of its factory and the first output of products in the Gaeseong Industrial Complex on December 15. The 1,000 kitchen pots shipped to the South that day were extremely popular at Lotte Department Stores in Seoul and sold out within a few hours. Soon after, on December 28, SJ Tech, a semiconductor parts manufacturer, also celebrated the completion of its factory and began production.

The industrial district administrative organization maintains authority over factory construction permits and completion inspections, building registrations, approval and registration for the establishment of new companies, and business permits. Accordingly, tenant companies must obtain necessary licenses and permits from this organization.

The minimum monthly wage of North Korean workers employed at the Gaeseong Industrial Complex is US\$50.00 (with a maximum 5% wage increase per year and an additional 15% of the wage paid separately for social insurance). The corporate income tax is 14% of the profits after settling accounts. (The corporate income rate is a preferential rate of 10% for the following fields: infrastructure construction, light and high-tech industries).

As of January 2005, a North Korean workforce placement agency had yet to be selected. Therefore, North Korean workers are recruited for tenant companies through the industrial district administrative organization and Hyundai Asan. The industrial district administrative organization also supervises hiring by companies in the industrial district. As of January 2005, Hyundai Asan (including subcontractors) had hired 1,073 people for site leveling and construction work and KOLAND, Living Art and SJ Tech has employed 14, 269 and 48 workers, respectively. Shinwon Corporation and Samduk Trading had also hired 266 and 12 laborers, respectively. In addition, 28 workers have been employed at the Management Committee and convenience facilities, for a total of 1,710 North Korean workers at the Gaeseong Industrial Complex.

North Korean workers are provided with a basic job orientation offered by the industrial district administrative organization and the tenant companies, and given the technical training required by each company.

(3) Construction of Public Facilities

After obtaining project approval on November 2, 2004, Woori Bank held a branch opening ceremony at the model complex on December 7 and began offering banking services. The bank now offers tenant companies and South Koreans in the Gaeseong Industrial Complex services such as remittances, money exchange and account management.

In addition, Family Mart, YMCA Green Doctors and Arakor obtained project approvals from the government and are running a convenience store, medical facilities and contract food services business, respectively.

B. Main Complex Development

(1) Site-clearing

Regarding Phase 1 development of 3.3 million m², on April 13, 2004, southern developers and North Korea signed an agreement on land use, which stipulates a payment of US\$16 million in total for land lease and the removal of existing buildings and structures. After obtaining government approval, developers began clearing the site on April 23. As of January 2005, 47% of the development project has been completed.

(2) Infrastructure Construction

In order to complete the infrastructure construction by the end of 2006, when the Gaeseong Industrial Complex goes into full operation, the Inter-Korean Cooperation Fund is providing 109.5 billion won as a grant for construction costs of the infrastructure, including water supply facilities, a waste water treatment plant and waste matter disposal facilities. In addition, the cost of electricity and communications facilities, which are part of the external infrastructure, will be provided in the form of a long-term, low-interest loan.

The water supply facility project is to supply 45,000 tons of water daily from the Wolgo Reservoir, located about 24 km north of the Industrial Complex. Initially, Pyongyang had agreed to complete the dam building and tunnel construction work on its own. However, the North requested additional financial support for materials and equipment, so the issue has been under discussion.

Plans to build a waste water treatment plant with a daily capacity of 31,000 tons on the 23,000 m² site in the stage 1 area are underway, with a goal to finalize designs and begin construction in the first half of 2005.

With regard to waste matter disposal facilities, in 2003 it was decided that North Korea

would be in charge of outsourcing waste matter disposal at the Industrial Complex. Accordingly, no site for the facilities had been allocated in the Phase 1 land use plan. However, in May 2004, the North notified the South that it would be difficult to fulfill the obligation and the issue of locating a site of 66,000m² or bigger was raised (17,000 pyong for landfill facilities and 10,000 m² for incineration facilities). The goal is to iron out the site issues and begin a detailed design plan within the first half of 2005, and begin construction in the second half of the year.

Designs for roads, waterworks and sewage systems within the complex were finalized in June 2004 and construction began in August 2004. As of January 2005, 8% of the construction has been completed. Special facilities (bridges, etc.) are in the design process. Plans are underway to commence the construction of special facilities in March 2005 and to complete the construction by December 2006.

(3) Negotiations on Providing Electricity and Communications

In order to supply electricity to the Gaeseong Industrial Complex, the Korea Electric Power Corporation (KEPCO) has already completed work on electric power distribution lines in the South Korean section (about 15 km) on September 30, 2004 and began working on the North Korean section on January 24, 2005. KEPCO finished the project and started supplying electricity in March 2005. It also began working on the North Korean section on January 24, 2005. As for the electricity to be supplied to the Gaeseong Industrial Complex, 15,000kW will be supplied via 22,900V distribution lines in the model complex. In 2007 when 3.3 million m² of the Phase 1 area is developed, 100,000 kW will be supplied via 154,000V power cables.

Supplying electricity to the Gaeseong Industrial Complex holds meaning beyond the level of simply providing power to the tenant companies. It is historically significant that electricity generated by South Korea will be transmitted across the armistice line for the first time since the division of the Korean Peninsula.

Regarding the issue of communications, after several rounds of consultations, the two Koreas signed the Agreement on the Supply of Communications in the Gaeseong Industrial District at the ninth working-level meeting on communications on December 30, 2004.

The agreement stipulates the establishment of a communications network directly linking the Gaeseong Industrial Complex, Gaeseong city and Munsan, while providing phone and fax services first in the model complex. Broadband internet service will be discussed after communication services are provided to the model complex. In addition, a consensus was reached to discuss subsequent agreements on rates and settlements, which are necessary to implement the agreement, in the near future. In particular, it was decided to set the

communications service rate at less than US\$0.5 per minute, which will lessen the tenant companies' burden on communication expenses and contribute significantly to enhancing the international competitiveness of the Gaeseong Industrial Complex while stimulating inter-Korean exchanges.

3. Building the Foundation for the Gaeseong Project Initiatives

A. The Establishment of Administrative Mechanisms

(1) Gaeseong Industrial District Management Committee

The administrative organization responsible for the overall management and operation of the Gaeseong Industrial Complex on site in Gaeseong was established under North Korean law. It is subject to the Gaeseong Industrial District Act and the Provisions on the Founding and Operation of an Administrative Organization for the Gaeseong Industrial District.

The South and the North agreed to name the administrative organization the Gaeseong Industrial District Management Committee (hereafter "Management Committee"). The Management Committee held an opening ceremony in Gaeseong on October 20 and began its official duties.

As for the operational costs of the Management Committee, a loan was extended from the Inter-Korean Cooperation Fund in the amount of 22.5 billion won (of which 4.6 billion won was spent in 2004), including the cost of building the Management Committee offices and its operations. This loan is scheduled to be repaid in installments over ten years (at 1% interest) after a 5-year grace period.

The Management Committee will perform overall administrative and operational functions, including the approval and registration of new companies, construction permits and completion inspections, land use rights and building registration, support of companies' business activities, infrastructure management, issuance of certificates for entrance, environmental protection, and fire safety measures.

It is significant that although the Management Committee is a North Korean company established under North Korean law, it is founded and operated by South Korean developers and performs administrative functions such as approval, registration and permit-related affairs in the territory of North Korea while still being accountable to the authority of South Korea.

(2) Gaeseong Industrial Complex Project Support Office

In an attempt to provide systematic, government-level support for the success of the Gaeseong Industrial Complex project, the South Korean government has established a preparation team for the launching of the Gaeseong Industrial Complex Project Support Office on August 16, 2004. The team has initiated an operational plan for the industrial complex, settlement of issues relevant to importing and exporting of strategic goods, support measures for tenant companies, infrastructure construction plans and preparations for the establishment of the Support Office.

The Support Office will perform the overall general and coordination functions concerning the Gaeseong Industrial Complex Project. It will also be engaged in establishing various institutional mechanisms including personnel management, travel, and customs procedures, providing support to tenant companies, attracting investment and supporting infrastructure construction.

With the launching of the Support Office, a comprehensive support mechanism for the Gaeseong Industrial Complex development has been created at the government level. The Support Office will enable the government to step up its support for tenant companies and developers and increase cross-ministry cooperation.

B. The Establishment of Support Plans

(1) Issues Related to Sending Strategic Goods to the North

With regard to tenant companies in the Gaeseong Industrial Complex taking equipment and materials from South Korea to the North, the South Korean government has made strenuous efforts to resolve the issue of strategic goods while giving comprehensive consideration to the following relevant details: the special nature of the Gaeseong Industrial Complex (ultimately used by South Korean companies and managed by South Korea), the obligation as a signatory to the international multilateral agreement on Export Controls on Dual-use Goods, and the protection of South Korean companies under the U.S. Export Administration Regulations (EAR).

The South Korean government has kept in close contact with the United States to discuss exporting items regulated by the EAR. In August 2004, Unification Minister Chung Dong-young's visit to the U.S. was an important step in clearing the way for sending dual-use

goods subject to the Wassenaar Arrangement and regulated export items under the EAR to the Gaeseong Industrial Complex. The United States recognizes the fundamental significance of the Gaeseong Project and fully supports it. It also shares a common understanding based on the US-ROK trust built over the years. As for taking goods to Gaeseong, consistent efforts are underway to extend the scope of understanding between South Korea and the U.S. through the first US-ROK working-level consultative meeting in September 2004 and an international conference organized by the U.S. Department of Commerce the following month.

(2) Markets and Place of Origin

In exporting products from the Gaeseong Industrial Complex to overseas markets, declaring their place of origin is a critical matter. If their place of origin is recognized as North Korea, goods may face barriers in markets of major countries that levy relatively high tariffs on North Korean goods. Therefore, plans are underway to sell the products in the domestic market in the immediate future or to expand markets to regions with no import restrictions.

Under the Korea-Singapore Free Trade Agreement, which was declared to have been nearing completion by ROK President Rho Moo-hyun and Singapore's Prime Minister Lee Hsien Loong on November 29, 2004, Singapore will treat goods produced in Gaeseong as the same as goods made in South Korea. The agreement also includes products from the Gaeseong Industrial Complex exported to Singapore via South Korea in the list of products receiving preferential duties. The arrangement is highly significant in that it sets a precedent for exploring overseas markets.

To prepare for full-scale production after the main complex is developed, listing products from the Gaeseong Industrial Complex in the preferential duties category in FTAs signed by South Korea may be an effective way to widen overseas markets.

In addition, in an effort to help explore overseas markets for products from the Gaeseong Industrial Complex, the government is seeking diversified plans to secure markets, including a survey of entry restrictions, quota restrictions, tariff rates and GSP rates levied on North Korean products by each country and the promotion and marketing of products from the Gaeseong Industrial Complex.



(3) Financial Support

In order to lessen the financial burden of tenant companies in the pilot complex, the government has decided to extend loans from the Inter-Korean Cooperation Fund to tenant companies that have been approved for cooperation projects. Loans will be extended for about 70% of the total investment required, with the remaining 30% to be funded by the company itself. Just as with other economic cooperation capital, the maturity of the loans is a maximum of eight years (with a 3-year grace period) with the interest rate of 3.3%~4.0%.

However, since private property rights are recognized in Gaeseong and land and buildings can be registered as collateral, assets located in the Gaeseong Industrial Complex are recognized as regular collateral and loans will be extended up to 50% of their value.

As for raising post-acquired collateral ratios (maximum 50% for land and buildings, and maximum 30% for manufacturing facilities) suggested by the tenant companies, the post-acquired collateral ratios are applied for actual construction costs required when loans are extended by the Inter-Korean Cooperation Fund. In addition, for losses incurred in the process of initiating inter-Korean economic cooperation, for which companies are not liable, a loss protection program to compensate up to 90% of the loss – up to a maximum of US\$2 million – has been introduced to lower the risk of investment.

(4) Simplified Entrance and Other Procedures

To further promote the Gaeseong Project, simplifying procedures for travel across the military demarcation line on the Gyeongui Line is crucial. To this end, the government has been continuously working to simplify the procedures.

In an attempt to increase convenience for on-site applications made by businessmen, the tasks that had been administered by the Ministry of Unification – the re-issuance of visitation certificates, change of declared information, and confirmation of visit reports – have been delegated to the South-North Transit Office since November 23.

On December 31, 2004, the procedures for visiting the Gaeseong Industrial Complex were amended as follows to simplify the procedures: 1) the turnaround period for approvals on visits to North Korea has been shortened from ten days to five days; 2) the submission of a personal statement is no longer required for single-time visitors; 3) a North Korean visit report has been replaced with an entry/exit plan. As a result, entry procedures for tenant companies have improved remarkably.

In order to improve transportation for businessmen who frequently travel to and from the Gaeseong Industrial Complex, Hyundai Asan obtained government approval for a shuttle

service on September 9, 2004, and has been operating a shuttle bus five days a week since September 20. The company is also holding discussions with North Korea on increasing the number of the bus trips for the convenience of inter-Korean travelers.

VI. Inter-Korean Social and Cultural Exchanges and Cooperation

1. Overview

Social and cultural exchanges, which are driven by private organizations at various levels, are a process by which South and North Korean citizens who have lived with different value systems and cultural patterns can relieve the social and cultural dichotomies and build a mutual bond. Joint events were organized in both Seoul and Pyongyang in a variety of sectors, with North and South Korean workers, farmers, scholars and students, participating in the events. This contributed to the expansion of contact between South and North Koreans and a cooperative atmosphere was created. Following commemorative events in 2002 and 2003, a ceremony held in 2004 to celebrate the fourth anniversary of the June 15 Joint Declaration inspired active participation by citizens.

However, with the outbreak of sensitive issues between the two Koreas in the second half of 2004, including Seoul's ban on memorial visits for the late North Korean leader Kim Il-sung and large-scale defections to Seoul, social and cultural exchanges and cooperation as well as government talks lapsed into a temporary lull. Nevertheless, private-level exchanges did not come to a complete halt, but continued sporadically. The Korean government views social and cultural exchanges and cooperation as a buffer preventing various crises from escalating into a complete severance in inter-Korean relations.

2. Inter-Korean Social and Cultural Exchanges

A. Inter-Korean Events

The year 2004 marked the establishment of inter-Korean events driven by private organizations. Concurrent Inter-Korean events for Labor Day (May 1) and the June 15 Joint Declaration (cancelled in 2003 due to the SARS epidemic) were held in Pyongyang and Incheon, respectively. In particular, an inter-Korean event for the June 15 Joint Declaration was the first South-North event held in a provincial city, and was open to the general public. Following a festival in 2001, the Farmers' Unification Rally was held at Mt. Geumgang, establishing a framework to make the event permanent.

Meanwhile, the halt to South-North talks had ripple effects on the private-level exchanges. In the end, inter-Korean joint events for Liberation Day (August 15) and National Foundation Day (October 3) were cancelled.

Inter-Korean joint events became more common as different private groups, including religious, labor, farmer, youth and women's groups, steadily pursued events, contributing greatly to fostering the mood for inter-Korean reconciliation and cooperation while demonstrating their commitment to national unification.



B. Academic Exchanges

At the Joint Academic Seminar titled “the Return of Cultural Assets Plundered by Japan” held in Pyongyang in February 2004, the two Koreas shared their awareness on issues concerning the history of the Korean people. Moreover, the two sides came to an agreement on organizing the South-North Association of Historians. In May, a nine-member North Korean delegation attended a conference in Seoul, entitled “Consultative Meeting Requesting Japan to Resolve the Past.” The event attracted attention from the press as the two Koreas made a clear commitment to speak out in one voice to address the issue of Korean women forced into prostitution and forced labor during World War II.

The Chinese government’s distortion of Korean Three Kingdoms’ History in August 2004 sparked even greater interest in the registration of a complex of Goguryeo tombs in North Korea as one of the UNESCO’s World Cultural Heritage sites. An exhibition and seminar commemorating the registration of the tombs as a World Cultural Heritage site were held at Mt. Geumgang in September. The event was successful, and the two sides agreed on a joint project to preserve Goguryeo archaeological sites in the future.

C. Religious Exchanges

Inter-Korean religious exchanges are bearing fruit as the two Koreas are cooperating in the restoration of religious structures as well as allowing contacts between South and North Korean religious organizations.

The restoration of the Singye Temple at Mt. Geumgang, led by the Jogye Order of Korean Buddhists as an inter-Korean cooperation project, proceeded smoothly. The South and the North jointly held a dedication ceremony of its main shrine in November 2004, which was attended by representatives of the Jogye Order and South Korean Buddhists and the Joseon Buddhist Federation from North Korea.

