

Chapter 7 The Current Situation of North Korean Economy and the South— North Korea Economic Cooperation

JEONG Kap—Young (Yonsei University)

1. Introduction

Having successfully reversed the negative growth trend to a positive one, the North Korean economy witnessed a big turning point in the year 1999. It was indeed impressive, that the economy was able to sustain a positive growth into the year 2000 as well. This may be a significant sign that the North Korean economy has finally kicked itself out of the mire, the serious economic depression that had been dooming the nation for the past several years. After recording 6.8 growth rate in the year 1997, and 1.1% in the year 1998, the North Korean economy has managed to boost its growth rate to a surprising 6.2%.

The engine that has driven North Korea to achieve such big accomplishments was the support from the outside world. It was not only the Mt. Kumgang tour program but also the Sunshine Policy of the South Korea that has helped the country open up to the international community in an

unprecedentedly active manner. In other words, the economic recovery was not the result of the renewal in the competitiveness of the economy but that of the support from South Korea and other countries of the world.

Thanks in most part to the support and aid from the international community and in other part to the North Korean food production policy, the food shortage problem was largely mitigated during the period of 1999–2000. To the dismay of the North Korean authorities, the predictions are that the year 2001 is going to be a lean year for the nation. In fact, experts estimate that the North Korean food production has declined from 4,220,000 ton in 1999 to 3,730,000 ton in 2000 due to aggravated weather situation. Consequently, an import of at least 1,865,000 ton is said to be needed for the purpose of settling the food problem. Unfortunately, importing food from the outside world is an unfeasible idea, owing to the low foreign reserves that North Korea possesses.

In 1999, the size of the trade with the outside world has been enlarged to a great extent compared with that of the previous year. The year of 1999 recorded US\$ 520,000,000 and US\$ 960,000,000 of exports and imports, respectively. The size of trade was farther expanded in 2000 increasing the figure to US\$ 1,870,000,000. Moreover, support from the outside world to North Korea increased to US\$ 166,600,000 in 2000. With the contribution of US\$ 90,670,000, the UN won the title of the most benevolent donor of all. Quite contrastingly, support and aid from the individual countries is on the decrease. The most common form of support was food aid.

Of all kinds of support and aid received by North Korea, Food aid took up 93.4% and support for reestablishing the agricultural community and that for health and medicine, 2.9%. It was a prevalent trend for the support of long-term agricultural structure innovation and health and medicine development to replace the support of a short-term aid. In the meantime, the UN is fervently arranging a plan under the UN Appeal Program to collect contributions from individual countries in helping North Korea overcome the economic ordeal that it is going through. Under the plan, the UN succeeded in collecting US\$ 100,000,000 though this is only 1/3 of US\$ 313,750,000, the target initially set by the organization at the time of designing the plan. Yet, foreign investment market is utterly sluggish and far from taking off at the time being. Other than the rigidity of the social structure, the half-hearted way with which North Korea is attracting foreign investment is also attributable for the inactivity of the market.

For the first time ever, the annual trade volume between the two Koreas topped US\$ 400,000,000 to record US\$ 425,150,000, which is an increase of 27.5% from the figure for the previous year. The size of the products brought in grew by 25.5%, increasing from US\$ 121,610,000 of 1999 to US\$ 152,370,000 while that of products that left rose 28.7% more than the previous year, from US\$ 211,830,000 to US\$ 272,770,000. In accordance there is a room for possibility of South Korea becoming the second biggest trade partner to the North Korea, after China, in the near future. Thereupon, from sea routes to direct routes, various trading routes have been used between the two Koreas.

Since the historical amendment of its national constitution, North Korea has endeavored to expand private economic activities, allow organizations to take part in the international trade which was previously monopolized by the government, emphasize practicality in doing business and consolidating the concept of ownership in the companies. Such changes in the policy reflect the self recognition of the government that its structural inefficiency and systematic rigidity have hindered it from adapting to the fast changing global economic environment and has, as a result, caused the economic stagnation.

On the one hand, North Korea pushed series of innovation plans to induce liberalization. On the other hand, however, it showed critical inconsistency in trying to adhere to its outdated economic policies, thus greatly undermining the consistency in the government's policy making and implementing power. The authorities of North Korea still do not have firm convictions and are hesitant to commit itself to the market economy. Recently, though, Chinese way of liberalization is underway for the country as the North Korean leader Kim Jeongil has continuously expressed enthusiasm towards the idea of liberalization.

