



### **3.6% OF SOUTH-NORTH COOPERATION FUND SPENT IN 2010**

There has been a sharp drop in inter-Korean exchanges resulting from the chill in relations on the peninsula. This has led to a mere 3.6 percent of the inter-Korean cooperation fund being tapped as of the end of September. In 2009, 8.6 percent of the allocated funds were spent, but this year, even at the end of the third quarter, not even half that much has been allocated.

The National Assembly's Unification, Foreign Affairs and Trade Committee found in an audit of the Ministry of Unification's public documents that almost 1.2 trillion Won had been allocated for inter-Korean cooperative projects, but a mere 41.7 billion Won had been spent. 1.4 billion Won was spent on socio-cultural exchanges, while 13.1 billion Won was spent on humanitarian aid, 10.7 billion Won supported economic cooperative projects, and 16.7 billion Won was advanced in support of those companies and groups planning additional projects. On the other hand, the Ministry of Unification is loaning 60 billion Won from the inter-Korean cooperation fund to South Korean companies invested in economic cooperative projects that are suffering losses due to the May 24 measures, which restrict exchanges due to the sinking of the Cheonan.

In 2008, the first year of Lee Myung-bak's administration, only 18.1 percent of the inter-Korean cooperation fund was spent, and this percentage has fallen every year since. Now at an all-time low, it appears that the rate of spending will continue to fall in the future. With the May 24 measures, the Kaesong Industrial Complex was exempted from trade restrictions. In addition, other inter-Korean trade worth approximately 80 million USD (90 billion Won) has been permitted. This includes 639 different cases of imported goods manufactured from raw materials or parts sent to the North prior to the May 24 restrictions, amounting to 31.15 million USD, and 269 cases of pre-ordered exports amounting to just over 49 million USD.



On the other hand, losses due to the halt of tourism to Mount Keumgang and Kaesong have amounted to 628.5 billion Won over the last two years. According to a report submitted to the National Assembly by the Korea Tourism Association on the impact of halting these tourism projects, losses of 548.2 billion Won had been incurred by August, and that is expected to grow to 628.5 billion Won by the end of the year.

Mount Keumgang tours were halted in July 2008, while Kaesong tours were stopped in November of the same year. Since then, the Korea Tourism Association has lost 10.5 billion Won in profits, while private-sector companies including Hyundai-Asan and its partners have lost 465.2 billion Won. In addition, restaurants, rest stops, visitor centers and other businesses in the border town of Koseong, Kangwon Province have lost 72.5 billion won due to the lack of tourists travelling across the border to Mount Keumgang, pushing total losses by the government and private sector to over 500 billion Won.