The Cheontae Order's initiative to restore the Youngtong Temple in Gaeseong is also making rapid progress. With the Cheontae Order's support of 400,000 roof tiles and 20 tons of paint, the restoration is nearing completion. A dedication ceremony and an international seminar will be organized in the near future.

Inter-Korean Christian exchanges have also been active. The General Assembly of Presbyterian Churches in Korea initiated an inter-Korean cooperation project to build a 1,320m² greenhouse and a 660m² church in the Daedong River district of Pyongyang. The greenhouse had been completed and, as of December 2004, the first shipment of materials to construct the church (Pyongyang Jeil Church) has been sent. The Annual Conference of the Korean Methodist Churches followed suit with operational support program for the "Pyongyang Seminary," which began in 2001, and continues to focus its efforts on cultivating Christian leaders in North Korea.

The Presbyterian Church held a South-North joint prayer meeting attended by the president of its general assembly at Mt. Geumgang in May 2004. The National Council of Churches in Korea took part in the South-North-German Church Missionary Meeting, organized by a church in Germany in March to discuss inter-Korean missionary affairs. The Catholic Priests' Association for Justice (CPAJ) and the Joseon Catholic Association agreed to hold a joint mass in Pyongyang in July to celebrate the 30th anniversary of CPAJ's founding. Some 150 South Koreans were preparing to visit North Korea, but the visit was cancelled due to the July 8 "memorial visit crisis."

With the supply of materials such as interior furnishings to build the Jeongbaek Church, which is under construction with the support of the North Korean Joseon Orthodox Church and Russia, the Orthodox Metropolis of Korea began exchanges between the Orthodox churches of the two Koreas. An agreement was reached to send a South Korean delegation to the dedication ceremony of the Jeongbaek Church in 2005 and to continue bilateral exchanges.

D. Exchanges in Art and Culture

Inter-Korean exchanges in the fields of art and culture have been centered on inter-Korean

joint exhibitions and joint animation productions. The Korean Council for Reconciliation and Cooperation exhibited the replicas of Goguryeo relics produced by North Korea at the South-North Goguryeo Exhibition in Seoul in 2003 and 2004 from April 9 to June 20. Then, "Reflections of My Country in Flowers," an inter-Korean exhibition commemorating the fourth anniversary of the June 15 Joint Declaration, displayed the work of South and North Korean artists on the theme of flowers that are found in the two Koreas. Exhibitions took place in both Pyongyang and Seoul through the exchange of the artworks.

"Dingga, the Lazy Cat," an animation jointly produced by the two Koreas, aired on EBS in the first half of 2004 received a great response. In fact, its project developer, Hanaro Telecom, reached an agreement with its North Korean partner to produce 15 additional episodes. Also, the National Network Co. Ltd. is making plans to produce animations on a subcontract basis with North Korean personnel.

E. Exchanges in Broadcasting

In June 2004, the Korean Broadcasting System (KBS) and North Korea produced a documentary film "Goguryeo Lives On." In the joint production, the KBS camera crew covered the Goguryeo archaeological sites in the Pyongyang area, while North Korean Joseon Central TV filmed the sites located outside of Pyongyang. It was a landmark achievement. In addition, the Munwha Broadcasting Corporation (MBC) sent a camera crew to Pyongyang in June 2004 to cover the Goguryeo site and broadcast a TV program titled "Living Goguryeo" on June 24. A Seoul Broadcasting System (SBS) crew visited North Korea to report on the South-North academic seminar for the return of cultural assets plundered by Japan, which was held in Pyongyang in February 2004. It also filmed the Great Gangseo Tomb, a historic site of Goguryeo.

Meanwhile, the Korean Broadcasting Commission relayed the scenes of major competitions and matches featuring South and North Korean athletes to the North during the Athens Olympic Games (August 13-29), opening a new chapter in inter-Korean exchanges in broadcasting.

F. South-North Joint Procession at the Athens Olympics

After marching together for the first time at the opening ceremony of the 2000 Sydney Olympic Games, drawing worldwide attention, the South and North Korean teams continued the legacy of joint processions at major international athletic games including the 2002 Busan Asian Games, the 2003 Aomori Winter Asian Games, and the 2003 Daegu Summer Universiade.

At the 28th Athens Olympic Games from August 13 to 29, 2004, the two Koreas entered together at the opening and closing ceremonies, holding the flag of the Korean Peninsula. The joint procession received a storm of applause from the entire world, including over three billion viewers. The number of participants in the joint march was not limited at the Athens Olympic Games, which proved that inter-Korean relations had greatly improved.

VII. Building the Foundation for Inter-Korean Exchanges and Cooperation

1. Streamlining South Korean Laws and Regulations on Inter-Korean Exchanges

The South Korean government has enacted relevant laws and regulations including the Inter-Korean Exchange and Cooperation Act (1990) and laid the foundation for initiating inter-Korean exchanges and cooperation within the legal framework. Since then, those laws have been regularly updated to incorporate changes affecting the environment for inter-Korean exchanges and cooperation. Laws and ordinances, including notices and orders, were also enacted to stipulate details required for application of the main laws and regulations as well as for amending laws and regulations appropriate to situational changes in inter-Korean relations. In particular, the proposed improvements to the Inter-Korean Cooperation Fund loan program were adopted in late January 2004 through the amendments of the Provisions for the Operation and Management of the Inter-Korean Cooperation Fund and the Fund's Guidelines for Inter-Korean Economic Exchanges and Cooperation.

In addition, in order to facilitate the Gaeseong Industrial Complex project, special provisions on approval procedures for visits to the Gaeseong Industrial Complex and other cooperation projects were enacted in July 2004. As a result, the processing period for approving visits to the Gaeseong Industrial Complex (5 days), the period for declaring visits to North Korea by multiple-visit certificate holders (4 days before a visit) and the turnaround period for approvals on cooperation projects relevant to the Gaeseong Industrial Complex (15 days) have been clearly defined and documents required for approval have been notably simplified.

Entry procedures have also been streamlined. The regulation requiring return of the visit certificate each time a visitor returns to South Korea has been lifted. The processing period for approving visits to North Korea was shortened once again, this time from 10 days to 5 days. In addition, in the case of multiple-visit certificate holders, the declaration to visit North Korea can be substituted with the submission of an entry/exit plan.

The government plans to continue to update legal mechanisms concerning inter-Korean exchanges and cooperation in the future to reflect changes in inter-Korean relations, exchanges and the cooperation environment, and progress in the institutional framework between the two Koreas in order to bolster more stable and efficient initiatives in inter-Korean exchanges.

2. Institutionalizing inter-Korean Economic Cooperation Agreements

In order to institutionalize inter-Korean economic cooperation, four agreements on economic cooperation, including the Agreement on Investment Protection, were concluded on December 16, 2000. Since then, the two Koreas have continued discussions, reaching a consensus on follow-up measures. As a result, inter-Korean relations have now surpassed the level of political agreements and are evolving toward a legal and institutional foundation.

During the working-level meetings on an institutional framework for inter-Korean economic cooperation held in Gaeseong from January 27 to 29, 2004, the Agreement on Entry and Stays in the Gaeseong Industrial District and the Mt. Geumgang Tourism District was signed, completing a set of agreements required for the development of the Gaeseong Industrial Complex. Accordingly, it was decided to implement agreements on economic cooperation that had been adopted by the two Koreas previously.

A total of nine agreements on economic cooperation will be formally enacted when notification on mutual implementation is exchanged after Pyongyang completes internal procedures. When the agreements officially take effect, they are expected to bolster inter-Korean economic cooperation initiatives substantially, including the Gaeseong Industrial Complex and the reconnection of railroads and roads.

3. Managing the Inter-Korean Cooperation Fund

A. Raising Funds for the Inter-Korean Cooperation Fund

Under the Inter-Korean Cooperation Fund Act enacted on August 1, 1990, the Inter-Korean Cooperation Fund was first created on March 20, 1991 with a contribution made by the government. Since then it has worked to accelerate inter-Korean exchanges and cooperation, and has played a constructive role in restoring the Korean national community. The Inter-Korean Cooperation Fund is mainly financed by government contributions and investment returns. Contributions to the Fund are also made by some private parties. Since raising US\$34 million with government contributions in 1991, the Inter-Korean Cooperation Fund has raised US\$4.2 billion in total as of December 2004: US\$1.9 billion in government contributions, US\$2 million in private contributions, US\$300 million in investment returns, and US\$1.9 billion in a deposit from the public capital management fund and other sources.

B. Utilizing the Inter-Korean Cooperation Fund

Until 1999, the Inter-Korean Cooperation Fund was mainly used to finance government-level humanitarian support to North Korea, including rice and fertilizers, and activities under Item 5 “supporting the restoration of the Korean national community” of Article 8 of the Inter-Korean Cooperation Fund Act, such as the light-water reactor construction project. However, as exchanges and cooperation in economic, social and cultural sectors were stimulated and exchanges among separated family members were realized, the range of areas supported by the Fund also began to widen.

Currently, the Inter-Korean Cooperation Fund is largely divided into grants and credit assistance to boost inter-Korean exchanges and cooperation and grants and credit assistance to restore the Korean national community. In the case of grants for inter-Korean exchanges and cooperation, US\$29 million has been extended in total by the end of December 2004.* In 2004 alone, US\$3.6 million was provided in total: US\$1 million for personnel exchanges and US\$2.7 million for social and cultural cooperation.

With regards to credit assistance for inter-Korean exchanges and cooperation, US\$121 million was extended in total by the end of December 2004. In 2004, US\$41 million was provided as loans to finance trade and economic cooperation (trade loans: US\$12 million for 64 cases, economic cooperation loans: US\$21 million for 12 cases). This is a significant rise of 153% from the US\$16 million figure in 2003 (trade loans: US\$6.8 million, economic cooperation loans: US\$9.4 million).

As for grants for the restoration of a Korean national community, US\$1 billion was provided by December 2004. In 2004, US\$2.7 million was provided to support the exchanges of separated families and US\$107 million was used for 46 humanitarian support projects.

In laying the groundwork for economic cooperation, 11 projects were carried out in 2004. Their expenditure details include US\$53 million for the reconnection of railroads and roads along the Gyeongui and Donghae Lines, US\$2.1 million for supporting infrastructure construction in the Gaeseong Industrial Complex, and US\$1.3 million for paving roads in the Mt. Geumgang Tourist District. For supporting social and cultural sectors, only one case (US\$54,000) was provided for the joint entrance of South and North Korean teams at the Athens Olympics.

In the case of credit assistance for the restoration of a Korean national community, US\$1.7 billion was spent through December 2004. A total of US\$203 million was spent in five cases in 2004: US\$35 million in a material and equipment loan to North Korea, US\$89 million as part of a food loan (400,000 tons of rice) to North Korea, US\$3.7 million as a loan

* The dollar amount hereinafter has been calculated using the exchange rate \$1= ₩1,146 – an average exchange rate in 2004.

for the Gaeseong Industrial Complex administration, and US\$76 million as a loan for the construction of the light-water reactor project.

As part of further support to promote effective exchanges and cooperation, the government has made steady efforts to improve the Fund support system. In January 2004, through amendments related to Fund-related provisions, including Provisions for the Operation and Management of Inter-Korean Cooperation Fund and Guidelines for Support by the Inter-Korean Cooperation Fund, the loan ceiling was raised from 70-80% to 80-90% of required capital.

Moreover, the share of unsecured loans increased by 10% and loan requirements were eased to extend unsecured loans when the letter of credit guarantee is submitted, and to recognize assets located in North Korea as supplementary collateral to facilitate unsecured loans. As a result, trade capital loans are on a steady rise from US\$340,000 in 2002 and US\$6.9 million in 2003 to US\$12 million in 2004.

Chapter 4

Resolving Inter-Korean Humanitarian Issues

- I. Exchange between Inter-Korean Separated Families
- II. Humanitarian Assistance to the North
- III. Settlement of North Korean Refugees
- IV. Improving Human Rights and Environmental Concerns in North Korea

Resolving Inter-Korean Humanitarian Issues



Resolving Inter-Korean Humanitarian Issues

I. Exchange between Inter-Korean Separated Families

The Korean government has strived to resolve the inter-Korean separated family issue in an effort to lessen the suffering of the separated families. While confirming the fates and whereabouts of the separated family members, the Korean government, at the inter-Korean Red Cross talks and ministerial talks, has been actively urging the North's cooperation to institutionalize family reunions through regular exchange of letters, increased size of the reunions and so forth.

In the first year of the Roh Moo-hyun Administration, 2003, there were three rounds of family reunions at Mt. Geumgang on the occasions of New Year's Day, the 3rd anniversary of the 2000 South-North Summit, and the Korean Thanksgiving Day. Although family reunions have, in fact, been institutionalized with the inter-Korean agreement to regularize them and to build the Family Reunion Center at Mt. Geumgang, these projects have been delayed as inter-Korean relations have been at a standstill since the latter half of 2004.

1. Exchanges at the Government Level

A. Separated Family Reunions

Since the two Koreas agreed to settle humanitarian issues including the issue of separated families as soon as possible in the June 15 Joint Declaration issued at the end of the South-North Summit in 2000, a total of 8,045 family members have been reunited with their families and relatives in eight rounds. The first three reunions, which began in August 2000 and continued until February 2001, took place in both Seoul and Pyongyang simultaneously. Starting from the fourth round in 2002, the reunions took place at Mt. Geumgang.



Separated Family Reunions

In 2004, there were two rounds of family reunions with the ninth reunion taking place from March 29 to April 3, and the tenth reunion taking place from July 11 to 16. Through the ten rounds of family reunions, a total of 9,977 family members were reunited with their families by

the end of 2004. However, due to the cooling down of inter-Korean relations in the latter half of 2004, family reunions have unfortunately been halted.

B. Confirming Fates and Whereabouts and Exchanging Letters

Given the advanced age of the separated family members, the Korean government started tackling the separated families issue by confirming the fates and whereabouts of separated family members. Moreover, to settle the separated family issue in a fundamental manner, the Korean government stepped up its efforts by requesting the exchange of letters, meetings among separated family members, and, finally, reunions of the separated families. Confirming the fates and whereabouts of the separated family members and exchanging letters are meaningful in that they serve as a starting point for inter-Korean reunions.

In the South, about 100,000 people have filed applications to be reunited with their family members in the North. Believing that the fates and whereabouts of family members should be confirmed in much larger numbers and at the earliest date, the South Korean government has been continuously raising the issue and urging the North through various meetings and contacts.

At the second Inter-Korean Red Cross Talks held in 2000, the South and North agreed to confirm the fates and whereabouts of separated family members on a trial basis. Since then, two trial confirmations were conducted in 2001, during which 2,267 people were able to locate their families, while 600 people, 300 from the South and 300 from the North, were able to exchange letters.

During the course of ten rounds of inter-Korean reunions of separated family members, a total of 21,679 people have confirmed the fates and whereabouts of their family members. Also, 79 people exchanged letters at the time of the family reunions. Unfortunately, however, no further progress has been made due to the North's passive stance.

Government-level Exchanges between Separated Families

Unit: Case

Year	'85	'00	'01	'02	'03	'04	Total
Fates & Whereabouts	65	792	744	261	963	681	3,506
Letter Exchanges	-	39	623	9	8	-	679
Families Reunited in the South	30	201	100	-	-	-	331
Families Reunited in the North	35	205	100	398	598	400	1,736

C. Construction of the Family Reunion Center

After determining that the present method of reuniting separated families will not be able to accommodate larger-scale family reunions, the Korean government proposed the establishment of a family reunion center at the second Inter-Korean Red Cross Talks in 2000. At the fifth Red Cross Talks held in November 2003, the two Koreas agreed that South Korea would be solely responsible for constructing and operating the Family Reunion Center at Mt. Geumgang.

Except for the land and geological surveys that have to be done at the actual site, other preparations for the reunion center such as the design work have been completed. Once the discussions with North Korea for the construction are finalized, we will begin work as soon as possible in 2005 to be able to reunite more separated families at the earliest possible date.

2. Exchanges at the Private Level

Since the July 7 Declaration in 1988 that the South Korean government would assist North Korea to break out of its isolation, open up the North Korean regime and establish peace on the Korean Peninsula, inter-Korean exchange visits of separated families at the private level, including confirmation of whereabouts of family members via third countries, have gradually increased. The Korean government is making efforts to increase inter-Korean reunions of family members at the private level alongside efforts to resolve the separated family issue at the government level.

Separated families are given a five-year contact eligibility for contacting family members in the North, and the first generation of separated families in the South are allowed to visit North Korea simply by notifying the government. To lessen the financial burden on separated families associated with exchanges in third countries, they are given financial support by the government in the amount of US\$800 for address checks, US\$1,800 for family reunions, and US\$400 for any additional exchanges. The financial support, which was given out in one payment only, has increased to three payments.

