

## EYES ON THE PRIZE: SECOND NORTH-SOUTH SUMMIT ANNOUNCED, POSTPONED DUE TO DPRK FLOODS

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As bodies of North Korean dead floated across the demilitarized zone into the South after massive flooding swept through the DPRK, North Korea requested a postponement of the second inter-Korean summit until October 2-4. The summit, the first between President Roh Moo-hyun and Chairman Kim Jong-il was originally scheduled for August 28-30 in Pyongyang after two secret trips by Kim Man-bok, chief of the National Intelligence Service in August. Reflecting the severity of the flooding, North Korea cancelled its Arirang Mass Games and put the military in charge of clean-up as well.

From August 7-11, record rainfall battered North Korea, particularly along the Taedong River, leading to conflicting accounts over the extent of the damage from the floods that followed. The DPRK Agriculture Ministry estimated that 11% of rice and corn fields had been washed away. Areas in South and North Hwanghae and South Phyongan provinces were particularly hard hit. North Korean officials estimated the toll of dead or missing at 600 with 400,000 people affected by the flooding and 100,000 left homeless. North Korea rapidly requested international and South Korean assistance.

The World Food Program (WFP) had earlier pledged to double the number of recipients receiving food in North Korea to 1.9 million by September, following a \$20 million contribution by South Korea. Moreover, the WFP specifically agreed to feed [an additional??] 215,000 people hit by the flooding over the next three months. South Korea committed to a 7.1 billion won (\$7.5 million) emergency package, including blankets, drinking water, medicine, and instant noodles, to assist the North. At the same time, the United Nations initiated an appeal for \$15-20 million, with the International Federation of the Red Cross and Red Crescent Societies seeking \$5.5 million in donations to help North Korea.

Planning for the Summit had stirred up controversy earlier in the month. On August 8, Baek Jong-chun, presidential secretary for unification, foreign and security policy announced plans for the late August summit. The announcement led to a quick rebuke by the Grand National Party, who accused the Roh Administration of seeking to influence the December presidential elections by scheduling the summit only months before Roh leaves office. GNP spokeswoman Na Kyung-won told reporters, "We are questioning why the government needs an inter-Korean summit meeting four months before the presidential election. The event is not timely; the decision-making process is flawed and the venue is inadequate." GNP political candidate for President Lee Myung-bak and former GNP chairwoman Park Geun-hye demanded, in reference to allegations that the Kim Dae-jung government funneled upwards of \$500 million via Hyundai to North Korea in advance of the 2000 inter-Korean summit, that no secret deals be made with the North and that the agenda for the talks be made public. The U.S. government appeared to offer a mixed message of support, reflecting U.S. concerns that the South Koreans would be willing to provide economic incentives to the North that could undermine the Six Party Talks. U.S. State Department spokesman Sean McCormack stated that "I think the center of gravity of everybody's diplomatic efforts here really is in the six-party talks." McCormack, however, added "that isn't to say that...South Korea should not pursue engagement with North Korea."

President Roh during an August 15<sup>th</sup> address to the nation sought to downplay expectations related to the summit. He said, "I do not plan to be overly ambitious in the forthcoming talks. I would rather not try to make a new historic turning point with this meeting." Instead, President Roh told Koreans that he planned to focus on developing "inter-Korean economic cooperation into productive investment collaboration and into two-way cooperation." Speculation continues on what type of economic projects the South Korean government will offer the North Koreans. Former Prime Minister Lee Hae-chan suggested that South Korea could assist North Korean plans to develop industrial parks in Nampo, Wonsan, Sinuiju, and Najin, as well as tourism projects in Mount Baekdu, Mount Myohyang, and Mt. Gulwol. Such a plan would build upon an April 2006 proposal by the Presidential Committee on Northeast Asian Cooperation Initiatives calling for five economic zones on the Korean peninsula: Kaesong-Paju, Mount Kumgang-Mount Seorak, Shinuiju-Dandong, and Najin-Khasan. The agenda for the summit is likely to be worked out between working groups meeting at Kaesong in North Korea in the next month.

