



FIRST HALF OF 2010 SEES RECORD INTER-KOREAN TRADE

Despite the ongoing inter-Korean tensions, and the stand-off over the *Cheonan* incident in particular, the first two quarters of 2010 saw an all-time record of 980 million USD-worth of inter-Korean exchange. However, with the South Korean government ceasing all inter-Korean trade outside of the Kaesong Industrial Complex in reaction to the investigation results finding North Korea responsible for the sinking of the South Korean naval corvette *Cheonan*, cross-border trade between the North and South has fallen and is expected to remain approximately 30 percent lower during the second half of the year.

According to South Korean customs officials, inter-Korean trade in the first half of the year was worth 983.23 million USD, with ROK imports worth 430.48 million USD and exports worth 552.75 million USD; a 122.27 million USD trade surplus. This is a 52.4 percent rise over last year's first two quarters of trade, worth 645 million USD. In the first six months of 2009, South Korea exported 259.91 million USD (66%)-worth of product, and imported 385.1 million USD (44%) in goods. This year's trade volume was nearly 100 million USD higher than the previous record, set in 2008, of 884.97 million USD. It was also around six times more than the 161.63 million USD recorded in 1999, when inter-Korean trade first became significant.

In 1999, North-South trade totaled 328.65 million USD. Despite rocky inter-Korean relations at the time, cross-border trade continued to grow, and with the expansion of the Kaesong Industrial Complex and other projects, first topped one billion USD in 2005, squeezing above the marker at 1.08872 billion USD. This growth continued in the latter half of the decade, hitting nearly 1.38 billion USD in 2006, 1.795 billion USD in 2007, and 1.82 billion USD in 2008.



Repercussions from the North's second nuclear test in 2009 caused trade to fall off to 1.666 billion USD in 2009.

On May 24, the South Korean government announced that all inter-Korean trade outside of the Kaesong Industrial Complex would be halted due to North Korea's sinking of the *Cheonan*. If this trade ban continues, cross-border trade during the second half of the year is expected to be down 30 percent. The inter-Korean project in Kaesong makes up 70 percent of inter-Korean trade, so that other individual projects add up to only about one third. It is the suspension of these projects that is lowering North-South exchanges by 30 percent.

Actually, there was a decline in trade during the first six months of the year. In June, exports totaled 56.88 million USD, while imports were worth 66.18 million USD (total: 123.06 USD). This is 21 percent (33.31 million USD) less than in May. Exports were down 4 percent and imports dropped by 32 percent. Compared to trade prior to the ROK government's measures, the trade of electric and electronic goods, transportation, and other capital goods actually raised from 19.31 million USD to 21.21 million USD, while mined goods and other consumables dropped from 76.81 million USD to 36.86 million USD.