

Basic Reading on Korean Unification

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[The analyses, comments and other opinions contained in this monograph are those of the authors and do not necessarily represent the views of the Korea Institute for National Unification.]

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Preface



Education to Strengthen our Capabilities for Peaceful Unification

The 20th century was an era of “extremes” that was marked by several ideological confrontations and wars. It was a long age of persecution and patience, especially on the part of the Koreans. Nevertheless, the ideology that drove the world into chaos and the leaders who led the hostile inter-Korean relations are now fading from the center stage of history. On December 17, 2011, Kim Jong Il died after ruling North Korea with blood-and-iron politics for 37 years. The global community is now expecting significant changes within the North Korean regime, the relations between the two Koreas, and the East Asian order.

The year 2015 will mark the 70th anniversary of the Korean division, which occurred in three overlapping phases: territorial, regime, and emotional. The first phase, territorial division, was introduced on August 15, 1945 when Soviet and U.S. forces divided the peninsula along the 38th parallel. The second phase, regime(sovereignty) division, was established with the formation of two separate governments on the Korean Peninsula; the Republic of Korea(ROK) was founded on August 15, 1948 and the Democratic People’s Republic of Korea(DPRK) was established on September 9, 1948. The division was finalized as it reached the third phase, emotional division(of people), following the North Korean invasion of the South on June 25, 1950 and the subsequent three-year fratricidal war.

Are we prepared to undertake unification and maintain peace on the Korean Peninsula? This issue is not only a national one that North and South Korea should resolve on their own, but it is also an international issue in which the interests of four relevant countries (the U.S., China, Japan, and Russia) are at stake. For this reason, peaceful unification requires the proper environment, capability and will from all parties. For the time being, we lack all three elements, as there are multiple levels of discord. In the global environment, competition is emerging between the hegemonic power in naval warfare (the U.S.) and the leading power in ground warfare (China). Within the Korean Peninsula, there is increased distrust due to North Korea's provocative actions including two nuclear tests, the sinking of a South Korean naval ship, and the shelling of a South Korean island. There is discord even within South Korean society: ideological conflicts between the conservatives and liberals, regional confrontation between the southeastern and southwestern regions, generation gaps resulting from a rapid transition to an information-oriented society, and class conflicts that have emerged from neo-liberalism and the collapse of the middle class.

Then What are the steps that we should take to make way for peaceful unification? We must first properly prioritize the issues at hand. The top priority should be given to national harmony, then international cooperation, and finally rapprochement on the Korean Peninsula. This is attributed to the fact that South Korean society characterized by internal organization and preparedness is the cornerstone of a peaceful unification; consequently, public education on unification is crucial. Despite the progress made thus far, unification education still has some shortcomings. Until this point in time, education on unification has strengthened a negative image of the



North Korean situation, leading to arguments for the deferral of national unification and an increased number of people against it. Governmental programs that were intended to promote unification policies have also taken a passive, or even a critical approach on the issue due to its controversial nature.

I would like to acknowledge that although multiple researchers compiled this book after much discussion and thorough review, it still has some shortcomings that will be address in the next edition. Finally, I'd like to express my deepest gratitude to the National Unification Advisory Council and the Unification Education Council for providing the videos and resources for our research.





Our Vision for Unification

In order to fully understand the Korean unification issue, we can start by contemplating the meanings of division and unification. Then, we can look into the existing misconceptions regarding about the costs and benefits of unification and correct these errors. Finally, we can imagine a unified future for Korea and examine how we should prepare for it. Through this course, we will come to correctly understand the costs of division and unification. We will also explore the benefits that unification can bring, and seek ways to turn these possibilities into realities through national consensus.

The Unification Environment

Thus far, we can describe inter-Korean relations as a “history of long-term conflict and short-term cooperation.” By studying the history of post-division relations between the North and the South, we can better comprehend our need for a national community, the current status of the unification environment, and how we can facilitate a peaceful unification of the two states. We can further improve our understanding by examining the positions and policies of Korea’s four neighboring states in regards to unification. In this way, we can view the issue of Korean unification from a global perspective.



The Actual Situation in North Korea

By looking into the succession of power from Kim Jong Il to King Jong Un, we can examine the possibility of future changes in the regime. Furthermore, we must study the political, economic, and social conditions in the North including the Military-first politics, which is the North Korean Regime's survival strategy. We should also analyze the current status of North-South economic exchanges and humanitarian aid provisions; in this way, we can start to build a foundation for a social consensus on economic cooperation and human welfare.

I . Our Vision for Unification

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1. The Need for Unification

A. The Current Status and Importance of Peace on the Korean Peninsula

After Korea was liberated from Japanese colonial rule in 1945, the peninsula was divided along the 38th Parallel. During the decades that followed, Korea suffered through innumerable tragedies including the Korean War. Despite such hardships, South Korea has accomplished both intensive growth and a high level of democracy; many agree that these accomplishments are nothing short of miracles.

Though South Korea is currently experiencing an incredible amount of growth and success, it cannot avoid the fact that the division is consistently deteriorating its national power. Other consequences of the division, such as the sufferings of separated families, have also impeded upon Korea's advancement and prosperity. As the country has remained divided for over six decades now, the gaps between North and South Korea have grown to the extent that they have begun to undermine Korea's national identity. Unfortunately, the lack of proper education on unification is worsening the situation by spreading a negative perception of this crucial issue throughout South Korea.

Unification: what exactly does this mean to Koreans? Does it simply refer to returning to the pre-division conditions of 1945? The answer is no. To the Korean people, unification does not only signify the combination of two divided territories into one;

it embodies building a new national community¹⁾ that integrates the two regimes that are currently divided into the North and the South. In this sense, the unification of the Korean Peninsula will mark the beginning of a forward-looking chapter of Korean history. It will form a national community with integrated geographical, political, economic, and social institutions. We can simplify these implications by stating that a unified Korea will be a prosperous democracy and a stronger nation than the two Koreas are in their divided state.

Unification is a complex and multifaceted concept. Geographically, unification simply means “the merging of divided territories.” Territorial unification lays the physical foundation that is needed in order to build a new nation. In this context, unification ensures a shared base in which all Koreans can reside in or visit. Politically, unification refers to “unification of the governmental systems.” It is a process through which Koreans can overlook the damages of the 60-year-long division and form a united political system based on their shared ancestry. This aspect of unification is the key to overcoming the past difficulties caused by the division. Economically, unification signifies “an integration of economic blocs.” Because the nation has been divided, the Korean economy has also been divided into a market economy based on liberal democracy, and a planned economy propped up by socialism. Further, the Korean economic sphere of life has also been divided.

1) A national community incorporates objective elements such as blood ties, regional ties, languages, cultures, and history, as well as subjective elements such as national awareness. National awareness means that individual members of a certain nation realize that they are all members of the same nation.

Therefore, unification signifies the integration of the two national economies into one prosperous market economy system based on the orders of liberal democracy. Socially, unification refers to “the recovery of national homogeneity.” The extended division is widening the gaps between the two Koreas and consequently weakening the sense of community among Koreans. In this context, unification will bring about an internal integration that converges North and South Korea’s distinct values and ways of life. The achievement of social unification marks the completion of the unification process.

B. Why Do We Need Unification?

Why should Koreans strive to achieve unification, and why is this issue so essential to us? Is it simply because all Koreans have the same ethnic roots and therefore should not live separately? Of course, we cannot say that this notion is incorrect. In fact, the Korean population was divided against its will and has experienced horrible tragedies and pains as a result. However, the majority of the younger population considers this logic weak. Fear and skepticism regarding unification have spread throughout South Korean society, citing economic burdens and social turmoil that could possibly arise as a result of unification. This negative perception is visible in the social atmosphere, which both consciously and subconsciously reflects an anti-unification mentality. In order to prepare for unification and move closer to a unified future, we must replace Koreans’ skeptical, fearful,

and passive views on unification with a forward-looking and positive view. Therefore, we must start our discussion by raising the following points concerning the need for unification.

1) Korean unification, which will be an engine for development, is what South Korea now desperately needs in order to achieve its new national visions.

In the late 20th century, South Korea simultaneously accomplished economic development and democracy. Because of the division, South Korea could not reach the Asian continent directly and had no choice but to move its goods and people by sea. It also had to give up advancing the entire economy of the Korean Peninsula and live with the image of a war-torn area. South Korea's remarkable accomplishments, which could rarely be seen in other nations and regions, were considered miracles due to the fact that Korea achieved them despite the difficulties of division.

Around 1997, South Korea faced an economic crisis. Amid Asia's sudden financial downturn, South Korea had to apply for a bailout program from the IMF. Now, in response to the current global economic crisis, South Korea should find a new development engine to support its new national visions and ensure the Koreans' survival and prosperity in the 21st century.

There is a growing voice that there is no alternative to unification for a South Korean growth engine that will secure democracy and sustained economic growth in the 21st century. For this reason, numerous scholars in Korea and the rest of the

world are frequently seeking solutions to the existing concerns about unification. For instance, in an international forum held in 2010, foreign scholars repeatedly pointed out that the success of South Korea's development model depends on unification and that unification should be the nation's ultimate goal.

2) Unification is essential to recovering Korea's national identity, which has been long undermined by the division.

Over the six decades that have passed since their division in 1945, North and South Koreans have developed distinct cultures and societal systems. Therefore, unification is necessary in order for Koreans to overcome their differences and recover their homogeneity. Moreover, the division has distorted Korea's history by introducing conflicts, provocations, and threats of war; Koreans should correct this by creating a new national community that will enable them to maximize their national potential. Simply put, unification is the destiny of all Koreans.

3) Unification can bring tremendous benefits to Korea.

Firstly, unification will generate peace by eliminating the threat of war from the Korean Peninsula and Northeast Asia. Secondly, unification will allow Korea's domestic market to expand and form a single economic bloc, thus creating enormous economic benefits. Unification will also bring various political and social benefits, such as weakened national ideological conflicts including the South-South conflict. The benefits that unification will produce

will far outweigh the costs that have arisen as a result of the conflicts and confrontations between the two Koreas.

4) Korean unification guarantees freedom, human rights, and a happy life to all Koreans, especially North Koreans.

Unification can ease the pains of the countless victims of the division, including members of separated families and defectors who have escaped from the harsh conditions of the North. Further, unification is absolutely necessary because we must protect the freedom and human rights of North Koreans. We must acknowledge the fact that they have the right to lead healthy, safe, and pleasant lives under democratic rule.

5) Unification is vital to fully capitalizing on South Korea's potential for national power.

Every day that the Korean Peninsula remains divided, the separation continues to diminish South Korea's national power that it has gained over the past decades. Unification will prevent any further waste of the South's national power and serve as a great step towards peace and prosperity for all Koreans.

6) Fundamentally, the Korea Peninsula needs to transition from a lonely island of the post-Cold War era to a peaceful and stable region.

Although the rest of the world has entered the post-Cold War era since the 1990s, the Korean Peninsula remains a lonely island due to the division caused by the Cold War. This means that the world can truly declare the end of the Cold War only when the

two Koreas put an end to its last vestiges. The Korean unification and the subsequent end of the Cold War will open an era of peace and cooperation in Northeast Asia. To establish the so-called “Asian Union(AU),” we must first address the issue of the Korean division.

The confrontational mentality of the Cold War triggers North Korea’s repeated provocations, and is forcing South Koreans to face tragedies and sacrifices that they don’t deserve. Ultimately, the only way to attain peace and stability on the peninsula is to end such confrontations through unification.

7) Reunification of the Korean Peninsula is a prerequisite to the mature relations that 21st century East Asia must maintain with the global community.

The formation of a peaceful East Asian community is an impossible notion without the establishment of peace and stability on the Korean Peninsula. Consequentially, world peace becomes an even more distant hope so long as Korea remains divided. Schematically we can say, “Korean unification a peaceful East Asian community a world peace.”

In the case of Germany, the integration of Europe and the formation of the European Union(EU) would have been impossible had Germany not achieved unification. Since the launch of the EU, European countries have enjoyed economic synergy effects; in the same way, Korean unification will be a milestone that can generate economic synergy effects not just for the Asian Union but also for each Asian country.

Therefore we need a strategy to build a unified Korean

Peninsula, which will serve as a basis for peace and stability in East Asia and in the rest of the world.

Figure 1. The process of establishing the EU



Table 1. The Need for Unification

<p>Personal Benefits</p>	<ul style="list-style-type: none"> • Increased freedom of choice <ul style="list-style-type: none"> - Open travel between the North and the South • Protection of human rights <ul style="list-style-type: none"> - Peaceful life without the threat of war - Freedom and welfare - Dignity and values
<p>National & Social Benefits</p>	<ul style="list-style-type: none"> • Eliminate threat of war • Eliminate inter-Korean competition and confrontation <ul style="list-style-type: none"> - Prevent wasting resources and national power • Reduce military expenditures • Utilize natural and human resources complementarily • Achieve economies of scale • Lay the foundation for Korea to evolve into a global power

C. Why Is It Urgent that We Discuss Unification?

At this point in time, it is urgent to discuss Korean unification for several reasons. As we can see from Germany's example, national unification can occur very suddenly. Therefore, we must steadily anticipate our own unification in advance so that we are prepared even if it happens unexpectedly.

North Korea's possession of nuclear weapons is a threat to Korean, East Asian, and worldwide safety. The global community has imposed pressure and economic sanctions upon North Korea to urge it to surrender its nuclear weapons, but North Korea insists on keeping them. Although Pyongyang may be capable of resisting this pressure for some time, North Korea is likely to eventually give up its nuclear weapons and move towards reform in order to maintain the current regime. We must carefully consider what relations Pyongyang and Seoul will have when that time comes.

If North Korea does choose to abandon its nuclear weapons, other countries may provide financial and developmental support. In this case, South Korea will be expected to play a crucial role as a contributor so it must be prepared to do so. Seoul must decide whether it will view North Korea's changes as a gateway to unification, promote unification as a long-term mission while keeping a close eye on the North's self-imposed changes, or strike a balance between the two approaches.

Henceforth, South Korea must have a clear vision of the course that it will take in the case of unexpected actions by North

Korea(similar to the events of the Jasmine Revolution).²⁾ Because there is the possibility of uncontrollable tragic situations such as accidental war, it is crucial that we cooperate with neighboring countries in advance in order to establish an atmosphere that is conducive to a peaceful Korean unification.

In order for the powers surrounding the Korean Peninsula to peacefully and cooperatively contribute to creating an atmosphere favorable for Korean unification, South Korea must prepare the framework for such a structure in advance. Otherwise, we face the possibility of panicking at an accidental situation and consequently cementing a permanent division. Without careful discussion on unification beforehand, the South will not be able to seize the opportunity for unification if it comes suddenly.

Also, in the case that Korea becomes united, it is necessary to clearly pre-establish its political orientation. Neighboring countries may have concerns about the implications that a unified Korea will have for their own national interests. Therefore, it is essential that we discuss this issue and prepare a clear discourse articulating the political standpoint of the unified Korea.

Because South Korea is a free democracy, it can freely explore a unified Korea's political orientation from diverse aspects. However, if there is a split in public opinion like the one that occurred 60 years ago, it will be impossible to bring an end to

2) Tunisia's 2010 revolution is named the Jasmine Revolution after Tunisia's national flower. However, it generally refers to the multiple revolutions that occurred in the Middle East and in North Africa. Western media tends to name revolutions in developing countries after flowers or colors, such as the Revolution of Roses and the Orange Revolution.

the tragic division. We cannot rule out the possibility of this stark truth given the severe level of the current South-South conflict.³⁾ Now, it is time for South Koreans to accept the differences between themselves and the North Koreans in order to build a national consensus. Under the premise that all South Koreans respect the spirit of the Constitution of the Republic of Korea(ROK), they will start from the basic orders of freedom and democracy expressed Articles 3 and 4.

South Koreans, especially the rising generation of teenagers and young adults, must reverse the trend of negative feelings towards unification. In a survey conducted by the Ministry of Gender Equality and Family in March 2011, a mere 23.3% of the middle and high school respondents answered the question about the need for unification with “unification is essential” (significantly lower than the 43.8% in 2007 and 42.8% in 2008).

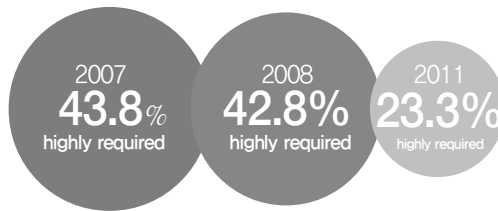
Therefore, it is urgent that we develop a proper curriculum on unification so that we can efficiently educate our youth on unification and reverse their negative perceptions of it. In order for South Korea to revitalize unification education for its youth, it needs to prepare appropriate alternative and unification logics as soon as possible.

The current unification environment on the Korean Peninsula is shifting faster than ever. Since the end of the Cold War, the world has experienced globalization and multiculturalism at an accelerated rate through the advent of new elements. For this reason, we must

3) This concept refers to the ideological conflict that is taking place in the ROK as a result of the division. In this conflict, South Koreans with differing opinions regarding unification clash with one another in the process of establishing and executing policies on North Korea and unification.

develop a new view on unification that is suitable for this changing atmosphere. In order to discuss plans for unification toward a national community, the Korean society must embrace the concept of an “ethnic community,” which it has adopted since 1994.

Figure 2. The Ministry of Gender Equality and Family’s survey of middle and high school students on the need for unification(March 2011)



D. The Need for Unification from Different Perspectives

1) The Political/Foreign Affairs Perspective

First and foremost, Korean unification is essential to raising the level of South Korea’s global prestige. For the 60 years following Korea’s liberation from Japanese colonial rule, South Korea has been called a “divided” and “conflicted” country despite its global involvement as a member of the UN. In the international community, it is called “South Korea” rather than “Korea”; this portrays the image of Korea as an unstable and incomplete country that is divided into two conflicted regions. Ultimately, this description suggests that South Korea is a dangerous country. This situation is similar to that of pre-unification Germany, in

which the two Germanys were separated by name: East Germany and West Germany. However, following its unification, the country has built a new global prestige as one. In the same way, Korea must expedite its own unification process in order to seek a new national reputation on the global stage.

The Korean unification will be a chance for us to put an end to the “Korea discount,”⁴⁾ in which the divided Korea undermines Korea’s prestige; instead, we will stand on the global stage as a new unified Korea. This will lead to a new trend of the “Korea premium,” which will complete the foundation necessary to build an advanced leading nation.

Because of the confrontations arising from Pyongyang’s constant provocations, it is currently almost impossible to establish a regional peace regime and discuss the possibility of building a Northeast Asian community. But, when Korea achieves unification, it will become the leader of Northeast Asia’s peace and prosperity. It will serve as the catalyst that resolves the long-lived Cold War tensions and conflicts in the region.

In this sense, the Korean unification will provide a fundamental motive to pursue not only coexistence and co-prosperity of the two Koreas, but also peace and cooperation in Northeast Asia. Furthermore, as Korea is the only still-existing Cold War system, the world will be able to achieve complete regional peace when

4) This term refers to the undervaluation of South Korean companies’ stock prices compared to their actual values. “Korea discount” is originally an economic term but it is also used in the political and security context when describing the effect that the instability on the Korean peninsula has on the values of South Korean businesses.

the war's tragic legacies face an end. The unified Korea will aim to be a "peaceful non-nuclear" nation.

Table 2. Changes in Germany's Prestige After its Unification

<p>Since its unification, Germany's economy has become the most powerful in Europe</p>	<ul style="list-style-type: none"> • Germany's unified economy ranks third or fourth in size globally, and has grown into the largest European economic power. • Unification eliminated the various costs of division: border security, defense expenses, and diplomatic costs for competition between the divided systems. • Through massive investments in East Germany, the united Germany restored its economy and has become the largest and most powerful country in Europe.
<p>The unification of Germany led to the integration of Europe and the formation of the EU</p>	<ul style="list-style-type: none"> • Since the establishment of the EU, European countries have enjoyed the great effects of economic synergy. - If the two Koreas become one, it would become possible to establish the AU(Asian Union)

2) The Economic Perspective

Economically, unification is necessary because it will trigger the effect of "economies of scale." After unification, the area of Korea's territory will expand from its current 99,000 km² to 220,000 km², moving it up from the world's 120th largest country to the 80th. Korea's population will also increase from its current 50 million to around 80 million, moving Korea's population ranking up from 25th highest to 18th. Further, by expanding Korea's domestic market, the "economies of scale" effect will lower South Korea's excessive dependence on outside trade.

Unification will have a tremendous synergy effect on the economy. It will integrate the economic capacities of the two Koreas including the South's technological and capital powers, which have already reached the level of advanced economies. Although the North has lost its economic vitality due to its financial crisis, it still possesses inexpensive but high-quality labor as well as valuable mineral resources. Therefore South Korea, which imports most of its natural resources, can tap into the rich underground resources in the North. In this way, the two Koreas can jointly enjoy a maximized synergy effect through unification.

Unification will dramatically improve Korea's national brand value and competitiveness. Because unification will eliminate the currently existing geopolitical risks on the Peninsula, it will sharply raise Korea's brand value and accelerate the trend of the "Korea premium."

Table 3. Korea's Mineral Deposits and Their Potential Value

Mineral	NORTH KOREA		SOUTH KOREA	
	Deposit(Tons)	Potential Value (Trillion KRW)	Deposit(Tons)	Potential Value(Billion KRW)
Magnesite	3-4 billion	126	0	0
Gold	1,000-2,000	23.4	30	470
Zinc	10-20 million	6.7	440,000	260
Copper	2.15 million	3	40,100	55.1
Iron	2-4 billion	74	20 million	484.9
Anthracite	11.7 billion	862	350 million	2.5
Soft Coal	3 billion	168	0	0
Kaolin	20 billion	308	74.36 million	1.1 trillion

*Source: Korea Resources Corporation(2010)

3) The Security Perspective

In terms of security, the Korean Peninsula is considered the most dangerous region in the world because of the conventional military threats that exist there. For the past 60 years, the two Koreas have focused an unprecedented scale of military force and firepower on the demarcation line. As a result, many young Koreans have lost their lives over the last decades due to sporadic provocations in the western part of the peninsula.

Threats of war between Seoul and Pyongyang arise from direct armed conflicts such as the West Sea Engagement and North Korea's reckless development of nuclear weapons and long-range missiles. The North Korean nuclear issue is a major threat to the peace of the Korean Peninsula, and the stability of Northeast Asia as a whole. Ultimately, this issue is the largest obstacle to unification.

Korean unification is the best solution to the military tensions at the Northern Limit Line(NLL),⁵⁾ and the North Korean nuclear issue. Therefore, unification is imperative to eliminating the possibility of another inter-Korean war and planting a seed of peace on the Korean Peninsula. Peace on the Korean Peninsula will lead to peace in Northeast Asia, which will generate cooperation and co-prosperity in the region.

5) This is an unprecedented area of boiling tensions in which over 2 million heavily armed North and South Korean troops confront each other across the military demarcation line. We must eliminate this line in order to bring peace to the Peninsula, which the international community calls a "powder keg."

4) The Social and Cultural Perspective

Unification has the potential to diversify the North and South Korean societies by mending the growing gap between them. Unification of the peninsula is necessary in order to integrate the two Koreas' cultures, individual perceptions, and ways of thinking that have grown increasingly distinct since the division. After unification, the integration process will take place in diverse aspects of society and culture including traditional customs, lifestyles, behavior patterns, and language.

Many of the negative effects of the division are invisible to the majority of Koreans because it is difficult to clearly perceive them in our daily lives. These difficulties include the agony of separated families, and ideological conflicts between South Koreans who have different views on unification. Furthermore, the Korean division has greatly contributed to the erosion of trust in Korean society. This mutual distrust, which is in the process of becoming deeply rooted into our society, is a social hindrance because trust is considered valuable social capital. To dispel this detrimental distrust and prevent further social division, unification is absolutely essential in the near future.