2. Economic Trend of the Different Sectors

1) Economic Growth

① Sustained Economic Growth

By 2000, the North Korean economy was able to escape from an economic depression that had lasted for a decade long and to record another year of positive economic growth after the first in 1999. Owing to the nature of the process of assessing the economic growth, an accurate measurement of an economic growth can only be obtained after a considerable time has passed. In accordance, the economic growth and size of the North Korean economy for the year 2000 will be available only after June 2001. The statistics for the economic growth of 1999, announced in June 2000, was 6.2%, reflecting an amazing progress that the economy has made. The statistics for the year 2000 also looked healthy, though not as impressive as that of the previous year. Different industries of the economy, including the agriculture, mining and service industry, seemed to have made much progress.

According to an announcement made public by the Bank of Korea, the North Korean economy grew in its real GDP by 6.2% in 1999, recording a substantial progress after 10 years of stagnated growth. As a matter of fact, the North Korean economy showed negative growth of 4.2% in 1993, -1.8%, -4.6% and -6.8% in 1994, 1995, 1997, respectively. The turning point for the economy was the year 1998, with -1.1% growth rate. It was only after

the year 1999 that the economy was able to reverse the negative growth trend.

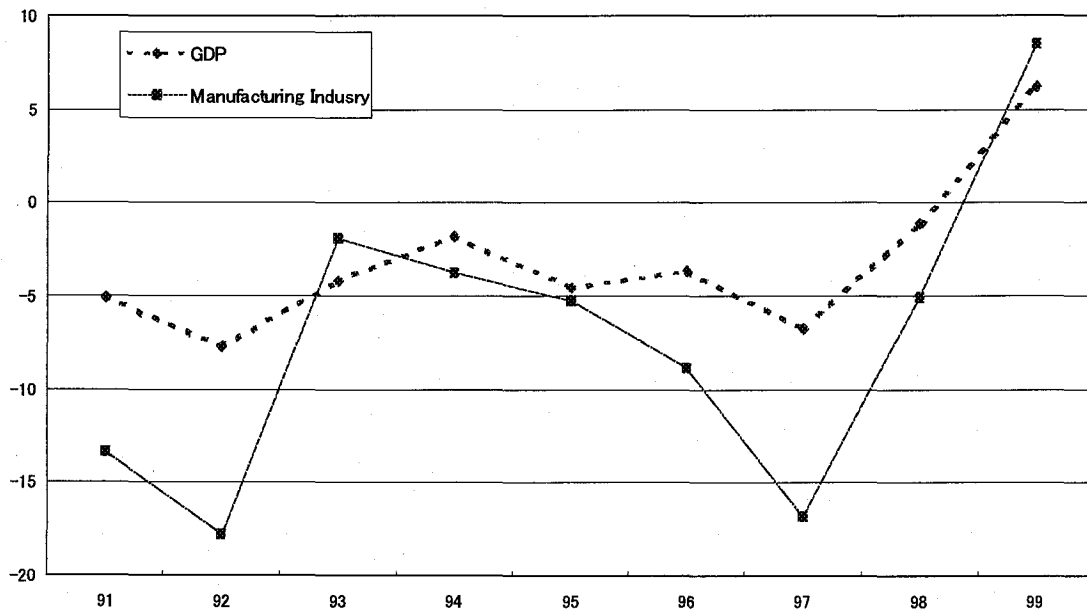
<Table1 – 1> Economic Growth Rate Transition of North Korea

Unit : %

	94	95	96	97	98	96
GDP Growth Rate	-1.8 (8.3)	-4.6 (8.9)	-3.7 (6.8)	-6.8 (5.0)	-1.1 (-5.8)	6.2 (10.7)
Primary products	2.7	-10.5	1.0	-3.9	4.2	9.2
Manufacturing Industry	-3.8	-5.3	-8.9	-16.8	-3.3	8.5
Construction Industry	-26.9	-3.2	-11.8	-9.9	-11.4	24.5
Service Industry	2.2	1.5	0.8	1.1	-0.7	-1.9

Reference: Bank Of Korea "1999 GDP Inference Results Of North Korea" (Press release)

Annotation: () in GDP Growth Rate is GDP Growth Rate Of South Korea



Among all the industries concerned, manufacturing, and construction industry showed the most conspicuous improvements. The rise in production, thanks to the increase in processing trade with South Korea has contributed in boosting growth in the manufacturing sector in the year 2000. On the other hand, corn production of the agriculture sector was a failure compared to the

year 1999, due to continued dry weather. The people of North Korea are likely to suffer more from the food shortage problem in 2000.