Due to government's active support and private efforts, inter-Korean reunions of family members have increased at a remarkable rate. From 1989, when exchanges at the civilian level began, to the end of December 2004, a total of 17,437 applications were approved for separated families in the South to contact their family members in the North, 19% or 3,322 of them were able to confirm their families' fates and whereabouts through a third country, and 1,441 families held reunions in a third country.

Individuals were allowed to visit the North at the civilian level starting in 1998, and a total of 25 individual visits were made through the end of December 2004. In 2004 alone, the fates and whereabouts of 209 families were confirmed, 776 letters were exchanged, 189 families held reunions in third countries, and 1 individual visit to the North was made.

Inter-Korean exchanges of separated families at the private level have been made possible mainly through help from relatives or close acquaintances living abroad, private intermediary agencies in South Korea, the mass media, and opinion leaders. When the exchanges first began, they took place mainly in the United States, Canada, and Japan but recently, most exchanges have been taking place in China.

Inter-Korean Personnel Exchange

Unit: Case

Year	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	Total
Fates & Whereabouts	35	127	132	221	135	104	96	164	377	481	447	208	198	388	209	3,322
Letter Exchanges	44	93	462	948	584	571	473	772	469	637	984	579	935	961	776	9,388
Families Reunited in 3rd Countries	6	11	19	12	11	17	18	61	108	195	148	165	203	280	187	1,441
Families Reunited in the North	-	-	-	-	-	-	-	-	1	5	4	5	5	4	1	25

3. Abductees in the North and Prisoners of War

As of December 2004, the number of South Korean abductees held in the North since the military truce in 1953 is estimated to be 486. According to a statistical yearbook at that time, about 80,000 were recorded to have been abducted during the Korean War, but according to a 1956 Red Cross survey, 7,034 people were recorded as abductees.

The Ministry of Defence estimates the number of those missing during the Korean War to be 19,000 and believes that a large number of unreturned prisoners of war (POWs) are included in the number. According to the recent testimonies of POWs and North Korean refugees who recently entered the South, about 500 POWs are still alive in North Korea and among them, 48 people have left the North and returned to the South.

Through various inter-Korean dialogue channels such as the inter-Korean ministerial talks and the Red Cross talks, the Korean government has been making efforts to persuade North Korea to resolve the abductee and POW issues. Since the inauguration of the Roh Moo-hyun Administration, the government has strongly urged the North to cooperate on confirming

the fates and whereabouts of the South Korean abductees and POWs at the three rounds of inter-Korean ministerial talks and the fifth round of inter-Korean Red Cross talks held in November 2003.

Because North Korea has been denying the existence of abductees and POWs on its territory, the South Korean government has been trying to resolve the issue through a more realistic approach of including the abductees and POWs in the category of separated families. As a result of these efforts, including the 21 people of five families united during the ninth and tenth rounds of family reunion in 2004, a total of 19 families of abductees and POWs were able to meet, and the fates of 88 people were confirmed.

II. Humanitarian Assistance to the North

The Korean government has been providing assistance to the North based on the universal value of humanitarianism and a sense of brotherhood for fellow Koreans while also trying to realize inter-Korean reconciliation and cooperation. Assistance to the North is significant in that it contributes not only to improving inter-Korean relations but also to relieving North Korean people's hardships, conveying our message of brotherhood, as well as to recovering a sense of national community in the long run.

The international community upholds the basic principle that humanitarian assistance should not be linked to the political situation of the country receiving assistance. With a view to improving the human rights situation in North Korea, the South Korean government, based on national consensus, has continuously provided assistance to the North within reasonable boundaries, taking into consideration the North's food situation, inter-Korean relations and assistance by the international community.

1. Government-level Assistance

A. Direct Assistance

The Korean government believes that it is desirable to provide fertilizers, seeds, pesticides, and so forth to help improve agricultural productivity in the North and thereby contribute to resolving the North Korean food crisis, as well as to improving the effectiveness and transparency of food distribution.

In 1999, the ROK government provided the North with 155,000 tons of fertilizers, which included 40,000 tons of fertilizers from the Red Cross, to help improve the North's agricultural productivity. The South Korean government provided 200,000 tons in 2000 and 2001, respectively and 300,000 tons of fertilizers in 2002 and 2003, respectively.

In 2004, the ROK government provided a total of 300,000 tons of fertilizers to the North. At the thirteenth inter-Korean Ministerial Meeting (February 3 to 6), the North requested fertilizers for use in the spring, and on February 25, the North made another request in the name of the president of the Red Cross. In response to the North's request, the Korean government decided to provide humanitarian assistance to the North. In accordance with the agreed upon procedures between the South and North's Red Crosses, the South delivered, from April until June, a total of 200,000 tons of fertilizer to the North, consisting of 160,000 tons of composite, 28,000 tons of urea, and 12,000 tons of ammonium sulfate.

Moreover, in response to North Korea's Red Cross request for fertilizers on September 1, October 4, and October 12 of that same year, the ROK government decided to deliver an additional 100,000 tons of fertilizers in accordance with the agreed upon procedures between the North and the South's Red Crosses. The actual delivery of fertilizers, consisting of 81,000 tons of composite, 14,000 tons of urea, and 5,000 tons of ammonium sulfate, was made from November to December, and North Korea's Red Cross expressed its gratitude to South Korea.

B. Assistance to the North through International Organizations

Because of the severe deterioration of the North Korean economy due to the serious floods and drought in the mid 1990s, North Korea requested food aid from international organizations for the first time in 1995. After the South Korean government delivered 150,000 tons of rice for the first time, the government has sent grain to help North Koreans overcome their food crisis through various channels.

Upon the North's request, international organizations began to set up relief programs towards the North. From 1996 onwards, the Korean government participated in humanitarian relief activities sponsored by U.N. organizations such as the World Food Program (WFP) and the United Nations Children's Fund (UNICEF).

To help the North overcome its food crisis, the ROK government began to supply the North with 100,000 tons of maize through the WFP starting in 2001. On the sacks containing maize were inscriptions in both Korean and in English that the maize was provided by the ROK government through the WFP.

Concerned that malaria patients in North Korea would reach 300,000, and that the infectious disease was spreading at an alarming rate, the South Korean government sent medicine, mosquito nets, and other materials to the North through the World Health Organization (WHO) in 2001 and 2002, in efforts to prevent the spread of infectious disease.

In 2003, the Korean government delivered medicine and other goods through the WHO for treatment of 300,000 people. At the WHO Malaria Control Workshop held in Shanghai in November 2003, a North Korean participant stated that the number of Malaria patients had decreased and expressed gratitude to South Korea for its support. The Korean government continued its support for controlling the spread of malaria in 2004 by providing US\$670,000 worth of medicine and other materials to prevent malaria in North Korea through the WHO.

To address serious malnutrition among the North Korean children and to decrease the frequency of disease outbreaks, the South Korean government sent US\$500,000 to UNICEF for the supply of nutritious food and medicine to North Korean children in 2003. In 2004, the amount increased to US\$1 million.

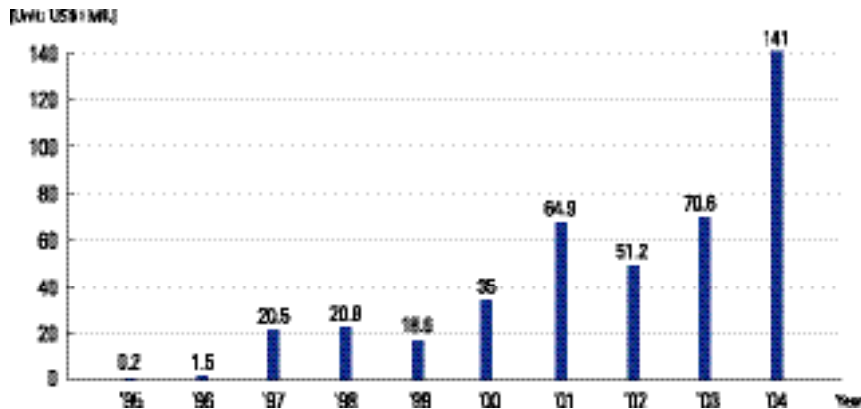
2. Private-level Assistance

From 1995 to the end of 2004, private aid of US\$424.77 million was sent to the North, taking up 37% of the total amount of US\$1.16 billion provided to the North for assistance. In the beginning, private assistance, in the form of donated goods from domestic private groups, was delivered by the Korean National Red Cross to the North through the International Federation of the Red Cross. Until May 1997, relief goods worth US\$4.96 million were delivered to the North in 19 occasions.

With the adoption of the first agreement at the Inter-Korean Red Cross Talks on May 26, 1997, private groups began to deliver assistance directly to the North. The Red Cross served as the only window for delivering aid. Starting in June 1997, relief goods totaling US\$38.25 million were delivered to the North through the Korean National Red Cross.

Following measures for expanding assistance to the North in 1999, designated private organizations were able to carry out relief activities on their own. When private-level assistance became active in 1999, there were 10 designated private groups but by the end of 2004, the number increased to 38.

Private-level Assistance



From 1995 until 2004, private assistance to the North amounted to US\$424.77 million, of which US\$3.4 million (0.8%) were delivered through the International Red Cross, US\$124.46 million (29.3%) through the Korean National Red Cross, and US\$296.91 million (69.9%) delivered through private organizations directly to the North.

In 2004, private assistance totaling US\$141.08 million was sent to the North, of which US\$37.53 million were delivered through the Korean National Red Cross, and US\$103.55 million through independent private organizations.

The characteristic of assistance changed from being a one-time and food-oriented assistance to a continuous and expertise-oriented one supporting agricultural development, health and medical treatment. Supply items also became diverse to include agricultural materials, equipment, medicine, and medical supplies.

To expand assistance for health care and medical treatment for the most vulnerable, such as children, and for agricultural development, the Korean government has been providing aid through the Inter-Korea Cooperation Fund. In the course of five years from 2000 to 2004, a total of US\$24.63 million worth of assistance was provided from the Inter-Korean Cooperation Fund.

The government's support to private organizations has contributed to expanding private-level assistance to the North, helping to maintain the continuous flow, promote effectiveness, and expand the size of private assistance.

3. Assistance for Disaster-stricken Yongcheon



Delivery of Relief Supply to the North

On April 22, 2004, there was a major explosion near the Yongcheon railway station. The following day, North Korea informed international organizations, including UNOCHA, IFRC, and WFP as well as China and foreign embassies in North Korea about the mysterious explosion in Yongcheon. Dislosing pictures and videos of the site, North Korea appealed to the international community for emergency relief aid. President Lee Yoon-ku of the

Korean National Red Cross, who was visiting North Korea at the time of the accident, received an official request from the North Korean National Red Cross for emergency aid.

Out of brotherly love and humanitarianism, South Korea treated the news of the accident as if it were its own tragedy. There was great public interest in providing relief goods to the North for its recovery from the disaster. Endless lines of people from all walks of life, including private citizens, religious figures, and businessmen donated money and goods through the automatic response service (ARS) and other organizations.

On April 26, the South notified the North by telephone about its plan to deliver emergency relief goods in the name of the president of the Korean National Red Cross. On April 28, the first delivery of emergency relief supplies including medicine, instant noodles, water, and blankets was shipped to North Korea.

In the meantime, an inter-Korean working-level meeting was convened on April 27 to consult on providing relief goods to the disaster-stricken area. At the meeting, North Korea claimed that its need for emergency relief supplies was more or less being satisfied by those from the international community. The North asked the South to provide them with materials and equipment for rehabilitation, such as steel rods, cement, and construction materials. After the meeting, South Korea's relief activities were carried out with emphasis on sending construction materials and equipment.

Emergency relief supplies worth US\$9.62 million were delivered to the North over 10 shipments via regular sea route between Incheon and Nampo and via air route to Sunan Airport in Pyongyang. Construction materials and equipment worth US\$20.6 million were delivered to the North, employing diverse methods of transportation for delivery depending on the nature of the

items. For example, some were delivered to Gaeseong via land routes, some to Nampo via sea routes, and some to Dandong, China via sea routes and then to Sinuiju by land.

North Korea expressed its gratitude for the support given to the disaster-stricken area and notified the South on the distribution of supplies. The President of the Korean National Red Cross and members of the International Federation of Red Cross visited the North from June 5 to 8 to assess the extent of the damage in the Yongcheon area. They were also able to confirm that the supplies from the South were, indeed, distributed to the people.

The amount of public donations amounted to US\$14.16 million, which consisted of US\$10.83 million worth of emergency supplies, and US\$2.49 million worth of materials and equipment for rehabilitation. Cash and other goods were all used in support of the North, and the government-supplied goods worth US\$2.58 million from the Inter-Korea Cooperation Fund. Apart from the government, private organizations delivered medicine, basic necessities and other items worth US\$23.58 million.

III. Settlement of North Korean Refugees

The emphasis of the government's settlement support for North Korean refugees has been on facilitating their adjustment in becoming independent, self-sufficient, and responsible citizens of South Korea. The government is providing institutional support, while private organizations are also engaged in activities in assisting them towards this goal. After conducting a public survey, the Ministry of Unification created a new term "Saetomin" (literally new-settlers) to replace the Korean legal term "Talbukja" (refugees), which had a negative connotation, in 2004.

1. North Korean Refugees in South Korea

In the early 1990s, about 10 North Korean refugees entered South Korea every year, but since 1999, the number has increased dramatically until 2003 when the number showed a slight decrease. In 2004, 1,894 refugees entered the South, an increase of 47.5% from the previous year. There are now more than 6,000 North Korean refugees living in South Korea.

2. Settlement Support

Believing that successful settlement of North Korean refugees in South Korea will be the touchstone in establishing an inter-Korean community, the Korean government has introduced and implemented various policies under the Protection and Settlement Support of North Korean Refugees Act in support of their early settlement.

In the case of North Korean refugees residing in a third country who file an application for protection, the South Korean government will provide temporary protection through its consulate in the third country and assist them in entering South Korea. Upon entry into South Korea, the government will decide on his/her protection based on the results of a joint investigation by relevant government agencies.

Under the protection of the government, North Korean refugees receive training at Hanawon for social adjustment. They also receive initial support necessary in the early stages of settlement, including a permanent residency status, monetary assistance, housing recommendations and more to ensure their independence and self-sufficiency.

Post-settlement protection, which is divided into two categories of settlement support and personal protection, begins after refugees enter the South Korean society. The central and local governments, Association of Supporters for the Settlement of Refugees, and civic and religious groups work in cooperation to provide various types of settlement support such as job training, connection to job opportunities, school admission, as well as introduction to various social and support organizations. The police are put in charge of providing personal protection for the refugees.

A. Social Adaptation Training

To facilitate settlement of the newly arriving refugees as democratic citizens of South Korea, the government has established Hanawon – a settlement support facility for North Korean refugees – to provide training for social adjustment. Hanawon's facilities, which are divided into main and branch offices, can accommodate up to 400 people at a time and offer protection and education for 2,400 refugees every year. While improving the content of the education, especially in areas of Korean national history and world history, Hanawon also extended the length of the education period from two months to three months to help refugees better adjust to life in South Korea.

The focus of education is primarily on promoting psychological and emotional stability for refugees who have experienced hardships in the process of leaving North Korea and hiding in

third countries, helping them reorient their outlook and relieving the anxieties brought on by the new environment. While concentrating on helping them overcome the culture shock due to the lack of understanding of liberal democracy and capitalism as well as differences in language, thinking, life-styles, etc., the education program also offers career counseling that facilitates learning through practical experiences to familiarize them with the day-to-day living and smooth transition into the job environment.

A separate education program is offered for women at the Seongnam branch of Hanawon. Children can receive elementary school education in a nearby public school during their stay at Hanawon. Teenagers are provided with a separate tutorial program Hanadul (literally one-two) School within Hanawon.

Since the establishment of Hanawon in July 1999, a total of 5,151 refugees have entered Hanawon and 4,703 people have successfully completed the program and entered society as of December 2004.

B. Initial Settlement Support

The South Korean government is providing various types of assistance to the refugees for a certain period of time to facilitate their independence and settlement and to help them live as ordinary citizens in the society.

First, to help refugees become self-sufficient, the Korean government assists them financially in the early stages of settlement. Initial living expense assistance is divided into basic, supplementary, and incentive assistance, and it is provided within the limit of 200 times the monthly minimum wage. Basic assistance is provided based on the number of people in the family. Supplementary assistance is provided to the elderly and physically challenged, and the incentive assistance is given to each refugee who manages to become independent through job training and subsequent employment.