On a larger scale, social integration in general requires unification. The end of South Korea's political conflicts over North Korean issues will mark a turning point in Korean politics, introducing "politics of integration." Through unification, such issues will be resolved once and for all and Korea can follow a path of democracy and plural society.

2. Visions and Challenges for Unification

A. What Are Our Visions for a Unified Korean Peninsula?

Global politics and neighboring powers liberated Korea from Japanese colonial rule in 1945, but the process resulted in the division of the country and the fratricidal Korean War. Through these tragedies, South Koreans realized that it is best for them to shape their country's future through their own will and capabilities instead of depending on outside forces to make changes. It is now Korea's mission to independently achieve peace and unification on the peninsula. South Korea's vision for a unified country is a national community in which each member of North and South Korea leads a free and prosperous life. Korea can establish a harmonious national community by addressing the gaps that have formed between the North and the South through integration policies.

After simultaneously achieving remarkable levels of economic growth and democratization, the ROK now needs a vision to recombine the divided nations into one. We can view unification as a leap forward into a "new frontier" for South Korea.

South Korea should plan its national strategies for the 21st century based on the vision of Korean unification. In other words, its national policies and strategies should be conducive to establishing a unified Korea. By eliminating the competition and tension between two countries on one peninsula, unification will pave the way for concrete peace and prosperity in Northeast Asia

and eventually in the rest of the world. Since the Korean peninsula has an ideal location for land and sea powers to converge, a unified Korea could take on the role of an “axis of peace” in Northeast Asia. Eventually, the Korean Peninsula will play a monumental role in generating peace and prosperity in the global community by acting as a new 21st century bridge and messenger.

1) Political and Diplomatic Visions for a Unified Korea

Our political and diplomatic vision for a unified Korea consists of a developed state in which every member enjoys the universal human values of freedom, equality, democracy, welfare, and justice. In the constitution of the ROK, Article 4 states, “The Republic of Korea shall seek unification and shall formulate and carry out a policy of peaceful unification based on the principles of freedom and democracy.” This vision that our country’s constitution reflects will expand the horizon of liberal democracy.

Another component of our vision for unification is a plural political system. A plural system acknowledges the existence of differing opinions and guarantees the sound exchange of these opinions through competition, cooperation, checks, and compromise. To this end, the authoritarian and totalitarian systems that still remain on the Korean Peninsula must be eliminated and replaced with politics based on bottom-up autonomy.

A unified Korea will follow a political ideology that pursues democracy and freedom. There a possibility that regionalism in the North and the South may intensify the North-South confrontation after unification, which is another issue that we

must address. A unified Korea will pursue a political structure that leaves behind regional exclusiveness between the North and the South or the West and the East, and instead guarantees equal chances for all. If the Korea reaches this goal as a unified nation, it will contribute to the peace and development on the Korean Peninsula and in the entire world.

Through unification, Korea will make significant progress towards becoming an advanced leading nation. As the nation renews itself, it will become a true ethnic community that represents the expectations, aspirations, and visions of both North and South Koreans. Not only will this move Korea towards joining the ranks of advanced nations, but it will also make Koreans feel tremendously proud of their home country.

By triggering “the Korea Premium,” unification will significantly enhance Korea’s diplomatic standing and its political capacities on the global stage. Until this point in time, the coexistence of two Koreas and the competition between them(including the war or provocations) have distorted foreigners’ perception of Koreans. But, by presenting a new image of a single Korea to the world, unification will improve the image of Korea and broaden the capacity of Koreans in the global stage.

2) Economic Visions for a Unified Korea

A unified Korea will have a geo-economic⁶⁾ territory that connects the northern continent with the southern sea. The division

6) Geo-economics is the study of the economy and resources from spatial and political perspectives.

has made South Korea the most geographically isolated nation in the world. However, Korean unification will provide the ROK with a new channel to advance into the continent.

A unified Korea can serve as the center of the world economy because of its advantageous proximity to the Pacific region, China, Siberia, and Europe. Unification will not only create an integrated territory of the North and the South, but it will also accelerate regional exchanges and cooperation by connecting Korea to the rest of the continent. This will play a crucial role in building an economic bloc of Northeast Asian countries including China, Russia, Japan, and Mongolia.

Once it is unified, Korea will base its economic vision on establishing a fair and transparent market economy. It will strive to become a welfare state that provides comprehensive services for all members of the country. To this end, Korea must design a social system that raises the quality of life for all members of the unified nation by narrowing the social and economic gaps between two Koreas.

A unified Korea is also expected to trigger “the Korea Premium.” The Korea Discount refers to the undervaluation of South Korea by the international community. South Korea’s economic credit ratings have continually been underrated due to the division. Korean unification is the solution to this issue because it will build a stronger economy and thus reverse the image of an unstable Korea, improve the country’s economic credit ratings, and raise national brand values.

3) Security Visions for a Unified Korea

Our vision for a unified Korea is a safe and peaceful nation that is free from the fear of war and terrorism. Pyongyang provoked Seoul in March 2010 by sinking a South Korean naval ship, and in November 2010 by brutally shelling Yeonpyeong Island and killing innocent civilians. Despite the end of the Cold War and the status of inter-Korean relations, North Korea has remained committed to its armed provocations and acts of terror. This has posed continuous threats of war and maintained fear in South Korean society.

Unification offers a vision that can end Korea's fratricidal tragedy once and for all. For Koreans, unification will provide freedom from uncertainty and fear arising from the possibility of war. On the global level, unification will eliminate every nuclear threat from the Korean Peninsula and eventually establish a peaceful non-nuclear state that can actively contribute to global stability and prosperity.

4) Social and Cultural Visions for a Unified Korea

If North and the South Korea become unified, it will have welfare policies and a fair distribution system for social resources, facilities, and roles firmly rooted in the society. It will also be a more plural and autonomous society that emphasizes trust, respect, and civic consciousness in order to promote Korean unity. Unification will gradually diminish the ideological conflicts of the division, as well as the distrust, confrontation, and conflicts that have arisen from them.

There has been a constantly growing number of differences between the two Koreas since the division 60 years ago. A unified Korea will bridge the gaps between the two now-distinct countries that originally shared the same cultures and traditions. By converging the paths of North and South Korea, the newly unified country will move toward a socially and culturally integrated society. This common basis of traditions will lay a strong foundation for North and South Koreans' cooperation in their new lives together. Unification and the solidarity that it will produce will also create momentum to spread Korea's rich culture to the rest of the world.

Our vision for a unified Korea also consists of the concept of a Global Korea. Unification will be an opportunity for Koreans living in every corner of the world to come together. Having accomplished the mission of leaving behind a past that has been overshadowed by the division, Koreans can work together to build a global network centered on a unified state. Unification can evolve Korea into a country with the best education standards and human resources worldwide. Converging then enhancing Korea's currently separated academic capabilities will generate synergy effects of academic exchanges between the North and the South. By combining the capabilities of Koreans living overseas with the newly strengthened internal capacity within the geographical bounds of the peninsula, Koreans will emerge as a new ethnic group of world leaders.

In short, a unified Korea should be society that ensures dignity and the pursuit of happiness under the market economy and

a system of liberal democracy. It should be a national community in which 80 million Koreans live together in safety and prosperity. Internally, unification will promote freedom and human rights for every member of Korean society; externally, it will contribute to world peace and prosperity. The North and South Korean economies will complement each other, the land will be developed in a more balanced manner, and the region will become an economic hub linking the continent and the sea in Northeast Asia. The unified Korea will thrive economically, socially, and culturally by capitalizing on unity and civic consciousness.

B. What Are the Necessary Efforts for Peaceful Unification?

It has been long since unification and long-term peace have emerged as national missions on the Korean Peninsula, where two divided societies exist in the midst of constant provocations and threats of war. South Korea must pursue unification because it is its national and historical calling, but we must be careful not to do so in a manner that threatens peace on the peninsula.

Since 1994, South Korea's unification policies have aimed at unification in a progressive and peaceful manner. These policies are based on "plans for unification towards the national community" and reflect the progressive approach of functionalism.⁷⁾ They focus on reforms such as the opening of the North Korean regime,

7) Functionalism is based on the logic that two nations can facilitate integration by expanding political exchanges and cooperation between themselves. Functionalism is a concept that was conceived by David Mitrany in contrast to federalism.

reconstructing the North Korean economy, forming a North-South economic community through inter-Korean exchanges and cooperation, and institutionalizing peace on the peninsula.

So far, Seoul has made several approaches to achieving a peaceful unification. Firstly, South Koreans have pursued unification because they recognized the need for homogeneity and closeness within the Korean community. They specified that Koreans should seek unification on the path of free democracy that respects universal human values as well as social norms. This approach is grounded in the knowledge that peaceful unification requires a phased and progressive process.

Describing the unified Korea as “a peaceful non-nuclear state” is not limited to its post-unification foreign policy direction; the peaceful nature must also persist through the unification process. South Korea has strived to draw support for unification from neighboring nations by clearly establishing Korea’s intention to create a nation not only intended to promote peace, but also built through peaceful means.

1) The Requirements for Peaceful Unification

One reason that South Korea has held onto the vision of peaceful unification is that the Constitution of the ROK includes provisions about peaceful unification. South Korea’s constitution, which South Koreans hold in high regard, states in the preamble: “we ... having assumed the mission of (democratic reform and) peaceful unification of our home land and having determined to consolidate national unity with justice, humanitarianism and

brotherly love.” Further, Article 4 states: “the Republic of Korea shall seek unification and shall formulate and carry out a policy of peaceful unification based on the principles of freedom and democracy.” In addition, Article 66 declares that successive ROK presidents “shall have the duty to pursue sincerely the peaceful unification of the homeland.”

2) South Korea’s Plans for Unification

South Korea’s plans for unification developed through a three-phase process. They started off as “unification plans for a national Korean community” in 1989, but these were changed to “unification plans for an ethnic community” in 1994. The policies were later officially changed to “unification plans for a national community” and since then, successive ROK governments have followed this policy direction.

The first phase of the plan focuses on “rapprochement and cooperation,” the second on “the Korean Commonwealth,”⁸⁾ and the third on “found[ing] a unified single nation of a single ethnic group.” Simply put, this plan promotes a progressive unification through rapprochement, cooperation, and peaceful coexistence. These principles of unification are based on the historically proven fact that the foundation of a social community precedes the establishment of the system. In other words, true unification is

8) The Korean Commonwealth is the intermediate stage of building a national community. It is a “transitionally unified system” that lays the foundation for a unification that promotes cooperation, coexistence, and co-prosperity of two Koreas. The Korean Commonwealth is not the final form of a unified nation, but rather a transitional system toward unification.

possible only after the systems are integrated and the homogeneity of Koreans is restored.

3) The Vision for Unification through Inter-Korean Communities

On August 15, 2010, South Korean President Lee Myung Bak gave a speech commemorating the 65th anniversary of Korea's independence. In his speech, President Lee presented "the vision for unification through inter-Korean communities," which focuses on three types of communities: peaceful, economic, and national. The principles represented in this vision reflect the ones expressed in the "plans for unification towards the national community," but it provides more specific ideas on the functional aspects of each community. This vision is to create a peaceful community, an economic community, and a national community. These will give rise to deep-rooted peace on the Korean Peninsula, on which every member of the national community can lead a prosperous and happy life.

Table 4. The Constitution of the Republic of Korea

Preamble	"We ... having assumed the mission of [democratic reform and] peaceful unification of our homeland and having determined to consolidate national unity with justice, humanitarianism and brotherly love."
Article 4	"The Republic of Korea shall seek unification and shall formulate and carry out a policy of peaceful unification based on the principles of freedom and democracy."
Article 66(3)	"The President shall have the duty to pursue sincerely the peaceful unification of the homeland."

Figure 3. The three phases of the “plans for unification towards the national community”



Table 5. The Lee Administration’s Vision for Unification through Inter-Korean Communities

Vision for Unification	Missions	Details
A peaceful community	Establishment and maintenance of peace, including the denuclearization of the peninsula	<ul style="list-style-type: none"> - Concrete denuclearization through the “Grand Bargain” - Implementation of practical plans such as arms control in both Koreas
An economic community	Exchanges and cooperation, support for economic developmental in North Korea, and economic integration	<ul style="list-style-type: none"> - Stable advancement of inter-Korean exchanges and cooperation - Inter-Korean economic integration - Support of North Korea’s economic development through international cooperation - “Denuclearization Opening 3000” project to improve North Koreans’ quality of life and narrow the economic gap
A national community	Resolution of issues in each area for peaceful unification	<ul style="list-style-type: none"> - Homogeneity in the Establishment of inter-Korean relations based on the principles of coexistence and co-prosperity - Construction of a community that guarantees dignity, basic rights, freedom, and welfare to all Koreans

C. What Steps Must We Take to Achieve a Unified Future?

Many Koreans have a distorted perception of unification due to the lack of proper education on the issue. These misunderstandings have caused South Korean society to become generally indifferent to unification, and have even turned some people against it. The general society has a somewhat reluctant attitude towards preparing for unification for two reasons: the unpredictable timing of unification, and the possibility of conflicts arising during discussions to prepare for it. As society has taken an increasingly passive approach that tolerates maintaining the division system the current level of stability, it has not come up with an active plan to establish a unified Korea.

1) South Korea's Attitude toward Future Unification

a) South Korea must consistently be prepared for unification.

For a desirable unification, South Korea should adopt an active attitude toward preparing for unification. Unification without any preparation will bring trials, errors, and confusion that could have been avoided through preparatory measures. A case in point is Germany, which faced much more difficulty than it expected to because it experienced a sudden unification without through preparation. Through this example, South Koreans should learn to start actively preparing for unification so that even if it happens suddenly, it will not jeopardize the peace and prosperity of the Korean national community. Given that unification is in Korea's

unavoidable future, the way that we prepare for it determines the future of our nation. Therefore, we must set the foundation for a smooth unification by strengthening our human, financial, and political capacities. In order to do so, we have started executing measures to raise fund for unification and holding public discussions on the issue.

These public discussions address various issues regarding unification: the direction that it is headed towards, its effects and benefits, the steps to be taken before and after it occurs, the amount funds that it requires, and how to raise these funds. These discussions ultimately aim to raise support and public awareness of unification so that it can come with fewer instances of trial and error.

President Lee's "vision for unification through inter-Korean communities" intends to pursue community-oriented unification based on mutual respect and cooperation. This vision is composed of three communities: a peaceful community to establish peace on the Korean Peninsula, an economic community to promote inter-Korean cooperation and support for North Korea's economic development, and a national community for peaceful unification.

In order to carry out the unification plans for a national community, this vision emphasizes consistent peace as the base for a stable, long-term unification. In particular, it prioritizes the development of a peace community based on denuclearization. However, the execution of unification policies based on this vision requires a firm foundation of public consensus on the policies.

b) Unification should be achieved through a national consensus.

There is a need for public consensus on a concrete plan for unification because the opinions of the people are the most important factor in decision-making. For this reason, the South Korean government has encouraged and promoted public discussions on unification in order to build social consensus on the issue. Many argue that discussion on unification takes a significant amount of time. But, the more that South Korea prepares for unification, the more that it can minimize unification costs and maximize unification benefits. Since unification without preparation is likely to cause confusion and inefficiency, it is vital to thoroughly discuss pre- and post-unification Korea with the public.

In the medium to long term, it is necessary to build social consensus by consolidating findings from research institutes, civic groups, experts, and public opinions. By considering the effects of unification on the national economy and public opinion, the South needs to come up with the most fair and effective way to approach unification.

c) We Should Make an Effort to Spread a Sound Awareness on Unification.

In South Korean society, there are many misunderstandings and distorted perceptions of the costs and benefits of unification. These faulty beliefs encourage indifference to unification or even arguments against the need for it, but they have deeper negative consequences. This misinformation is likely to cause unnecessary conflicts during discussions on unification, which can ultimately

lead to a decreased will to support the cause and possibly even the prevention of unification altogether.

In order to create an atmosphere in which both North and South Koreans can enjoy coexistence and co-prosperity as a single Korean race, it is urgent that we correct misunderstandings about the costs and benefits of unification. Only when proper education on unification spreads sound awareness on the issue is the internal condition of Korea ready for unification.

Such education will not only facilitate unification, but it will also minimize the resulting costs and maximize the benefits. Education has the capacity to shift the public's support from passively maintaining the divided system to actively preparing for future unification. Based on these progressive efforts, South Korea can examine beforehand what types of plans the public sees as the best solution to post-unification integration.

2) South Korea's Challenges for Future Unification

a) *South Korean society should encourage tolerance⁹⁾ and a sound unification philosophy.*

In general, the South Korean society is considered intolerant. In a 2009 survey conducted by the Organization for Economic

9) Tolerance signifies that one respects the rights and opinions of those who practice a different religion or faith. In conjunction with the notion of democracy, tolerance refers to generously respecting and accepting those who come from different political and economic positions. It is derived from the widely used in a French word "tolerance" and it is a crucial value for coexistence and harmony within a society.

Cooperation and Development(OECD), South Korea ranked fifth of all OECD member countries for strong exclusivity. Further, as the “South-South conflict” shows, South Korean society faces a structural challenge that must be corrected by tolerance. Progressives and conservatives, as well as the political left and right, are only a couple of societal groups that often have confrontations due to lack of tolerance.

South Korea’s social exclusion of North Korean defectors (among other so-called minority groups) has become particularly evident. As of October 2010, the number of North Korean defectors in South Korea surpassed 20,000 and by late August 2011, the number grew to 23,000. The defectors who have settled in South Korea represent a “small North Korea” and can be seen as “the future coming ahead of time.” In this aspect, we can consider supporting the settlement of North Korean defectors in South Korea a simulation of unification; we can compare living together with North Korean defectors with the post-unification Korea of the future. Unfortunately, numerous cases of conflict arising from the defectors’ settlements indicate that South Korean society has not yet seen the advantages of the issue at hand. Therefore, South Korea must encourage tolerance and adopt the philosophy on unification stating that all Koreans can coexist in a unified society.

The issues raised in the process of German unification have significant implications for our unification. In the course of the German unification,¹⁰⁾ Germans of different racial backgrounds

10) The main difference is that the division of the Korean Peninsula was not caused by any of Korea’s faults. Therefore, unlike Germany, Korea does

were alienated and marginalized by the greater society. In order for unification to have universally positive implications, it is necessary to have multi-layered and comprehensive “multiple unifications.” The widespread global perception of South Korea as an intolerant and socially exclusive nation could prevent countries neighboring the Korean Peninsula from supporting Korean unification.

b) South Korea should improve its unification leadership.

The concept of unification leadership covers the role of South Korea in the international community, the role of political leaders and the elite in South Korean society, and the responsibilities of each member of society to help achieve unification. If all of these players fulfill their roles and responsibilities, such leadership can facilitate unification and make it a realistic possibility.

c) South Korea should reinforce unification diplomacy.

The four major powers surrounding the Korean Peninsula (the U.S., Japan, China, and Russia) have policies that either officially or apparently support the unification of the Korean Peninsula. However, a closer look reveals that they seem to be more interested in maintaining the status quo of the divided Korean Peninsula.

With the progression of the Six-Party Talks, major participants recognized the divided structure of the peninsula as the root

not hold any international responsibility for the division; the responsibility actually falls more on Korea's neighboring nations. In this sense, South Korea's unification is both rationally and historically legitimate.

cause of North Korea's nuclear issues. After this realization, members of the international community grew less wary of the idea of a unified future for Korea. The international community is now showing increased interest in issues such as North Korea's nuclear weapons, a post-division peace regime on the peninsula, and a unified Korea rather than maintaining instability on the peninsula.

What, then, does international support for Seoul's policies on North Korea imply? So far, South Koreans have comforted themselves by saying that they support unification; however, this is not actually the case. There have never been detailed discussions during the Summit Talks on unification issues, such as the circumstances surrounding the peninsula or how to progress the unification process into the next phase. In the end, South Korea and the neighboring powers need to go beyond diplomatic rhetoric and start to have meaningful talks on how to make unification a reality.

Furthermore, Seoul must abandon its policies that aim for a de-facto unification, condone a passive attitude towards unification, or intend to attract support for such policies. Plans for unification should be more flexible, introduce concrete plans of action, and reflect their utmost efforts to draw support from diplomatic circles.

Understandably, North and South Korea cannot achieve unification on their own; the complex process requires support and cooperation from neighboring nations as well. In order to attract strong support, unification must also bring benefits to

the neighboring countries. For instance, if the U.S. realizes that Korean unification will make way for a strategic alliance with Northeast Asia, it can develop logistics that Korean unification will be beneficial for China, Japan, and Russia as well. South Korea can appeal to its neighboring nations by making the following arguments: Russia could export its natural gas to Korea through a pipeline across the North; China, South Korea's largest trading partner, could trade more efficiently through land transport; and Japan could benefit economically by transporting its goods to Europe through Busan.

d) South Korea can double its unification capabilities by strengthening its economic power.

Because Seoul's economic power is far superior to Pyongyang's, it can actively facilitate the process of Korean unification rather than passively managing the divided system. Also, because South Korea has greater national power than North Korea, we can realistically expect it to enable unification. In order for South Korea to reach its full potential, it needs to reinforce its unification capabilities by further strengthening its economic and national superiority.

Since economic capacities also enhance unification capabilities, economic growth is a prerequisite for unification. Therefore, Seoul must continue to improve its economic standing. According to one study, South Korea's per capita GDP of 30,000 and North Korea's per capita GDP of 3,000 are only the minimum levels needed to generate a synergy effect of unification.

Currently, many South Koreans are reluctant to support unification because they fear that unification will trap the Korean economy in poverty and cause them to lead underprivileged lives. Contrary to this belief, unification is actually the biggest possible chance for Korea's economic growth. By generating a synergy effect between the two economies, unification can enable Korea to enjoy even more prosperity. However, in order to achieve unification, Seoul must further expand its economy.

Simply put, South Korea's economic growth is a form of preparation for unification. Because economic growth heightens Korea's capabilities for unification, it can create a synergy effect that dramatically expands Korea's economy through a virtuous cycle. With this knowledge, South Koreans must overcome their fear that unification will trap them in a vicious cycle of poverty and promote unification.

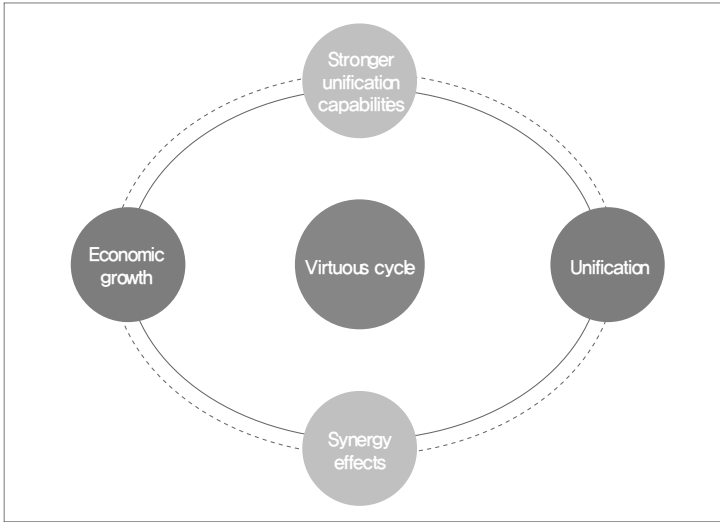
Table 6. OECD's Outlook on the Unification Cost(June 18th, 2010)

“The large gap in income ... will boost the eventual cost of economic integration.”

Table 7. Inter-Korean Economic Gap

	Population (millions)	Gross Domestic Product(GDP)	Per Capita GDP	Trading Value
North Korea	23.3	\$24.7 billion USD	\$1,060 USD	\$3.8 billion USD
South Korea	48.6	\$928.7 billion USD	\$19,106 USD	\$857.3 billion USD
North/South Ratio	47.9%	2.7%	5.6%	0.4%

Figure 4. A virtuous cycle of unification



e) South Korea must do its best to prepare for unification through mutual agreement.