The analysis on the major macroeconomic variables of North Korea is provided in <chart 1-2>. What was more evident than anything else was the fact that the increase in the population was similar to that of the previous year? Trade had slightly risen from US\$ 1,980,000,000 in 1996 to US\$ 2,180,000,000 in 1997, while in the year 1998 the number had fallen to US\$ 1,440,000,000. In 1999, there was an increase in the trade value to 1,480,000,000 followed by a further increase of US\$ 1,870,000,000 in the year 2000. Export has increased from US\$ 520,000,000 in 1999 to US\$ 620,000,000 in 2000. The import has grown as well from US\$ 960,000,000 to US\$ 1,250,000,000. Trade value in year 1998 was less than that of the year 1998, when the country was most active in international trade. The numbers had been showing a downward movement since 1989. In 1997, the trend was reversed for a little while, only to be followed by a further decrease in trade value, in the subsequent years. Since 2000, the trade value has continuously been rising.

Regarding the energy supply, the situation seems to be improving at the Korean Peninsula Energy Development Organization supplying heavy oil to North Korea in 1996. The energy supplied recorded 14,980,000 ton in 1997. The supply decreased to 14,030,000 ton in 1998, but increased back to 14,950,000 ton in 1999. In 2000, the increase in heavy oil support boosted the energy supply to 15,400,000 ton. Without doubt, this is a symptom of an

economy ailing from the lack of energy. Such level of energy supply is only 60% of the supply for the year 1989, when the economy was at its peak.

<Table1 – 2> An Index Of North Korea Macroeconomics

	Unit	1995	1996	1997	1998	1999	2000*
Population	Thousands person	23,261	23,558	23,855	21,942	22,082	22,175
International Trade	A hundred Million \$	20.5	19.8	21.8	14.4	14.8	18.7
Exports	A hundred Million \$	7.1	7.3	9.1	5.6	5.2	6.2
Imports	A hundred Million \$	13.4	12.5	12.7	8.8	9.6	12.5
A Foreign Loan	A hundred Million \$	118.0	120.0	119.0	121.0	123.0	125.0
Budget Scale	A hundred Million \$	91.3	91.0	92.2	93.6
Grain Production	A thousand ton	3,451	3,690	3,489	3,886	4,222	3,731
Haul Of Fish	A thousand ton	1,052	876	860	627	664	..
Coal Production	A thousand ton	23,700	18,360	20,600	18,600	21,000	22,890
Import Volume Of Crude Oil	A ten thousands ton	110	93.6	50.6	50.4	31.7	..
Nominal GNP	A hundred Million \$	223	214	177	126	158	184
Economic Growth Rate	%	-4.5	-3.7	-6.8	-1.1	6.2	4.2
GNP Per Capita	\$	957	910	741	573	714	833

Annotation: *2000 GNP Result is the author's estimated volume

Reference : Bank Of Korea, "1999 GDP Inference Results Of North Korea" (Press release)

The progress made by an economy is most well reflected in the GNP data. Since North Korea has stopped announcing a complete set of macroeconomic index, restricted categories of index are being released by various different researchers and institutions. Due to restricted information, there is a growing need for designing a new method to fully utilize the already available information.

According to the most recent data made public by the Bank of Korea, the economic growth rate of North Korea was 6.2% in 1999 and the per capita income, US\$ 714. To be noted is the fact that the Bank of Korea replaced GDP based statistics with GNI based statistics, starting from the year of 1998. Hence there exists serious obstacles in comparing the data before and after the year 1998. In other words, nominal GDP of North Korea was US\$ 17,700,000,000 and GNP per capita US\$ 741 in 1997. As of the year 1997, GNI, instead of GDP was assessed which was US\$ 12,600,000,000 and

per capita GNI US\$ 573, making it impossible for one to compare the statistics of 1997 with those of 1998 and 1999.

The real growth rate of the economy for year 2000, derived from analyzing the major variables of economy through simple index statistics, was 3.0%–4.0%. The assumption is that the GNP deflator is the same as the previous year. The GNP has been showing a positive growth, after the negative growth in the year 1999.

<Chart 1–3> shows the growth in the North Korean economy by industries. Recording 24.3%, 14.1% and 8.5% of growth rate, construction, mining and manufacturing industries, respectively, showed the most conspicuous growth. The agricultural, forestry, and fishery industry also showed 9.2% growth rate.