Aside from the above-mentioned assistance, refugees are also provided with government housing and living allowance. The amount of the living allowance is determined according to the number of people in the family, and additional financial subsidy is given to refugees willing to reside in provincial regions in an effort to encourage settlement in areas outside of the capital region.

C. Post-settlement Support

The Korean government is also making efforts to provide job training and employment opportunities for refugees. The Korean government has established an employment assistance office and designated employment promotion officers in order to help refugees in finding jobs. The government is facilitating employment in various ways, such as introducing refugees to job training offices and businesses in need of employees. Also, in order to increase their participation in training programs and to help them become focused on training, the Korean government also provides them with monetary incentives. As a result, about 1,000 refugees have received the government job training.

Starting from the year 2000, the Korean government began providing a financial subsidy to employers who hire refugees. Employers are given half of the wages to be paid to refugees for two years. This assistance has proven effective in facilitating stable employment. In 2004 alone, US\$825,000 was given to 218 businesses, and since assistance began in 2000, a total of US\$3.9 million has been provided.

For refugees attending public middle and high schools or universities, the government gives full assistance from admission to tuition payments. Moreover, the government recognizes academic achievements and licenses obtained in North Korea, contributing to strengthening the basis for refugees' independence. In 2004, 420 refugees received government tuition assistance totaling 574 million won.

Upon entering society, depending on their income and personal assets, refugees will be designated to be eligible for medical benefits and exempted from all medical fees. For the physically challenged and those with no means of income, the government assigns them as welfare recipients. Since August 1, 1999, local municipalities have designated officials in an effort to strengthen settlement support activities and for protecting and supporting refugees residing in their jurisdictions. These officials will provide administrative support and consultation to help refugees better assimilate into the local society.



Public Hearing on Refugee Settlement Support

D. Connecting Refugees with Private Support Organizations

Aside from the government, various private social and religious organizations are providing specialized support. These support systems include counseling on day-to-day affairs, employment opportunities, and connecting the refugees with other support groups to facilitate their adjustment into society.

Starting from 2001, the North Korean Refugee Regional Consultation Support Group, consisting of local governments and private support organizations, have been active in 13 regions. Regional consultation groups are engaged in various local activities, such as offering social adjustment programs, information on the local society and adjustment support, arranging job training and increasing job opportunities, and offering various social welfare services of the general welfare office.

In particular, starting in 2005, a settlement support system consisting of volunteer assistants from private organizations was introduced. These assistants help refugees during the early stages of settlement by providing information about the local community, offering guidance and counseling on day-to-day affairs, and connecting them with welfare offices.

3. Improving the Settlement Support System

Given that the refugee settlement law was enacted seven years ago and the changes that have taken place since then, including the sudden increase of refugees in South Korea, the government has reexamined the settlement support system. In July 2004, the government decided measures to improve the settlement support system with a special focus on financial assistance.

Moreover, the focus for the refugee settlement support system has shifted from “protection” to “independence and self-sufficiency.” Also, related regulations and institutions will be improved in the future.

IV. Improving Human Rights and Environmental Concerns in North Korea

1. Human Rights in North Korea

Based on the testimonies of North Korean refugees contained in various human rights reports, the international community considers North Korea's human rights record to be poor.

In 2004, international organizations and the UN Commission on Human Rights, individual countries, and NGOs played an active role, attracting the world's attention to the North Korean human rights issue. The 60th UN Commission on Human Rights, held in Geneva on March 15 to April 23, 2004, adopted a resolution on North Korea's human rights, expressing grave concern over human rights violations in North Korea. The resolution urged North Korea to deal with the human rights issue in a transparent and constructive manner. At the same time, the UN Commission made a request to the UN High Commissioner that a Special Rapporteur for Human Rights on North Korea be appointed after consultation with the UN High Commission for Human Rights.

As a result, the UN Economic and Social Council approved, on June 15, the appointment of a Special Rapporteur to North Korea. The South Korean government's decision to abstain from voting on the resolution of the North Korean human rights at the UN Human Rights Commission is not an indication of its indifference to the human rights situation there. The decision, instead, reflects the South Korean government's position of having to approach the issue in a prudent manner given that it is a party directly concerned in a unique situation where the Korean Peninsula remains divided.

Individual countries have also started paying more attention to North Korea's human rights situation. In its annual Human Rights Report, the U.S. State Department expressed grave concern over North Korea's human rights situation, and the "International Religious Freedom Report 2004" published on September 15 designated North Korea as "a country of particular concern" for its lack of religious freedom.

With the signing of the North Korea Human Rights Act into law by President Bush on October 18, 2004 after it was unanimously approved by the U.S. Congress, the United States will provide US\$24 million annually from 2005 to 2008 for improving human rights in North Korea, appoint a special human rights ambassador on North Korea, and would allow North Korean defectors to settle in the United States, and consider the possibility of regional human rights dialogue.

The South Korean government believes that there are two levels of consideration in approaching the North Korean human rights issue: on one level, consideration should be

given to what should be done, and on another level, one needs to consider a realistic approach. In other words, while efforts should be made to improve the quality of North Korean people's lives to meet universal standards based on humanitarianism, change should be induced through a more realistic approach of improving inter-Korean relations.

South Korean Government's Position on the North Korean Human Rights Issue

- The South Korean government has paid significant attention to the need for improving North Korea's human rights as it is a universal value.
- For substantive and effective improvement of the North Korea's human rights situation, the Korean government believes various approaches should be strategically reviewed and adopted depending on the different situations that each country faces.
- In this regard, the Korean government is seeking to reduce tensions and promote reconciliation and cooperation between the two Koreas through its Policy of Peace and Prosperity, and in the process of pursuing this policy, it hopes to facilitate gradual and substantive improvement of human rights in North Korea.
- Moreover, the South Korean government plans to consult closely with the United States so that the North Korean Human Rights Act of 2004 will be in concert with its efforts to promote peace and stability on the Korean Peninsula, such as making progress in the six-party talks as well as in inter-Korean relations.

From a realistic perspective, while it is important to secure civic and political rights, it is also important to guarantee the North Korean people's right to life and economic advancement. Based on this understanding, the South Korean government has been steadily making efforts to provide humanitarian assistance to North Korea and to improve its economic situation.

2. Environmental Concerns in North Korea

2004 was a meaningful year in that North Korea seemed to be making efforts to improve the environment. In August 2004, the North Korean government, which had been reluctant about disclosing information about environmental pollution and participating in environment cooperation projects with international organizations, prepared and published the report *DPRK 2003: State of the Environment* jointly with the UN Environmental Program (UNEP) and UN

Development Program (UNDP).

This report is significant in that it is the first general report on the evaluation of the North Korean environmental situation. Considering the fact that the North Korean government (20 ministries and research institutes) actively participated in the process of drafting this report, it appears that North Korea is determined to improve its environment with the support of the international community.

Based on the report, the UNDP is reviewing the need for a trust fund to secure funding for 16 model projects for improving the environment in North Korea. The South Korean government is positively reviewing its participation in these projects by way of contributing to the trust fund.

Recently, as part of a project to prevent flooding in the Imjin River basin, the Roh Administration is engaged in consultations with the North on providing seedlings for reforestation around the Imjin River. This project is significant because this is the first joint government project on reforestation.

The Roh Administration plans to expand inter-Korean environmental cooperation, which is currently limited to the field of forestry led by a private organization, to fields of water quality, air, soil, and biodiversity, as well as continuing consultations with the North on ways to find projects for joint environmental cooperation.

Chapter 5

Light Water Reactor Project

- I. Project Status
- II. Temporary Suspension of the Light Water Reactor Project



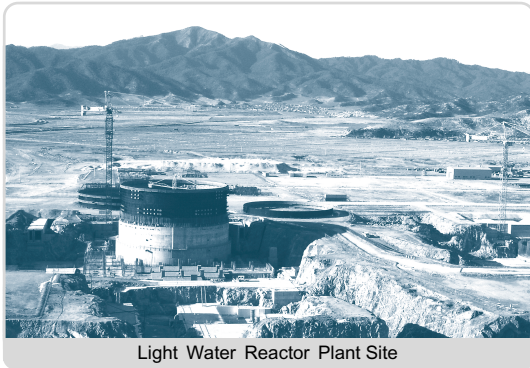
Light Water Reactor Project

Light Water Reactor Project

I. Project Status

The US-DPRK Agreed Framework was signed on 21 October 1994, and came into effect, aimed at resolving the North Korean (the DPRK's) nuclear standoff at that time, which had been triggered by North Korea's announcement in March 1993 that it would withdraw from the NPT. According to the Agreed Framework, North Korea would be provided with two 1,000 MWe light water reactors (LWRs) in return for freezing and dismantling its nuclear facilities at Yeongbyeon.

Based on the Agreed Framework, South Korea, the United States, and Japan established the Korean Peninsula Energy Development Organization (KEDO) in March 1995, and KEDO and



Light Water Reactor Plant Site

North Korea signed an Agreement on the Supply of LWRs in December that same year. After further negotiations, KEDO and North Korea concluded further protocols on legal issues, privileges and immunities, consular protection, transportation, and communications. KEDO also embarked on preparing detailed measures that were necessary for the commencement of construction of the LWRs. On August 19, 1997, KEDO held a ground-breaking ceremony in Kumho, North Korea.

On November 9, 1998, the Executive Board members of KEDO adopted a resolution on cost sharing for the LWR project. A budget estimate for the project was agreed at US\$4.6 billion. With regard to specific funding for the LWR project, South Korea has agreed to provide 70% of the project's actual cost while Japan has agreed to contribute 116.5 billion yen (approximately \$1 billion). The EU has agreed to contribute 75 million ECU equally over five years to help fulfill KEDO's financial needs, and the U.S. has reconfirmed its commitment to seek funding for the supply of heavy fuel oil to North Korea and for other KEDO needs, as appropriate.

KEDO and the Korea Electric Power Corporation (KEPCO) signed a turnkey contract which became effective on February 3, 2000, for the construction of two 1,000 MWe LWRs. After receiving a construction permit from the North on September 1, 2001, KEDO began excavation work on September 3, 2001. In August 2002, the pouring of the foundations for the first reactor's power block buildings started, and upon its completion, excavation work for the second reactor began. Along with the site preparation, KEDO built roads and bridges, a

breakwater, barge-docking facility, housing, dining and recreational facilities, and established the infrastructure for the supply of electricity.

Before the nuclear issue reemerged in October 2002, KEDO and North Korea concluded 8 out of 13 protocols for implementation of the Supply Agreement, including a protocol on training and on quality assurance and warranties. Moreover, KEDO and North Korea held high-level expert meetings every year since 1998, reaching an agreement on operating a communications network (16 circuits), passenger-cargo ship (once a week), and establishing direct air routes once a week.

While construction work was in progress, North Korea made an unreasonable demand for a wage increase for 200 North Korean workers who were employed at the site and in April 2000, withdrew 100 workers. In response, KEDO employed “substitute” workers from Uzbekistan starting in March 2001.

In accordance with the Protocol on Training, 122 North Korean workers to be in charge of operating and maintaining the power plant and 25 control personnel were trained at South Korean facilities, and 19 senior management officials observed the South Korean facilities.

II. Temporary Suspension of the Light-water Reactor Project

1. Background of the Temporary Suspension

In October 2002, the North Korean nuclear issue reemerged with North Korea's admission that it was pursuing a highly enriched uranium (HEU) program for developing nuclear weapons. As a result, the LWR project, whose progress was closely linked with the resolution of the North Korean nuclear issue, arrived at an important crossroads.

Under these circumstances, the Executive Board of KEDO convened a meeting on November 14, 2002, urging an early resolution of the North Korean nuclear issue. The meeting also concluded that KEDO would suspend heavy fuel oil deliveries unless North Korea undertook “concrete and credible actions” to completely dismantle its HEU program and that progress of other KEDO activities including the LWR project would depend on the resolution of the North Korean nuclear issue.

Moreover, various negotiations with North Korea, including wage increases for North Korean workers, follow-up protocols, as well as a KEDO-organized training program for the operation and maintenance personnel for the light-water reactor plant were all suspended.

At an informal Executive Board meeting held on February 3, 2003, KEDO decided that without progress in the resolution of the North Korean nuclear issue, it would delay the pace of the construction work for the time being in consideration of various problems associated with continuing the LWR project. Without affecting the entire scope of the construction work, KEDO decided to suspend work on the power block, the support facilities of the second reactor containment building (RCB) and installation of the first RCB liner plate, postpone orders on construction materials, and postpone or reduce non-urgent and non-essential construction work.

As there was no substantive progress on resolving the North Korean nuclear issue in the meeting among the United States, China, and North Korea held in Beijing in April 2003 and the first Six-party Talks in August 2003, the Executive Board members developed a shared understanding on the need for a fundamental review on the future of the LWR project.

Thus, the KEDO Executive Board members began active consultations on the future of the LWR project through formal and informal executive board meetings and bilateral meetings. As a result of these consultations, the KEDO Executive Board concluded on November 21, 2003 that it could no longer continue with the LWR project and that it would temporarily suspend the project for one year starting from December 1, 2003.

2. Preservation and Maintenance Work during the Suspension

As the temporary suspension of the LWR project became effective on December 1, 2003, progress in all areas of the LWR project, including design, construction and manufacturing, came to a halt. The project, therefore, entered a preservation and maintenance stage, involving making preparations for the possibility of resuming the project in the future.

KEDO has been continuing preservation and maintenance work at the LWR site by installing covers or protective coatings over exposed items, such as reinforcing steel bars and anchor bolts of the power block structures of the reactors. Parts yet to be completed are being preserved and maintained under the principles of quality assurance and cost minimization. For quality assurance and work continuity, certain items are being manufactured up to a certain point and then being preserved.

For the safe preservation and maintenance of the construction site and materials that are being manufactured, KEDO has organized regular inspections for evaluating progress of work and quality of the construction site and manufactured materials. 1,500 workers employed at the site have been withdrawn gradually. In December 2003, the Uzbek workers were withdrawn and in February 2004, all 100 North Korean workers were withdrawn from the site. By

December 2004, about 120 workers remained on the site, including six staff members of KEDO at the Kumho site.

Meanwhile, North Korea has been demanding compensation for losses incurred as a result of the suspension of the KEDO project. In November 2003, North Korea prohibited KEDO from taking construction materials out of the country, and the following month, it notified KEDO of its plan to implement provisional measures of tightening entry and exit control procedures.

During the Executive Director's visit to North Korea and working-level negotiations, KEDO strongly urged North Korea to cancel the provisional measures, claiming that they were unreasonable. The Korean government also made use of important occasions as the inter-Korean ministerial talks and the Inter-Korean Economic Cooperation Promotion Committee meetings to urge North Korea to retract its decision, pointing out how unreasonable its measures were and that they would have a negative effect on inter-Korean economic cooperation. North Korea, however, responded that without proper compensation, it would not reverse its decision. As a result, KEDO embarked on preserving and maintaining about 200 construction materials at a certain location within the construction site.

By the end of November 2003 before the suspension, about 34.5% of the project was completed, which included 21.6% of construction work, 62.3% of general planning, and 42.3% of material purchases. In accordance with the resolution on the division of financial contribution among the Executive Board members, US\$1.5 billion had been spent by the end of December 2004.

3. Extending Temporary Suspension for Another Year

When the Executive Board members of KEDO decided to temporarily suspend the LWR project in November 2003, they agreed to consult and decide on the future of the project before the end of the one-year suspension term, while observing the progress being made in the resolution of the North Korean nuclear issue. Believing that the possibility was low for substantive progress in resolving the North Korean nuclear issue before the suspension period expired in November 2004, the Korean government proposed the extension of the temporary suspension for another year and made efforts to persuade and forge agreement among the Executive Board members. As a result, the Executive Board announced in November 2004 that the suspension would be extended for another year, starting from December 1, 2004.

Chapter 6

Expanding Support Base for Unification Policies

- I. Greater Citizen Participation
- II. Strengthening International Cooperation



Expanding Support Base for Unification Policies

Expanding Support Base for Unification Policies

I. Greater Citizen Participation

1. Promoting Dialogue with the Public

Since its inauguration, the Roh Moo-hyun Administration initiated the “Open Forum for Unification” and the “Unification Minister-Policy Consumer Dialogue” in an effort to increase opportunities for the people to directly participate in policy making and to forge a national consensus on unification issues and policies toward North Korea.