“Unification through mutual agreement” is a possibility for the Korean Peninsula. The primary unification of Yemen and the unification of Germany through referendum of East Germans are typical cases in point. Unification through mutual agreement refers to integrating different systems based on the wills and opinions of the parties involved. German unification is officially called “unification by absorption” because it was achieved based on the order of West Germany, but in institutional terms it is unification through mutual agreement.

It is important that Korean unification does not follow suit of Vietnam’s, which was achieved by armed force. Instead, it

should overcome methodological limits as shown in Yemen's unification and pursue integration based on mutual agreement between North and South Koreans.

The chance for unification through mutual agreement on the Korean Peninsula can come at any time, and we must note that only those who are ready for unification can seize such a chance. Therefore, Seoul should prepare in advance visions and policies for North Koreans and South Koreans to live when the opportunity comes.

North Koreans should know that their brothers in the South are enjoying welfare, democracy, and protection of human rights. In this sense, there is a growing need to develop policies that make North Koreans feel closer to South Korean society and eventually keep a close eye on the situation in South Korea. Furthermore, Seoul should be able to present a vision that guarantees comprehensive welfare and freedom of all North Koreans after unification.

II. Unification Environment

Korea Institute for National Unification

KINU

1. The Past and Present in Inter-Korean Relations

A. History of Inter-Korean Relations

The term “inter-Korean relations” refers to the interactions that exist between North and South Korea, which are divided along the geographical demarcation line. Because the two Koreas have maintained a confrontational relationship based on cooperation with separate foreign powers, inter-Korean issues are not only national matters but also international issues.

The history of inter-Korean relations, which spans over 60 years of division, can be summarized as “the history of conflicts and cooperation between the two Koreas.” However, these conflicts have existed for an extended period of time while the cooperation has been short-lived. The root cause of such a long history of conflicts lies in Korea’s sudden liberalization, division by foreign powers, and tragic incidents over the eight years following liberalization including the Korean War. The two Koreas have made efforts to address the division in their own ways, but both governments have exploited these efforts in order to increase their own political power. Simply put, inter-Korean relations have formed a vicious cycle.

1) Hostile Confrontations During the Cold War

Inter-Korean relations during the Cold War were formed based on a systems under which two divided nations were founded and ruled by different ideologies and institutions after the

geographical division was made through globalization of Cold War logics. The two nations have upheld the image of being “broken states,”¹¹⁾ which contain “two separate peoples from a single ethnic group.” The fact that the Korean Peninsula contains two divided nations is truly an unnatural condition.

The Korean War, which broke out in 1950, destructed the long-standing identity of Koreans as a single ethnic group. It created the foundation for the divided systems as the Cold War spread to the Korean Peninsula. Through an armistice agreement among the parties of the war, the Korean War eventually created a system that aimed to maintain the peaceful state of the armistice. This system was launched in 1953 and became part of the Cold War system that spread to the peninsula.

Immediately after the Korean War, South Korea and the United States signed the ROK-U.S. Mutual Defense Agreement. Through the ROK-U.S. military and security alliance based on U.S. forces caused Seoul to be directly affected by the Cold War. At the same time, Pyongyang stepped up its post-war recovery efforts and military power through the support of the Soviet Union. Therefore, both post-war Koreas were merely sub-units of the global strategies of the U.S. and the Soviet Union. In other words, North and South Korea were at the front lines of the global Cold War system.

The system that was created in 1953 through the Korean

11) A “broken state” is a divided state that lacks territorial unity. Although Article 3 of the Constitution of the ROK stipulates, “the territory of the Republic of Korea shall consist of the Korean peninsula and its adjacent islands,” the ROK has actually only been the region south of the 38th Parallel.

War started to shape the identity of the two Koreans as enemies, though it was possible for them to identify with each other as members of a single ethnic group. The system involved hostile confrontations between the two Koreas, which were sharply separated by the cease-fire line. Ever since the Korean War secured the legitimacy of the hostile relationship between the two states, both Koreas have charted different courses while repeatedly reinforcing the aggression between them.

Even when participants of the Geneva Conference discussed peace on the Korean Peninsula, both North and South Korea defined unification and “peace” in ways that reflected intentions to control the other. During the Cold War, the two Koreas never stopped playing a zero-sum game based in which one had to defeat the other. As Sun Tzu stated in his book, the Art of War, “If you know your enemies and know yourself, you can win a hundred battles without a single loss.” Following this logic, both North and South Korea should have been winners since they know each other and themselves well. However, because of the zero-sum game, there has been no winner on the Korean Peninsula and the knowledge has only been used to fuel further confrontations.

In the early 1970s, the two Koreas ended their era of non-negotiation and entered a period of competition with talks based on the new international environment. Amid a rapidly changing international situation(the detente between the West and the East), Pyongyang and Seoul faced similar situations in which neither of them could trust Beijing or Washington,

respectively. So, for the time in 1971, the two Koreas started talks and exchanges through the Red Cross.

In 1972, the North and the South declared “the July 4 Joint Declaration of the ROK and the DPRK,” which specified three major principles of unification: independence, peace, and national unity. However, in the following year both nations strengthened their absolute powers by revising their constitutions. They reinforced their own systems and started to distrust each other once again, while using the Korean Peninsula as an issue of national politics.

Under the Cold War system marred by conflicts and confrontation, the two Koreas made tougher security policies that focused primarily on military forces. This, in turn, created a vicious cycle of insecurity by weakening the nations’ legitimacy for peace and unification based on national identity.

2) Hostile Coexistence after the Cold War

Led by the U.S. and the Soviet Union, the West and the East sustained hostile confrontational relations under the Cold War system. However, the system started to collapse as the revolutionary post-socialist reforms from the East spread throughout the Soviet Union and the socialist state. The U.S. and the Soviet Union, the leaders of the Cold War, sought post-war coexistence; this affected not only the Soviet Union and the East, but also Asia. This coexistence eventually laid a foundation for China to promote reform and openness, and allowed states that were once under the Cold War system to share exchanges, cooperation and diplomatic ties.

The 1953 system that had remained on the Korean Peninsula also started showing signs of change in the global wave at the end of the Cold War. Also, the two Koreas sought ways to independently resolve the Korean Peninsula issues from a nationalist perspective. The policy efforts that both Koreas made to end the Cold War system on the Peninsula showed tangible results through the South Korean Roh Tae Woo administration's Nordpolitik. The Roh administration laid the foundation for the post-Cold War system by standing for Nordpolitik, ending hostile relations with the Soviet Union and China, and establishing diplomatic ties with them.

By jointly entering the U.N. in 1991 amid the post-Cold War atmosphere, North and South Korea stood as independent nations. This was the moment in which the international community officially recognized the existence of two states on the Korean Peninsula. As a result, the outside world began to recognize inter-Korean relations as normal international relations between two independent states. North and South Korea's entry into the U.N. meant that they both agreed to the U.N. Charter, which stipulated that both nations would settle all issues not by armed forces but by peaceful measures. Also, the entry declared that they would serve as responsible members of the international community and respect each other's existence. In this sense, Korea's entry into the U.N. opened a new chapter into the future of a unification based on the peaceful coexistence of both nations. The joint entry of North and South Korea into the U.N.¹²⁾

12) At the 46th U.N. General Assembly(held on September 18, 1991), South and North Korea joined the U.N. as members with separate seats. Until

eventually provided an institutional foundation for the world to stabilize inter-Korean relations.

Furthermore the two Koreas adopted the Inter-Korean Basic Agreement in 1991, thus redefining the nature of inter-Korean relations. Through this agreement, North and South Korea clarified inter-Korean relations as “a special relation formed tentatively in the process of orienting unification rather than an inter-national relation.”

The Inter-Korean Basic Agreement was neither a treaty between nations, nor an agreement bound by international law to exert the same effects on other nations. However, this basic agreement reaffirmed the complexity of the relations, which had two aspects: a unification-oriented special relation and an ordinary international relation.

The 1953 system that resulted in the Korean Peninsula-specific Cold War system during the Cold War era transformed into the 1991 system by a new post-Cold War environment. Unlike the 1953 system, the 1991 system allowed the two Koreas to gain recognition from the international community that they were independent states. It also shifted inter-Korean relations to a special and cooperative one that aimed for unification. However, it failed to truly go beyond the 1953 armistice system because the new system had both the natures of the Cold War and the Post-Cold War. Nevertheless, the relations between North and South Korea became more stable.

then, each Korea had claimed that its administration was the only legitimate government on the Korean Peninsula. However, this joint entry put an end to such arguments through international law.

Table 8. The Agreement on Reconciliation, Non-aggression, Exchanges, and Cooperation between North and South Korea

“South and North Korea, in keeping with the longing of the entire Korean race for the peaceful unification of our divided fatherland; reaffirming the three basic principles of unification set forth in the South-North Joint Communiqué of July 4, 1972; determined to end the state of political and military confrontation and achieve national reconciliation; also determined to avoid armed aggression and hostilities, and to ensure the lessening of tension and the establishment of peace; expressing the desire to realize multi-faceted exchanges and cooperation to promote interests and prosperity common to the Korean people; recognizing that their relationship, not being a relationship as between states, is a special one constituted temporarily in the process of unification; pledging themselves to exert joint efforts to achieve peaceful unification;(hereby agreed as follows)”

Figure 5. The duplicity of Inter-Korean relations



After the Koreans adopted the basic agreement, former North Korean leader Kim Il Sung commented “Now, the era of confrontation has ended and the era of cooperation, collaboration, exchange, and non-aggression has begun.” Jeong Won-sik, who was the South Korean Prime Minister at the time, stated, “The era of hostility and confrontation has come to an end and the era of reconciliation and cooperation has been ushered in.” In short, the 1991 Inter-Korean Basic Agreement was a historic

document that was a turning point in inter-Korean relations.

However, even after North and South Korea adopted the agreement, they failed to deliver the commitments that it outlined and inter-Korean relations started to worsen as questions were raised about North Korea's nuclear facilities. In March 1993, right after the launch of the Kim Young Sam administration, Pyongyang declared a "quasi-state of war" and heightened tensions to the extreme on the peninsula.

As the balance of the hostile post-Cold War relations between the South and the North shifted unfavorably for Pyongyang, it tilted toward defensive survival strategies. The post-Cold War situation between the North and the South unfolded in an unbalanced manner because North Korea, one of the pillars of the division, had maintained hostile relations with the U.S. and Japan. Pyongyang's resulting defensive survival strategies started leading to its nuclear strategies.

By adopting the Geneva Agreed Framework, North Korea shifted its priorities from using nuclear materials for survival to focusing on North Korean-U.S. relations. This made the issues of inter-Korean relations subordinate to North Korean-U.S. relations.

3) Cooperative Coexistence in the 21st Century and the Inter-Korean Gridlock

Inter-Korean relations, which had rarely changed despite the post-Cold War transition and globalization, started a new phase with the launch of the South Korean Kim Dae Jung administration

in 1998. The Kim administration officially declared that Seoul had abandoned its ambition for unification by absorption and pursued North Korean policies that recognized the identity of the North Korean system. President Kim presented “the Sunshine Policy,” which aimed at “first, peace, then unification” and set the goal of “better inter-Korean relations through realization of peace, reconciliation, and cooperation.”

The historic first inter-Korean summit talks held in June 2000 opened a new chapter of inter-Korean relations. During the talks, the two Koreas declared that the Korean Peninsula issues must be resolved by the parties, and agreed on a broad framework for the direction of unification.

Since the talks, inter-Korean relations improved dramatically. With inter-governmental talks, civic exchanges and cooperation, cooperation of Koreans, and support from the international community, the hostile confrontation between North and South Korea was significantly weakened. For the first time since Korea was divided, inter-Korean relations played a leading role in weakening the Cold War structures on the Korean Peninsula including the North Korean-U.S. relations. Thanks to the improved inter-Korean relations, high-ranking officials of Washington and Pyongyang visited one another, which showed signs that the normalization of North Korean-U.S. relations was imminent.

Table 9. Major Points in the June 15th North-South Joint Declaration

The leaders of South Korea and North Korea [recognizing that the meeting and the summit talks were of great significance in promoting mutual understanding, developing South-North relations and realizing peaceful reunification] declared as follows:

1. The South and the North have agreed to resolve the question of reunification independently and through the joint efforts of the Korean people, who are the masters of the country.
2. In order to achieve of reunification, we have agreed that there is a common element in the South's concept of a confederation and the North's plan for a loose form of federation. The South and the North agreed to promote reunification in that direction.
3. The South and the North have agreed to consolidate mutual trust by promoting a balanced development in the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, health, environmental and all other fields.

Optimism for unification during this period was so great that North Korea designated the post-2000 period as “the era of June 15th unification.” The system, which was based on the inter-Korean summit talks and the 1991 Basic Agreement, was once again shifting toward post-division exchange and cooperation in multiple areas. Significant changes were made under the 2000 system, as institutional tools were created to sustain various forms of mutually agreed-upon inter-Korean talks, exchanges, and cooperation in both the public and private sectors. In addition to the formation of institutional foundations to facilitate inter-Korean exchanges and cooperation, legal and institutional tools to support the age

of reconciliation and cooperation were established in both the North and the South. The economic and social exchanges and cooperation between the two nations led to the opening the geographic border, and created a new model for improved inter-Korean relations.

However, attempts to forge changes for the post-Cold War transition in both states failed to progress smoothly, and it was unavoidable to adjust the pace of change in the face of internal and external challenges. Internally, the conservatives who raised questions over the rapid progress in inter-Korean relations challenged the Kim administration's North Korean policies, which triggered domestic conflicts. Externally, the U.S., which had previously provided strong support for Seoul's North Korean policies, officially started to challenge Seoul's cooperation-oriented North Korean policies after President Bush took office in 2001. The U.S.'s distrust in North Korea not only started to worsen its relations with the North, but it also negatively affected the progress of inter-Korean relations. Also, due to the widespread distrust of the North, South Korea's culture became increasingly unaccepting of the advancement of relations.

Since the Bush administration began in 2001, the North Korea-U.S. relationship worsened severely and inter-Korean relations faced a new challenge. This deterioration of North Korean-U.S. relations hampered progress in inter-Korean relations, and even negatively affected ROK-U.S. relations. Then, with the inauguration of Roh Moo Hyun in 2003, ROK-U.S. relations faced a new stumbling block due to the more tense

North Korean-U.S. relationship; the relations were strained to the extent that there were speculations that the ROK-U.S. alliance would be severed.

The worsening North Korea-U.S. relations continuously challenged the bond between Washington and Seoul. Instead of cooperating with the South and the U.S., Pyongyang pressured Seoul into prioritizing the South-North relationship over the ROK-U.S. relationship. Even during active inter-Korean exchanges and cooperation, the North kept raising tensions by conducting its first nuclear test and consistently developing missiles and weapons of mass destruction. Moreover, the U.S. pushed South Korea to improve the inter-Korean relationship still without any progress in its own relations with the North.

Despite the multiple challenges that arose from the worsening North Korea-U.S. relations, the inter-Korean relationship sustained its foundation of cooperation and exchanges during the era of reconciliation and cooperation ushered in by the 2000 system. In October 2007, South and North Korean leaders met again to publish “The Declaration on the Advancement of South-North Relations, Peace and Prosperity(October 4th Declaration)” with eight items, showing the possibility of opening a new chapter in the history of inter-Korean relations.

However, with the start of the Lee Myung Bak administration in February 2008, inter-Korean relations once again reached an impasse. By linking the North Korean nuclear issue with the inter-Korean relationship, the Lee administration took the position that relations could improve only when the North abandoned

its nuclear ambitions. Soon after, Pyongyang seized South Korea's properties in the North(excluding those of Hyundai Asan, the exclusive operator of the Mt. Kumgang tourist site, which North Korea planned to promote independently after a three-year suspension due to strong demand from South Korean authorities after a South Korean tourist was shot and killed by a North Korean soldier on July 11, 2008). In 2009, the Korean Peninsula faced another phase that had the potential to develop into a third nuclear crisis when Pyongyang launched long-range missiles and pushed forward a nuclear test. This exemplifies that even in the era of inter-Korean reconciliation and cooperation, continuous improvement in inter-Korean relations is an extremely difficult national challenge without progress also being made in the North Korea-U.S. relationship.

Despite the numerous difficulties that they have faced, the two Koreas are still making strenuous efforts. Although the foundation laid since the adoption of the 2000 system has been weakened since the Lee administration, the two Koreas are still striving to maintain their ties, including the maintenance of Kaesong Industrial Complex and the hopes for better relations. Furthermore, there is a growing hope that if conditions are properly met, previous progress made in inter-Korean ties can be recovered.

Table 10. The Declaration on the Advancement of South-North Relations, Peace and Prosperity

Through meetings and talks, the two sides reaffirmed the spirit of the June 15 Joint Declaration and had frank discussions on various issues related to realizing the advancement of South-North relations, peace on the Korean Peninsula, common prosperity of the Korean people and unification of Korea.

1. The South and the North shall uphold and endeavor actively to realize the June 15 Declaration.
 2. The South and the North have agreed to firmly transform inter-Korean relations into ties of mutual respect and trust, transcending the differences in ideology and systems.
 3. The South and the North have agreed to closely work together to put an end to military hostilities, mitigate tensions and guarantee peace on the Korean Peninsula.
 4. The South and the North both recognize the need to end the current armistice regime and build a permanent peace regime. The South and the North have also agreed to work together to advance the matter of having the leaders of the three or four parties directly concerned to convene on the Peninsula and declare an end to the war.
 5. The South and the North have agreed to facilitate, expand, and further develop inter-Korean economic cooperation projects on a continual basis for balanced economic development and co-prosperity on the Korean Peninsula in accordance with the principles of common interests, co-prosperity and mutual aid.
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B. The Unification Policy Process of the Two Koreas

1) South Korea's Unification Policies

Korean unification depends on the attitude and policies of South Korea. Seoul's policies are a manifestation of the South's view on unification and the methods through which the nation will try to pursue it. Since the establishment of the ROK government in 1948, the duty of formulating and executing South Korea's

unification policies has been delegated to ten South Korean presidents over the last six decades. The successive presidents have maintained an active attitude toward unification based on his powerful authority. However, each president's views of unification have been different.

a) President Rhee Syng Man

South Korea's first president Rhee Syng Man took a position that he would allow an attempt to unify the nation only if it was in pursuit of the existence of the ROK government. However, because negotiations with the North Korean puppet regime were driven to ultimately create a single communist Korea, such negotiations were not allowed. As a result, the Rhee administration took the position that the ROK government was the only legitimate agent of unification. However, while insisting on "the theory of unification by northward advance," which argued for unification by military force, President Rhee officially continued to propose "peaceful unification based on mutual agreements" to the North.

b) President Park Chung Hee

President Park who took office through the May 16th coup in 1960 retained his position as from the 5th to 9th presidential terms of South Korea for 16 years(from 1963 to 1979) and defined anti-communism as "a primarily national policy" and "the theory of unification after construction" as the basis of his North Korean agenda. While he was in office, Park focused so much on building

up capacities as a strongly anti-communist security-oriented state that concrete efforts for unification were relatively overlooked.

c) President Chun Doo Hwan

Chun Doo Hwan took the opportunity to ascend to presidency after the death of President Park in 1979 and the sudden suspension of the constitutional government that followed. He took the office for the 11th and 12th presidential terms of South Korea (from 1980 to 1988) and presented “the Korean People Harmony Democracy Reunification Program” in 1982. Through this program the South Korean government proposed that, based on the principle of national self-determination, a unification constitution be enacted and a North-South joint general election be held through democratic procedures and methods which reflect the intent of all of Koreans to found a unified democratic republic of Korea. This was significant in that Seoul presented a much more specific and organized program for unification than ever before. Based on such a proposal, the Chun administration also put forward detailed pilot projects composed of 20 items for national unity.

d) President Roh Tae Woo

Amid the global post-Cold War transition, President Roh took office during the 13th presidential term of the ROK. In 1988, through “the Special Declaration for National Self-esteem, Unification, and Prosperity”(the July 7th Declaration), he proposed that the two Koreas dismantle all barriers and engage in exchanges in every area. Also, through Nordpolitik, he improved foreign

relations by establishing diplomatic ties with socialist states and sought changes in inter-Korean relations through “The Korean National Community Unification Plan.” Such efforts made it possible to establish official diplomatic ties with Russia(1990) and China(1992), which were Pyongyang’s key allies.

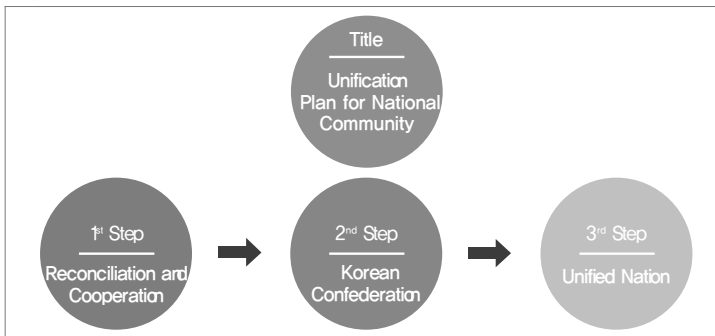
e) President Kim Young Sam

Taking office as the 14th president of the ROK in 1993, President Kim advanced the Korean National Community Unification Plan and endeavored to change inter-Korean relations by announcing the three-step “National Community Unification Plan” in 1994. The three phases of this plan were inter-Korean reconciliation and cooperation; a Korean Confederation; and ultimately a unified Korea with a single ethnic group, system, state, and government. However, with the sudden death of Kim Il Sung in 1994, a growing expectation of North Korea’s collapse became prominent; the first North Korean nuclear crisis unfolded and led inter-Korean relations to deteriorate into confrontation. Since then, Seoul took a different approach to legislating unification policy.

This plan recognized that unification could not be achieved overnight, and therefore suggested that Korea pursue it gradually by building a single national community. In this sense, he introduced an idea to first build the Confederation Korea through reconciliation and cooperation, and then ultimately found a Korea with a single ethnic group, system, state and government. The goal of the first stage, reconciliation and cooperation, was to seek chances for mutual cooperation with an aim to reduce hostility

and distrust between the two Koreas. The second stage of the Confederation Korea was intended to accelerate and institutionalize inter-Korean exchanges and cooperation based on the mutual trust built in the previous stage. The aim of the final stage was to establish a unified Korean state with a single ethnic group, system, and government by organizing a unified national assembly through a North-South joint liberal general election based on the unified constitution enacted in the previous stage.

Figure 6. South Korea's Official Unification Plan



Nevertheless, the plan failed to draw enthusiastic support from the North. “Rodong Sinmun,” North Korea’s official newspaper, made a harsh comment that the plan was practically unrealistic and too worthless to consider. It was unfortunate that “The National Community Unification Plan” was introduced shortly after the death of Kim Il Sung, which was a time when inter-Korean relations were critically deteriorating. However, this plan has been considered the official Unification Plan of the South Korean government since 1994; only North Korean policies have changed since 1998.

Table 11. Key Points in the National Community Unification Plan

At the Liberation Day ceremony, President Kim announced that the most significant feature of “The National Community Unification Plan” is that Korea should be unified in a free and democratic manner. In order to achieve unification, he proposed a three-step model that would establish a) reconciliation and cooperation; b) the Korean Confederation; and c) a unified Korea with one ethnic group and a single state, based on the three major principles of independence, peace, and democracy.

f) President Kim Dae Jung

Progressive presidents took office for the first time in South Korean history from 1998 to 2008. With different views of inter-peninsular issues from those of successive governments, these South Korean presidents did not aim directly at unification; rather, they focused on the coexistence and prosperity of the two Koreas from a more realistic perspective. In 1998, the Kim Dae Jung administration saw the first signs of change in Seoul’s unilateral policies towards unification by absorption.