<Table 1–3> An Industrial Growth Rate Of North Korea

Unit: %

Section	93	94	95	96	97	98	99
Primary products	-7.6	2.7	-10.5	1.0	-3.8	4.1	9.2
Mining and Manufacturing Industries	-3.2	-4.2	-4.6	-9.6	-16.1	-3.9	9.9
Mining Industry	-7.2	-5.5	-2.3	-11.8	-13.9	-6.1	14.1
Manufacturing Industry	-1.9	-3.8	-5.3	-8.9	-16.8	-3.1	8.5
(Light Industry)	(5.0)	(-0.1)	(-4.0)	(-7.1)	(-12.5)	(-0.2)	(2.4)
(Heavy Industry)	(-4.2)	(-5.2)	(-5.9)	(-9.7)	(-18.8)	(-4.6)	(11.6)
Electricity-Gas-Piped Water	-8.7	4.2	0.1	-7.8	-9.5	-9.2	6.8
Construction Industry	-9.7	-26.9	-3.2	-11.8	-9.9	-11.4	24.3
Service Industry	1.2	2.2	1.5	0.8	1.3	-0.5	-1.9
(Government)	(2.3)	(3.3)	(2.8)	(1.7)	(2.2)	(-0.3)	(-4.5)
(The Others)	(-0.5)	(0.4)	(-0.7)	(-0.7)	(-0.7)	(-1.1)	(3.9)
GDP	-4.2	-1.8	-4.6	-3.7	-6.3	-1.1	6.2

Reference : Bank Of Korea, "1999 GDP Inference Results Of North Korea" (Press release)

<Table1-4> Economic Indicators Comparison Between North And South Korea

(Data: 1999)

	Unit	North Korea (A)	South Korea (B)	B/A
1. Population	Thousands person	22,082	46,858	2.1
2. Nominal GNI1)	A hundred Million \$	158	4,021	25.5
3. GNI per Capita1)	\$	714	8,581	12.0
4. Economic Growth Rate	%	6.2	10.7	-
5. International Trade				
Total Trade	A hundred Million \$	14.8	2,634.4	178.0
(Exports)	"	5.2	1,436.9	276.3
(Imports)	"	9.6	1,197.5	124.7
(Trade/ Nominal GNP)	%	9.4	65.5	.
The exchange rate on the U.S. dollar rate	Won/Dollar	2.17	1,189.48	.
Foreign Debt	A hundred Million \$	123.0	1,364.5	11.1
<Net Foreign Debt>	"	N.A.	-92.9	N.A
(Foreign Debt/Nominal GNP)	%	77.8	33.9	.
6. Budget Scale	A hundred Million \$	92.2	703.5	7.6
7. Energy Industry				
Coal Production	A ten thousands ton	2,100	420	0.2
The production capacity of electric power	A ten thousands kW	739	4,698	6.4
The real production of electric power	A hundred Million kWh	186	2,393	12.9
Import Volume Of Crude Oil	A ten thousands ton	32	11,816	369.3
8. The production Of agricultural and marine products				
Grain Production	A ten thousands ton	422.2	600.0	1.4
(Rice production)	"	162.9	526.3	3.2
Marine production	"	66.4	291.1	4.4
9. Mining Production				
Iron Ore	A ten thousands ton	378.6	18.8	0.5
Nonferrous Metals	"	11.7	102.1	8.7
10. Production Of The heavy chemical industry				
Car	A ten thousands car	0.73	284.3	389.5
Steel	A ten thousands ton	124.3	4,104.2	33.0
Cement	"	410.0	4,815.7	11.7
Fertilizer	"	77	370.1	4.8
11. Production Of The light industry				
Textiles	A hundred Million m2	1.0	84.0	84.0
Synthetic Fiber	A ten thousands ton	2.7	258.5	95.7
12. Social Overhead Capital				
Total Length Of Railroad	Km	5,214	6,683	1.3
Total Length Of Road	Km	23,479	87,534	3.7
Capacity of Harbor Facilities	A ten thousands ton	3,501	41,756	11.9
The Amount of Vessel	A ten thousands ton	79.0	607.6	7.7

Annotation : The numerical value is the general accounting of Central government

Reference : Bank Of Korea, "1999 GDP Inference Results Of North Korea" (Press release)

The improvements in the macroeconomic fundamentals of North Korea from a decade long depression is attributable to the North South Summit which has greatly increased support from South Korea, and in other part due to its active effort to reconstruct the economy. Having realized the inefficiency in production process arising from the innate shortcomings of the socialistic economy, North Korea is currently putting all its effort into rebuilding its economy. With a view to recover from the economic depression, instigated by the financial troubles and food shortage problems, to solve the energy problem and restore the foreign reserves, North Korea is actively taking part in South Korea's engagement policy. Expanded support from South Korea and influx of foreign currency are deemed to have worked favorably towards the efforts of the North Korea authority in achieving a positive economic growth.