The Open Forum for Unification (hereinafter “Forum”) is a two-way dialogue channel between the government and the public, in which the Unification Minister and senior officials from the Ministry brief the public on pending issues on government policies toward Pyongyang and inter-Korean relations, and take their opinions into consideration. The Forum was held 18 times in 2003 in Seoul and major provincial cities for leaders of various fields. In 2004, six Forums (with 970 participants) were held in the first six months, where groups with specialized functions such as representatives of women’s organizations, foreign dignitaries in Korea and specialists in unification education were invited. The Forum contributed to solidifying a base for national consensus by boosting people’s interest in and understanding of inter-Korean relations and unification issues and raising their participatory awareness.

In the second half of the year, the Unification Minister-Policy Consumer Dialogue was initiated to target direct and indirect consumers of government policies. Its objectives are to provide the opportunity for the Minister and senior officials from the Ministry to hear opinions about the actual situation as relayed by the consumers of policy, to incorporate their views into policy-making, and finally, to form policies that fulfill the demands of the people and raise their satisfaction.



Unification Minister-Policy Consumer Dialogue

The Unification Minister-Policy Consumer Dialogue was held three times in total, inviting representatives of tenant companies in the Gaeseong Industrial Complex and organizations interested in inter-Korean social and cultural exchanges. The Ministry also sponsored dialogues with policy consumers led by senior officials. Diverse suggestions and complaints

voiced by participants during the Forum and Minister-Policy Consumer Dialogue were positively reviewed and incorporated to improve policies and their implementation.

2. Creating a Monitoring Group and Conducting National Polls

Unification Policy Monitoring is a process by which the public can evaluate the Unification Ministry's policies on an on-going basis, and provide feedback on policy and, thus, seek improved policies. In 2004, a monitoring group, which consists of 100 members, was set up and three rounds of monitoring activities were conducted. The members include scholars, businessmen engaged in inter-Korean economic cooperation, and representatives of citizen groups related to supporting North Korea and unification-related activities. In 2005, there are plans to augment the monitoring group significantly and increase the scope and number of monitoring activities for the full-scale introduction of the public's evaluation-based monitoring. In addition, the government strives to monitor public opinion in order to pursue policies toward North Korea and unification that reflect public opinion.

The Ministry also conducts regular national polls. In 2004, three separate public opinion surveys were taken on major pending issues including the North Korean nuclear issue and the Gaeseong Industrial Complex project. The results were used as reference materials in formulating policies.

3. Gathering Public Opinion through Advisory Organizations

In an effort to generate a public consensus and inspire the public's awareness on the importance of achieving peaceful unification, the Ministry of Unification created the Unification Advisory Council, an advisory group to the President. Unification advisors are appointed by the President at the recommendation of the Unification Minister, and include respected leaders from various fields. The Roh Moo-hyun Administration's first Unification Advisory Council, a 30-member group chaired by Lee Hong-koo, was founded in July 2003. The group plays a crucial role in forming unification policies through policy advice to the President and individual opinion-gathering activities.

In 2004, through three rounds of regular meetings, the advisory group proposed policies, including an accurate analysis and evaluation of economic changes in the North, a comprehensive survey of the human rights issues in North Korea, publication of the White Paper on support and restoration work after the Yongcheon train disaster, assistance to

inter-Korean social and cultural exchanges, and support for the Gaeseong Industrial Complex development.

Meanwhile, in order to raise the efficiency and effectiveness of policy initiatives through objective and systematic analysis and evaluation of major policies, the Unification Policy Evaluation Committee has been established. The group consists of 15 experts in various fields, including politics, economics, law, and the press. In 2004, the group contributed to a more effective execution of policies toward North Korea through two rounds of regular evaluation meetings and offered advice on pending inter-Korean issues on an ad-hoc basis.

In addition, the Policy Advisory Committee is an organization which actively gathers and incorporates expert opinions when developing and implementing major policies on unification and North Korea. The Policy Advisory Committee for 2004 consists of 67 members in six subcommittees: unification policy, information on North Korea, exchanges and cooperation, sociocultural exchanges, unification education, and inter-Korean meetings. A total of 19 advisory meetings were held in 2004.

4. Support by Private Organizations

Until the 1980s, unification-focused organizations numbered only a handful, including the Association for National Unification of Korea. However, the number has soared since the 1990s and the scope of their activities is becoming increasingly specialized and diversified. Accordingly, the government and private organizations need to share information and promote cooperation in a growing number of areas.

A distinctive feature of the private-level unification activities in 2004 was the inter-Korean events led by private organizations in various fields. Some major examples include the Fourth Anniversary of the South-North Summit (June 14-17, Incheon) and the Inter-Korean Simultaneous Celebrations for National Foundation Day (October 3, Seoul and Pyongyang). Such inter-Korean events helped to foster the mood for inter-Korean reconciliation and cooperation, and the restoration of national homogeneity.

The government has been supporting various activities initiated by private-level unification organizations and, at the same time, proactively gathering suggestions and input from these organizations and incorporating them in unification policies. As of December 2004, non-profit unification organizations approved by the Ministry of Unification totaled 140, of which 27 were newly approved in 2004. In addition, the Ministry provided support, including approvals to use the Ministry of Unification as a sponsor, for various events organized by private-level unification organizations (23 cases), Minister of Unification Awards (6 cases) and Minister of Unification Commendations (3 cases), and arranged 15 visits to

Panmunjeom. In particular, the government contributed US\$401 billion to the Korean Council for Reconciliation and Cooperation for the August 15 Music Concert for Peace, the Unification Grand Rally for Youth, the Unification Forum and a seminar tour to provincial areas, which resulted in broadening the base for national consensus on unification.

II. Strengthening International Cooperation

1. Expanding the International Support Base

A. High-level Policy Consultative Meetings

In an effort to create an environment for the peaceful and early solution of the North Korean nuclear issue through the six-party talks and to secure international understanding and support for South Korea's policy toward Pyongyang, the government held high-level consultative meetings with major nations related to the Korean Peninsula.

South Korean Minister of Unification Chung Dong-young visited Washington, D.C. from August 31 to September 2, 2004 for discussions on major policy issues (including the North Korean nuclear issue) with high-level officials, such as Secretary of State Colin Powell, National Security Advisor Condoleezza Rice, and Secretary of Defense Donald Rumsfeld. During these meetings, Seoul and Washington confirmed the necessity to strengthen ROK-US cooperative relations for peace in Northeast Asia. In addition, Minister Chung gained American support on inter-Korean cooperation projects including the Gaeseong Industrial Complex, creating a positive international environment for pursuing policies toward North Korea.

Meetings and discussions were also held with leading figures who influence Washington's policies toward the Korean Peninsula. The talks promoted a better understanding of Korean Peninsula issues, and included an explanation of the status of inter-Korean relations, the North Korean political situation and the Policy of Peace and Prosperity. The meetings also increased the breadth and depth of American support for the direction of Seoul's policies toward Pyongyang. For example, during a conference of Korean Peninsula experts at the US Institute of Peace on September 1 and an interview with the Washington Post on the same day, Minister Chung stressed the importance of fostering the right environment for changes in North Korea and peacefully resolving the North Korean nuclear issue. He further explained the progress made in inter-Korean relations and changes taking place in North Korea.

As a part of the efforts to achieve a breakthrough in the North Korean nuclear issue, the government sent Minister Chung, who is also the Chairman of the Standing Committee of the National Security Council, as a presidential envoy to Beijing. During his visit to China from December 21-24, the Minister Chung paid a courtesy call on the chairman of the Standing Committee of the National People's Congress, Wu Bangguo, asking him to deliver a personal letter from President Roh Moo-hyun to the Chinese President Hu Jintao. They held discussions on ROK-PRC cooperation so as to further advance friendly bilateral relations and to resolve the North Korean nuclear issue.

In addition, the Minister held meetings with high-level Chinese officials such as the State Councilor Tang Jiaxuan, Minister of Foreign Affairs Li Zhaoxing, Minister of International Department of China's Communist Party Wang Jiarui, and Vice Foreign Minister Dai Bingguo, in which they exchanged views on a wide range of issues. On December 22, Minister Chung delivered a special lecture on "The Era of Peaceful and Prosperous Northeast Asia and the Korean Peninsula" to an audience of some 400 professors and students at Beijing University.

South Korea and China shared the view that inter-Korean dialogue and the six-party talks need to be resumed as soon as possible in order to put an end to the North Korean nuclear crisis. The two sides agreed to make more active efforts to this end. Seoul boosted Beijing's understanding of the three principles for solving the North Korean nuclear issue. First, there will be no tolerance for the possession of nuclear weapons by North Korea. Second, the parties must find a peaceful solution. Third, Seoul must play an active role. They reached an agreement on the necessity of the early resumption of the six-party talks, a strategic decision by North Korea, and a flexible response by related countries.

Meanwhile, Unification Vice Minister Cho Kun-sik visited Germany from June 7-10, 2004 and held meetings with the State Secretary of the Federal Ministry of Interior G. Wewer and the State Secretary of the Federal Ministry of Transport, Building and Housing I. Gliেকে. During the

talks, the Vice Minister was briefed about Germany's post-unification efforts for social integration and reconstruction of the former East Germany, and then he explained Seoul's efforts to tackle the North Korean nuclear issue and promote inter-Korean cooperation through projects such as the Gaeseong project. The Vice Minister then visited the United Kingdom from June 10-12 to explain Seoul's policy toward Pyongyang and the status of inter-Korean relations through meetings



ROK-US High-level Policy Consultative Meeting

with key political leaders and participation in a debate organized by the Institute for International and Strategic Studies (IISS).

In addition, the Ministry of Unification invited Germany's Federal Minister of the Interior, Otto Schily to Seoul from December 9-11, for high-level policy discussions. The visit served as an opportunity for resuming the ROK-Germany high-level policy meetings, which had not occurred since German unification, and for creating an international environment to pursue practical policies toward North Korea.

B. Participation in Bilateral and Multilateral Meetings

The Ministry of Unification sent representatives to the second round of Six-party Talks (February 24-28), the third round of Six-party Talks (June 20-27) and the first round of working-level meetings (May 10-17) held in China. During the talks, the South Korean government strived to establish a practical negotiating mechanism for the resolution of the North Korean nuclear issue by playing a leading role and preparing a specific negotiation plan while firmly maintaining the basic stance of: zero tolerance for the possession of nuclear weapons by North Korea, the peaceful solution of the North Korean nuclear issue and prevention of the recurrence of a security crisis through the promotion of peace and cooperation in Northeast Asia.

In addition, the Ministry also participated in bilateral and multilateral meetings related to the peaceful solution of the North Korean nuclear issue and peace and cooperation in Northeast Asia. Some of the meetings include: the ROK-US Senior Officials Meeting (January 17-19), the 15th Round of the Northeast Asia Cooperation for Dialogue in San Diego (April 4-6), the ROK-Russia Working-level Policy Consultative Meeting (June 14-16), and the ROK-US-Japan Trilateral Coordination Group (TCOG) on September 9-10. These meetings provided the opportunity to build cooperative systems for policy initiatives toward North Korea and to consult and coordinate policies.

2. Building an International Network

A. Briefings for Foreign Dignitaries Visiting Korea

The Ministry of Unification also took the initiative to explain to dignitaries visiting Seoul the status of inter-Korean relations and its stance on the North Korean nuclear issue in

requesting international cooperation and support for peace and stability on the Korean Peninsula. Senior government officials who visited the Ministry of Unification in 2004 included Swedish Prime Minister Goran Persson (March 10), Polish Foreign Minister Włodzimierz Cimoszewicz (August 23), U.S. Secretary of State Colin Powell (October 26), and Japanese Foreign Minister Nobutaka Machimura (November 6).

A list of visitors from political parties, parliaments and leading international organizations and research institutes includes: the Vice Speaker of German Parliament Antje Vollmer (April 16), Senior Advisor to United Nations Secretary-General Maurice Strong (May 24), Deputy Head of International Liaison Department of China's Communist Party Ryu Hongchai (June 21), International Crisis Group President Gareth Evans (August 26), President of Heritage Foundation Edward Feulner (August 27), WTO Secretary-General Francesco Frangialli (September 24), IAEA Director-General Mohamed El Baradei (October 5), Chairman of Foreign Affairs of Japanese Parliament Yamamoto Ichita (October 7), Chairman of the South Korean-German Lawmakers Association Hartmut Koschyk (October 8), WFP Executive-Director James Morris (October 22), Deputy Chairman of the International Affairs Committee of the State Duma Kosachev (November 3), U.N. General Assembly President Jean Ping (November 24) and Chairman of Defense and Security Committee of the Czech Parliament Jan Vidim (December 9).

In addition, shortly after the inter-Korean talks, the heads of diplomatic missions of the four major countries (the U.S., Japan, China and Russia) to Seoul were invited to be briefed on the outcome of the talks in order to further their understanding on the status of inter-Korean relations and their cooperation in the policies toward North Korea. The meetings were arranged with the ambassadors of EU nations to Seoul and key diplomatic officials to Seoul in order to explain the status of policy initiatives toward North Korea and Seoul's position on key issues, which resulted in broadening an international consensus.

Meanwhile, in an attempt to increase international support for the Policy of Peace and Prosperity and the international community's interest and understanding on unification issues through international exchanges and contacts in the legislative field, the Ministry supported an international workshop organized by lawmakers of the Unification, Foreign Affairs and Trade Committee of the National Assembly. A team of four lawmakers (You Sun-ho, Kim Won-wung, Kim Hak-won and Lee Sung-kwon) visited three countries: the Czech Republic, Hungary and Germany from August 9-17, 2004 for meetings with representatives of respective parliaments, leading figures in various fields, representatives of research institutes and experts to explain the policies toward North Korea and to urge the international community's support and cooperation in the peaceful solution of the issues related to the Korean Peninsula.

B. Overseas Resident Officers on Unification Affairs

Since dispatching a research officer on unification affairs to Germany on December 5, 1990, shortly after the Unification of Germany, the government has been sending resident officers of unification affairs to three countries—the U.S., Japan and China—since August 1996 in an attempt to enhance its competence in dealing with unification issues to an international level.

In 2004, renewing relations with the government, the parliament, and the Korean Peninsula-related think tanks of countries in which they reside, the resident officers boosted the understanding and support of their country-of-residence by explaining the status of inter-Korean relations and Seoul's policies toward Pyongyang. They also surveyed these countries' positions and viewpoints to reflect on formulating Seoul's policies toward North Korea. In addition, these officers provided support to inter-Korean government talks, private-level contacts and visits to the North arranged in their respective countries, and served as a local channel for inquiries on inter-Korean exchanges and cooperation projects.

3. Policy Promotion to the International Community

The unification of the Korean Peninsula is, in principle, an inter-Korean issue. However, it is also an international issue. In order to find a peaceful solution to the North Korean nuclear issue quickly and attain permanent peace and prosperity on the Korean Peninsula, it is essential to strive for international understanding and cooperation on the government's unification policies. In 2004, the government supported international academic workshops organized by leading universities in the United States, Japan, and China to provide a basis for the promotion of an international goal toward a peaceful solution of the North Korean nuclear issue and the stabilization of peace on the Korean Peninsula. On October 21, at an international workshop organized by Keio University in Japan, the status of inter-Korean relations and the direction of policies toward North Korea were explained. At an international academic seminar organized by Columbia University on December 2, the recent political situation in North Korea and the direction of Seoul's policies on inter-Korean exchanges and cooperation were presented. Also, the basic features and implementation of the Policy of Peace and Prosperity were explained at an international academic meeting organized by Beijing University on December 18.

The Ministry of Unification took part in seminars and international academic conferences held overseas, including ROK-US Security Forum (March 9-12, Washington), East Asia Strategy Forum (March 19-21, Seattle), ROK-US Opinion Leaders' Seminar (July 16-17, Washington), Seminar on the North Korean Nuclear Issue and Northeast Asia Security

(October 22-23, Beijing), and ROK-China Unification Forum (December 20, Shanghai) to explain the government's policies toward North Korea, promote increased understanding in the international community and exchange views with other participants on pending issues relevant to the Korean Peninsula.

Activities targeting economic leaders visiting South Korea (including credit rating agencies such as Moody's, Fitch and S&P) and key officials of international organizations, such as KEDO, were also initiated, contributing to the enhanced understanding of the international community regarding the situation on the Korean Peninsula and the government's policies toward North Korea.

In addition, the Minister, the Vice Minister and other senior officials of the Unification Ministry were interviewed by various representatives of the foreign press on 55 occasions, including the *Washington Post* and *Asahi Shimbun*, which served as opportunities to promote the government's policies toward Pyongyang and the status of South-North relations.

The Ministry of Unification published a variety of materials to promote the Ministry's policies to the world. In August 2004, 1,000 English copies of *Policy for Peace and Prosperity*, which elaborated the government's policy, were published in CD-ROMs and small booklets. In December, an additional 1,000 English copies of *The Road to Peace and Prosperity* were published. Meanwhile, the Korean Unification Letter, which outlines the direction of policy initiatives toward North Korea and the government's position on major issues, was made available through e-mail, enabling quick and accurate communication of the recent progress in government policy initiatives and pending issues in inter-Korean relations.