Leading South Korea during its 15th presidential term, Kim Dae Jung had a strong conviction in policies that encouraged a stable transition in the North. He laid a foundation for unification characterized by the Sunshine Policy, engagement policy, and the reconciliation and cooperation policy, which contrasted the successive governments’ containment policies. The Kim administration officially announced that Seoul abandoned its ambition for unification by absorption and set up policies that focused on coexistence through reconciliation and cooperation. Such policies

towards North Korea pursued a “change through rapprochement” and have been consistently maintained, as shown by the Mt. Kumgang tourism program being sustained despite the 2002 West Sea naval battle. Rather than hastily pushing for unification, the Kim administration focused on building a foundation for peaceful unification and advancing inter-Korean policies toward unification-oriented ones by simultaneously promoting security, reconciliation, and cooperation. Thanks to such efforts, inter-Korean exchanges and cooperation expanded and tensions were lowered. However, these policies failed to institutionalize peaceful coexistence because of North Korea’s nuclear development and its rejection to discuss military issues.

g) President Roh Moo Hyun

President Roh Moo Hyun, who took office after President Kim, developed “The Peace and Prosperity Policy” based on the Kim administration’s North Korean policies. President Roh also focused his agenda on laying a foundation for lasting peace on the peninsula. He tried to change the North by attempting to resolve issues through dialogue, mutual trust and reciprocity, international cooperation based on the principle of each party’s initiative, and policy implementation by national cooperation. However, North Korea’s first nuclear test tarnished the meaning of the policy.

h) President Lee Myung Bak

However, such a policy trend shifted to a new North Korean policy with the inauguration of Lee Myung Bak in 2008. Based on the accumulated experiences of North Korean policies of the successive governments, the Lee administration presented the “Coexistence and Co-prosperity Policy,” which emphasized pragmatism and the identity of the ROK. This policy was first mentioned in a report by the Ministry of Unification in 2008.

The Lee administration stresses simultaneous, balanced, and equal inter-Korean relations based on the “Coexistence and Co-prosperity Policy” and “strict reciprocity.” These are based on the assumption that inter-Korean relations will advance from initial hostilities to coexistence and co-prosperity through reconciliation and cooperation. This policy was to the Lee administration what the reconciliation and cooperation policy and the peace and prosperity policy were to the Kim administration and the Roh administration, respectively. We can consider coexistence and co-prosperity advanced forms of “reconciliation” and “cooperation,” which were the keywords of the 1991 Basic Agreement(The Agreement on Reconciliation, Non-aggression, Exchanges and Cooperation between North and South Korea).

The visions of the “Coexistence and Co-prosperity North Korean Policy” presents: first, “a peace community” that denuclearizes the peninsula, builds military trust, and lowers tensions between the two Koreas; second, “an economic community” that helps the development of North Korea and its engagement in the international community, and pursues economic cooperation that

benefits both Koreas; and third, “a national community” that pursues the happiness of all 70 million Koreans by resolving humanitarian issues of the North and the South and improving the quality of life for all Koreans. As concrete plans of action, the Lee administration proposed the so-called “Non-nuclear, Openness, and 3000 Plan” to help the North to increase its per capita national income to \$3,000 USD in 10 years through cooperation with the international community. This plan is distinctive because it abandons the pursuit of a nuclear program; instead, it supports economic development in the North, including engagement in the capitalist international community, in order to pursue the normalization of the North’s diplomatic ties with the U.S. and Japan. In other words, Seoul is attempting to offer help to Pyongyang so that it can be a normal state. The success of this plan depends on the denuclearization and opening of North Korea.

The success of Seoul’s North Korean policies also depends on Pyongyang’s attitude and reactions. As an old Korean saying goes, “Even if you have many beads, you must string them together to make a valuable necklace.” This signifies that although the South can give the North the tools for development and normalization, the effectiveness of these policies ultimately lies in the North.

So far, the successive administrations have all delivered a message of hope for Korean unification through distinctive policies toward unification or North Korea. However, their hopes for unification were all illusive dreams. The true value of policies lies at their feasibility; unrealistic ones are mere political rhetoric.

2) North Korea's Unification Policies

Pyongyang's unification policies have remained relatively unchanged compared to Seoul's. Since the foundation of the North Korean regime, the position of the supreme leader who decides the destiny of North Korean society has been handed down from Kim Il Sung to his son, Kim Jong Il, and now to his grandson, Kim Jong Un. However, unlike the ROK's unification policies that have changed with each successive president, the North's policies remained unchanged.

a) Unification Policies under the Rule of Kim Il Sung

North Korea approached unification in a very active and aggressive manner. Pyongyang considered the Northern part of the peninsula a “democratic base”¹³⁾ and a “revolutionary base” for Korean unification. North Korea considered South Korea a state that should be “liberated” from the rule of the foreign powers. Pyongyang also denied the existence of South Korea and asserted its own “theory of unification by absorption.”

Based on its reckless and aggressive “unification first” attitude, North Korea attempted to unify Korea by force through the Korean War in 1950. However, it failed due to the intervention of U.N. forces led by the U.S. As the division of Korea became embedded in the global Cold War structure of the post-Korean War era, Pyongyang shifted its focus toward confrontation with the U.S.

13) This is a theory for revolution proposed by North Korea after liberation from Japanese colonial rule. This theory refers to building a communist base in the North before the socialization of the entire Korean Peninsula.

During the decade following the Korean War, North Korea actively and aggressively insisted on unification through democratic and free North-South joint general elections without any intervention of foreign powers; to this end, it demanded the withdrawal of U.S. Forces from the South. Then in 1960, in response to the South's passive and negative reaction to Pyongyang's unification plan based on a free general election, the North acknowledged the existence of two governments and states on the peninsula for the first time. It also proposed a "federation-based" Unification Plan, which aimed to build unification-oriented nations.

However, the North actually put more emphasis on the "South Korea Revolution Doctrine," which denied the existence of South Korea over the federation-based plan that recognized it. Pyongyang's Unification Plan was based on the South Korea Revolution Doctrine,¹⁴ which reflected that South Korean society had the capacity to carry out revolutions such as the April Revolution in 1960. To augment the South Korean revolution, Pyongyang tried to take advantage of South Korea's pro-democracy movement by intervening actively in the situation and focusing its strength on forming pro-North Korean revolutionaries.

In the face of a changing international environment in the 1970s, North Korea's unilateral plan seemed to shift toward a

14) Under the South Korea Revolution Doctrine, North Korea asserted, "for the unification of our motherland and the victory of Korean revolution, the socialist capacity shall be strengthened in the northern half of the peninsula and the revolution capacity shall be enhanced in South Korea, while establishment of a socialist system shall be facilitated and revolution must be executed in the South."

bilateral one based on political dialogue with South Korea. Pyongyang used the historic July 4 Joint Declaration of the ROK and the DPRK in 1972 to reinforce its dictatorship by revising its constitution, under the pretext that North Korea recognized South Korea as a partner in political dialogue for the resolution of national issues. Since the 1970s, the North has initiated hostile competition with the South over the lead in unification issues and has fiercely vied with the South for strategic advantages.

In the 1980s, through the sixth congress of the Workers' Party of Korea, Kim Il Sung claimed, "We shall not compel South Korea to adopt our thoughts and institutions, and we will hold everything in subjection only for the unity of Korea and unification of our motherland. Our party shall establish a government for national unification where both the South and the North engage equally on the foundation that accepts and acknowledges each other's thoughts and institutions as they are; then, found a confederal republic which introduces the self-governing system with the same authority and duties between the South and the North; and eventually, achieve unification." He also presented "the Democratic Confederal Republic of Koryo" as the official title of the proposed confederal republic. This model of a unified nation was a federation with "a single ethnic group, single state, two systems, and two governments." Such a plan appeared to be advanced and respected the existence of South Korea. However, it had the intention of securing stable inter-Korean relations based on such an acknowledgement. In other words, by accepting the existence of the South Korean system, North Korea tactically tried

to secure the stability of its own system.

North Korea's Unification Plan had supported a hostile, aggressive, and unilateral strategy of unification by absorption under the backdrop of the Cold War confrontation; this changed as the post-Cold War era emerged with the collapse of socialist powers from the late 1980s to the early 1990s. The beginning of the post-Cold War era presented both challenges and opportunities to North Korea. In that era, Pyongyang was in "an overall crisis" in the face of external and internal threats to the socialist system. Such a new environment offered the North a chance to apply the Unification Plan as a strategy for its survival. But, even amid the crisis, Pyongyang continued its aggressive attitude toward Seoul.

North Korea's post-Cold War Unification Plan shifted its focus to the gradual and progressive foundation of a federal state based on the coexistence of the North and the South. In the 1991 New Year's address, Pyongyang asserted, "at a time when two systems exist on the Korean Peninsula, unification shall be achieved in the form of a federal state with a single ethnic group, single state, two systems, and two governments under the principle of unification without absorption. While integrating two different institutions of the North and the South can be achieved in a steady and smooth manner by the next generation, establishing a single unified nation with a single ethnic group beyond the difference in thoughts and institutions should not be delayed. To facilitate building the national consensus on ways to found the Democratic Confederal Republic of Koryo, we are ready to

have a discussion on a progressive completion of federalism-based unification in a way to tentatively give more authority to the governments of the North and the South under the Confederal Republic and to eventually assign more functions to the central government.” North Korea seemed to promote a federalism-based Unification Plan that guaranteed and recognized the coexistence of the two systems on the Peninsula. However, even after the two Koreas’ joint entry into the U.N. in 1991, Pyongyang maintained its traditional attitude regarding South Korean policies and did not abandon its claim that only one Korea could exist on the peninsula.

C. Unification Policies under the Rule of Kim Jong Il

After the death of Kim Il Sung in 1994, his successor Kim Jong Il defined the charters for national unification: “the three major Korean unification principles,” “the ten creeds for the national unity,” and “the plan for foundation of the Democratic Confederal Republic of Koryo.” He advocated the federalism-based Unification Plan, which aimed at a single ethnic group, a single state, two systems, and two governments. He reflected this through his writing published on August 4th, 1997, which stated, “To follow the teachings on national unification of the Great Leader, Comrade Kim Il Sung.” Even after the beginning of Kim Jong Il’s rule, North Korea’s Unification Plan did not change from his father’s.

However, a huge difference started to appear in the methodology of unification. Amid an ever-aggravating imbalance between the

two Koreas, Kim Jong Il adopted the “Military-First Policy”¹⁵⁾ as a means to manage the risks and resolve the issues at hand. His Military-First Policy was a political strategy for risk management that depended on, emphasized, and based itself on military forces. As Kim Jong Il yielded to the temptation of developing nuclear weapons of mass destruction with horrible destructive power under the logic of the Military-First Policy, the situation on the Korean Peninsula rapidly deteriorated and led to confrontations between Pyongyang and Washington. While Kim Jong Il’s Military-First Policy made military strength the key topic of inter-Korean relations and raised the risk of war, North Korea focused its entire strength on maximizing its chance to survive.

Through the Military-First Policy, Pyongyang is putting the utmost efforts in maintaining its own identity and building the foundation for its survival. While trying to have a direct dialogue with the U.S., Kim Jong Il backs the Military-First Policy as a survival strategy that tries to maintain the identity of the Korean system. Kim and other North Korean leaders have repeatedly delivered the message that they are ready to pay any cost or make any sacrifice to maintain the identity of the North Korean system in the international community.

North Korea’s approach to unification seems to follow a pattern

15) The Military-First Policy is a way of governing principle gives priority to the military. In North Korea, the Military-First Policy is “a political method that under the principle of military-first, resolves every issue arising from the course of revolution and establishment and pursues socialist achievements with military as a pillar of revolution.” Such a policy was first discussed in early 1995 and has been a key strategy of the North since 1998 when Kim Jong Il took office as Chairman of the National Defense Commission.

of politics that emphasizes identity based on the Military-First Policy. Through the historic Summit Talks that were held in June 2000 for the first time after the division, Kim Jong Il declared the following agreed-upon items: “North and South Korea agree to independently resolve the unification issues through unity of Koreans as the direct parties of the issues, and North and South Korea recognize the common grounds between South Korea’s vision of confederation and North Korea’s vision of federation and decide to pursue unification based on such understanding.”

Even in the face of disadvantages arising from an ever-growing inter-Korean imbalance, Kim Jong Il did not abandon the federation-based Unification Plan. He kept stressing its similarity to South Korea’s vision of confederation and tried to prove his plan’s utility as a Korean Unification Plan. However, his plan now faces a new wave of change as the Korean Peninsula issues have gained global attention.

Whenever North Korea’s identity is threatened or denied by South Korea and other nations, Pyongyang attempts extreme resistance and armed provocations under Kim Jong Il’s political pattern that puts emphasis on identity.

Under the rule of Kim Jong Il, North Korea stressed the Military-First Policy that relies on military power on one hand and opens a window of opportunity to resolve the issues in a peaceful manner on the other. North Korea actively proposes talks and cooperation with the parties in hostile relations through various channels and means. Kim’s Military-First Policy has tended to be used as a means for successful dialogue-oriented politics.

Table 12. Trends in North Korea's Unification Policies

Decade	Unification policy	Description
1950	The Theory of Democratic Base	Unification through a free general election under the watch of a neutral country
1960	Transitional Federation	Foundation of South-North federation by a free joint general election
1970	The Confederal Republic of Koryo	Foundation of the Confederal Republic of Koryo through a free joint general election
1980	The Democratic Confederal Republic of Koryo	Foundation of a confederal republic based on a federal organization
1990	Loose Federation	A unified federal nation with a single ethnic group, single state, two systems, and two governments
2000	Low Stage Federation	Foundation of a unified federal nation which gives political, military, and diplomatic authority to the South and North self-governments

Table 13. Comparison between North and South Korea's Unification Methodologies

	South Korea's: National Community Unification Plan	North Korea's: Confederal Republic of Koryo Plan
Philosophy	Liberal democracy	The <i>Juche</i> idea
Principles	Independence, peace, and democracy	Independence, peace, and national unity(revolution in the South, unity with communists, and exchanges after unification)
Actors	All members of the ethnic group	The proletariat
Preconditions	-	Abolishment of the National Security Law and withdrawal of the U.S. Forces from South Korea
Process	Reconciliation and cooperation→ Korean Confederation→ a unified nation	A gradual completion of the federation

Table 14. Comparison between North and South Korea's Unification Policies: The Models of a Unified Nation

	South Korea's: National Community Unification Plan	North Korea's: Confederal Republic of Koryo Plan
Process	A joint general election under a unified constitution	Political negotiation through joint meetings
Form	A unified nation with a single ethnic group, state, system, and government	A federal nation with a single ethnic group and state, and two systems and governments
Organizations	A unified government and a national assembly(bicameralism)	Supreme National Confederal Assembly, and a Confederal Standing Committee
Future visions	An advanced democratic nation that guarantees freedom, welfare, and human dignity	-

1) The Differences between North and South Korea's Unification Policies

For more than half a century since the division, the governments of both North and South Korea have considered unification a national cause, presented various unification policies and formulas, and reaffirmed their will for unification every time they have a chance. Despite such efforts, the prospects of Korean unification are not so bright. This is not due to a lack of principles or methods for unification, but rather because of the lack of the proper environment to realize it.

However, a specific blueprint for the process of unification is crucial. In this sense, it is vital that we prepare for unification by comparing unification policies and analyzing key components.

The two Koreas have significant differences in their approaches and processes through which they plan to build a unified nation.

Each country points in different directions: not only in the process of unification, but also in the end goals for a unified nation. All of their policies require a strong degree of execution and feasibility; otherwise, they are merely empty political rhetoric. One characteristic of Seoul’s unification policies is its premise that North Korea must change first. On the other hand, Pyongyang has stuck to its tendency of discussing the issues of the Korean Peninsula first with Washington rather than Seoul. This shows that both Koreas are still in a zero sum game over unification.

As both South and North Korea have delayed achieving unification, the issue has become too complicated to resolve. Now the world is facing the “era of transboundaries”; this means that the boundary between the South and the North is also changing significantly. The idea of an exclusive nation-state based on a strict territorial state is becoming increasingly weak. However, discussion on Korean unification has not been able to cross the clear boundary. Now, it is time to change “unification paradigm.”

Table 15. Comparison between North and South Korea’s Unification Plan(From 1948 to 2011)

Period	South Korea		North Korea	
	Administration	Plan	Administration	Plan
1948~60	The First Republic (The Rhee Syng Man administration)	A free joint general election under the supervision of the U.N.	The Kim Il Sung Regime	Forced unification under communism based on the theory of democratic base

Period	South Korea		North Korea	
	Administration	Plan	Administration	Plan
The 1960s	The Second Republic(The Chang Myon administration)	Free joint general election	The Kim Il Sung Regime	South-North Federation
	The Third Republic (The Park Chung Hee administration)	Establishment first, then unification		
The 1970s	The Fourth Republic (The Park Chung Hee administration)	Declaration of foreign policies for peaceful unification	The Kim Il Sung Regime	Federation of Koryo(1973) and five creeds for the Reunification of the Fatherland
The 1980s	The Fifth Republic (The Chun Doo Hwan administration)	The Korean People Harmony Democracy Reunification Program	The Kim Il Sung Regime	The plan for the Democratic Confederal Republic of Koryo(1980)
	The Sixth Republic (The Roh Tae Woo administration)	The Korean National Community Unification Plan		
The 1990s	Civil Government (The Kim Young Sam administration)	The National Community Unification Plan	The Kim Jong Il Regime	Federation with a single ethnic group, single state, two systems and two governments
	People's Government (The Kim Dae Jung administration)			
The 2000s	Participatory Government (The Roh Moo Hyun administration)	Succession of the National Community Unification Plan		Low Stage Federation
	The Lee Myung Bak administration	Succession of the National Community Unification Plan		

D. The South-South Conflict in Transitional South Korea

Since the chapter of reconciliation and cooperation has begun in inter-Korean relations, South Korean society has faced the serious challenge of the South-South conflict. This refers to a conflict in South Korean society over the issues of North Korea and unification. This threatens not only South Korean unity, but also inter-Korean relations as a whole. In particular, along with other conflicts arising from the pluralist structure of society, the South-South conflict results in extremely complicated issues. This is turning the ROK into a nation with complex conflicts.

In one way, such conflict is a natural phenomenon in a liberal democracy-oriented pluralist society; it can be seen as one aspect of a healthy society. However, the South-South conflict is emerging as a new challenge that South Korea must address in order to improve inter-Korean relations.

This conflict refers to the extreme South Korean societal confrontations that are caused by disagreements and differences in perceptions and attitudes toward North Korea. The South-South conflict reflects the differences between the conservatives and the progressives in South Korean society regarding their positions over North Korean or unification policies. Such a conflict is the result of a myriad of conflicting views and the resulting discord among South Koreans.

1) Standardized Culture over Division Based on Anti-Communism

The division of Korea has also built invisible barriers within South Korea. These figurative barriers represent division over issues in the minds of the population of the South. While the cause of the South-South conflict is the division itself, it can also be argued South Korea's attitude toward the unification triggered this discord.

The foundation of the South's culture towards a divided Korea is based on an "anti-communist" ideology. In South Korea, anti-communism has been an extremely powerful goal-oriented ideology that not only opposes communism, but also pursues "anti-North Korea" movements. Anti-communism has become a natural and established part of political culture for South Koreans in their daily lives, seemingly acting as an unofficial national policy. It has been a core value to South Korea's liberal democracy and one that it must continue to pursue. In South Korean society, anti-communism has established itself as an unconditional everyday principle for survival and prosperity. This has made South Korea's ideological view remarkably narrow and has made it difficult for ideological diversity to thrive.

2) Post-Cold War Democratization

The post-Cold War transition period has great implications for the changing the nature of South Korean society. As South Korean society started to move from an era led by anti-communist military authorities to an era of democratization in 1987, the

Korean peoples' thoughts and ideologies also began to shift. The South started to apply the logic of democratization to North Korean issues. Because democratization respects diversity, the post-Cold War transition in South Korea led to a transition into an era that opposed division, as well as anti-communism and anti-North Korea ideologies.

However, the wave of democratization failed to dismantle the anti-communist sentiment that was deep-rooted into South Korea's society and culture. Even in the era of democratization, there have been repeated hostile confrontations with the North, providing legitimacy for anti-communist sentiments once again to those looking to spread it. Therefore, as long as the hostile division continues, it is seemingly impossible for South Korea to free itself from an anti-communism society.

3) Top-Down North Korean Policies to End the Division

When the structure of division is well developed based on laws and institutions, the bottom-up approach to end the division is inevitably limited. The system of division, which remained strong even in the post-Cold War era, started facing a new stage with the launch of the Kim Dae Jung administration in 1998.

This administration was the first progressive government to be launched since the foundation of the ROK, and it brought about changes in the inter-Korean relationship. The Kim administration approached Korean Peninsular issues from the perspective of North Korea, which was a completely new direction from the one taken by previous governments. Taking into

consideration North Korea's situation as well as South Korea's policies and strategies, the Kim administration focused on policies that soothed the hostility between the two Koreas.

In 1998, through the South's North Korean engagement policies, the South-South conflict started to change as the Kim administration officially recognized North Korea as a partner of cooperation rather than an enemy. The term "South-South conflict" is known to have first been used in August 1997 in the *Hankyoreh*, a progressive South Korean newspaper. The conflict was first initiated by the progressives' resistance to the conservatives; it later shifted to the conservatives' resistance to the progressives after the start of the Kim administration. This conflict is affecting the inter-Korean relationship as an ideological conflict between the progressives and the conservatives in South Korean society.

In particular, resistance from the conservatives became fiercer after Pyongyang and Seoul declared the June 15th North-South Joint Declaration at the historic North-South Summit Talks between President Kim and Chairman Kim. This declaration stated, "The South and the North have agreed to resolve the question of reunification independently and through the joint efforts of the Korean people, who are the masters of the country. For the achievement of reunification, we have agreed that there is a common element in the South's concept of a confederation and the North's plan for a loose form of federation. The South and the North agreed to promote reunification in that direction." They criticized the declaration not just for its agreed items, but

also for the fact that the government arbitrarily dealt with the key issues which were closely related to the daily lives of South Koreans without any consensus or understanding of the people.

Furthermore, as the inter-Korean exchanges and cooperation expanded significantly since the first summit talks in 2000, the conservatives criticized the government for giving too many undeserved benefits to the North, further aggravating the conflict. Searching the term “South-South conflict” on the Internet renders results showing that this phrase was used by the political circle starting in 2000, and was used even more frequently after members of the Pan-Korean Alliance for Reunification visited North Korea on August 15th, 2001. The South-South conflict triggered by “the Pyongyang Grand Unification Festival” on August 15th, 2001 can be seen as an unavoidable conflict between a newly emerging structure and an old one in inter-Korean relations.

However, the conflict returned to the progressives resisting conservatives after the inauguration of the conservative Lee Myung Bak in 2008. Additionally, signs of a renewed conflict are emerging over plans for unification taxes, which have been proposed as part of preparation for unification.

Mainly, the heart of the South-South conflict lies in whether the South can coexist with the North. If coexistence is impossible, then there is no need to provide support; if it is inevitable, then support must continue. The conflict is serious because participants are planted firmly in values regarding unification, and believe that only their own opinions are correct.

Without any public consensus or fundamental changes in views

on North Korea, the South-South conflict is expected to continue long into the future with its intensity fluctuating with changes in the unification environment. This conflict in the South Korean Society is dividing national opinions and undermining the capacity for unification, making it seemingly impossible to advance the inter-Korean relationship. In the end, this conflict is South Korea's internal challenge that must be addressed when advancing inter-Korean relations. If not, it will be very hard to have a lasting improvement of relations.

The South-South conflict is a legacy of modern Korean history with many ups and downs, such as the sudden division amid an extreme ideological confrontation. Ideology has become a criterion to tell "friend from foe" since the tragic fratricidal Korean War. Although democracy in politics has spread since the collapse of the Cold War system in the 1990s, compromise or negotiation over North Korean issues have remained impossible. As terms of hatred such as "pro-North leftists" and "extremely conservative bigots" have been widely used, an "all-or-nothing" the Korean society has seen widespread confrontation rather than policy discussions.

