

2009 INTER-KOREAN TRADE TOPS 1.6 BILLION USD

Last year, despite the impact of the economic recession, North Korea's second nuclear test and other issues hindering inter-Korean exchanges, the previously sharply shrinking value of North-South Korean trade appeared to steady.

According to a report from the South Korean Customs Administration released on January 18, inter-Korean trade last year was down 8.5 percent from the previous year, amounting to 1.66608 billion USD. Exports to North Korea were worth 732.62 million USD, while 933.46 million USD worth of goods were brought into South Korea, giving Seoul a 200 million dollar trade deficit. Inter-Korean trade hit its lowest point last year in February (100.89 million USD), but since then showed slow-but-steady growth, hitting 173.18 in September.

In the aftermath of last year's economic recession, together with the North Korean nuclear test, naval clashes in the West Sea in the area of the Northern Limit Line, etc., there were many difficult issues in 2009, but as inter-Korean trade numbers recovered in the fourth quarter, tensions eased slightly. Despite strained political tensions between the two Koreas, trade seemed not to be seriously affected, as DPRK goods were offloaded from a North Korean ship at Incheon Harbor and replaced with silica used for metal casting just six days after a clash between North and South Korean naval ships.

While growing trade is positive, this is the second year in a row South Korea has recorded a trade deficit with the North. In 2008, Seoul's cross-border imports exceeded exports by 53.96 million USD. With Lehman Brothers' collapse in September 2008 and the economic stagnation that followed, the South continued to record trade deficits for 15 straight months, until November of last year.

In December 2009, South Korean trade was back in the black (23.91 million USD) for the first time in 16 months. Looking back over time, it can be seen that inter-Korean trade has improved considerably over the years, recording a mere 705.68 million USD in 2004, 1.08872 billion USD in 2005, climbing to 1.3796 billion in 2006 and 1.79494 billion USD in 2007, and 1.82078 billion USD in 2008.

The import of North Korean sand, mushrooms, and smokeless charcoal briquettes in October 2009 required the permission of the South Korean government. This reflects Seoul's more



strict controls over management and oversight of inter-Korean trade following the sanctions and heightened concerns over cash deliveries to Pyongyang after its second nuclear test on May 25, 2009. Since the nuclear test, the South Korean government has limited the import of North Korean goods to only those that could ease losses being suffered by South Korean manufacturers.

According to the South Korean Ministry of Unification, among North Korean exports to the South in 2008, sand was the largest (according to value) export, with charcoal ranking ninth and (pine) mushrooms ranking eighteenth.