In addition, *Unified Korea*, a monthly journal published by the Institute for Peace Affairs, a private think-tank, was distributed to overseas Korean communities, while *Korea and World Affairs*, a quarterly periodical, published by the Research Center for Peace and Unification, was distributed to overseas research institutions and experts on Korean Peninsula issues.

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Afterword

Resumption of Inter-Korean Dialogue

- I. Inter-Korean Vice-Ministerial Talks
- II. Presidential Special Envoy's Visit to North Korea
- III. The 15th Inter-Korean Ministerial Talks

Resumption of Inter-Korean Dialogue

Determining that the stalled relations between South and North Korea due to the suspension of inter-Korean talks since July of last year and the unresolved North Korean nuclear issue do not serve useful for neither sides, the South Korean government has continued to urge the North to resume inter-Korean dialogue at every opportunity available.

Prime Minister Lee Hae-chan met with President of the Supreme People's Assembly Kim Yong-nam in Jakarta during the Asia-Africa Summit Meeting on April 23, 2005 and shared, in principle, the need to reopen inter-Korean talks. Afterwards, the South sent a letter to the North in the name of the Unification Minister, strongly urging the North to restart inter-Korean talks.

As a result of the South Korean government's efforts, the inter-Korean vice-ministerial meeting was held on May 16, resuming inter-Korean dialogue after 10 months.

I. Inter-Korean Vice Ministerial Talks

1. Major Issues

South and North Korea held vice-minister level talks during May 16~17 in Gaeseong and consulted on the North Korean nuclear issue, normalization of inter-Korean relations, as well as humanitarian issues including provision of fertilizers. In efforts to reach an agreement, the meeting was extended for two more days, and the following joint press release was announced as a result.

Major Points of the Joint Press Release

1. The South and the North will engage in joint efforts for peace on the Korean Peninsula.
2. Working-level consultations will be held on sending a government-level delegation headed by the Minister of Unification on the occasion of the June 15 Unification Celebration to be held in Pyongyang.
3. The 15th inter-Korean ministerial talks will be held in Seoul on June 21~24.
4. Out of humanitarian and compatriotic concerns, the South will deliver 200,000 tons of fertilizers to the North for the spring season, starting from May 21.

2. Results and Significance

First, by agreeing on the schedule for the 15th inter-Korean ministerial talks, the vice minister-level talks served as an important occasion for reviving the system of inter-Korean dialogue revolving around the inter-Korean ministerial talks.

Second, arriving at an agreement to make joint efforts for peace on the Korean Peninsula, the vice-ministerial talks contributed to the development of a favorable atmosphere for resolving the North Korean nuclear issue.

In particular, by reactivating the inter-Korean dialogue channel amidst the suspended six-party talks, the South Korean government strongly conveyed its and the international community's concerns over the North's actions that exacerbate the nuclear situation, and urged the North to abide by the principle of denuclearization of the Korean Peninsula, as well as to return to the 4th six-party talks as soon as possible.



Inter-Korean Vice Ministerial Talks

II. Presidential Special Envoy's Visit to North Korea

1. Background: June 15 Unification Celebration

In connection with sending a government-level delegation to the June 15 Unification Celebration as agreed at the inter-Korean vice-ministerial talks, the South and the North held three rounds of inter-Korean working-level talks at the end of May in Gaeseong. The following agreement was reached:

1. The delegation will include 20 government officials, headed by the Minister;
2. The delegation will be accompanied by 50 people, including an advisory group and the press corps;
3. The length of stay will be 3 nights and 4 days (June 14–17);
4. A chartered plane will enter and exit the North using a direct air route in the West Sea.

Upon the North's request to reduce the size of the delegation from the South, the size, the members, and the schedule were finalized after 3 rounds of contacts through the Panmunjeom liaison channel.

As a result, it was agreed that 40 government delegates headed by the Unification Minister Chung Dong-young would participate in the joint events of the June 15 Joint Celebration to be held in Pyongyang on June 14-17.

In particular, Unification Minister Chung Dong-young had a meeting as presidential special envoy with the North's Chairman Kim Jong-il and discussed the general situation surrounding inter-Korean relations.

2. Major Issues of Discussion

Minister Chung Dong-young delivered a verbal message from President Roh Moo-hyun, conveying his will to resolve the nuclear issue in a peaceful and diplomatic manner and to seek progress in inter-Korean relations. In response, Chairman Kim Jong-il expressed his gratitude to the South Korean government and people for the South's interest and help in various fields.



Minister Chung Dong-young's Meeting with Chairman Kim Jong-il

Moreover, the two sides exchanged frank views on the North Korean nuclear issue. In accordance with the 3 principles of resolving the North Korean nuclear issue, the South emphasized the importance of abiding by the principle of denuclearization of the Korean Peninsula, and peaceful resolution achieved through dialogue. The South also tried to induce the North's strategic decision by explaining the results of the June 10 Korea-U.S.

Summit meeting, the effectiveness of a multilateral security guarantee, and the "important proposal" being formulated by the South.

Chairman Kim Jong-il responded by expressing the following: the Declaration on the Denuclearization of the Korean Peninsula was the former leader Kim Il-sung's behest and that it was still valid; if the United States did not treat North Korea in a hostile manner, the North had no reason to possess nuclear weapons; and that if the United States were to establish diplomatic relations and become friendly towards North Korea, the North would be willing to abandon its long-range missiles.

In addition, he agreed on substantial measures for developing inter-Korean relations including dispatching a North Korean governmental delegation to the inter-Korean Joint Celebration of August 15 National Liberation Day, resuming inter-Korean general-level military talks, launching fishery ministry talks, commemorating August 15 by holding reunions of separated families as well as reunions via video, connecting inter-Korean railroads, opening a direct air route between Seoul and Pyongyang, and improving the dialogue culture to concentrate on substantial consultations.

III. The 15th Inter-Korean Ministerial Talks

1. Background

The 15th inter-Korean ministerial talks took place in Seoul for 4 days from June 21–24. During the talks, there was a general meeting, contact between head delegates, and the North Korean delegates' courtesy call to President Roh Moo-hyun on June 23.

During the talks, the two sides discussed ways to implement the details of the agreement reached during the meeting held between the Presidential Special Envoy Chung Dong-young and Chairman Kim Jong-il on June 17 and agreed on the general situation surrounding inter-Korean relations. The contents of the agreement were announced in the form of a Joint Press Release.

Details of Agreement

1. The South and the North agreed to dispatch government delegation to the August 15 South-North Joint Celebration of the National Liberation Day to be held in the South, and to hold working-level talks for this event in July in Gaeseong, North Korea.
2. The South and the North, with the ultimate goal of denuclearizing the Korean Peninsula, agreed to take substantial measures to peacefully resolve the nuclear issue through dialogue as favorable atmosphere develops.
3. The South and the North agreed to reopen the reunion of separated families at Mt. Geumgang from August 26; to hold a ground-breaking ceremony for the construction of the Family Reunion Center at Mt. Geumgang; and to complete land and geological surveys for the Center before the end of July. In addition, the two sides agreed to hold the 6th Inter-Korean Red Cross Talks in August to discuss humanitarian issues including confirmation of fates of those missing during the war.

4. The South and the North agreed to hold a video reunion on a trial basis on the occasion of the August 15 National Liberation Day, and to hold working-level talks for this reunion around July 10 in Gaeseong.
5. The South and the North confirmed that the 1905 Eulsa Protectorate Treaty, signed 100 years ago, is fundamentally invalid. Also, the South and the North agreed to regain possession of the ancient stone tablet “Bugkwandaechobbi” from Japan, taking practical measures to that end. In addition, both sides agreed to jointly pursue the project of unearthing the remains of Ahn Joong-geun.
6. The South and the North agreed to hold the 3rd Inter-Korean General-level Military Talks at Mt. Baekdu, with a specific date to be worked out by the military authorities of the two Koreas.
7. The South and the North agreed to formulate and operate working-level consultations for maritime cooperation under the Inter-Korean Economic Cooperation Promotion Committee, with the goal to establish peace in the West Sea. It has also been agreed that the consultations will be held in July this year to discuss maritime cooperation, including activities in the joint fisheries zone.
8. The South and the North agreed to form and operate an Inter-Korean Agricultural Cooperation Committee led by vice-minister-level officials under the Inter-Korean Ministerial Talks, to launch agricultural cooperation. It was agreed that the first meeting of this committee will be held in mid July, in Gaeseong.
9. The South and the North agreed to allow North Korean civilian vessels to pass through the Jeju Strait, and to discuss practical matters toward that end.
10. It has been agreed that the South will provide food assistance to the North out of humanitarianism and compatriotism, with the specific procedures to be decided at the 10th Meeting of the Inter-Korean Economic Cooperation Promotion Committee.
11. The South and the North agreed to hold the 10th Inter-Korean Economic Cooperation Promotion Committee meeting on July 9~12 in Seoul, and take steps to actively promote economic cooperation based on the outcome of the meeting.
12. The South and the North agreed to hold the 16th Inter-Korean Ministerial Talks on September 13~16, 2005 in Mt. Baekdu, North Korea, and to hold the 17th Inter-Korean Ministerial Talks in December this year, in the South.

2. Results and Significance

The 15th Inter-Korean Ministerial Talks not only revived and normalized inter-Korean dialogue, which had been stalled since July 2004, but also served as the basis for inter-Korean relations to make a leap forward, bringing together the accomplishments of the vice-ministerial talks (May 16~19, Gaeseong), the joint June 15 Unification Celebration (June 14~17, Pyongyang), as well as of the meeting between the presidential special envoy Chung Dong-young and Chairman Kim Jong-il (June 17).



The major results and significance are as follows: first, firmly determined to implement the June 15 Joint Declaration, the South and the North opened a “second era of June 15” by agreeing to pursue “the end of the Cold War on the Korean Peninsula,” “settlement of peace,” and “common prosperity” through mutual respect and trust, and dialogue and cooperation.

Second, by agreeing to the objective of “denuclearization of the Korean Peninsula” and peaceful resolution through dialogue, the South and the North raised the prospects for resolving the North Korean nuclear issue through dialogue.

Third, by agreeing to hold a third round of general-level military talks and a working-level meeting on maritime cooperation, the South and the North created a favorable environment for reducing military tension in the West Sea and settling peace on the Korean Peninsula.

Fourth, by agreeing to hold the 11th reunion of separated families (August 26-), begin construction of the Family Reunion Center, and launch video reunions (on the occasion of August 15), the two sides laid a foundation for a systematic resolution of the separated families issue. Moreover, the two sides agreed to consult and resolve the issue of confirming the fates and whereabouts of the Prisoners of War through the inter-Korean Red Cross talks.

Fifth, the two sides promoted inter-Korean economic cooperation for common prosperity of the two Koreas by agreeing to hold the 10th inter-Korean Economic Promotion Committee meeting, construct the “South-North Economic Cooperation Office” and effectuate the 9 economic cooperation agreements already agreed upon, and pursue inter-Korean agricultural cooperation projects for the fundamental resolution of the North Korean food problem.

Sixth, the two sides agreed to strengthen the sense of national homogeneity and expand inter-Korean exchanges and cooperation in the social and cultural fields by 1) confirming that the 1905 Eulsa Protectorate Treaty was fundamentally invalid in around the 60th anniversary of the National Liberation Day; 2) agreeing to regain possession of the ancient stone tablet "Bugkwandaechobbi;" and 3) jointly pursuing the project of unearthing the remains of Ahn Joong-geun.

Finally, to improve the culture of inter-Korean dialogue, the South suggested the following: 1) the inter-Korean ministerial talks should be held on a regular basis; 2) dialogue should be pursued with a view to enhance capabilities, interests, performance; and 3) emphasis needs to be put on the importance of reciprocity and implementation. The North responded positively to our efforts and the talks proceeded around substantial negotiations instead of slander or political propaganda.

In addition, the 15th ministerial talks were evaluated highly for the new aspects it introduced in terms of the culture of inter-Korean dialogue. The table used at the general meeting was replaced with a round one and the results of the talks were announced at a joint press conference, distinctly different from the past meetings.

Appendix

1. Joint Statements in Inter-Korean Ministerial Talks: 1st~14th Round of Talks
2. Chronology of Inter-Korean Relations since the June 15 Joint Declaration in 2000

Appendix

1. Joint Statements in Inter-Korean Ministerial Talks: 1st~14th Round of Talks

June 15 Joint Declaration in 2000

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

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

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

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

June 15, 2000

Kim Dae-jung
President
Republic of Korea

Kim Jong-il
Chairman, National Defense Commission
Democratic People's Republic of Korea

Joint Press Statement of the 1st Inter-Korean Ministerial Talks

The 1st Inter-Korean Ministerial Talks were held in Seoul from July 29 to 31, 2000.

Emphasizing the great significance of the historic summit talks between the heads of South and North Korea and the June 15 Joint Declaration, the two delegations to the Inter-Korean Ministerial Talks have agreed as follows in order to implement the Declaration faithfully:

1. The South and the North shall proceed with the South-North Ministerial Talks in accordance with the spirit of the South-North Joint Declaration.

First, the Inter-Korean Ministerial Talks shall discuss and resolve the ways to implement the Joint Declaration signed by the two leaders in such a way as to respect the agreement and pursue common interests.

Second, the Ministerial Talks shall depart from the past habits of distrust and disputes to resolve easy issues first in the spirit of mutual confidence and cooperation.

Third, the Ministerial Talks shall give importance to actions so that they can produce real outcomes before the nation, and shall aim at achieving peace and unification.

2. On the occasion of the 15th of August, 2000, the South and the North shall resume the operations of the South-North Liaison Office at Panmunjeom which have been suspended from November 1996.
3. In commemorating the 15th of August (National Liberation Day), the South and the North shall hold events in the South, the North and overseas respectively in support of the South-North Joint Declaration to drum up national determination at large to put it into practice.
4. The South and the North shall cooperate and take appropriate measures to ensure that members of Chongryun (the General Association of Korean Residents in Japan) can form tour groups to visit their hometowns.
5. The South and the North shall rehabilitate the Seoul-Shinuiju Railway and discuss the issues thereof at an early date.
6. The South and the North shall hold the 2nd Inter-Korean Ministerial Talks from August 29 to 31 in Pyongyang.

July 31, 2000 [Seoul]

Joint Press Statement of the 2nd Inter-Korean Ministerial Talks

The 2nd Inter-Korean Ministerial Talks were held in Pyongyang from August 29 to September 1, 2000.

Emphasizing anew the great significance of the June 15 Joint Declaration, the two delegations assessed that the declaration is bearing fruitful results. The two delegations reaffirmed their efforts to faithfully implement the Joint Declaration and have agreed as follows:

1. South and North Korea will hold two more rounds of reunion of separated families and relatives within this year. The two sides will hold a new round of Inter-Korean Red Cross talks soon to discuss the details. At the planned Red Cross talks, the two Koreas will discuss matters related to separated families including exchange of letters.
2. South and North Korea will work toward easing military tension and ensuring peace. To that end, the two Koreas will discuss to hold talks between South and North Korean military authorities at an early date.
3. South and North Korea will establish a legal framework for economic cooperation such as guarantee of investment and avoidance of double taxation. The two sides will hold working-level contact concerning this matter sometime in September. In addition, the South will review and proceed with food aid in loans to the North considering that the North continues to be afflicted by natural calamities.
4. South and North Korea will hold working-level contact to discuss groundbreaking schedule for connecting the railway between Seoul and Shinuiju and opening the road linking Munsan and Gaeseong.
5. South and North Korea will meet to promote joint flood prevention project on the Imjin River at an early date.
6. South and North Korea will exchange about 100 tourists from each side to visit Mt. Halla in the South and Mt. Paektu in the North between mid-September and early October.
7. South and North Korea will hold a third round of ministerial-level talks at Mt. Halla on September 27 to 30.

September 1, 2000 [Pyongyang]

Joint Press Statement of the 3rd Inter-Korean Ministerial Talks

The 3rd Inter-Korean Ministerial Talks was held on Jeju Island on September 27 to 30, 2000.