This conflict is worrisome because resolution becomes more difficult as the conflict has become more complicated in combination with various internal conflicts in South Korea. The boundaries between conflicts are also becoming blurry, thus making resolution more difficult. The South-South conflict has raised society's wariness in that the North could potentially take advantage of it in its South Korean strategies.

One of the root causes of the South-South conflict lies in

the peoples' distrust of the government and North Korea. Such an intense divergence resulted from the lack of the South Korean government's capability to control the conflict, as well as immature democratic institutions and culture. Since South Koreans distrust even the government, which is responsible for control, it is unable to effectively exert its strength and control the conflict. Therefore, recovering public trust is emerging as the most important mission of the South Korean government. Also, many point out South Korea's lack of tolerance for groups with different opinions as one of the reasons behind the low maturity level of the nation's democracy. These two issues are two crucial concerns that must be addressed.

Social conflict negatively affects a country's economic growth by making it difficult to build social consensus and causing excessive competition among interest groups. South Korea's relatively high severity of conflict compared to other advanced nations' costs an enormous 27% of its per capita GDP. Now, it is time for South Korea to make efforts to transform this conflict into a productive form.

2. The Peace Regime on the Korean Peninsula

A. The Importance and Current Status of Peace on the Korean Peninsula

The earnest wish of Koreans is the unification of the Peninsula. However, the risk of armed conflicts between the North and the South—such as the sinking of the South Korean naval ship and the shelling of Yeonpyeong Island—still exists. What is particularly worrisome is that regardless of South Korea's intention, war can break out as a result of other nations. Therefore, to South Korea, what is more urgent than building a unified nation is getting rid of the risk of war on the Peninsula.

U. Beck, a world-renowned German scholar, defined modern society as a “risk society.” This term refers to a society with unpredictable and ever-increasing risks of uncertainty through modern knowledge and human efforts. South Korea is a prime example of such a society; the reason behind the inability of South Korea and its businesses to enjoy their due position on the global stage lies in the “risks” arising from the division.

1) Why Is Peace on the Korean Peninsula Important?

To many South Koreans, peace on the Korean Peninsula is a crucial and urgent goal as it signifies freedom from the fear of war, serves as a means for unification, and allows for national development by eliminating the risks that arise from division.

However, in reality, peace is considered unimportant and unrealistic. This is because over the long duration of the division, South Koreans have become accustomed to a calm environment despite the orders of the division system. Such familiarity and calmness overshadow the importance of peace.

Generally, peace is understood as a calm state without any violence or war that threatens human lives and property; it is often seen as the opposite concept of war. Also, dictionaries define peace as “a state without violence and various forms of deprivation that threatens people.” Today, the definition of peace extends beyond a state without conflict and war; it signifies a state without any form of violence. J. Galtung, who is famous for his research on peace, suggested that there are two types of peace: “negative peace,” which is the absence of any physical violence, and “positive peace,” which is the absence of structural violence. While negative peace implies stability and order without violence, poverty, and restrictions, positive peace refers to a state in which social justice is achieved, conflicts are resolved in a democratic manner, and countries cooperate with each other. In this sense, the peace South Koreans are now enjoying is not true peace, as South Koreans are constantly exposed to both lasting threats from the division and the unpredictable risks of uncertainty.

2) The Current Status of Peace on the Korean Peninsula

Since the tragic Korean War in 1950, unification has been discussed mainly in a peaceful manner. The war reminded people of the need for unification and the importance of peace. Though

South Korea has given its utmost effort to prevent another tragic war, the reality has been far from true peace.

Today, the armistice system established after the Korean War is sustaining peace on the Korean Peninsula. Both Koreas have maintained the most heated military confrontation in the world across the ceasefire line. According to the “Defense White Paper 2010” published by the Ministry of Defense, the South Korean Army has around 522,000 members, the Navy has about 68,000, and the Air Force has 65,000; in total, the armed forces consist of 655,000 people. On the other hand, North Korea has a total of 1.19 million members in its armed forces as the Army has 1.02 million members, the Navy has 60,000, and the Air Force has 110,000. Considering the two countries’ populations and national power, they have an excessive amount of military strength.

Table 16. Comparison between North and South Korean Military Strength(as of November 2010)

Unit: persons and number; all figures are approximate values

		Items	South Korea	North Korea	
Military forces (peace time)	Army		520,000	1.02 mil	
	Navy		68,000 (Including 27,000 Marine Corps)	60,000	
	Air Force		65,000	110,000	
	Total		650,000	1.19 mil	
Major military strength	Army	Units	Corps(or similar level)	10 (Including special forces)	15
			Major military strength Army Units Divisions	46 (Including marine corps)	90

Items			South Korea	North Korea	
Major military strength	Army	Mobile brigades	14 (Including marine corps)	70(around 10 brigades of college students in mandatory service)	
		Equipment	Tanks	2,400 (Including of marine corps)	4,100
			Equipment Armored vehicles	2,600 (Including of marine corps)	2,100
			Field artilleries	5,200 (Including marine corps)	8,500
			Multiple rocket launchers	200	5,100
			Ground-to-ground guided weapons	30 (launch pads)	100 (launch pads)
	The Navy	Naval vessels	Battleships	120	420
			Landing ships	10	260
			Mine ships	10	30
			Supporting ships	20	30
			Major military strength Navy Submarines	10	70
	Air Force		Fighters	460	820
			Major military strength Air Force Reconnaissance aircraft	50(Including those of the Navy)	30
			Other aircraft	40	330
			Trainers	180	170
		Major military strength Helicopters (army, navy, and air force combined)	680	300	
		Reserved forces	3.2 mil	7.7 mil (Including college students, militia, and the Red Youth Guard)	

*Source: Defense White Paper, 2010.

The armistice system, which is the only institutional means of preventing any armed conflict between the South and the North, has failed to stably control the situation on the peninsula. Frequent inter-Korean armed conflicts across the geographical border have increased hostility between the two Koreas, providing a reason to reinforce military strength. Using security threats to justify their actions, both countries have been doing their utmost to enhance their military forces. North Korea is known to have violated the armistice agreement 425,000 times up until 1994, when the Military Armistice Commission at Panmunjeom ended its operation.

In this post-Cold War era, the Korean Peninsula is drawing much attention as the “powder keg” of the world. This is because the peninsula, which has frequent armed conflicts, is a high-tension area with over two million heavily armed North and South Korean troops confronting one another across the Military Demarcation Line.

Moreover, the situation has evolved to a new phase due to North Korean nuclear issues. Comparing the military strengths of North and South Korea military strength has become meaningless, as North Korea now possesses nuclear weapons. Since the 1990s when it recognized that it could no longer compete with the South using conventional military strength, North Korea has focused its capacity on a new alternative. It started to secure conventional and non-conventional deterrence by developing long-range guns aiming at the Seoul Metropolitan area, as well as missiles as long-range vehicles for weapons of mass destruction.

North Korea's growing nuclear development capacity is posing threats for another war on the peninsula. In order to offset an ever-growing imbalance with the South, North Korea depends on military power and continuously focuses on strengthening its nuclear capacity. The risks of war are much higher under the rule of Kim Jong Il than they were under the rule of his father because Kim Jong Il stresses the "Military-First Policy" and focuses all of the available resources on military expansion.

The military competition on the Korean Peninsula has become more heated since Pyongyang declared that it possessed nuclear weapons in 2005. Extremely unstable forces are sustaining peace on the peninsula, where any inter-Korean incident can happen anytime and anywhere. In other words, a balance of terror¹⁶⁾ is sustaining an unstable Korean peace.

The "war game" caused by suspicion of North Korea's nuclear development is mainly carried out not by North and South Korea, but by confrontations between the North and the U.S. Moreover, because the states of Northeast Asia (including the Koreas) share a "war link," it is highly likely for a war to spread to the whole region through military alliances. Territorial disputes, economic conflicts, and nationalist issues as well as political and military issues in the region are aggravating conflicts among countries.

16) This is a nuclear strategy term that refers to a state in which war is deterred by possession of nuclear weapons by concerned parties. It is a mutual deterrence system in which the parties control each other's acts through elements of political psychology such as fear. This term is used when the nuclear states have the potential to annihilate one another.

This shows that peace on the Korean Peninsula is actually an intricate international issue.

The Korean Peninsula and Northeast Asia can be considered conflicted areas that have the Cold War international political structure and ideological division. These areas have more possibilities for armed conflicts than any other regions in the world. The Korean Peninsula is emerging as an unstable region and turning to the field of confrontation between North Korea and the U.S, which is worsening the Peace Index¹⁷⁾ of the Korean Peninsula.

According to the Hyundai Research Institute's report on situation of the Korean in the second quarter of 2010, the Peace Index of the Korean Peninsula in the quarter stood at 22.6, falling within the range of "the state of escalating tensions(20 to 40)." The key objective that South Korea should realize before unification is the establishment of peace on the peninsula that houses a level of tension that cannot be seen in any other place on earth.

3) Why is the Armistice System on the Korean Peninsula unstable?

Today, peace on the Korean Peninsula is based on the armistice system. The system was adopted in 1593 with the intention of tentatively suspending the Korean War and stably managing the

17) "The Global Peace Index" was jointly compiled and published by Britain's Institute for Economics and Peace and the Economist Intelligence Unit. It is based on 23 indicators, such as arms export and the level of violent crimes. The closer that the index is to one, the more peaceful the state is. According to the World Peace Forum that has issued the index annually since 2000, South Korea marked 75.7-it ranked 47th among 76 nations.

suspended war. This system was based on the agreement concerning a military armistice in Korea, with the Commander-in-Chief, United Nations Command on the one side and the Supreme Commander of the Korean People's Army and the Commander of the Chinese People's volunteers on the other. The U.S. Army General Clark from the United Nations Forces, Kim Il Sung from North Korea, and Commander Peng Dehuai from China signed the agreement to make it effective.

The agreement is composed of five articles and 62 paragraphs. Article I is about the Military Demarcation Line and the demilitarized zone, Article II stipulates detailed measures for peace and armistice, Article III is about prisoners of war, Article IV addresses recommendations to the governments of the both concerned parties, and Article V is miscellaneous.

This agreement specifies that until lasting peace is established on the Korean Peninsula, all hostile activities and armed acts shall be suspended; the military agreement applied only to the two concerned parties on the Korean Peninsula. In defining the Military Demarcation Line, the parties agreed to withdraw 2 kilometers to set the demilitarized zone and make it a buffer zone to prevent another aggression. However, at the time, this line was only set on land and not at sea; this triggered inter-Korean conflicts in over five major islands and the surrounding water of the West Sea. The Military Demarcation Line that divides North and South Korea is not a border between sovereign states, but rather is a military boundary. In the armistice system based on the agreement, the two Koreas are imperfect states in terms of

territory, physical violence, and legitimacy. Therefore, they have been considered “defective states.”

The agreement, which was signed on July 27th, 1953-three years and one month after the beginning of the Korean War, was not intended to end the war. “Armistice” means a temporary suspension of hostility between the parties concerned, and the period of armistice is still considered wartime. In other words, armistice refers to “suspension of acts of combat and acts preparing it for a certain period during war under an agreement.” The agreement turned the Korean War into an unstably peaceful state because “armistice” signifies that one party can violate the agreement and resume war at any time. Therefore, the agreement stipulates that the parties shall hold peace talks in order to stabilize the system. In accordance with the agreement, the parties held the Geneva Conference in 1954 to turn the armistice into a peace agreement. However, the attempt failed and led to the longest armistice in Korean history.

The armistice agreement merely returned the situation to its state pre-war state of being based on the intentions of major powers that wanted to maintain the status quo; in turn, it marked the beginning of a permanent Korean division. At that time, South Korean President Rhee did not send a South Korean representative to the signing ceremony of the agreement. This deprived South Korea of its ability to provide a reason for North Korea to demand a transition toward a peace regime only from the U.S.

Since the agreement was reached at a time during the culmination of hatred and distrust between the two Koreas, the

armistice system that was initiated by the tentative military division resulted in a permanent division; this division was both emotional and political. The armistice agreement enabled U.S. Forces, the party of the Korean War, to justify its deployment in South Korea after the suspension of war. However, with the Korean War, the right to command South Korean forces was transferred to the U.N., while the U.S. practically held control of U.N. forces. Consequently, the U.S. also held the right to command the South Korean Forces. In 1953, immediately after the establishment of the armistice, Seoul and Washington concluded the “US-ROK Mutual Defense Treaty” and achieved a military and security alliance against security threats from the North. This shifted the confrontation between the two Koreas into an imbalanced one; it became a conflict between North Korea and the U.S.-ROK alliance. This established a hostile mutual deterrence system based on an “unbalanced deterrence” between North and South Korea on the Korean Peninsula.

Since the division system was formed based on the 1953 armistice agreement without a “common system to deter war” on the peninsula, it has reproduced competitive confrontation between the two Koreas that depends on international dynamism. The armistice system can be considered a system under which the two Koreas have increased both inclusiveness based on national homogeneity, and exclusiveness based on “hostile identity.”

The armistice agreement aims to deter war by mandating the establishment of armistice organizations, such as “the Military Armistice Commission” and “the Neutral Nations Supervisory

Commission.” The responsibility of managing the agreement lies in the Military Armistice Commission. However, in the 1990s, Pyongyang closed the North Korean office of the Neutral Nations Supervisory Commission at Panmunjeom and restricted the members from visiting the Joint Security Area, thus undermining the stability of the armistice system. Through such actions, North Korea tried to establish a peace regime by nullifying the armistice system.

Despite the instability of the armistice system, the frequent large and small accidental clashes on the peninsula have never evolved into an all-out war. Even as tensions escalated as Pyongyang, led by Kim Jong Il, stressed the Military-First Policy and repeatedly mentioned that North Korea was willing to wage war against major powers, war was deterred. Fortunately, an all-out war has never broken out; however, there has always been psychological war due to the threats to war.

Some say that the armistice of the Korean War can be considered the cessation of the Korean War given that it has never been aggravated to an all-out war for more than 50 years. However, the Korean Peninsula is hardly in a peaceful state given the fact that the parties have neither declared the cessation of the war nor established any institutions for peace. The unstable peace that two Koreas have enjoyed under the armistice system has been sustained by the Cold War dynamism of the world. Fundamentally, “a system to manage the division by power” has no choice but to experience instability and risks. North Korea sees the armistice system as an obstacle to the denuclearization of the Korean Peninsula.

B. The Bumpy Road towards Peace on the Korean Peninsula

“That since wars begin in the minds of men, it is in the minds of men that the defenses of peace must be constructed”

-Preamble of the UNESCO Charter

Peace on the Korean Peninsula is a cornerstone for improved inter-Korean relations and unification. Though Koreans living on the peninsula are becoming accustomed to the unstable peace that is based on the armistice agreement, such peace is merely an illusion. If true peace cannot be established on the peninsula, it will be unable to improve inter-Korean relations and found a unified nation. Conclusively, it is an immature foundation of peace that makes the realization of Korean unification elusive.

1) Inter-Korean Differences in Their Views of Peace

There are two ways to realize peace on the Korean Peninsula. First, Koreans can sustain and expand the current peace under the existing armistice system. Second, Koreans can transform the current armistice into a peace regime, or realize peace through unification.

In terms of perspectives of peace, Seoul mainly relies on the “democratic peace theory” and the “free market peace theory”, both of which reflect functionalism; North Korea’s view is based on Kim Jong Il’s “Military-First peace theory” that reflects hierarchy.

Table 17. Comparison of North and South Korea's views of peace

Criteria	South Korea	North Korea
Passive definition	A domestically and internationally peaceful and stable state without any war or armed conflict on the Korean Peninsula	A state in which military actions are suspended and peace is achieved on the Korean Peninsula
Active definition	A domestically and internationally peaceful and stable state in which North Korea abandons its ambitions for unification through communication, without any war or armed conflict on the Korean Peninsula	A state in which military actions are suspended, peace is achieved, and the U.S. Forces are withdrawn from the Korean Peninsula

a) *The Democratic Peace Theory: "Democratic states do not engage in war"*

South Korea's democratic peace theory considers democracy a precondition for and a fundamental element of peace. When this is applied to the Korean Peninsula, it leads to the conclusion that democratization of non-democratic dictatorship should first be achieved internally. The theory is based on the proposition that "democratic states do not engage in war." In other words, democratization is a prerequisite for peace. However, this theory faces harsh criticisms in that it will incur huge costs and render incomplete results. South Korea considers the democratization of North Korea a key condition for peace on the peninsula. Unfortunately, this is not a highly feasible strategy considering that the current Northern leadership and system would be denied under this theory.

b) *The Free Market Peace Theory: “States which sell hamburgers do not have war with each other”*

The most realistic strategy for peace preferred by Seoul is the “free market peace theory,” which states the power of market economy can establish a foundation for peace. From the perspective of the “economic peace theory” based on market economy, the free market peace theory claims that the development of a market economy can promote peace.

Table 18. Companies in Kaesong Industrial Complex by Industry

Industry	Major companies
Textile	Samdeok, Shinwon, Gin Gliders, Goodpeople, Chicbebe, Ninemode, K2, GSF, etc.
Chemical	Jinsung Tech, Amos Korea, Jinwon, etc.
Machinery and metal	Romanson, Hyunjin, Sonoko Cuisineware, Dongll Precision Industrial Company, etc.
Electric and electronic	BK Electronics, Doo Sung Tech, Cuckoo Homesys, Jaeyoung Solutech, etc.
Food	Hongik, Hanfoods, etc.
Paper and wood	Hankuk Chain, Jomin P&P, etc.
Non-metallic minerals	Seokchon
Construction of apartment-type factories	Korea Industrial Complex Corp., Tae-Rim Construction, etc.
Construction	Hyundai-Asan, Kumho Industrial, Nakwon Engineering & Construction, etc.
Branch offices	Woori Bank, BGF Retail, Kaeseong Distribution, etc.

*Source: The Kaesong Industrial District Management Committee

Like the democratic peace theory, this theory focuses on suppressing conflicts between the two Koreas through mutual

economic dependence, and building a foundation for peace. The free market peace theory is very realistic in that it relies on exchanges and cooperation that the North prefers. It gives us a chance to take advantage of North Korea's ambitions to open and develop its state. This theory argues that the pursuit of open markets and common economic benefits is a way to prevent international disputes and instead achieve peace. As inter-Korean social and economic dependence increases, it will become more difficult to suspend programs unilaterally or commit "armed provocations" to cancel them. If such mutual economic dependence were to eventually make the countries supply each other's production elements, they would be reluctant to wage war in consideration of the huge economic damage that it would incur. This theory depends on the positive feedback loop of peace and economy.

This theory also stresses that North Korea's planned economy needs to be replaced by a market economy, raising mutual economic dependence on the global economy to achieve economic development. It also states that there must be an expansion in the internal foundation for settlement of peace.

Simply put, the free market peace theory is also dubbed the economic peace theory. The latter focuses on building an inter-Korean economic community. It considers North Korea's incorporation into the international community the key to peace on the Korean Peninsula, based on the logic that exchanges and cooperation will lessen hostility between the two Koreas and bring them closer. In short, the free market peace theory can be considered the most realistic peace theory because it aims to provide a

foundation for peace by increasing inter-Korean economic dependence under the leadership of the economically superior South Korea. The free market peace theory could have been accepted as a feasible theory that could bring highly significant outcomes in the course of inter-Korean economic cooperation. This is because non-hostile economic exchanges and cooperation between private sectors can encourage exchanges and cooperation between the authorities, eventually leading to cooperation among the highly conservative military authorities. It was military cooperation between Seoul and Pyongyang that made it possible to open the Mt. Kumgang area and the Kaeseong area as outposts to foster economic cooperation and to connect the South and the North by land through the demilitarized zone. However, peace by exchange and cooperation has been fettered by the South-South conflict.

c) The Military-First Peace Theory of North Korea: “Military strength brings peace”

While South Korea’s peace theory is based on democracy and market economy, North Korea’s features reliance on strong military power. Pyongyang sees peace on the Korean Peninsula as “a state without war or armed conflict on the Korean Peninsula and any non-peaceful factors that can undermine peace on the Korean Peninsula.” In a way, North Korea is for an active peace theory. Pyongyang believes that “the path toward peace is a path toward unification, and the path to resolve unification issues is the path to achieve true peace.”

Kim Il Sung once said, “Peace is a common wish of mankind, and people can lead a new independent life only when peace is guaranteed. The current source of threats to peace is wrong ideas and policies that attempt to threaten independence of other states and people and control others. In order to keep peace, all of states and people keep their independence, resist power plays, and actively engage in global resistance together as one to prevent invasion and war.”

North Korea argues that the source of threats to peace lies in imperialism. Kim Il Sung once asserted that weapons of mass destruction, including nuclear weapons, should be eliminated and the arms race should stop in order to make the Korean Peninsula a peaceful non-nuclear zone. However, Kim Jong Il is now arguing the opposite, pursuing peace on the peninsula through military capacity that relies on powerful weapons of mass destruction.

Under the rule of Kim Jong Il, Pyongyang is promoting the military-first peace theory, which pursues settlement of peace by arms. This theory has been supported as the most feasible alternative for a weak nation to achieve peace in the face of a powerful nation’s intervention in unbalanced international relations. The key point of the military-first peace theory is that Kim Jong Il’s military-first policy has sustained peace on the Korean Peninsula by deterring the intervention of the U.S. The North claims that this is a “peace-keeping policy that deters war and guards the path toward peaceful unification.” In other words, North Korea believes that peace can only be attained by the power to deter war, especially through powerful military strength.

In his keynote speech at the U.N. General Assembly in September 2010, North Korea's Vice Foreign Minister Park Gil Yeon's said, "As long as the U.S. nuclear aircraft carriers sail around the seas of our country, our nuclear deterrent can never be abandoned, but should be strengthened further." He also stressed, "Our nuclear weapons are not to attack others, but purely for self-defense to counter aggression from the outside world. Without strong war deterrent through the Military-First Policy, the Korean Peninsula would have been ravaged war dozens of times. Furthermore, regional peace and stability would have been lost." North Korea sees the issue of peace on the peninsula from the perspective of North Korea-U.S. confrontations. In other words, in achieving peace, the North focuses on addressing its confrontations with the U.S.

2) Establishment of the Peace Regime

While the theory for peace on the Korean Peninsula emphasizes objectives and means of realizing peace, discussion on the peace regime on the Korean Peninsula focuses more on a specific way to achieve it. "The Korean peace regime" refers to an institutional framework to settle peace on the Peninsula. In other words, it refers to the state of armistice that has determined the orders of division on the Korean Peninsula, shifting to a state of peace and institutional development in support of the regime.

Also, the establishment of the Korean peace regime would establish lasting peace by signifying the elimination of the current unstable state of armistice, the legacy of the Korean War, and

the current military confrontations. In other words, a peace regime will address the root causes of conflict, making way for a calm and harmonious state.

The peace regime can be considered an aggregate of principles, norms, and rules practiced by North and South Korea as well as concerned surrounding nations under mutual agreement. It also includes organizations and processes that manage the application of these principles in order to prevent war on the peninsula and pursue common development.

Therefore, in order to build a peace regime on the Korean Peninsula, we must do more than simply switch the armistice agreement into a peace agreement. We must take progressive steps forward, such as laying the foundation to firmly root peaceful norms and behaviors into our society; we can do this by creating a comprehensive peace community that prohibits acts of political, economic, and cultural violence. In this sense, the peace regime on the Korean Peninsula can secure national independence and stability based on mutual trust and cooperation between the two Koreas, guarantee coexistence and co-prosperity with Northeast Asia in the course of laying the foundation for unification, and contribute to a peaceful world order.