The gap between the South Korean economy and the North Korean economy is widening because of the stagnated economic growth in North Korea. Based on the formal statistics data derived with 1999 as the standard year, the comparison of economic fundamentals between the North and South Korea is shown on <chart 1-4>. According to the data, the exact figures for the population, nominal GNI and per capital GNI for South Korea were, 2.1 times, 25.5 times and 120 times larger than those of North Korea, respectively. Even more serious is the difference between the two economies in the size of international trade. South Korea showed export and import size larger than those of its North counterpart, by 276.3 and 124.7 times, respectively. In addition, North Korea imported 369.3 times more crude oil

than South Korea, reflecting its inefficiency in production. Coal and iron ore were the only products which North Korea could produce more than South Korea. Nevertheless, this comparative advantage is merely the reflection of North Korea's rich endowment with mineral products. As regards the overall productivity, technology, trade, production infrastructure and social indirect capital, the gap between the two economies are widening every year. It is important to keep in mind that the statistics provided only measure the absolute quantity and that when the question of quality comes into the picture, the gap will become even wider.

② Transformation in the Industrial structure

Traditionally, the socialist regimes have endorsed the policy of emphasizing the heavy manufacturing industry. They had believed that the increase in the productivity in heavy manufacturing industry sector which supplies production means and raw material will in return, trigger development in the agricultural and light manufacturing industry. It was in this line of reasoning that the North Korea consistently pursued a heavy manufacturing centered policy as it did. North Korea had emphasized a harmonized development of agricultural and light manufacturing sector as well, in theory. However, in reality, they had adopted a heavy manufacturing centered policy. Such distorted economic policy was what gave rise to the chronic shortage in goods necessary for everyday life of the people. After the collapse of the socialist regime, the condition was only worsened.

Policy that centers around heavy manufacturing industry imposes more burden on the people and relatively depresses investment on the light manufacturing industry. In order to overcome the obstacle that have been thrown in the road to development, North Korea currently is embarking on the Structural Adjustment Policy, putting more weight on the production of light manufacturing industry products and other daily commodities. In spite of the efforts of the authorities, the absolute ratio of heavy manufacturing industry product in the entire output of the economy is far from decreasing. Instead, the ratio of service and manufacturing industry has decreased while that of the primary industry; namely the agricultural, fishery industry has increased.

<Table 1—5> The Change Of Industrial structure for North Korea

Unit: %, GDP=100

Section	94	95	96	97	98	99
Primary products	29.5	27.6	29.0	28.9	29.6	31.4
Mining and Manufacturing Industries	31.4	30.5	28.0	25.5	25.6	25.6
Mining Industry	7.8	8.0	7.1	6.7	6.6	7.3
Manufacturing Industry	23.6	22.5	20.9	18.8	19.0	18.3
(Light Industry)	(7.0)	(6.8)	(6.9)	(6.5)	(6.4)	(6.1)
(Heavy Industry)	(16.6)	(15.7)	(14.0)	(12.3)	(12.6)	(12.2)
Electricity-Gas-Piped Water	4.8	4.8	4.3	4.3	4.2	4.5
Construction Industry	6.3	6.7	6.4	6.3	5.1	6.1
Service Industry	27.9	30.3	32.3	35.0	35.6	32.4
(Government)	(18.6)	(20.7)	(22.5)	(25.1)	(25.3)	(22.8)
(The Others)	(9.3)	(9.6)	(9.7)	(9.9)	(10.3)	(9.6)

Reference : Bank Of Korea, "1999 GDP Inference Results Of North Korea" (Press release)

<Chart 1—5> depicts the trend of current North Korean industrial structure. The ratio of heavy manufacturing products in the production of the entire economy decreased from 17.9% in 1993 to 14.0% in 1996 and 12.3% in 1997. The number rose to 12.6% in 1998, only to fall again to 12.2% in 1999. Since 1992, the ratio of manufactured products in the production of the economy has been increasing. Also, the ratio of agricultural industry in the

economy has grown from 28.9% in 1997 to 29.6% in 1998 and 31.4% in 1999. In contrast, the ratio of mining and construction industry remained similar. To be considered is the fact that the change in the industrial structure was not the result of a successful structural adjustment, but the lack of energy and foreign currency which has depressed the industrial sector and increased relative role of the government in the economy. The growth in the primary product sector in 1998–1999, was due to the improvements made in the agricultural production.

③ Agricultural Production

Largely supported by the aid from the international community and its production expansion plan, North Korea was able to mitigate its food shortage crisis during 1999–2000. However, the bad harvest of 2000 is to bring up the issue of food shortage back to the forefront in 2001. Although North Korea has not formerly announced its agricultural output for 1999, it is estimated that 4,220,000 ton, approximately 8.5% increase from 1998, of agricultural goods have been produced. The year 1998 saw an increase in the wheat production from 3,489,000 ton to 3,886,000 ton. 1999 was also a good year thanks to the increase in the productivity from the fair weather condition, double cropping and importing fertilizers. The bad weather condition is to decrease the size of production to 3,730,000 ton in 2000. Accordingly imports of 1,865,000 ton was said to have been needed to solve the food shortage problem. However, importing food from the outside world

seems like an impossible idea, considering the foreign currency problem that North Korea is faced with. Having recorded a maximum yield of 5,408,000 ton in 1989, the production capability of North Korean economy is constantly declining. Since 1995, food shortage problem has given rise to serious starvation crisis. A report at the US congress stated that some 2,000,000 people have starved to death since 1995, in North Korea.