During this round of talks, the South and the North affirmed that the points agreed to after the announcement of the historic June 15 South-North Joint Declaration had been sincerely implemented. Reaffirming an active and consistent implementation of the Joint Declaration, the two sides agreed as follows:

1. The South and the North shall implement all the agreements already made in various forms of talks and continue to discuss a wide range of issues in depth and sincerely promote those projects that can be put into practice in the future.
2. The South and the North shall cooperate with each other to encourage the Red Cross Societies of both sides to immediately take measures for a prompt settlement of issues related to separated families, including address checks, exchange of letters and establishment of a permanent meeting center along with other points agreed to in the second round of the talks, starting at the end of this year.
3. The South and the North shall praise the successful completion of the first round of the working-level contact to provide institutional mechanisms for economic cooperation and cooperate with each other to settle the issues involved in dispute settlement and clearance accounts along with an investment guarantee and avoidance of double taxation.
4. The South and the North shall establish a Committee for the Promotion of Inter-Korean Economic Cooperation to discuss and implement various issues to expand exchange and cooperation in the economic area.
5. Based on a common understanding that it is important to expand exchange and cooperation in various areas, including academic, cultural and athletic, the South proposed a regular soccer match be held alternately in Seoul and Pyongyang and exchange of visits by college professors, students and cultural leaders, while the North promised to give a positive review on the projects for exchange and cooperation, including the ones proposed above. The two sides shall discuss and decide on these matters during the fourth round of the Inter-Korean Ministerial Talks.
6. The South and the North shall hold the fourth round of the Inter-Korean Ministerial Talks from November 28 to December 1, 2000 for four days and three nights. The venue for the talks shall be decided later.

September 30, 2000 [Jeju Island]

Joint Press Statement of the 4th Inter-Korean Ministerial Talks

The 4th Inter-Korean Ministerial Talks was held in Pyongyang from December 12 to 16, 2000.

During the talks, both sides assessed the projects undertaken during the last six months to implement the historic Inter-Korean Joint Declaration as a success. Having agreed to active implementation of the Joint Declaration in the year 2000, they have agreed on the following points:

1. To promote a balanced development and co-prosperity of the Korean national economy, the South and the North shall establish and operate Inter-Korean Economic Cooperation Promotion Committee. The joint Committee shall consist of a vice-ministerial level head of delegation and 5-7 members from each side. The first meeting of the Committee shall be held in Pyongyang around December 26, 2000. The two sides shall discuss and resolve such practical issues in pending economic cooperation as the supply of electricity, connection of railways and highway, construction of the Gaeseong Industrial Complex and promotion of the Imjin River flood prevention projects.
2. The South and the North agreed to cooperate in the fishing industry. The North offered a part of its fishing ground on the East Sea to the South. The two sides agreed that the people representing their fishery authorities should meet in the Mt. Geumgang area as soon as possible to discuss the matter.
3. The South and the North agreed to advise their respective Taekwondo organizations to meet with each other to discuss the exchange of exhibition teams between the two Koreas.
4. The South and the North shall promote address checks and exchange of letters between the members of separated families. The address checks shall be limited to one hundred people from each side both in January and in February. The exchange of letters shall be limited to about three hundred people from each side in March.
5. The South and the North shall exchange the third group of one hundred separated families at the end of February 2001.
6. The North shall send its Mt. Halla tourist delegation in March and economic mission during the first half of 2001.

7. The South and the North shall have each of the four agreements signed by the heads of delegation, related to investment protection, avoidance of double taxation, account settlement and business dispute arbitration, go through the necessary procedure for its effectuation and notify each other of the results.
8. The South and the North shall hold the fifth round of Inter-Korean Ministerial Talks in March 2001, but the venue for the meeting shall be decided later through mutual consultation.

December 16, 2000 [Pyongyang]

Summary of the Joint Press Statement of the 5th Inter-Korean Ministerial Talks

The 5th Inter-Korean Ministerial Talks were held in Seoul from September 15 to 18, 2001.

1. The South and the North should develop projects contributing to dialogue and cooperation between the two sides that would promote reconciliation and unity of the nation, as well as actively support contacts and exchanges at the civilian level, and cooperation projects based on mutual understanding and respect.
2. The South and the North will hold a fourth exchange of visits of separated families on October 16 to 18 on the occasion of Chuseok, Korean Thanksgiving.
3. The South and the North will adopt the following measures for a balanced development of national economy as well as for expanding economic cooperation.
 - ① Begin construction of the Seoul-Shinuiju railroad and road and operate the connected railroad and road as soon as possible.
 - ② Hold working-level contacts for construction of the Gaeseong Industrial Complex at an early date.
 - ③ Hold inter-Korean talks to discuss revitalizing Mt. Geumgang tourism, including opening an overland route to the mountain on October 4.
 - ④ The South and the North should actively cooperate to realize projects of connecting railroads among the South, the North, and Russia as well as of connecting 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 the South in October and the South Korean team the North in November.
5. Hold the 6th inter-Korean ministerial talks from October 28 to 31, 2001.

September 18, 2001 [Seoul]

* There was no Joint Press Release on the 6th Ministerial Talks, held November 9 to 14, 2004 at Mt. Geumgang, because South and North Korea failed to reach an agreement.

Joint Press Release of the 7th Inter-Korean Ministerial Talks

The 7th Inter-Korean Ministerial Talks were held in Seoul from August 12 to 14, 2002

During the talks, the two sides confirmed their willingness to carry out faithfully the historic June 15 South-North Joint Declaration, consulted each other on measures to implement the April 5 Joint Press Statement and other matters of mutual concern, and agreed as follows:

1. The South and the North will hold the 2nd round of the South-North Economic Cooperation Committee meeting in Seoul from August 26 to 29.

During the meeting, the two sides will consult each other on issues relating to reconnection of the inter-Korean railroad and highway, construction of the Gaecheon Industrial Complex, anti-flood measures along the Imjin River and other economic cooperation issues. Regarding the railroad and highway reconnection works on the Seoul-Sinuiju Line and along the East Coast, the two sides will start construction work simultaneously; however, the final starting date will be determined later, taking technical problems into account.

2. The South and the North will take promptly the military assurance measures for the reconnection of the inter-Korean railways and roads and will hold a meeting between the military authorities at an early date.
3. For a joint investigation of the Imnam Dam at the Anbyeon Youth Power Plant, the South and the North will hold a working-level contact in the middle of September at Mt. Geumgang.
4. On the occasion of Chuseok (Korean Thanksgiving Day), the South and the North will hold the 5th reunion of the separated families at Mt. Geumgang.

The size of the family groups and the procedures will follow the precedents of the 4th reunion of the separated families, and other details will be consulted at Panmunjeom. In addition, in order to resolve issues relating to the family reunion, the two sides will hold the 4th South-North Red Cross Talks between delegations headed by a top-level officer of each national Red Cross at Mt. Geumgang from September 4 to 6; at this time, the two sides will consult each other about such issues as the establishment and operation of family reunion facilities.

5. The South and the North will hold the second round of official talks from September 10 to 12 at Mt. Geumgang to revitalize the Mt. Geumgang tourism.
6. In connection with various working-level issues, including North Korea's participation in the 14th Asian Games in Busan and torch relays from Mt. Baekdu, consultations will be held from August 17 at Mt. Geumgang between the Busan Asian Games Organizing Committee and the North Korean Olympic Committee, and the South and the North will actively cooperate so that they will proceed smoothly.
7. The South and the North will actively cooperate so that the South-North Soccer match will be successfully held in Seoul from September 6 to 8.
8. The South and the North will proceed with exchanges of Taekwondo demonstration teams, and further agree that the Southern team will visit Pyongyang in mid-September and the Northern team will visit Seoul in late October, and that they will arrange meetings for detailed consultations between the concerned organizations.
9. A North Korean economic observation team will visit the South in late October.
10. The South and the North will hold the eighth Inter-Korean Ministerial Talks in Pyongyang from October 19 to 22.

August 14, 2002 [Seoul]

Joint Press Release of the 8th Inter-Korean Ministerial Talks

The 8th Inter-Korean Ministerial Talks were held in Pyongyang from October 19 to 22, 2002.

In the meeting, the two sides discussed recent inter-Korean relations and concluded that they have been developing favorably and in conformity with the basic spirit of the June 15 Joint Declaration. Both sides agreed to continue efforts to implement the South-North Joint Declaration. In order to resolve pending problems, both further agreed as follows:

1. The South and the North agreed to make common efforts to guarantee peace and security on the Korean Peninsula, consistent with the spirit of the June 15 Joint Declaration, and to actively cooperate to resolve all problems through dialogue, including the nuclear issue.
2. The South and the North agreed to expedite the construction of the Seoul-Sinuiju and East Sea railways and roads so that the projects could make rapid and simultaneous progress; and the Inter-Korean Ministerial Talks will actively support the work.
In the first stage, the two sides will connect the Seoul-Sinuiju railway and road to the Gaeseong Industrial Complex as well as the East Sea railway and road to the Mt. Geumgang region.

The two sides will accelerate the East Sea railway connection work and the South will expedite work on its segment toward Gangneung without interruption.
3. The South and the North agreed to discuss matters concerning groundbreaking in December for the construction of the Gaeseong Industrial Complex and related working-level details at a working-level meeting for the construction of the Gaeseong Industrial Complex. When the industrial complex is completed, a relevant office for the South will be established.
4. The South and the North will hold a working-level contact at Mt. Geumgang in November to adopt a maritime agreement governing passage by civilian ships through each other's territorial waters.
5. The South and the North will consult on the adoption of an agreement on transit of personnel and materials to the other side when the inter-Korean railways and roads are connected.

6. The South and the North will hold working-level contact at an early date at Mt. Geumgang to discuss the partial use of the North's East Sea fishing ground by South Korean fishermen.
7. The South and the North will quickly construct the Mt. Geumgang reunion center for separated families and actively support Red Cross projects to confirm the whereabouts of those unaccounted for during the war.
8. The South and the North will hold the Ninth Inter-Korean Ministerial Talks in Seoul in mid-January 2003.

October 22, 2002 [Pyongyang]

Joint Press Release of the 9th Inter-Korean Ministerial Talks

The 9th Inter-Korean Ministerial Talks were held in Seoul from January 21 to 24, 2003.

During the talks, the two sides affirmatively rated the development of inter-Korean relations since the announcement of the historic June 15 Joint Declaration and agreed to continue to observe and implement the June 15 Joint Declaration.

The South and the North exchanged each other's views on the nuclear issue fully and agreed to positively cooperate to resolve this issue peacefully.

The South and the North agreed to continue the ongoing exchange and cooperation projects to promote common interests and a balanced development of the national economy. They also agreed to hold the 4th meeting of Inter-Korean Economic Cooperation Promotion Committee from February 11 to 14, 2003, in Seoul.

The South and the North agreed to hold the 10th Inter-Korean Ministerial Talks from April 7 to 10, 2003 in Pyongyang.

January 24, 2003 [Seoul]

Joint Press Release of the 10th Inter-Korean Ministerial Talks

The 10th Inter-Korean Ministerial Talks were held in Pyongyang from April 27 to 29, 2003.

In the talks, the two parties discussed matters of common concern seriously in connection with the implementation of the historic June 15 Joint Declaration and agreed as follows:

1. The South and the North reconfirm the basic spirit of the June 15 Joint Declaration and will observe the joint declaration as usual and will continue to implement it thoroughly.
2. The South and the North will discuss fully the other party's position regarding the nuclear issue on the Korean peninsula and will continue to cooperate in resolving the issue peacefully through dialogue.
3. The South and the North will ensure that the "June 15 People's Festival for Unification," being organized to mark the third anniversary of the June 15 Joint Declaration, is smoothly staged in an atmosphere of reconciliation and cooperation. They will promote the event as a routine affair in the future.
4. The South and the North will actively promote cooperative projects that are being implemented as agreed to between the two parties, or scheduled for implementation.

The two parties will take necessary steps to successfully promote cooperative projects, including the connection of railroads and roads of the Seoul-Sinuiju Railroads and the Donghae (East Sea) Railroads, the ground-breaking ceremony for the construction of the Gaeseong Industrial Complex, the Mt. Geumgang tourism program and compatriotic and humanitarian work.

The two parties will hold the 5th meeting of the Inter-Korean Economic Cooperation Promotion Committee in Pyongyang from May 19 to 22 to discuss and resolve problems arising from economic cooperative projects.

5. The South and the North will actively seek to resolve the problems of separated families.

The two parties will hold the ground-breaking ceremony for the construction of a reunion center for separated families at an early date and hold the 7th reunion of separated families in Mt. Geumgang on the occasion of the third anniversary of the June 15 Inter-Korean Joint Declaration.

6. The South and the North will hold the 11th Inter-Korean Ministerial Talks in Seoul from June 9 to 12.

April 29, 2003 [Pyongyang]

Joint Press Release of the 11th the Inter-Korean Ministerial Talks

The 11th Inter-Korean Ministerial Talks were held in Seoul from July 9 to 12, 2003.

The South and the North discussed earnestly the issues of mutual concern related to the promotion of peace on the Korean Peninsula and of the inter-Korean reconciliation and cooperation based on the spirit of June 15 Inter-Korean Joint Declaration. They agreed as follows:

1. Expressing concerns over the recent situation on the Korean Peninsula and recognizing the need to work together to maintain peace and security on the Peninsula, South and North Korea agreed to cooperate to resolve the nuclear issue peacefully through an appropriate dialogue format.
2. South and North Korea agreed to hold the 8th reunion of separated families at Mt. Geumgang on the occasion of Chuseok (Korean Thanksgiving Day). Both sides agreed to cooperate in holding a ground-breaking ceremony for the Families Reunion Center at Mt. Geumgang.
3. South and North Korea agreed to cooperate for an early completion of the ongoing inter-Korean economic cooperation projects, and to hold the 6th meeting of the Inter-Korean Economic Cooperation Promotion Committee in Seoul from August 26 to 29, 2003.
4. South and North Korea agreed to consider establishing under the Ministerial Talks a committee for the Inter-Korean Social and Cultural Cooperation. At this committee, both sides will discuss various issues of inter-Korean exchanges and cooperation in the social, cultural, and athletic areas, and examine problems raised by both sides, including the termination of slandering broadcasts against each other.
5. South and North Korea agreed to cooperate positively so that civic organizations can hold commemorative events and activities to mark the August 15 National Liberation Day amid the atmosphere of reconciliation and cooperation.
6. South and North Korea agreed to hold the 12th Inter-Korean Ministerial Talks in Pyongyang from October 14 to 17, 2003.

July 12, 2003 [Seoul]

Joint Press Release of the 12th Inter-Korean Ministerial Talks

The 12th Inter-Korean Ministerial Talks were held in Pyongyang from October 14 to 17, 2003.

In the Talks, the South and the North fully expressed their respective positions in a discussion on current issues. Pursuant to the fundamental spirit of the June 15 Joint Declaration, the two sides agreed to continue cooperation in promoting peace on the Korean peninsula and reconciliation and cooperation between the South and the North.

The South and the North agreed to actively push their economic cooperation projects and hold the 7th meeting of the Inter-Korean Economic Cooperation Promotion Committee in Pyongyang early in November.

The South and the North also agreed to hold the 13th Inter-Korean Ministerial Talks from February 3 to 6, 2004 in Seoul.

October 17, 2003 [Pyongyang]

Joint Press Release of the 13th Inter-Korean Ministerial Talks

The 13th Inter-Korean Ministerial Talks were held in Seoul from February 3 to 6, 2004.

Pursuant to the basic spirit of the June 15 Joint Declaration, the two sides seriously discussed prosperity of the Korean people and all problems to make substantive progress in inter-Korean relations and agreed on the following points:

1. The South and the North will cooperate for a fruitful second round of the six-party talks and for a peaceful resolution of the nuclear issue.
2. The South and the North will hold a military authorities' meeting at an early date to ease military tensions on the Korean Peninsula.
3. The South and the North will promote in earnest the first-stage development of one million 'pyeong' (3.3 million square meters) in the Gaeseong Industrial Complex at an early date and positively cooperate in developing a 10,000 'pyeong' (33,000 square meters) as a demonstration complex during the first half of this year.
4. The South and the North will continue discussions on the Prevention of Flood in the Imjin River Basin, the effectuation of the Inter-Korean Maritime Agreement, the cessation of target broadcasts against each other and other problems each may raise.
5. The South and the North will implement the ninth Reunion of Separated Families at the end of March in 2004 at Mt. Geumgang.
6. The South and the North will hold the 14th Inter-Korean Ministerial Talks from May 4 to 7, 2004 in Pyongyang.

February 6, 2004 [Seoul]

Joint Press Release of the 14th Inter-Korean Ministerial Talks

The 14th Inter-Korean Ministerial Talks was held in Pyongyang on May 4 to 7, 2004.

During the talks, both sides shared the view that inter-Korean relations should be developed based on the basic spirit of the June 15 Joint Declaration. They also agreed to hold military talks and continue consultations on issues proposed by both sides.

The South and the North agreed to hold the 15th Ministerial Talks in Seoul from August 3 to 6, 2004.