We must take a multilateral approach to the issue of establishing a peace regime, particularly focusing on three aspects. First, we can take an international law-based approach, which turns the war state into peacetime and normalizes international relations. Second, we can take measures to build trust in military terms after ending the armistice system. In other words, the “inter-Korean

military commission” should replace the “Military Armistice Commission,” and an organization to manage peace on the peninsula must replace “the Neutral Nations Supervisory Commission”; it is necessary that North Korea, South Korea, the U.S., and China participate in this organization. Third, in terms of international politics, “Northeast Asia multilateral security talks” are essential to impose sanctions on the violation of the peace regime.

However, there needs to be discussion on this subject because different people have different meanings of the term “peace regime.” But, regardless of these differences, it is clear that the peace regime on the Korean Peninsula is an institutional alternative to the current division regime. Even though both Koreas and surrounding nations agree that a peace regime is vital to ending the sufferings and tragedy caused by the division, there are divided opinions on specific ways to build the regime; this ultimately leads to another conflict.

3) North and South Korea’s Position and Attitude on the Peace Regime

It was North Korea that first proposed the establishment of a peace regime. In establishing this regime, Pyongyang’s major focus has been on building better relations with the U.S. Since the mid 1970s, North Korea has argued for the dismantlement of U.N. command and the withdrawal of U.S. forces from South Korea. The North demanded that the peace only include the U.S., and not South Korea. The North intended to drive U.S. Forces out of the peninsula through a peace agreement with the

U.S.; in doing so, North Korea has repeatedly raised questions over whether South Korea can be considered a concerned party. In response, South Korea and the U.S. have repeatedly countered North Korea, which caused them to fail to further the discussion. In particular, as the North Korean nuclear issue emerged as the most important threat to peace on the Korean Peninsula in the 1990s, all discourses on peace on the peninsula was centered around the relationship between the North and the U.S. Consequently, Pyongyang blames Washington's hostile North Korean policies for its nuclear issues. The North insists that as long as South Korea and the U.S. continue to implement their hostile and confrontational policies, tensions on the peninsula cannot be resolved.

However, in response, the South has continued to assert that both Koreas must be the concerned parties of the peace regime. Seoul believes that the regime is indeed directly related to the destiny of the two Koreas, and that a successful establishment of a peace regime depends on the attitudes and the roles of both South and North Korea. Since 1997, there have been six four-party talks among North and South Korea, the U.S. and China; however, no clear progress was made in these meetings.

On August 15th, 2003 in his Liberation Day speech, South Korean President Roh Moo Hyun expressed South Korea's position that the Koreas must build a peace regime and military trust after resolving North Korea's nuclear issues. Seoul believed that he involved parties can discuss the establishment of a peace regime only after addressing the North Korean nuclear issues. In October

2007, at the second North-South summit talks between President Roh and Kim Jong Il, both countries agreed to end inter-Korean military hostility, cooperate closely for peace and detente on the peninsula, and push for the end of the Korean War. The two leaders shared the understanding that the existing armistice system had to end and a lasting peace regime should be introduced on the Peninsula. The position that Seoul held then has persisted even into the current Lee administration. In 2010, President Lee Myung Bak stated, “Our goal is unification, and we should do our best to settle peace on the Korean Peninsula as it is a precondition for unification,” portraying the peace regime as a stepping-stone towards unification. The Lee administration’s unification plan involves first signing an inter-Korean peace agreement, then building a peace regime mainly through engagement between North and South Korea in a favorable manner to the international community.

However, North Korea has not changed its position that the establishment of the regime fully depends on the North’s relations with the United States. Pyongyang basically sees inter-Korean non-aggression declarations, the North Korea-U.S. peace agreement, inter-Korean arms reduction, and withdrawal of the U.S. Forces from South Korea as key preconditions for peace on the peninsula. It also demands official diplomatic ties with the U.S. and the consequential end of hostility for peace on the Korean Peninsula.

While arguing for the denuclearization of the Korean Peninsula, North Korea also stresses that it won’t abandon or dismantle

its nuclear weapons in advance. The North considers nuclear weapons its last resort for survival. Therefore, in order to stop North Korea from developing nuclear weapons, it is essential to address the inter-Korean imbalance. As long as the North has doubts regarding the security of its identity, conflicts over nuclear weapons are expected to persist. In this sense, it is most urgent for us to create an environment in which the two Koreas can establish a peace regime.

4) The Neighboring Countries' Positions on the Peace Regime on the Korean Peninsula

Establishment of the peace regime on the Korean Peninsula is an international issue that cannot be addressed only by North and South Korea. This is because the U.S. is one of the concerned parties of the current armistice system, and the interests of neighboring nations also depend on changes in the system. In the international community, there can be peace only when countries respect one another's identities and uphold mutual peace based on the independence of sovereign countries. Therefore, the most direct way to establish a peace regime on the Korean Peninsula is through an agreement among the two Koreas and their four surrounding major powers. Although all Northeastern Asian nations prefer peace on the Korean Peninsula, an agreement to bring about this peace remains elusive because each state tries to create an environment that is most favorable only to itself.

a) The U.S.: Denuclearization before the peace regime

The U.S. has been deeply engaged in issues regarding the Korean Peninsula, but has maintained a passive attitude toward the peace agreement demanded by North Korea. In regards to the establishment of a peace regime on the Peninsula, the U.S. has upheld its position that the two Koreas should maintain the existing armistice system until a peace agreement is reached. However, given that the North has not followed the international orders that it was given, Washington has been reluctant to sign a peace agreement with Pyongyang. For this reason, the U.S. still regards North Korea as a “rogue state” that challenges U.S.-led international orders. Washington perceives Pyongyang’s heinous attempts to strengthen its nuclear capacities as part of its “brinkmanship” tactics; therefore, it is hesitant to exercise diplomatic activities that may bring benefits to the North related to such acts.

U.S. policy engages North Korea only when the North agrees on or reacts to Washington’s agenda. At the 2006 APEC summit, U.S. President Bush stated that declaration of the end of the Korean War could be considered only after North Korea’s denuclearization. Also, in 2005, the September 19 Joint Declaration contains an agreement to begin negotiations on a lasting peace regime on the Korean Peninsula. In short, even though the U.S. recognizes the need to change the armistice system into the peace regime, it strictly restricts the process to only contain approaches that prioritize U.S. national interests and influence.

Table 19. China-North Korea Relations

Major Points in the Treaty of Friendship, Co-operation and Mutual Assistance Between the People's Republic of China and the Democratic People's Republic of Korea	
Article II In the event that one of the contracting parties is subjected to armed attack by any state or several states jointly, and thus being involved in a state of war, the other contracting party shall immediately render military and other assistance by all means at its disposal.	The clause on obligatory intervention
History of Sino-North Korea relations	
October 1950	China engaged in the Korean War.
July 1961	Both countries signed the Treaty.
October 1991	Kim Il Sung paid his last visit to China(20 times total)
July 2006	North Korea launched long-range missiles & China supported the 1695 U.N.S.C. resolution.
October 2006	North Korea conducted its first nuclear test & China supported the 1718 U.N.S.C. resolution.
May 2009	North Korea conducted its second nuclear test & China supported the 1874 U.N.S.C. resolution.
October 2009	Chinese Premier Wen Jiabao visited North Korea.
May 2010	Kim Jong Il paid his 5 th visit to China.
May 2011	Kim Jong Il paid his 7 th visit to China.
July 2011	The 50 th anniversary of the Treaty

b) China: The inter-Korean peace regime

Like the U.S., China is a concerned party in the armistice agreement as therefore expresses great interest in changing the armistice agreement. China is against a transition process from the armistice system that only involves the U.S. and North Korea. However, it shows a positive attitude toward building a peace

regime on the Korean Peninsula. Beijing believes that North and South Korea are the concerned parties for peace, and that China and the U.S. are mere secondary parties. It considers inter-Korean dialogue and agreement most essential to establishing a peace regime on the Korean Peninsula.

On July 11th, 1961, Kim Il Sung and Chinese Premier Zhou Enlai signed the Treaty of Friendship, Cooperation and Mutual Assistance Between the People's Republic of China and the Democratic People's Republic of Korea. Article II, the root of the Sino-North Korea alliance, states that "in the event of one of the contracting parties being subjected to the armed attack, the other contracting party shall immediately render military assistance." This is the "obligatory intervention clause" that has paved the path for China to exercise armed intervention on the peninsula at any time. Though high-ranking officials of China and North Korea repeatedly say that they would like to advance the Sino-North Korea friendship forged on blood through generations, this treaty is the biggest obstacle to peace, stability, and unification. While South Korea is seeking peace through a military alliance with the U.S., North Korea is countering the U.S.-South Korea alliance on a firm basis of its military security alliance with China.

c) Japan: Declaration of the end of the Korean War by the four major parties is acceptable

Not considering itself a concerned party in negotiations for the peace regime, Japan has policies that will accept the

conclusions reached by the four major parties through discussions on the establishment of a peace regime and the declaration of the end of the Korean War.

d) Russia: A multilateral international meeting is necessary

As Russia shares a border with the Korean Peninsula and serves as a permanent member of the U.N. Security Council, Russia considers itself an important interested party to issues regarding the Korean Peninsula. For this reason, Russia believes that the parties should discuss this issue multilaterally and that Russia should be included.

5) Building a Peace Regime on the Korean Peninsula

Both Koreas, as well as surrounding nations, agree on the need for the peace regime in order to achieve peace on the Korean Peninsula. However, challenges arise when determining how to build this regime. The most desirable method is to replace the armistice agreement with a peace agreement through four-party talks among North Korea, South Korea, the U.S., and China. This system would aim to resolve North Korean nuclear issues first, and consequently raise Korea's stability by allowing North Korea to establish official diplomatic ties between with the U.S. and Japan. We should also take consider the fact that the U.N. and other major states jointly guarantee peace on the Korean Peninsula as a part of international support.

C. A Dilemma in Maintaining Peace on the Korean Peninsula

1) Inter-Korean Issues concerning Peace on the Korean Peninsula

a) *The Scope of Concerned Parties*

South and North Korea have shown clearly divided opinions on the scope of the concerned parties that are eligible to seek peaceful methods to end the conflict and to lessen tensions on the Korean Peninsula. South Korea believes that the parties that should be involved in creating peace on the Korean Peninsula are both North and South Korea, while North Korea desires to exclude South Korea. This is due to technicalities and the reality regarding power. North Korea does not view South Korea as one of the concerned parties to the division system because the armistice agreement has already provides a source for peace. The North argues that the armistice agreement was not intended to end the Korean War peacefully, but rather to temporarily suspend the war. In this sense, Pyongyang sees the division system as a mere institutional tool to manage the quasi-state of war. North Korea's denial of the South's privilege to be an involved party also has its basis on its view that in reality, the U.S. exercises sovereignty over South Korea. Therefore, the North views itself and the U.S., rather than South Korea, as the only actually concerned parties in establishing peace on the Korean Peninsula. However, this view has lost its power as a possible alternative due to South Korea and its surrounding nations having resisted it.

b) Peace-Related Treaties

Although North Korea and the U.S. signed the armistice agreement as the two concerned parties in the Korean War, the two countries still have not established a peace treaty. Pyongyang has persistently pushed for the “North Korea-U.S. peace agreement” with the intention of internationally binding peace through the treaty. However, Seoul and Beijing oppose this bilateral agreement. As an alternative, the “Korean Peninsula peace treaty” addresses the parties’ controversies regarding the peace agreement. Although replacing the armistice agreement with a peace treaty is an institutional tool that can make a significant contribution to stability of the Korean Peninsula, the concerned parties must first adopt a peace due to complex procedural issues. Adopting a peace agreement can ease North Korea’s concerns over security, while providing it with a foundation to turn it into a “normal state.”

Meanwhile, Pyongyang has demanded a legally binding “U.S.-North Korea non-aggression treaty” from the U.S. in order to bring peace to the Korean Peninsula. A non-aggression treaty is an agreement that the involved parties shall not commit armed attack on one other out of respect for each other’s independence. While alliance treaties and mutual assistance treaties suggest resistance against a third nation, non-aggression treaties aim to eliminate the possibility of war between potentially hostile countries. It is generally believed that non-aggression treaties were introduced at the stage after the conclusion of a peace treaty. This is because peace treaties intend to end the state of war and launch the peace regime, while non-aggression treaties aim

to confirm and support it. In a way, non-aggression treaties are measures to build political and military confidence while eliminating the possibility of war between the parties involved. However, the U.S. prefers a peace agreement to a peace treaty, given that if a peace agreement is upgraded to a peace treaty, it must be ratified by the U.S. Congress.

c) The Northern Limit Line

The Northern Limit Line(NLL) is a maritime border in the West Sea that was declared by General Mark W. Clark, commander of the U.N. forces, in 1953 right after the suspension of the war. The line was drawn between the part of the Ongjin Peninsula governed by North Korea, and the northern ends of five South Korean islands: Baekryeong, Daecheong, Socheong, Yeonpyeong, and Woo. The NLL is currently emerging as the most fiercely conflicted zone between North and South Korea, as the inter-Korean conflict across the NLL is evolving from an ideological conflict to a physical one.

Pyongyang has not yet accepted the NLL as a legitimate maritime border between the North and the South, claiming that line was declared unilaterally without North Korea's agreement. This inherent limitation of the line arises from the fact that the peace agreement was reached only on the Military Demarcation Line(MDL), and not on the NLL, when the armistice agreement was signed on July 27th, 1953. The parties failed to reach a middle ground regarding the border; North Korea insisted that an extended border between Gyeonggi province and Hwanghae province be

the maritime border, and the U.N. argued that the five islands of the West Sea must be taken into consideration as well. In the end, the U.N. Forces established the NLL in order to prevent inter-Korean clashes at sea and to manage a stable state of armistice. However, unlike the MDL, the NLL in nature is closer to “the limit line of military operations” that determines the Navy and Air Force’s range of patrol. Therefore, North Korea was not officially notified of the line.

Since North Korea began to gain confidence in its strengthened naval capacities in the 1970s, it began to raise questions about the NLL. At the 346th meeting of the Military Armistice Commission in December 1973, Pyongyang argued, “The adjacent zone of the five major West Sea islands is in our water, and all vessels passing through the water shall receive a permit from us in advance.” Also, in August 1977, the Supreme Commander of the Korean Peoples’ Army declared its own maritime border. Furthermore, Pyongyang claimed the “Inter-Korean MDL in the West Sea” in 1999 and the “Order of Navigating to and from Five Islands” in 2000 in an effort to nullify the NLL. Through the non-aggression agreement under the Inter-Korean Basic Agreement adopted in 1992, South Korea also acknowledged the tentative nature of the NLL, stating that “the maritime nonaggression zones shall be identical with those that have been under the jurisdiction of each side until maritime nonaggression demarcation line is established.” At the National Assembly interpellation session in July 1996, South Korea’s Former Minister of Defense Lee Yang Ho commented, “the NLL is an arbitrarily

determined line to prevent South Korean fishing boats from accidentally sail to North Korea, and therefore, even if the North crosses the NLL, it does not violate the armistice agreement.” However, the South Korean government’s official position is that the NLL must to be accepted as a “practical border” until a new maritime boundary is declared. The inter-Korean conflict across the NLL has led to multiple conflicts that claimed innocent lives and further aggravated the inter-Korean conflict: the First Battle of Yeonpyeong(1999), the Second Battle of Yeonpyeong(2002), the sinking of the South Korean Naval ship, and the shelling of Yeonpyeong Island.

d) Building Trust

Trust between South and North Korea is the basis of the inter-Korean relationship, as well as a key element of the Korean peace regime. It is a prerequisite for detente and the only means of controlling arms, maintaining the status quo, and bringing strategic stability. Building trust encompasses reducing not only objective risk factors, but also subjective factors that encourage armed threats. “Building Trust” is defined as “a political and military action to show that there are no serious threats between the parties of conflict through credible communication.” In order for two parties to strengthen the trust between them, they must institutionalize non-aggression.

Regarding peace on the Korean Peninsula, there have been ongoing concerns over the correlation among trust, the peace regime, arms control, and arms reduction. There are multiple

options that have been proposed: a) trust building a peace regime a arms control, b) trust building a arms control a peace regime, c) arms control a peace regime a trust building, and d) peace regime a arms control a trust building. Generally, South Korea prefers “first trust, then arms control,” while North Korea supports “first arms control, then trust.”

e) Human Rights

The issue of human rights is a fundamentally controversial one. The heart of the North Korean human rights issue lies in the right to life. However, stresses on human rights lead to the clash of sovereignty. Human rights issues can undermine peace because human rights without peace is impossible. Respecting North Korea's identity is a precondition for peace and the protection of its citizens' human rights.

Seoul has approached inter-Korean relations based on universal values, including the controversial issue of human rights. Such rights are universal, and therefore must apply to both Koreas. However, human right issues are only brought up by South Korea as North Korean issues. At one point in the past, “the North Korean Human Rights Act,” which was promoted by the U.S. and South Korea, caused a strong backlash from North Korea. Therefore it is desirable that we deal with the North Korean human rights issues not through the government, but through civil society, to bring about peace on the peninsula.

South Korea plays a crucial role in settling peace in Northeast Asia. South Korea should assume the leading role in generating

peace on the Korean Peninsula. Minerva, the goddess of wisdom who stands at the center of the U.S. Library of Congress, also sends a similar message. She has an ample figure and generous smile. With a book in one hand and a sword in the other, this goddess of wisdom says, “Those who cannot defend themselves cannot have peace.” This clearly shows that peace is not granted but rather must be earned. In this sense, in order for South Korea to show its leadership in bringing peace to the Korean Peninsula, its first mission should be to build multifaceted capacities for peace in various fields both at home and abroad.

2) The Starting Point for Peace on the Korean Peninsula

Korea has been unable to maintain stable peace on the Peninsula due to the widespread threats to peace present. Elements that contribute to maintaining the division order remain powerful, which prevents the implementation for deep-rooted peace.

a) We must address the dilemma of mutual distrust between South and North Korea.

Even in the era of trans-boundaries and globalization, the line between the South and the North remains prominent. The Kim Dae Jung and Roh Moo Hyun administrations regularized and institutionalized inter-Korean dialogue and exchange, including military cooperation. However North Korea’s nuclear development is reversing these efforts and pushing the relationship back to its condition during the Cold War.

This situation has led to the deterioration of trust, which is a cornerstone of cooperation, between the two Koreas. Because of the mutual distrust, neither Korea can have any confidence in the other's proposals and policies; they both tend to reject all of each other's proposals. As mutual trust decreases, the pace of cooperation decreases and the costs heighten. In order to transform the Korean Peninsula from a conflicted zone into an area of mutual trust, both Koreas must adopt "trust-based diplomacy," which allows them to meet each other's expectation based on international norms.

b) We must overcome the dilemma caused by the internationalization of Korean Peninsula issues.

Both ideological and physical conflicts persist on the Korean Peninsula under the backdrop of the armistice system. These conflicts, which originally arose from the instability of the system, are now evolving into conflicts over nuclear weapons; distrust between the North and the U.S. further aggravates the tensions. The aggravated conflict over nuclear weapons and the resulting deterioration of the U.S.-North Korea relations are currently approached multilaterally through the six-party talks. However, it is difficult to make progress through this approach due to different interests of the parties.

c) We must resolve the dilemma of peace by force.

While claiming to be pursuing inter-Korean exchanges and cooperation, North Korea has not abandoned its nuclear ambition and has rather continuously strengthened its nuclear capacities.

Despite South Korea's reconciliation and cooperation policies, Pyongyang has heightened its armed threats to Seoul through the Military-First Policy. North Korea has justified its reinforcement of military capacity with "chop logic" which states that only strong power, military strength, and nuclear weapons can guarantee peace in North Korea and on the Korean Peninsula. It is now walking on the path to self-destruction by pursuing peace by force and spending excessively on its military despite its economic difficulties. Following this course will cause military tensions between the two Koreas to rise. Therefore, a military and diplomatic tool is necessary to break the vicious cycle of the arms race.

3. The Situation Surrounding the Korean Peninsula

A. Characteristics of the Situation in the 21st Century

The Korean Peninsula only takes up a tiny part of the world map; it looks like a small and isolated island' surrounded by large countries. The history of the Korean Peninsula has repeatedly seen tough struggles against neighboring nations' threats to its identity. Such unfortunate historical experiences persisted into the 20th century, during which Korea was under Japanese colonial rule and later divided. In the last century, Korea faced many difficulties as a result of its direct involvement in or association with major East Asian and global wars: the First Sino-Japanese War, the Russo-Japanese War, the Second Sino-Japanese War,

World War II, the Chinese Civil War, the Korean War, and the Vietnam War.

Politics and diplomacy are “the art of choices.” Even now, the Republic of Korea is at a crossroads in regards to issues concerning the Korean Peninsula. Koreans are currently pondering whether the South should pressure the North, or pursue inter-Korean exchanges and cooperation. There is further uncertainty regarding whether it is more effective to rely on the U.S. to pressure the North, or to depend on China to influence North Korea. Now, South Korea is facing harsh challenges arising from changes in the international environment.

1) The Outlook of the International Situation in the 21st Century

The international situation currently surrounding the Korean Peninsula is environment conducive to the peace and unification of Korea. In the age of globalization, all actors-including nations-engage in the world beyond geographical boundaries. This is because the boundaries of the world, which once clearly divided nations, are becoming ambiguous or are disappearing completely. These complex changes in the global order have begun the “era of the complex system.” International orders in this system are too complex to understand based solely on the power of conventional knowledge. This is also increasing uncertainty, raising the need for creative thinking to effectively respond to a new environment.

In this age, we must diversify our preparations for multifaceted uncertainty. Global orders in the 21st century are becoming more

complex due to the relatively weakened influence of the U.S., the growing influence of emerging economies such as China and India, and the rise of new actors such as NGOs. In particular, the rise of China is significantly complicating the global situation and the landscape of Northeast Asia. Under the 21st century world order, the hegemonic status of the U.S. is being weakened, and conventional security issues and new issues are emerging. This is leading to the transition into a new landscape through the cooperation and conflicts among numerous major powers. Many expect that in the future, the new landscape of global order will depend on competition between China and the U.S.

In this sense, the peace and unification of Korea is no longer an issue between the two Koreas. Rather, it is changing in complicated ways to have a greater influence on the region surrounding the Korean Peninsula and the world order. However, it still holds true that the world order and international relations are fundamentally out of balance due to differences in national power.

2) The Outlook of the Situation in Northeast Asia

In the international situation of the 21st century, Northeast Asia is drawing the most attention as it contains the most dynamic nations in the world. The most quickly changing international relations in Northeast Asia that include the Korean Peninsula are based on asymmetry. Different ideologies and systems, as well as powerful and weak nations, coexist in the region. The region also contains economies that all have different levels of

development. Further, both normal sovereign states and abnormally divided nations coexist. Based on these complexities, the international situation surrounding the Korean Peninsula depends on the asymmetric international relations with four major powers and two weak states. The four major powers are the U.S., Japan, China, and Russia, and the two weak nations are North and South Korea.

The international orders in Northeast Asia have two contradicting trends, namely international cooperation and conflict. The four major powers surrounding the Korean Peninsula have repeatedly been involved in cooperation and conflict while expanding their international influence and competition. The U.S.-led uni-multipolar system is considered to be the dynamism of the post-Cold War era. Based on this system, international cooperation, checks, and competition exist in Northeast Asia as a result of the regional states' responses to the regional hegemony held by the U.S.