North Korea has not been announcing any concrete data regarding their progress in production since 1984. The third Seven Year Plan (1987–1993) with the goal of attaining 15,000,000 ton of wheat production, proved to be a failure. In fact, the economy barely managed to produce 38,800,000 ton which is only 30% of what they had in mind in 1993. The economy has been going through a serious food shortage problem at the stagnated production. The situation was only worsened at the natural disasters like flood and drought. The food production seemed to be increasing starting 1998, but more problems are awaiting the North Korean economy in 2001.

3. International Trade and Exchange between North and South Korea

1) The Increase of International Trade

Advocating the virtues of international trade, North Korea has been seeking policies to diversify its trading partners and strategies, expand production infrastructure, and increase autonomy in trade and to increase its credibility in the world stage. Nevertheless, North Korea deemed trade as merely a subsidiary means for facilitating the process of building an ideal socialistic autonomous economy, hence was never so eager to expand international trade. Accordingly, trade with the outside world, never saw a significant expansion.

In 2000, North Korean economy showed improvements in expanding the size of its international trade than in 1998–1999. Exports and imports for 1999 were US\$ 520,000,000 and US\$ 960,000,000, respectively, showing a slight improvement from the previous years which recorded US\$ 560,000,000 and US\$ 880,000,000, respectively. More improvements were made in 2000, increasing the size of international trade to US\$ 1,870,000,000.

The support from the international community to North Korea topped US\$ 106,660,000 in 2000. Support from the UN, which was US\$ 90,670,000, consisted the biggest chunk of support. Support from the individual countries are continuously decreasing, with US\$ 79,430,000 in 1998, US\$ 15,100,000 in

1999 and US\$ 260,000 in 2000. Food aid was the most common kind of support, making up 93.4% followed by agricultural rebuilding facility and technology and health and nutrition consisting 2.9% of all the support from the international community. It was notable that the long-term support for innovating the agricultural community and health and medical field is replacing that for the short-term temporary aid. Under the UN Appeal Program, the UN has been trying to convince other countries to help out North Korea. Some US\$ 100,000,000, which was far less than their goal of US\$ 313,750,000 was collected and granted to North Korea.

Foreign investment still remains at its infant stage. Structural problems and the lack of enthusiasm on the part of the North Korean authority are some of the elements attributable to the depressed foreign investment. Attracting investment from the western world has certain limitations because US has yet to abandon its trade sanctions against North Korea. Once the measures are lifted, agriculture, mining, petroleum, cement, and the tour industry are expected to attract a good amount of foreign investment. Considering the characteristics inherent to the North Korean economy, attracting foreign investors in a short-time period seems like a remote goal.

2) Sudden Increase in Exchange Between North and South Korea

Despite the stagnated economic growth of North Korea in general, exchange with South Korea has been growing little by little. With the establishment of the new government, South Korea has been pursuing the Sun Shine_ policy. Thanks to this engagement policy, trade between North and South Korea has been increasing despite the tension surrounding the peninsula. The movement of persons is to be facilitated even more in the near future as the Kumkang mountain tour project which has been launched in November 1998 starts to roll. In 2000, the North South summit is to improve the relations of the two Koreas and thus increase the size of the trade.