May 7, 2004 [Pyongyang]

2. Chronology of Inter-Korean Relations since the June 15 Joint Declaration in 2000

2000

6/13~15	Inter-Korean Summit (Pyongyang) Adoption of the June 15 Joint Declaration
6/27~30	First Inter-Korean Red Cross Talks (Mt. Geumgang)
7/29~31	First Inter-Korean Ministerial Talks (Seoul)
8/5~12	Heads of South Korean media and press visit the North
8/8	Hyundai Honorary Chairman Chung Ju-yung takes 500 cows on his visit to the North
8/14	Inter-Korean Liaison Offices resume operations
8/15~18	First Inter-Korean Reunion of Separated Families (Seoul & Pyongyang)
8/18~24	The North Korean National Symphony Orchestra visits Seoul for a joint performance with the South Korean National Symphony Orchestra
8/22	Hyundai and North Korea sign an agreement on the development of the Gaeseong Industrial Complex
8/29~9/1	Second Inter-Korean Ministerial Talks (Pyongyang)
9/2	South Korean government repatriates 63 unconverted long-term prisoners to the North
9/11~14	North Korean Special Envoy Kim Yong-sun visits the South
9/15	The South and North Korean delegations to the Sydney Olympic Games march together in the Opening Ceremony
9/18	Ground-breaking Ceremony for Seoul-Shinuiju Railway (Imjingak)
9/20~23	Second Inter-Korean Red Cross Talks (Mt. Geumgang)
9/25~26	First Inter-Korean Defense Ministerial Talks (Jeju Island) First Inter-Korean Working-level Contact on Economic Cooperation (Seoul)
9/27~30	Third Inter-Korean Ministerial Talks (Jeju Island)
11/8~11	Second Inter-Korean Working-level Contact on Economic Cooperation (Pyongyang)
11/17	North Korea and UN Forces Command conclude an agreement to allow access to certain areas west of the Demilitarized Zone (DMZ)
11/30~12/2	Second Inter-Korean Reunion of Separated Families (Seoul & Pyongyang)
12/12~16	Fourth Inter-Korean Ministerial Talks (Pyongyang)
12/27~30	First Inter-Korean Economic Cooperation Promotion Committee Meeting (Pyongyang)

2001

1/29~31	Third Inter-Korean Red Cross Talks (Mt. Geumgang)
2/21~24	First Inter-Korean Working-level Meeting on Flood Prevention in the Imjin River Basin (Pyongyang)
2/26~28	Third Inter-Korean Reunion of Separated Families (Seoul & Pyongyang)
3/10~14	Minister of Culture and Tourism Kim Han-gil visits the North
3/15	First inter-Korean exchange of letters among separated families (300 members from each side)
3/24	The North sends delegation to the memorial service of Chung Ju-young
4/11	South Korean Singer Kim Yeon-ja performs in Hamheung, North Korea
4/26	South Korean government announces its plan to deliver 200,000 tons of fertilizer to the North
5/3	Chairman Kim Jong-il announces his plan to delay testing of missiles
6/2~4	Three North Korean ships enter the Jeju Straits without permission
8/15~21	8.15 National Unification Celebration (Pyongyang)
9/15~18	Fifth Inter-Korean Ministerial Talks (Seoul)
10/3~5	First Inter-Korean Talks on Mt. Geumgang Tourism (Mt. Geumgang)
11/9~14	Sixth Inter-Korean Ministerial Talks (Mt. Geumgang)
12/6~31	North Korean Light Water Reactor Project delegation (19 people) visits the South

2002

1/29	U.S. President George W. Bush designates North Korea as a member of the "axis of evil"
4/3~5	South Korean Special Envoy Lim Dong-won visits the North (Issues Joint Press Release)
4/6	Pyeonghwa Motors Corporation completes factory construction in Nampo, North Korea
4/11	Dorasan Station on Gyeongui Line is open
4/28~5/3	Fourth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
5/10~15	255 Jeju islanders visit the North
5/11~14	National Assembly Representative Park Geun-hye visits the North
5/19~24	North Korean Light Water Reactor Project and Aviation delegation (10 people) visits the South
6/14~15	Celebration of the two-year anniversary of the June 15 Join Declaration (Mt. Geumgang)
6/29	Naval skirmishes in the West Sea
7/12~14	Research team of 320 university students visit Mt. Geumgang

7/20	Test flight of direct route (between Yangyang, South Korea and Sunders, North Korea) concerning KEDO
8/12~14	Seventh Inter-Korean Ministerial Talks (Seoul)
8/14~17	8.15 National Unification Celebration (Seoul)
8/19	21 North Korean refugees enter the South via ship
8/27~30	Second Inter-Korean Economic Cooperation Promotion Committee Meeting (Seoul)
9/5	Busan Asian Games flame is lit at Mt. Baekdu and Mt. Halla simultaneously
9/5~8	Inter-Korean unification soccer match (Seoul)
9/6~8	Fourth Inter-Korean Red Cross Talks (Mt. Geumgang)
9/10~12	Second Inter-Korean Talks on Mt. Geumgang Tourism (Mt. Geumgang)
9/12	North Korea and U.N. Forces Command conclude an agreement to allow access to certain areas east of the DMZ
9/13~17	First Inter-Korean Working-level Meeting on the Reconnection of Railroads and Roads (Mt. Geumgang)
9/13~18	Fifth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
9/14~17	South Korean Taekwondo demonstration team visits Pyongyang
9/17	The South and the North conclude an agreement on military guarantee
9/18	Ground-breaking Ceremony for the reconnection of railroads and roads on Gyeongui and Donghae Lines
9/19	Mine clearing work begins along Gyeongui and Donghae Lines within the DMZ
9/24	Direct military telephone line is open for the reconnection of inter-Korean railroads and roads
9/29~10/14	668 North Korean players and cheerleaders participate in the Asian Games (Busan)
10/12~13	First Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Mt. Geumgang)
10/13~14	South and North Korean Youth Unification Meeting (Mt. Geumgang)
10/16~17	South and North Korean Women's Unification Meeting (Mt. Geumgang)
10/17	U.S. announces North Korea's highly enriched uranium program
10/19~22	Eighth Inter-Korean Ministerial Talks (Pyongyang)
10/23~26	41 members of the North Korean Taekwondo demonstration team visit Seoul
10/26~11/3	North Korean Economic Observation Team visits South Korea
10/30~11/2	First Inter-Korean Working-level Meeting on the Gaeseong Industrial Complex Project (Pyongyang)
10/30~11/3	Second Inter-Korean Working-level Meeting on Flood Prevention in the Imjin River Basin (Pyongyang)

10/31-11/2	First Inter-Korean Red Cross Working-level Contact (Mt. Geumgang)
11/6-9	Third Inter-Korean Economic Cooperation Promotion Committee Meeting (Pyongyang)
11/18-20	Second Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Mt. Geumgang) First Inter-Korean Working-level Contact on Marine Transportation Cooperation (Mt. Geumgang)
11/26	Joint survey of railroads and roads on the Donghae Line
11/29	Joint survey of railroads and roads on the Gyeongui Line
12/6-8	Second Inter-Korean Working-level Contact on the Gaeseong Industrial Complex Project (Mt. Geumgang)
12/11-13	First Inter-Korean Working-level Meeting on Economic Cooperation System (Seoul)
12/12	North Korea declares the end of nuclear freeze
12/12	Completion of temporary road along the Donghae Line for tourism to Mt. Geumgang via land route
12/14	Completion of land mine clearing within the DMZ for connecting Gyeongui and Donghae Lines
12/15-17	Second Inter-Korean Red Cross Working-level Contact (Mt. Geumgang)
12/25-28	Third Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Mt. Geumgang), Second Inter-Korean Working-level Contact on Marine Transportation Cooperation (Pyongyang)

2003

1/1	North Korea emphasizes inter-Korean solidarity in its New Year's editorial
1/10	North Korea announces its decision to withdraw from the NPT
1/15	South Korea completes its delivery of 400,000 tons of food aid in the form of loan to North Korea
1/17	North Korea sends its message of gratitude to the South for food aid
1/20-22	Third Inter-Korean Red Cross Working-level Contact (Mt. Geumgang)
1/21-24	Ninth Inter-Korean Ministerial Talks (Seoul)
1/21-25	Inter-Korean Working-level Meeting on Private Joint Event (Pyongyang)
1/22-25	Second Inter-Korean Working-level Meeting on the Reconnection of Railroads and Roads (Pyongyang)
1/27	Inter-Korean Military Working-level Talks on DMZ Transit (Panmunjeom)
1/27-29	Lim Dong-won, Special Envoy of the President, visits the North (Pyongyang)

2003

2/11-14	Fourth Inter-Korean Economic Cooperation Promotion Committee Meeting (Seoul)
2/12	IAEA refers the North Korean nuclear issue to the UN Security Council
2/13-15	First Family Reunion Center Construction Committee Meeting (Mt. Geumgang)
2/14	Temporary road on the Donghae Line is open and Mt. Geumgang pilot tour via land route begins
2/20-25	Sixth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
2/24	North Korea fires a missile over the East Sea
2/25	President Roh Moo-hyun states that the North must abandon its nuclear program before the South can provide assistance to the North (Inauguration Address)
3/3-5	Second Family Reunion Center Construction Committee Meeting (Mt. Geumgang)
3/9	U.S. Secretary of State Powell confirms the position that North Korea and U.S. dialogue will take place within the multilateral dialogue framework
3/10	North Korea fires a ground-to-ground guided missile over the East Sea
3/10-12	Fourth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Gaeseong)
3/11-15	South Korea's delegations from the National Labor Union and Korea Labor Union visit the North
3/18-22	U.N. Secretary General's special envoy Maurice Strong visits Pyongyang
3/26-27	Unification Conference of North and South Korean, and Foreign Scholars (Pyongyang)
3/30	North Korean Foreign Ministry's spokesperson criticizes U.S. war against Iraq as a "serious violation of sovereignty"
4/2	South Korean National Assembly approves dispatching troops to Iraq
4/16	59th UN Human Rights Commission adopts EU resolution denouncing the human rights situation in North Korea
4/17	North Korea's Red Cross Society requests grain and fertilizer in humanitarian assistance from the South Korean National Red Cross
4/26	Hyundai Asan announces suspension of Mt. Geumgang tours following North Korea's decision to ban Mt. Geumgang tours
4/27-29	Tenth Inter-Korean Ministerial Talks (Pyongyang)
5/10	Task of removing landmines south of the DMZ is complete
5/14	EU announces its assistance plan to North Korea in the form of medical supplies and medicine worth 7.5 million euros (US\$8.6 million) through international aid groups

5/16~23	Swiss Federal Councillor Micheline Calmy-Rey visits both South and North Korea in commemoration of the 50th anniversary of Swiss participation as a member of the Neutral Nations Supervisory Commission (NNSC)
5/19~23	Fifth Inter-Korean Economic Cooperation Promotion Committee Meeting (Pyongyang)
5/27	President Roh Moo-hyun announces that South Korea will continue former President Kim Dae-jung's Sunshine Policy of engaging the North
5/31~6/1	Members of the U.S. Congress visit North Korea
6/3	G-8 heads of state issue a joint statement, urging North Korea to dismantle its nuclear weapons program
6/7~9	Fifth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Gaeseong)
6/27~30	Seventh Inter-Korean Reunion of Separated Families (Mt. Geumgang)
6/30	Ground-breaking ceremony for the first stage development (3.3 million m ²) of the Gaeseong Industrial Complex
7/2~4	Third Inter-Korean Working-level Meeting on the Reconnection of Railroads and Roads (Munsan)
7/9~12	Eleventh Inter-Korean Ministerial Talks (Seoul)
7/24	South Korea-US reach an agreement under which 10 special responsibilities are transferred
7/29~31	Second Inter-Korean Working-level Talks on Economic Cooperation System (Mt. Geumgang)
8/21~22	Sixth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Gaeseong)
8/21~23	Third Family Reunion Center Construction Committee Meeting (Mt. Geumgang)
8/26~28	Sixth Inter-Korean Economic Cooperation Promotion Committee Meeting (Seoul)
8/27~29	First Round of six-party talks (Beijing)
9/1	Overland tour to Mt. Geumgang operates on a regular basis
9/3	Kim Jong-il is elected as Chairman of National Defence Commission at the first meeting of the 11th Supreme People's Assembly
9/20~25	Eighth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
10/7	Heads of South Korea, China, and Japan agree to resolve the North Korean nuclear issue peacefully through the six-party talks (Joint Statement)

10/11~12	Third Inter-Korean Working-level Meeting on Economic Cooperation System (Munsan), Third Inter-Korean Working-level Contact on Marine Transportation Cooperation (Munsan)
10/14~17	Twelfth Inter-Korean Ministerial Talks (Pyongyang)
10/27~28	Seventh Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Gaeseong)
11/4~6	Fifth Inter-Korean Red Cross Talks (Mt. Geumgang)
11/5~8	Seventh Inter-Korean Economic Cooperation Promotion Committee Meeting (Pyongyang)
11/21	KEDO announces temporary suspension of the Light Water Reactor project
12/2~5	Eighth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Sokcho)
12/17~20	Fourth Inter-Korean Working-level Meeting on Economic Cooperation System (Pyongyang)

2004

1/17	At the Future ROK-US Alliance Policy Initiative Talks, Korea and the United States agree to move all facilities and military force from the Yongsan military base to south of the Han River by 2007
1/27~29	First Inter-Korean Working-level Contact on Economic Cooperation System (Gaeseong)
2/3~6	Thirteenth Inter-Korean Ministerial Talks (Seoul)
2/25~26	Fourth Inter-Korean Working-level Contact on Marine Transportation Cooperation (Gaeseong), Ninth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Gaeseong)
2/25~28	Second Round of Six-party Talks (Beijing)
3/2	Construction work on reconnecting railroads and roads along the Donghae Line resumes
3/2~5	Eighth Inter-Korean Economic Cooperation Promotion Committee Meeting (Seoul)
3/29~4/3	Ninth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
4/8~10	Fourth Inter-Korean Working-level Meeting on the Reconnection of Railroads and Roads (Gaeseong), Third Inter-Korean Working-level Meeting on Flood Prevention in the Imjin River Basin (Gaeseong)
4/15	Resolution on North Korea's Human Rights is adopted at the 60th UN Human Rights Commission

4/19	North Korea-China Summit Meeting (National Defence Commission Chairman Kim Jong-il visits China, April 19~21)
4/22	Major train explosion occurs at Yongcheon train station in North Korea
5/4~7	Fourteenth Inter-Korean Ministerial Talks (Pyongyang)
5/24~25	Fourth Inter-Korean Red Cross Working-level Contact (Mt. Geumgang)
5/26	First Inter-Korean General-level Military Talks (Pyongyang)
6/2~5	Ninth Inter-Korean Economic Cooperation Promotion Committee Meeting (Pyongyang)
6/3~4	Second Inter-Korean General-level Military Talks (Mt. Seorak)
6/14	Inter-Korean wireless radio communication between the two navies in the West Sea begins
6/15	Broadcasts along the area of the Military Demarcation Line are suspended
6/23~26	Korean Red Cross completes delivery of 200,000 tons of fertilizer
6/30	Ground-breaking Ceremony for the Pilot Site at the Gaeseong Industrial Complex
6/30~7/2	Tenth Inter-Korean Working-level Contact on the Reconnection of Railroads and Roads (Mt. Geumgang)
7/3	One-day tour to Mt. Geumgang begins
7/11~16	Tenth Inter-Korean Reunion of Separated Families (Mt. Geumgang)
7/27~28	468 North Korean refugees in Southeast Asia enter South Korea
8/14	South and North Korea make a joint entry at the opening ceremony of the Athens 2004 Olympic Games
9/9	Large explosion occurs in Yanggang-do, North Korea
10/6	ROK-US agree on a plan to reduce the number of American troops stationed in South Korea
10/18	U.S. President George W. Bush signs the North Korea Human Rights Act
10/31	UN Forces Command transfers Panmunjeom guard duties to ROK forces
11/4	President George W. Bush is reelected as the 44th president of the United States
11/15	The South Korean government blocks access to 31 pro-North Korean Internet sites
11/20	ROK-US Summit Meeting (Santiago, Chile)
11/26	KEDO decides to extend its one-year suspension of the Light Water Reactor project
12/13	Japan decides to temporarily suspend its food assistance to North Korea in response to the fake remains of the dead Japanese abductees sent by North Korea
12/15	Gaeseong Industrial Complex manufactures its first batch of products
12/26	President Roh Moo-hyun announces that if the inter-Korean Summit was a possibility, the time and place would not be an issue