Northeast Asian nations prefer the word "strategic" when describing international cooperation because it allows them to secure their own interests in any situation. In other words, they can maximize their national interests through strategic bilateral relations. Therefore, it is common for nations to explain regional bilateral relations with the word "strategic." Also, we can describe the U.S.-China relationship and the China-Russia relationship as strategic partnerships. South Korea has also shifted its relations with China, Russia, and even Japan from hierarchical partnerships to strategic and equal ones. This means that the South's attitude

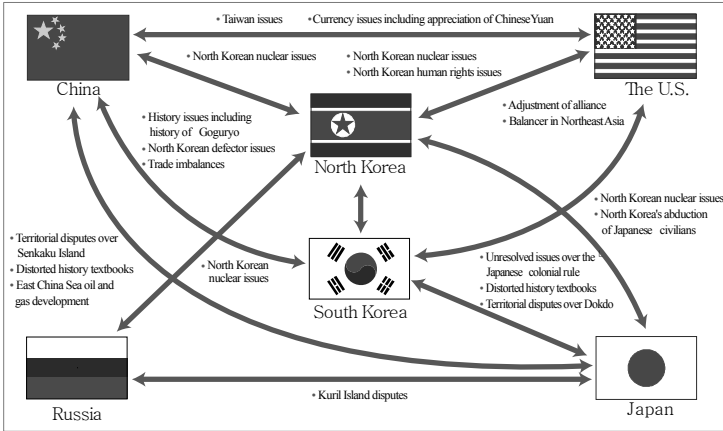
toward Japan is gradually changing as well. As such, Northeast Asian nations support managing mutual relations on a strategic ground.

In this sense, the strategic environment of Northeast Asia is very fluid. Nevertheless, the center of the strategic environment lies at the Sino-American relations. While the global standing of the U.S. has been deteriorating, China has been rapidly rising as a major power based on its fast growth and has drawn much attention as a key driver of change in the dynamic international landscape. While both the U.S. and China share the strategic view that as major powers, they must stabilize world order, they both cooperate and compete with each other over various international issues.

Additionally, we must pay attention to the newly emerging albeit weak movement in the region that simultaneously pursues national and regional interests through the regional cooperation organizations that have been promoted actively in other regions. Although Northeast Asia has multilateral cooperation organizations such as APEC, ARF, and NEACD, it still lags behind other regions.

In addition to regional cooperation, the area is also experiencing tensions due to internal conflict. There has been a widespread nationalist sentiment in the region, along with dispute over the North Korean nuclear issues, the arms race, territories, and resources. In particular, the region is showing signs of another Cold War due to polarization-mainly on the Korean Peninsula issues.

Figure 7. Conflicts in Northeast Asia



The center of regional instability and conflict lies in the Korean Peninsula. Though the Peninsula attracted worldwide attention as the center of post-Cold War transition for some time, peninsular tensions have been boiling since the launch of the Lee administration in 2008. In February 2009, the spokesperson of the General Staff Department of the Korean People's Army expressed Pyongyang's view that President Lee was a "traitor" and warned that "North Korea is ready for all-out confrontation with South Korea." In 2010, the international confrontation that was seen during the Cold War was provoked with South Korea, the U.S., and Japan on one side and North Korea, China, and Russia on the other. Ever since the sinking of the South Korean naval ship, international relations in Northeast Asia have been similar to those that existed between maritime states and continental states during the Cold War. However, the two Koreas

have begun to move independently of the influence of the international environment.

B. The Four Major Powers' Positions and Policies on the Korean Peninsula Issue

Though the two Koreas' decisions are crucial in the unification of Korea, unification is an international issue that requires more than the determination and efforts of just the two states. Moreover, the two Koreas are intermediate states; as middle powers, unification absolutely requires the cooperation and support of other countries. As the division and future unification of Korea are closely related to the national interests of Korea's four neighboring powers, they all try to influence the issue in a way favorable for them.

1) The Position and Policies of the U.S.

The U.S. is the single most powerful nation in the world. As the leading hegemon, it determines the global standards in almost all areas such as politics, economy, military, and culture. It is the only country in the world whose actions are not determined by other nations.

Figure 8. Three major U.S. hegemonies under threat

**Hegemony of the dollar**

The USD's position as a key currency is under threat due to the U.S. sovereign credit rating downgrade

**Military hegemony**

To reduce the fiscal deficit, its defense budget has cut USD \$ 400 billion for the next 10 years. An additional USD \$ 6 trillion cut is possible

**National brand hegemony**

"Washington's political strife" has undermined the international community's confidence in the U.S.

However, its almost imperialistic power and influence has weakened drastically since the end of the Cold War. Challenges to the authority of the U.S. have been on a rapid rise in every corner of the world. The National Security Strategy of the U.S. issued in May 2010 stressed the need for new global strategies based on the awareness of crisis that "at the dawn of the 21st century, the United States of America faces a broad and complex array of challenges to our national security. Just as America has helped to determine the course of the 20th century, we must now build the sources of American strength and influence, and shape an international order capable of overcoming the challenges of the 21st century." The U.S. has consistently pursued multilateral international cooperation and paid huge interest in anti-terrorism and non-proliferation policies for a world without nuclear

weapons. In particular, the Obama administration has actively engaged in efforts towards economic integration and regional stability through its “forward deployed diplomacy” toward Asia.

The U.S. is not a country on the Korean Peninsula, but its influence is so powerful that it is considered an actual concerned party in the Korean Peninsula issues. The U.S. Korean Peninsula policies are so powerful that they can change the situation on the peninsula. Since 1952, Washington has engaged in the issues very deeply through the South Korea-U.S. alliance. The alliance is an asymmetric alliance between a powerful state and a weak, small state. Due to this asymmetry, the alliance has experienced repeated cooperation and conflict. South Korea has advanced its national security, economy, and democracy while continuing compliance and resistance, “adaptation and challenge,” and “approach and tension-building” within the range that the U.S. has set. After the end of the Cold War, Seoul tried to make the North Korea-U.S. relations a dependent variable of the inter-Korean relations. However, it was impossible given the asymmetric nature of the U.S.-South Korea alliance. The influence of the U.S. on the situation on the peninsula is greater than we may believe. Therefore, the U.S. is expected to exert more powerful influence on Korean unification than any other nation in the world.

The U.S. is the strongest ally that supports South Korea’s position in Korean unification. Now, through KORUS FTA, the U.S.-ROK alliance is expanding beyond a political and military alliance into an economic alliance. It is also shifting from a military

and security alliance against common threats into an alliance that stresses common values. The basis of such an alliance is the sharing of values. Given this situation, the U.S. prefers the establishment of a pro-American united Korea that pursues market economy and democracy. If the unification fulfills these objectives, it will protect American interests more than any other country's.

Nevertheless, Korean unification does not seem to be an urgent issue to the U.S. Its Korean Peninsula policies currently focus on maintaining the division, controlling the South and the North by American orders, and leading security in East Asia. Regarding the Korean Peninsula, the U.S. prioritizes the peace and stability of the division system to unification. Among the issues, the most urgent and important one to the U.S. is the North Korean nuclear issue. The reason that experts on the Korean Peninsula in the U.S. recently mentioned unification is that it is less likely to resolve the issue of North Korea's nuclear ambition, missiles, and human rights. In other words, they are interested in unification not because they are principally pursuing unification, but because they consider it a solution to various North Korean issues that have accumulated thus far.

Victor Cha, Korea Chair of the U.S. CSIS, explored the reasons behind the recently active discussion on Korean unification from changes in North Korea. Firstly, Kim Jong Il's poor health made unification an imperative Korean Peninsula issue. Unlike the time when Kim Jong Il succeeded his father as the leader, the current leader's health problems became likely to threaten Kim Jong Un's power succession. Secondly, many people have recently begun

to seek the reasons behind the elusive denuclearization of North Korea not from the North Korea-U.S. relations, but from North Korea. In other words, there is a growing perception that unification should be the means of the denuclearization of the Korean Peninsula. Thirdly, the instability of the North Korean regime caused by its economic and food crisis is now seen as a threat to the peninsula, and experts have begun to find solutions to this threat in unification. In order for Pyongyang to stabilize its economy and food supply, it needs to undergo reform and openness. However, the North Korean government is now apparently reluctant to opening up due to its anxiety of losing control in the process. In this sense, experts tend to seek a fundamental solution from unification to resolve all issues related to Korea.

Neighboring states, including the U.S., prefer stability on the Korean Peninsula. To the U.S., the Korean Peninsula does not exist only for South and North Korea. It is valuable as a “strategic location” in which the U.S. pushes forward its global strategies to major powers including Japan, China, and Russia as well as the two Koreas. The U.S. is able to view China through the Korean Peninsula by using it as an outpost to keep China in check. For this reason, China is wary of a South Korean-led unification. On the other hand, the U.S. defines stability on the Korean Peninsula as a state free from threats from North Korea. Such a view is in line with the policy of Seoul. Washington seems to view unification as an alternative to seek stability on the peninsula.

However, if the U.S. presses North Korea too hastily for Korean unification, it is likely to trigger backlash from the North. Therefore,

the U.S. does not seem to be rushing towards unification. In trying to progressively address its urgent issues, the U.S. is expected to approach the issue of unification through support and cooperation with South Korea in a manner that aligns with American interests.

The U.S. South Korean policies aim to reinforce the alliance between the two states. This is in order to deal with North Korea through cooperation with South Korea. In 2003, the U.S. government pledged to the Roh administration that it would advance its relations into a “comprehensive and dynamic alliance.”

2) The Position and the Policies of Japan

Since 1965 when Japan established diplomatic ties with South Korea, it has been seeking ways to gradually normalize its relations with North Korea through the establishment of official diplomatic ties, while supporting South Korea-focused Korean Peninsula policies given its alliance with the U.S. Since the early 1990s, Japan has adopted the “Policies for the Two Koreas,” which recognize the political existence of both North and South Korea and start negotiations for Japan’s diplomatic ties with the North. Both countries share the need for relation normalization. Therefore, if certain conditions are met, normalization is highly likely.

Japan considers the Korean Peninsula a critical region for its own survival and prosperity; therefore, it believes that the safety of the peninsula is crucial for its own safety. With the revision of the “Guideline for U.S.-Japan defense Cooperation” in September 1997, Tokyo secured grounds to intervene in the

Korean Peninsula issues in supporting the U.S. Forces in Japan from the rear in case of emergency.

While paying much attention to stability and peace on the Korean Peninsula, Japan has shown interest in expanding its influence on the peninsula. Japan implemented the “Policies for the Two Koreas,” under which it cooperated with the South in Seoul’s North Korean policies while also trying to directly improve its relations with Pyongyang. Since the early 1990s, Japan has suggested negotiations with the North to normalize diplomatic ties in consideration of political security and economic benefits.

Tokyo also agrees with the principle that the peace regime should replace the armistice system. Rather than staying silent on the Korean Peninsula issues, Japan has become more engaged in international discussion on them. In addressing the issues, South Korea needs Japan’s cooperation and support. Therefore, strained relations between Seoul and Tokyo can be considered an obstacle to Korean unification. Japan’s position and attitude towards the Korean Peninsula issues are expected to depend on South Korea’s attitude towards Japan.

Japan’s position on Korean unification relies on the unified Korea’s expected position on Japanese issues. For example, if a unified Korea pursues pro-Sino diplomacy and takes on an unfriendly attitude toward Japan, Japan is likely to have a negative attitude towards Korean unification. Tokyo is expected to be most wary of a unified Korea becoming a nuclear state with a nationalistic, anti-Japanese attitude.

However, if a unified Korea maintains the U.S.-Korea alliance and maintains its cooperation with the U.S. and Japan, Japan is likely to support Korean unification. The more that China expands its political influence with its rise as one of the G2, the more that the future qualitative relations between a unified Korea and the U.S.-Japanese alliance will significantly affect Japan's strategic attitude to Korean unification. If a unified Korea actively invests and participates in developing China's three northeast provinces and Far East Siberia, unification is expected to bring economic opportunities to Japan. In short, Japan's position on Korean unification depends on the unified Korea's projected foreign policies and particularly its policies regarding Japan.

The signs of change are emerging to the extent that even some members of the Japanese elite who had a negative view of Korean unification in the past have started to support it. Now, the paradigm of the South Korea-Japan relations is changing. The relationship is shifting from a strained one to a partnership in which the two countries respond to Korean, Northeast Asian, and global issues together. In reporting the results of the Summit Meeting, South Korean President Lee and Japanese Prime Minister Aso Taro described their relationship as "a future-oriented mature partnership." Amid a changing international environment, South Korea and Japan can enjoy greater benefits when they work together rather than separately. Both countries share the fate of having to maintain amicable relations with the U.S. as allies, engage with China which is rising in Asia, and keep China in check.

Japan's Ambassador to South Korea Muto Masatoshi said, "Korean unification is a great help to Japan in three aspects." He suggested that Japan is ready to cooperate with South Korea for Korean unification on the following grounds: First, it must be conducive to peace and stability in East Asia; second, it must be a "huge market"; and third, it must become a powerful partner of Japan with shared interests. If Japan can contribute to unification, the Japanese-Korean relationship will improve remarkably.

3) The Position and the Policies of China

China is one of the countries with the most neighboring countries in the world. It shares land borders with 14 nations and maritime borders with eight. Therefore, China sees that creating a harmonious environment with its neighboring nations through amicable relations with them is directly related to national security, national unity, social stability, and modernization. The urgent goal of China is to strengthen its national power through consistent economic development. China's development through rapid growth has drawn much international attention to China as a new driver for changes both in Northeast Asia and in the entire world. It is acknowledged as the second most powerful nation in the world, following the U.S. The rise of China is notable as a new and crucial part of the environment for the situation on the Korean Peninsula and its unification.

China has promoted reform and openness based on its unique image of "Chinese socialism" over the past 30 years. To this end, it has stressed the principle of "concealing strengths and biding

time,” refrained from engaging in international issues, and focused internally on expanding its national strength. As China is emerging as a major power thanks to its rapid economic growth, the entire world is closely watching its moves.

China is rapidly become more and more globalized, and “China-specific” globalization is now changing the world order. Such China-oriented globalization is most visible in trade. China is constantly moving towards becoming the largest trading partner of South Korea, Japan, Australia, Brazil, and South Africa; its trade spans across all continents and is even overtaking the U.S. In the case of South Korea, China accounted for 4.0% in the total trade volume in 1992. However, the figure increased to 22.8% in 2010(between September 2009 and August 2010). Also, China’s influence on the Korean Peninsula issues is on a gradual rise. Politically, the Chinese system is emerging as an alternative to liberal democracy instead of just an intermediate stage of it. Some even argue that China’s “authoritarian” or state capitalism is sustainable enough.

The situation has reached the extent that the U.S. has presented the “China threat Theory.” However, China’s Premier Wen Jiabao put emphasis on anti-hegemonic diplomacy, stating that “China shall not pursue hegemony, despite its growing power. China’s development does not harm or threaten others” before the 61st anniversary of the foundation of the new China. Such an emphasis is intended not just for China itself, but also for the U.S. In the meantime, both countries are strengthening their strategic partnership to generate common benefits through cooperation.

At the January 2011 summit meeting, the leaders of the U.S. and China decided to address major global issues through discussion based on their strategic partnership. China has been active in its “Diplomacy of Responsible Powerful States” with its focus on major powers. In its “White Paper for Peaceful Development” published in September 2011, China’s State Council Information Office stated that China would not deviate from the path to peaceful development, adding, “Peaceful development is a strategic option for China to achieve prosperity and national power and for the global civilization to advance.”

Table 20. Six major national interests in China’s White Paper

- Sovereignty
 - National security
 - Territorial integrity
 - National unity
 - Well established constitution and stability in the political system and society
 - Sustainable social and economic development
-

Regarding Korean unification, China has officially supported the independent and peaceful unification of Korea. Article V of the Joint Statement signed in 1992 in establishing Sino-South Korean diplomatic relations states: “China supports peaceful and independent Korean unification. China respects early and peaceful unification of Korea as Korean people’s wish and supports peaceful unification of Korea by the Korean race.” Therefore, China’s position is that North and South Korea should achieve Korean unification through peaceful means, without intervention from foreign powers.

There are three primary reasons behind Beijing's support for Korean unification. The first is that by narrowing the channels of intervention from foreign powers, unification is more desirable than division in eliminating security risks. The second reason is that Korean unification will provide a peaceful and stable environment, facilitating China's prosperity and economic cooperation in Northeast Asia. The third reason is that the unification of Korea can positively affect unity within China.

However, China shows many concerns over Korean unification. It is apprehensive about the possibility of armed conflict, or a drastic change in the course of unification. As South Korea-led unification means a unified Korea under the influence of the U.S., China's potential competitor, Beijing is also anxious about possible threats to its security. In addition, the unification of Korea may encourage nationalism among ethnic minorities such as ethnic Koreans in China. Furthermore, a unified Korea may start a complicated conflict over succession of the 1909 Gando Convention in terms of international law.

Even though China supports Korean unification, it is not unconditional; Beijing has maintained its clear position that North and South Korea must peacefully achieve unification without intervention from foreign powers. Keeping its own national interests in mind, China has focused on following a plan for unification that can bring advantages to China. For this reason, China has upheld its firm stance against Korean unification through absorption by armed forces. In order to maintain peace and stability while increasing its influence on the Korean Peninsula, China

has pursued a “balanced diplomacy” between North and South Korea in order to prevent the destruction of the status quo or any other risk factors on the peninsula. As a forceful unification can trigger sudden changes on the peninsula, China is firmly against any military intervention by either Korea, or by foreign powers such as the U.S.

Beijing is seriously concerned about the possible collapse of North Korea or sudden changes within the state because such situations can lead to a sudden unification and consequent armed conflicts caused by intervention from the international community. In such a situation, China would prioritize addressing the issues diplomatically. However, if the ROK-U.S. Combined Forces were to execute military operations without the consent of China, China is likely to consider a military response; this situation is the worst possible case that China hopes to avoid. Therefore, China has tried to promote peace and stability through the recovery of the North Korean regime by supporting it politically, diplomatically, and economically. Simply put, China is against a sudden unification through the collapse of North Korea. On October 5th, 2009, through a meeting with Kim Jong Il, Premier Wen expressed China’s stance that it will actively contribute to the stability of North Korea. In order to do so, China agreed on measures to facilitate economic cooperation with North Korea in pursuit of stability.

In the case that the two Koreas agree to a peaceful unification after the collapse of North Korea, China is expected to enthusiastically support it. However, in this case, China will also stress the consensus of the international community. Although

China is likely to agree on the establishment of a pro-Chinese unified Korea, it is expected to try to prevent the U.S., Japan, or other competitors from influencing the unified Korea. Korea's independent and peaceful unification implies a neutral unified Korea that at least does not infringe the interests of China. In this sense, China seems to prefer that the U.S. does not influence Korean unification until it has established trust and a cooperative relationship with the U.S. On May 27th, 2008, China's Ministry of Foreign Affairs spokesman Qin Gang commented, "the U.S.-South Korea military alliance is a relic of the past."

Beijing, which is strongly against a unification process that will be detrimental to China, presumes that Korean unification will be led by South Korea. We expect China to determine its attitude toward a South Korea-led unification based on the level of its strategic and confidential relations with the U.S. and the possibility of North Korea's transition to a pro-Sino system through openness and reform. What is most likely to significantly affect China's approach to Korean unification is the level of China's rise in the future and the consequential cooperation and competition between the U.S. and China.

4) The Position and Policies of Russia

Russia is also linked to the Korean Peninsula geopolitically. Its goal is to exert an influence on the Korean Peninsula that is at least equal to that of the other surrounding powers. Through equidistance diplomacy, Russia has tried to influence the two Koreas simultaneously. In February 2000, Russia and North Korea

signed the Russia-North Korea Treaty on Friendship, Good Neighbor Relations and Cooperation; they also adopted a joint declaration when president at the time, Vladimir Putin, paid a visit to the North and expressed a huge interest in improving relations with North Korea.

With a population of 140 million, a per capita national income of \$10,000 USD, rich energy resources, excellent human resources, and advanced science and technology, Russia is viewed to have a vast potential for development. While in office, Putin announced an ambitious plan to make even Russia greater and stronger. Since 2009, President Medvedev has focused his efforts on modernization in order to address Russia's dependence on energy and resources, and to overcome the economic crisis. Also, in order to advance its global standing, Moscow is actively implementing its pragmatic and omnidirectional foreign policies both bilaterally and multilaterally. While cooperating with the U.S. over international issues, Russia has also reinforced cooperation among major powers by deepening the Russian-Sino Strategic Cooperative Partnership in 2010 during President Medvedev's visit to China in 2010. Moreover, it is enthusiastic to cooperate with multilateral systems such as the Shanghai Cooperation Organization(SCO), as well as emerging economies such as BRICs. Now, Russia has a complete market economy and aims to become one of the top five world economies by 2030. The world sees Russia as a land of opportunity; South Korea is paying particular attention to Russia in light of its unification situation.

Moscow's primary focus is on security in the Far East, which shares a border with Russia. The greatest security benefit that Korean unification will bring to Russia is the denuclearization of the Korean Peninsula and the prevention of war. While Russia plans to support unification if it is executed peacefully and without the formation of any anti-Russian alliances, it also sees Korean unification as something that will happen in the distant future. As a unified Korea will be very important geopolitically in Northeast Asia after joining the ranks of China and Japan, the U.S., China, and Japan oppose unification to a certain extent. However, Russia argues in favor of unification. In reality, Moscow prefers the current division to South Korea-led unification by absorption with support from the U.S. As Korea is one of 20 states that share a border with Russia, Russia is wary of a possible pro-American, anti-Sino unified Korea, seeing it as a "NATO of the East."

On August 31st, 2008, President Medvedev outlined five major foreign policy directions regarding Russia's position on the issues on the Korean Peninsula: international law, a multi-polar world, no isolation, protection of citizens, and the sphere of influence. Among them, he defined the sphere of influence as a "zone of special interests in which Russia's neighboring areas share their historical relations and are connected to each other through neighborly friendship and amity"; Russia stressed that if such interests were ignored, there would be more potential conflicts.

Despite the first North-South summit talks in June 2000 and the second in October 2007, Moscow considered the possibility of Korean unification in the near future to be low. Russia's Deputy

Foreign Minister Losukov carefully commented, “Although the two Koreas agree on the need for exchanges and unification, it seems distant. They have to find ways to approach each other more closely.”

In terms of the timing of Korean unification, Russia believes that a multipolar system will replace the unipolar system in the 21st century due to the diminishing role of the U.S. and the expanding role of China; it holds the position that if South Korea becomes more independent in this course, unification will become more likely. It also supports the withdrawal of U.S. Forces from South Korea in the case of unification, as deployment of the U.S. Forces after unification will raise military expenses of both the U.S. and Russia and this will eventually have negative impacts on Russia’s economic development.

Regarding peace on the peninsula, Russia has supported the principle that North and South Korea are the concerned parties to building peace on the peninsula; President Putin expressed this standpoint at the South Korea-Russia summit talks in 2001. At the North Korea-Russia summit meeting, Moscow also stressed the importance of an independent resolution of Korean Peninsula issues and inter-Korean dialogue without outside interference. This reflected Russia’s concern over its concern over American and Chinese influence on the issues. Russia has also emphasized that the Korean Peninsula issues should be addressed through “multilateral discussion” among Russia, the U.S., and China; this indirectly shows that Russia also desires to exert a certain influence on the issues.

C. Missions for Peaceful Unification on the Korean Peninsula

1) General Missions

Korean unification is an international issue that significantly affects the dynamics of Northeast Asia based on the current division orders. The international community is a space in which nations compete for their own national interests. Because all nations are selfish to an extent, they repeatedly unite and break ranks around national interests. The Korean Peninsula is a place where major powers such as the U.S., China, Japan, and Russia express their pursuit of national interests. Therefore, they are all expected to determine their position and policies regarding the Korean unification depending on their own interests.

The current international situation surrounding the Korean Peninsula is not simple enough to address with a simple solution. The world is now shifting to the “era of trans-boundaries,” which has a complex system. Subsequently, we are seeing changes in ways to solve various national and international issues.

a) The Need for Leadership in Unification

The four major powers surrounding the Korean Peninsula prefer the current divided system to an uncertain Korean unification in the future. Therefore, in order for South Korea to lead the unification process and attract cooperation from passive neighboring nations, it needs to practice active leadership.

In the international community in which power rules all, the ROK is a mere intermediate state and cannot influence surrounding

powers solely with its might. Therefore, the political leaders' thoughts, values, and visions are important for successful policy execution. However, what is equally important in reality is the strategic capability to open a window of opportunity to foster a favorable environment, and to make the most of the moment when a window of favorable policies is open.