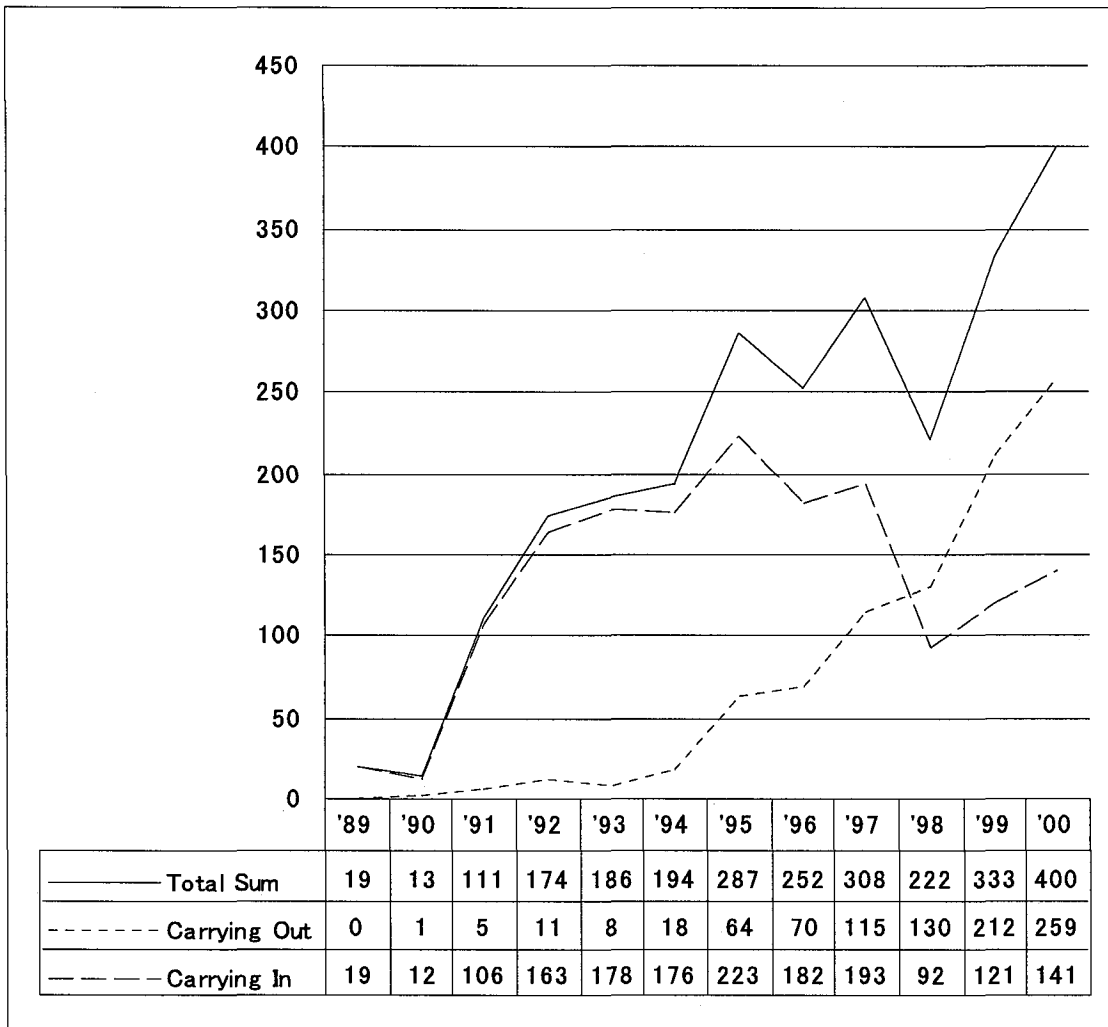
Annual trading value between the two Koreas has surpassed US\$ 400,000,000 for the first time ever, to record US\$ 425,150,000, increasing the value of trade 27.5% more than that of the previous year. The size of the import has increased by 25.3%, rising from US\$ 211,830,000 in 1999 to US\$ 272,770,000. The possibility of South Korea becoming the second largest trade partner to North Korea after China is ever increasing.

Transportation system in North South trade was greatly diversified. All sea, air and land routes were utilized in the exchange; the direct line was used 19 times and the land route 1 time. The direct air route was used in the North South Summit, South North Family reunion, South north Minister level talk, an official call of the press president, Mt Baekdu tour, while the land route was used for transporting building facilities necessary for building Pyong—yang stadium.

In year 2000, support to North Korea from South Korea reached US\$ 113,760,000 in total. Support for rebuilding the agricultural community consisted 75% of all the support and other types of support like general aid (13%) and health medical support (13%) also took up a considerable part of the support. Categorizing the support by that granted by the government and the private individuals, US\$ 78,630,000 worth of aid came from the first and US\$ 35,130,000 from the latter.

<Table4-1>The Yearly Trade Amounts Between North and South Korea

Unit: million Dollars



Annotation: 2000 Numerical Value Contains Only 1-11 Data

Reference: Ministry Of Unification "Intra-Korean Interchange & Cooperation Tendency"

<Table 4-2> The Change Of Intra-Korean Interchange

Unit: Million Dollars

	1994	1995	1996	1997	1998	1999	2000*
Carrying Out (A)	18.2	64.6	69.6	115.3	129.7	211.8	259.2
Carrying In (B)	176.3	222.9	182.4	193.1	92.3	121.6	140.5
The Scale Of Trade	194.5	287.3	252.0	308.3	222.0	333.4	399.7
The Balance Of Payment(A-B)	-158.1	-158.5	-112.8	-77.8	37.4	90.2	118.7