In contrast to 2000, when President Kim flew to Pyongyang, President Roh is expected to be driven from Munsan (37 miles North of Seoul) to Pyongyang. In addition to government officials, analysts expect businessmen representing the Federation of Korean Industries, the Hyundai Business Group, the Korea Federation of Small and Medium Businesses, and Korea Electric Power Corporation and possibly Samsung, Hyundai Motor, SK, and LG may accompany the president.

The biggest questions related to the summit involve Kim Jong-Il's intentions: *why now and what does Kim want?* Explanations vary, though all focus on Kim seeking to maximize his leverage. Some analysts speculate that Kim is making a deliberate effort to help throw the ROK presidential elections in the favor of progressive, anti-GNP forces and trying to extort from an outgoing president overly eager to build a historical legacy. Other analysts suggest that Kim's calculation to hold a summit now reflects a seriousness about economic reform and moving forward with denuclearization talks and that ROK economic inducements arising out of the Summit can work to accelerate resolution of the nuclear crisis.

Proponents of the latter scenario point to North Korea's reported decision in June to further develop the economic zone at Shinuiju along the Chinese border by moving 3,000 households from Pyongyang to Shinuiju. They argue that economic engagement with the North is slowly paying dividends. In August in fact, Korea Land Corporation publicized that 200 companies have signed up to lease land and operate at Kaesong Industrial Complex in North Korea. These included the South Korean subsidiary (named Dancing Diva) of a Chinese manufacturer of synthetic nail tips (Tianjin JCI Cosmetic Corporation). A joint venture between South Korean company Yuhan and U.S. company Kimberly-Clark has apparently also expressed interest in operating in Kaesong. A spring press report in the daily *Maeri Business* quotes Kimberly-Clark Chief Operating Officer Thomas Falk as saying, "Kaesong industrial park has the best environment (skilled labor) and facilities for South Korean SMEs to step forward...Kimberly-Clark will be very interested in investment (in Kaesong)."

On another front, in the lead-up to the next round of Six Party Talks, meetings of several of the SPT working groups went largely unnoticed during August. All five working groups must meet in advance of the next round of the SPT, which now looks to be held in mid to late September. On August 7-8, negotiators in the energy and economic assistance working group met in the truce village of Panmunjom along the DMZ to discuss how North Korea will receive an additional 950,000 tons of heavy fuel oil or its equivalent if it meets its February 13 agreement commitments. Panmunjom was chosen in an effort to bring North Korean energy experts, not only foreign affairs ministry officials to the table. Since North Korea is reportedly unable to receive more than 50,000 tons of heavy fuel oil per month, negotiators were believed to have discussed fuel oil equivalents that could be provided, including the provision of coal supplies and electricity to the DPRK, helping the North increase its fuel oil storage capacity, or refurbishing North Korea's electrical generation capacities.

The SPT denuclearization working group meeting was held on August 16-17 in Shenyang and was attended by U.S. Assistant Secretary of State Christopher Hill and his North Korean counterpart Kim Gye-gwan. Details were scant, but Hill reiterated previous public comments that North Korea can disable Yongbyon and declare all of its nuclear programs by year's end. Negotiators for the multilateral security regime and peace regime also met in Moscow during August, while interlocutors in the DPRK-Japan working group will meet in Ulan Bator, Mongolia on September 5-6.

In the meantime, U.S. and North Korean officials will meet for the U.S.-DPRK bilateral relations working group on the weekend of September 1 in Geneva. Long-time followers of the U.S.-North Korean negotiating saga have taken note that Geneva was the location of the collapse of the Four Party Talks in April 1998, when North Korean officials balked at continuing discussions over a peace regime and armistice as relations with South Korea warmed and South Korea expanded economic cooperation with the North, undercutting multilateral talks with the DPRK according to some. Whether observers will detect historical parallels coming out of the October 2-4 inter-Korean summit, time will tell.