



## **SOUTH KOREA'S TRADE WITH THE NORTH FALLS INTO THE RED**

Inter-Korean trade, in which South Korea recorded surpluses throughout the Kim Dae Jung and Roh Moo Hyun administrations, has now fallen into the red under the current government.

According to customs statistics released on February 25, Seoul ran a trade deficit with North Korea under the Kim Young Sam administration until 1997, then was in the black through the Kim Dae Jung and Roh Moo Hyun administrations, almost until the end of 2007. Seoul has fallen back into the red, however, during the last two years of the current government. In other words, the People's Government (under Kim Dae Jung) and the Participatory Government (under Roh Moo Hyun) exported more to the North than they imported, while this trend has now been reversed under Lee Myung-bak.

South Korea's surplus in inter-Korean trade grew 11-fold from 37.9 million USD in 1998 to 417.7 million USD by 2005, then fell to 262.2 million USD in 2007. This trend occurred because exports grew at a much quicker rate than imports, from 128.9 million USD in 1998 to 1.0286 billion USD by 2007. However, as the current administration came into power, inter-Korean trade statistics dropped in to the red, with a 54 million USD deficit in 2008 and a 200.9 million USD deficit last year.

South Korean exports to the North grew considerably from the time of the People's Government until 2008, but have fallen considerably over the past two years. In 2008, exports to North



Korea amounted to 883.4 million USD, down 14.1 percent from the previous year. Last year, exports fell another 17.1 percent, to 732.6 million USD.

Last year, electrical products made up the majority of exports, at 24.8 percent (182 million USD). Following electrical products were short, synthetic 'staple fiber' (160 million USD) and cotton fabrics (67 million USD), followed by computers and other electronic devices (60 million USD).

On the other hand, clothing (390 million USD), fish (131 million USD), and electrical goods (122 million USD) were the top three imports. While South Korea is in the red, overall trade continues to grow, despite the international financial difficulties. This growth is driven largely by processing-on-commission manufacturing and products from the Kaesong Industrial Complex.