Annotation: *2000 Numerical Value Contains Only 1-11 Data

Reference: Korea trade—Investment Promotion Agency(Home Page) North Korea Economy: Intra-Korean Trade By Years, Ministry Of Unification "Intra-Korean Interchange & Cooperation Tendency"

Taking a look at the trading trend between the two Koreas by the different categories of goods, processing trade goods like chemical, electronic, and textile products consisted a large portion of North Korean exports. During the period from January to November of year 2000, US\$ 90,000,000 worth of chemical products left South Korea, consisting 37% of all products that have left South Korea. US\$ 58,000,000 worth of electronic goods which is 22.6% of all products that have left, was traded along with the textile goods and agricultural and fishery products which consisted 14.3% and 9.3%. Regarding the products there were brought in, primary products like agricultural, fishery and forestry goods and textile products took up the largest part. From January to October of 2000, agricultural, fishery and forestry products consisted 45.2% and textile products 36.8% of all the products that have come in.

<Table4—3>The Change OF Intra—Korean Trade By Items

Unit: A Thousand Dollars

	Item	1995	1996	1997	1998	1999	2000*
Carrying Out	Primary and Mining Products	10,754	6,715	17,048	19,944	17,834	24,198
	Chemical Products	906	2,506	2,877	5,054	42,691	95,041
	Plastic/Rubber. Leather	1,961	3,069	5,888	4,717	4,962	3,748
	Nonmetallic Mineral Products	11,363	13,666	30,399	21,467	50,542	19,217
	Textiles	34,986	36,340	33,970	28,543	36,286	37,078
	Subsistence Goods	1,465	1,907	3,565	3,707	3,832	4,923
	Steel And Metal Products	199	290	3,948	9,475	16,953	13,429
	Machine and Electronical Products	1,810	1,810	16,416	34,418	34,292	58,572
The Others	991	2,013	1,160	2,355	4,439	3,001	
Carrying In	Primary and Marine Products	22,319	23,455	27,326	21,798	47,868	63,646
	Mining Products	86,562	64,807	48,313	765	2,462	444
	Chemical Products	347	555	15,677	2,427	2,494	1,492
	Textiles	28,833	44,460	47,091	38,794	45,513	51,692
	Steel And Metal Products	81,629	44,260	47,946	20,254	16,120	11,673
	Machine and Electronical Products	15	1,788	4,139	4,216	4,395	8,848
	The Others	3,150	3,076	2,578	4,010	2,752	2,763

Annotation: *2000 Numerical Value Contains Only 1-11 Data

Reference: Ministry Of Unification "Intra—Korean Interchange & Cooperation Tendency"

First introduced in 1991, processing trade has been on the increase. The size of processing trade was US\$ 74,400,000 (brought in US\$ 36,240,000, left US\$ 38,160,000) in 1996, US\$ 79,070,000 (brought in 42,890,000, left US\$ 36,180,000) in 1997, US\$ 70,990,000 in 1998 and US\$ 99,620,000 in 1999. The upward movement was sustained to November 2000 recording US\$ 122,700,000.

Processing trade consisted mostly of textile and apparels, taking the form of South Korea sending textile and spun thread and North Korea finishing and completing men's wear and jackets. As the South Korean companies have found North Korean products quite satisfactory and the North Korean governments realized that trade could earn them some foreign currency, processing trade is to grow even more.

South Korea had announced measures to invigorate North South Cooperation in April 1998, actively pursuing an economic cooperation driven

by the private sector, emphasizing independent decisions of the private companies. As a part of the Sunshine Policy, the government hopes to facilitate business—related personnel visit to North Korea, when certain criteria are met and eliminates the maximum investment limit, which is US\$ 1 million per investment, in processing trade. Also, the requirement in number of different products that could be brought in is to be reduced from 205 to 178 items and the limits on the size of investments is to be eliminated. In selecting investors in Cooperation project, the value of which is less than US\$ 3 million, cooperation project itself is to be recognized along with the investor. Such investment is to be a good precedent in Korean government trying to pave the road for future expansion in North South economic cooperation.

At the end of the year 2000, a total of 30 investors for cooperation project have been selected and 18 projects have won recognition. Also, Kumkang tour programs will play a critical role in further expanding North South exchange. Already, exchange of persons between the two Koreas which started in 1997 has greatly been expanded from 1,015 people to 359,355 people in 2000.

The North South exchange is to grow with the passing of time. North Korea has been expressing enthusiasm in the idea of opening up its economy to the world and hence, both the exchange of goods and persons are to be greatly expanded in the near future.