South Korea should convince its four surrounding powers that Korean unification will also be beneficial to them. When Germany promoted its unification, the U.K., France, and the Soviet Union opposed it. However, through strong support from U.S. President George Bush and the skilled diplomacy of Chancellor Helmut Kohl, Germany succeeded in drawing the Soviet Union's support to finally achieve unification.

In the year 2012 many countries in the world, including the two Koreas, the U.S., China, and Russia, will see changes in their governments. The situation on the Korean Peninsula is likely to change substantially depending on who the new leaders will be. Although such changes are unavoidable, there won't be any alarming or significant qualitative changes. So far, South Korea has learned that groundbreaking effort from a certain country is not enough to address the complex situation on the peninsula. The wisest attitude that South Korea can take on toward the situation after a change in government in 2012 is to use diplomatic skills to become closer to the leaders of each nation after thorough preparation.

b) The Need to Develop a National Brand of a Unified Korea

In the past, South Korea had a national image of a lonely nation without many friendly states. It is true that South Korea can navigate through the age of rapid changes filled with the risks of misunderstanding and misjudgments only with the support of nations that support it with goodwill. How, then, does the rest of the world view South Korea?

In the 2010 National Brands Index (published by the world's top German national brand research firm Anholt-GMI), South Korea ranked 30th, lagging behind the ranking of its own national power. One reason that was pointed out was the lack of skilled communication with the international community. Thus far, South Korea has preferred unilateral communication in communicating with the world, opting only to deliver messages. However, what South Korea wants from the world is different from what the world wants from Korea. The successes and failures so far in diplomatic competitions, in which South Korea tried to secure its wants from the international community, clearly demonstrate this.

The world expects a great deal more from South Korea than it imagines. Rather than attempting to draw empathy from the international community when faced with these expectations, South Korea should change its strategy to predicting and meeting these needs. This means that Korea needs international community-oriented branding strategies that fulfill what the world sincerely needs. Consequently, the Korean issues of division and unification will also be seen from the global perspective.

In 2011, the ROK was able to win the bid to Pyongchang Winter Olympics at its third bid. It was a moment whose significance and sentiment would require both diplomatic and economic power in order to duplicate. Just as a successful Olympics requires management by experts whose bargaining power works both at home and abroad, building an international foundation for unification also requires as many as actors with global competitiveness in various fields.

Former German President Roman Herzog once stressed the importance of a new way of thinking. In his speech titled “Day of Displaced People,” he said, “recovering trust and cooperation with neighboring nations is much more important than territorial disputes. Please do your best in building single Europe. We, Germans, have proven that we learned right lessons from history. Now, we don’t need others to point out the crimes and fault we have made.”

South Korea will need support and help from its neighboring nations. In order to gain support, the ROK has to create an image of a “small but strong and helpful” Korea. However, given that some surrounding nations consider South Korea burdensome by, it will not be easy to attract cooperation for Korean unification. First of all, Korea should focus on improving its negative image. By doing so, the ROK will accumulate strategic wisdom to draw agreement, support, and cooperation from neighboring nations and the international community. Because North Korea has negatively affected the global perception of South Korea’s stability, the South now needs creative diplomacy that can transform a

negative image into a positive one as was the case in the South Korean soap opera “Beethoven Virus.”

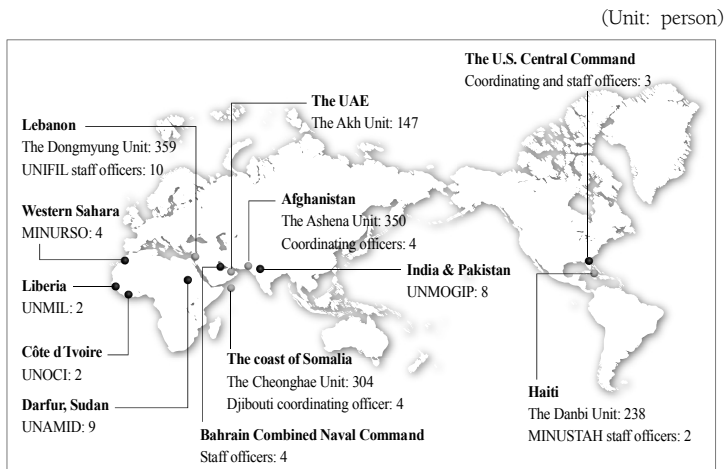
c) The Need to Expand Public Diplomacy

The environment of diplomacy is changing dramatically. Public diplomacy, which refers to a long-term strategic diplomatic activity at a national level, is drawing much attention as a way to secure support from the international community. Public diplomacy intends to attract understanding and empathy of the people of a target nation, going beyond conventional diplomacy which only targets governments. In other words, public diplomacy is a diplomatic activity that involves a nation’s own people, reaches out to the people of a target nation, provides correct information, and promotes national interests by using soft powers such as art, culture, values, national image, and language. In short, public diplomacy intends to win the support of the people of a target country by touching their hearts.

It is important that Korea secure stable support from the international community. South Korea should expand its role in active participation in international issues. The ROK, which has transformed itself from a recipient country to a donor country of international aid, is the only country in the world that was able to change its standing in international aid after experiencing colonial rule. As it has experienced the roles of both a recipient and a donor, South Korea can understand sufferings and pleasure of other recipient countries. In this sense, the ROK is providing support including ODA through the OECD DAC, supporting restoration

and peace-building of vulnerable nations, and strengthening humanitarian assistance and emergency relief activities. In particular, in regards to the division of Korea, South Korea is actively engaging in international peacekeeping activities led by the U.N.

Figure 9. The current status of South Korean Forces deployed in foreign countries



Since 1993, the ROK has participated in a total of 17 projects for the U.N. Peace Keeping Operations(PKO). As of 2010, 645 South Koreans are working on 11 U.N. PKO activities. In 2010, South Korea laid an institutional foundation for more rapid and efficient participation in PKO activities by enacting a related law.

However, South Korea's contribution to the international community is still considered low. Even U.N. Secretary General Ban Ki-Moon, a South Korean, pointed out that the ROK's

contribution to international issues was poor. In order for the ROK to exert influence equivalent to its national power in the U.N., it should increase its influence qualitatively equivalent to its quantitative contribution. To establish its identity as a middle power state that is among the top 20 states in the U.N., South Korea needs to show interest in much broader issues beyond the Korean Peninsula issues. Further, it should work to raise global issues and present policy alternatives.

South Korea's aid provision is at a shamefully low level. In 2010, South Korea's ODA¹⁸⁾ amounted to \$1.17 billion USD, which placed it as the 18th largest OECD member economy. The ODA to GNI ratio was a mere 0.12%, which made it the 26th highest. This signifies that the ROK is at the bottom on the list of 23 OECD DAC member states. Inefficiency in aid is becoming an increasingly significant issue.

Among development assistance programs, ones that “teach one how to catch a fish rather than catching it for one” are very effective and highly sustainable. Sharing South Korea's development experience is a good way of doing so. Its experience in promoting administrative institutions, local development, economic policies, and public health is viewed as rich development content for soft ODA programs that can be customized for developing nations.

18) The ODA refers to grants and concessional loans provided by government agencies of one country for other developing nations to promote their economic development or welfare. Grants are free provision of funds that does not impose any liability of repayment on developing nations, while concessional loans impose liability of repayment with favorable conditions (the grant element over 25%). Grants are also known as “free handouts” and concessional loans are also called “credit assistance.”

At the same time, with regard to its relations with neighboring nations, South Korea should build a human network of governments, businesses, academia, cultural circles, and individuals and forge a consensus among them. Every field of society needs to actively participate in public diplomacy to strengthen South Korea's diplomatic capacity.

2) Strategic Regional Missions

These days, blocs are being actively established in the world for both national and regional interests. Those blocs aim at generating benefits through transnational communities. Also, in Northeast Asia, there have been efforts to build a community beyond mere international cooperation.

a) *Lessons from Palestinian-Israeli Relations*

Like the Palestinian-Israeli relations, the inter-Korean relations have not yet reached an agreement as both parties in question must give up something important. First of all, this shows that without internal changes, the relationship will not achieve progress. World-renowned scholar Immanuel Wallerstein said, "in such a case, they have to change the external environment to make unification more attractive to both of them," suggesting the establishment of a Northeast Asian community as a possible action plan. One part of such efforts is the six-party talks, which was as an alternative to the ineffective North Korean-U.S. bilateral dialogue about resolving North Korean nuclear issues.

The precedent of Germany also provides many lessons to

the two Koreas, because the history of Germany is also one of division and unification. After being divided into around 300 states, Germany was first unified by Bismarck in the late 19th century. However, after World War II it was divided once again and eventually reunited by Chancellor Helmut Kohl. Therefore, Germany has had rich experience in managing division and unifying a nation. To forge an environment for unification, West Germany achieved European integration first.

b) The Need for a Regional Approach to the North Korean Nuclear Issue

A regional approach is essential in resolving the North Korean nuclear issue, the most urgent issue regarding the Korean Peninsula and the ultimate goal of unification. This is because Korea's surrounding nations approach these issues from a regional perspective. The U.S., Japan, China, and Russia seem to adjust their intervention and role in the issues depending not on their bilateral relations with North or South Korea, but on the dynamics of the region. Therefore, in order for the ROK to influence its neighboring powers about the Korean Peninsula issues, it has to focus on seeking solutions to the issues from the dynamics among major powers. In Northeast Asia, the four major powers have engaged in a fierce yet invisible competition over regional hegemony. In the face of such competition, South Korea should secure a space in which it can quickly execute diplomatic measures.

c) Solidarity with the U.S. and Amity with China

Since the establishment of a stable and peaceful management system in Northeast Asia is most important priority for South Korea, it should respond to any changes in power more sensitively than any other nation. Through the 2011 U.S.-Sino summit talks, both countries declared advancement into a “cooperative partnership” and showed their own countries, as well as the rest of the world, that they became partners on the global stage. Inevitably, the Sino-South Korea relations and the U.S.-South Korea alliance will enter the influence of U.S.-Sino relations when both countries cooperate with each other. Therefore, Seoul’s unification diplomacy should be based on the principle of “solidarity with the U.S. and amity with China” and, in the long term, “solidarity with the U.S. and China.” This is a diplomatic strategy that best fits South Korea’s national interests. In this sense, it should not repeat the past cases of late President Roh offending Washington through his pro-Chinese policies in the pursuit of South Korea’s role as a “balancer” in Northeast Asia, or and the current Lee administration offending China by strengthening pro-American policies.

d) Korean Unification Should Provide Opportunities for All Neighboring Nations

Any of the neighboring countries including China and Russia does not want a powerful unified Korea. China and Russia is shifting their policies to supporting North Korea’s reform and opening instead of condemning its provocations and imposing

tougher sanctions. It should be emphasized to China and Russia that even if North Korea, their buffer zone, disappears, this will not negatively affect their national interests.

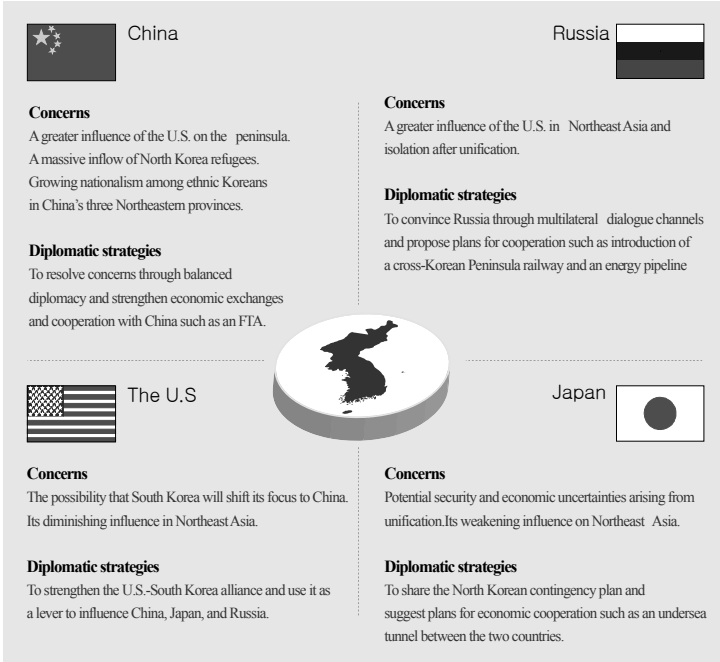
To the surrounding nations, Korean unification should be a model that does not put burden on them and brings opportunities for all. From ancient times, Korea has served as a substation between China and Japan. Even when the two countries pursued hegemony, Korea went on an independent path on an equal footing. It is destiny that Korea, China, and Japan are a peninsular state, continental state, and a maritime state, respectively. It is a rare case that the borders among these nations have not changed significantly for 2,000 years.

Although the three nations have repeatedly clashed politically and economically, they have much in common culturally. Though China and Japan both committed crimes in the pursuit of hegemony, Korea has an innocent history. Because Korea was the weakest of the three countries in the past, it can now be strong; because it was a victim in the past, it can now pave a desirable path into the future.

3) The Direction of Unification Diplomacy through the Four Major Powers

For peace and stability on the Korean Peninsula and a foundation for unification, South Korea needs strategic wisdom. It must encourage cooperation from other nations through interaction with them based on a deep understanding of international relations in Northeast Asia.

Figure 10. Strategies for Unification diplomacy toward the four major surrounding powers



a) *Establishment of a Foundation for Unification through the U.S.*

The U.S. is the biggest diplomatic asset to the ROK. Through the U.S., South Korea has been able to lessen security risks in the international community and stabilize division orders while cutting down on security costs. Also, through Washington, Seoul has seized opportunities to utilize the U.N. and Japan as diplomatic resources. The U.S. still has the greatest capacity to provide more of such chances for South Korea in the years to come. Now, the U.S.-South Korea alliance is advancing into the new stage

of a “strategic alliance,” which is suitable for a new international environment in the 21st century. The alliance is expanding its range of influence beyond the Korean Peninsula as an alliance of values, confidence, and peace. Though changes in the alliance are inevitable, South Korea cannot give up on approaching North Korean issues based on cooperation with the United States. This brings more benefits than it does costs not just in the South’s relations with North Korea, but in those with the U.S.

Along with inter-governmental cooperation, Seoul has to firmly establish and consistently maintain a multilayered complex cooperation system based on networking. It is important to lay the foundation to gradually create a pro-South Korean environment in the U.S. in order to achieve unification.

b) Establishment of a Foundation for Unification through Japan

The ROK continues to view Japan as an uncomfortable diplomatic target that it should be wary of. However, as Japan recovers its national stability, it will become more active in expanding its influence in the world based on its economic strength. Though Japan is expected to expand its intervention and role in international issues, it prefers to go hand in hand with the policies of the U.S.

These days, Japanese-South Korean relations are evolving into a mature partnership. Japan, South Korea, and the U.S. have consistently cooperated with one another in their North Korean policies, and Japan has engaged in the Korean Peninsula issues through the six-party talks. It is inevitable for South Korea to

cooperate with Japan, which is also forging a close alliance with the U.S. If the ROK's relations with Japan become strained, this will cause difficulties in the South's relations with the U.S. as well. Therefore, South Korea needs to adopt the diplomatic attitudes of "critical cooperation" and "comprehensive cooperation" toward Japan in order to mobilize Japanese resources.

c) Establishment of a Foundation for Unification through China

The rise of China on the world stage also brings opportunities for the ROK. China utilizes the strategy of "silent destruction of the status quo within the status quo." China approaches the Korean Peninsula issues from global and regional perspectives. China's Korean Peninsula policies aim to create a favorable environment for its own negotiations with the U.S. China's efforts to strengthen its cooperation with North Korea and Russia are not intended to keep the U.S. in check or cause confrontation. It actually seems to enhance China's bargaining power against the U.S.

Diplomacy is also called the art of choices. Korean unification is possible only when many countries, which have complicated interests, act. In particular, Seoul needs diplomatic skills to change the North. So far, it has tried to directly change North Korea. However, changes in North Korea led by South Korea will only result in North Korea's distrust in the South due to the distrust between the two Koreas. The strategy should change to encourage Pyongyang to change itself through a strategy that focuses on fostering conditions for change. It seems like the most rational option to promote changes in North Korea not directly by South

Korea, but through China, which the North trusts most.

This old Chinese saying means that without the lips, the teeth will smart. In other words, when two people have deeply shared interests and one of them fails, the other is likely to fail as well. This expression is frequently used to describe the close relations between China and North Korea.

To China, its relationship with North Korea is like the relationship between the lips and the teeth; it cannot be abandoned, due to their shared geopolitical interests and North Korea's strategic value as a buffer zone. The two nations have reached a consensus that their relations are unique, based on ideological homogeneity (which is rare today) and the comradeship built through the Korean War. These two countries are going down the path towards a security community as military allies based on their treaty. South Korea needs strategic wisdom to mobilize China based on thorough recognition of the North Korean-Sino relations.

Seoul should strengthen its strategic partnership with Beijing into a more stable one. Strategically, South Korea should reinforce its alliance with the U.S. as well as its cooperation with Japan, while going hand in hand with China. Based on the principle of "solidarity with the U.S. and amity with China," the ROK should make consistent diplomatic efforts to create opportunities to induce change in North Korea through China.

d) Establishment of a Foundation for Unification through Russia

The ROK has a strategic cooperative partnership with Russia. Russia manages its foreign relations in a way that builds its national

foundation as a leading world power. Accordingly, Russia is highly pragmatic in nature. Russia also can be mobilized to create opportunities to encourage change in North Korea. Therefore, South Korea must practice strategic wisdom; it must open the window of opportunity by implementing a “reciprocity strategy” to Russia at a rational level, based on the interest politics.

Ⅲ. The Actual Situation in North Korea

1. The Current Situation

A. Survival Strategies and Policies of the North Korean Regime in the Kim Jong Il Era

1) Building a Strong and Prosperous Socialist Country through the “Military-First” Policy

The Kim Jong Il regime, which was officially launched in 1998, focused on overcoming the post-Cold War crisis of system collapse. It did so by concentrating all of North Korea’s national capabilities on the survival of the regime and the continuation of the North Korean socialist system. After the death of Kim Jong Il, the Kim Jong Un regime continued these efforts.

There are various internal and external factors of the crisis, which the North Korean regime has been facing since the dawn of the post-Cold War era. First, the collapse of the socialist countries led to North Korea’s diplomatic isolation, as well as national security threats. The demise of socialism meant that the world order was reshaped with the United States at its core; this caused market economy system to take deep roots in every corner of the globe. It also indicated that socialism and the planned economy system could no longer be justified. Most socialist countries—excluding North Korea—jumped on the bandwagon or started to seek a national development strategy through system transition.

Second, the collapse of socialism weakened the foundation of North Korea’s foreign economic relations. Because of this, North Korea faced a major challenge: the option of opening its economy

to the world in return for joining the new world economic order based on market principles. In other words, North Korea was placed in a difficult situation in which it could vitalize the domestic economy only if it adopted free market economy and established new foreign economic relations.

Third, the demise of socialism proved that North Korea's self-sustained socialist system that it had firmly held on to for so long had, in fact, been supported by foreign aid and therefore could sustain the economic development policy on its own. With a strong intention of supporting its neighboring socialist regime through trade, the former Soviet Union had provided North Korean industries with the oil, commodities, and equipment that they needed. The fall of Soviet Union, however, severed North Korea's foreign economic relations and started to paralyze its rationing system from the mid-1990s. The ceased trade relations with socialist countries-including the former Soviet Union, which North Korea had heavily depended upon since the beginning of the regime-combined with damages from natural disasters such as floods and droughts had an extreme impact on North Korea. This reduced the factory operation rate to 20% and caused a severe national famine. In addition, the collapse of the rationing and planned economy system weakened the regime's control over its people and unleashed anti-social behavior throughout the North.

The Kim Jong Il regime, however, claimed that the crisis was not caused by the absurdity and irrationality of its system. Instead, it blamed the issue on the imperialistic invasion and containment

policy of the United States. This led the regime to adopt the “military-first” policy as its survival strategy.

Table 21. The “Military-First” policy, the North Korean regime’s strategic and revolutionary policy for survival

“As mentioned before, a full-fledged application of the ‘military-first’ policy was triggered by external threats, not by internal system crisis. The policy was emerged as a major strategy of North Korea to fight imperialism and the U.S.”(Kang Hee Bong, *Q&A for the “military-first” policy*(Pyongyang: Pyongyang Publications, 2008), pp. 32~37)

North Korea defines the “military-first” policy as “an enlightened guidance to address all problems induced in the process of revolution and development, and to lead socialism by using the military as the pillar of revolution.” Furthermore, Kim Jong Il described the policy “a strategic political method that North Korea should retain in order to complete a great work of self-relying socialism.” Simply put, the North Korean regime views the “military-first” policy as “a strategic and revolutionary policy” required for the survival of its supreme leader system, rather than a system that the state adopted to manage the system crisis. The regime also argues that the ultimate goal of the policy goes beyond the survival of the system to the extent that the regime completes building “a strong and prosperous socialist nation” through the policy. It conveys a message that Kim Jong Un will build a strong and prosperous socialist nation through the “military-first” policy, just as Kim Jong Il pioneered “a socialist Chosun” state through the ideology of self-reliance.

After the end of the Cold War, many experts anticipated that North Korea would follow China's reform and open up. However, the Kim Jong Il regime decided to pave its own path towards change. This decision was a clear testament to North Korea's strong will to maintain and further develop its supreme command system, while the rest of the world was becoming more unified under market economy, globalization, informatization, and democratization.

This determination could also be seen in the North Korea's national development goal of building a "strong and prosperous communist nation." North Korea believes that achieving this goal consists of becoming a global power in ideology, politics, military, and economy based on communism: "an ideologically strong nation indicates a country unified with an unshakable faith and devotion to its great leader; a politically strong nation means a country where solidarity between its people and its politics is on the highest plane; a strong military nation is a country that possess a strong army armed with unwavering political ideology and cutting edge technologies along with its people who are always prepared to be soldiers when a threat is posed to its country; a strong economy represents a country that promises independence and self-reliance"(Juche). In other words, North Korea will not follow China's reform and open itself; rather, it will maintain the hereditary succession of power and make changes in its own way. It will do so by pursuing the goal of becoming a nuclear weapons state, thus ensuring national security.

How can North Korea achieve this goal? When the Kim Jong Il regime was officially launched, both the internal and external

conditions of North Korea were unfavorable. Although the Agreed Framework was implemented after being signed in Geneva in 1994, Washington was going back and forth on its relations with Pyongyang; it vacillated from having talks with the North, and pressuring it to refrain from its first attempt at launching a long-range missile(8/30/1998). This was due to the U.S.'s suspicions about the existence of nuclear facilities in the North (9/17/1998). Despite China's current support of North Korea due to its rationale that the two nations are tied by blood, Beijing was also reserved about supporting North Korea at the time. Since it established diplomatic ties with South Korea in 1992, China stressed that its relations with the North should be the same as those with other nations. Due to these circumstances, North Korea's GDP decreased by half compared to that of the 1980s, and over 100,000 North Koreans crossed the border to China due to the severe famine that overtook the nation. Furthermore, market economy ideologies started to rapidly penetrate the minds of the North Koreans.

Realizing the difficulty that it faced of transforming itself into an ideologically, militarily, and economically strong nation, North Korea implemented a phased development plan in which ideology and military reinforcement preceded economic development. This plan established principles such as the "military-first" policy and principle that "the army is superior to the laborer." In other words, in order to overcome the socialist crisis, it followed the logic that military takes precedence over economy, or that the rifle is placed above rice. This approach was as dangerous as sitting

on a barrel of gunpowder because it indicated that the enhancement of the army and the development of the military industry should always come first when implementing policies formulated by Workers Party. It also stipulated that the army, rather than the laboring class, would play a key role in carrying out national strategic tasks.

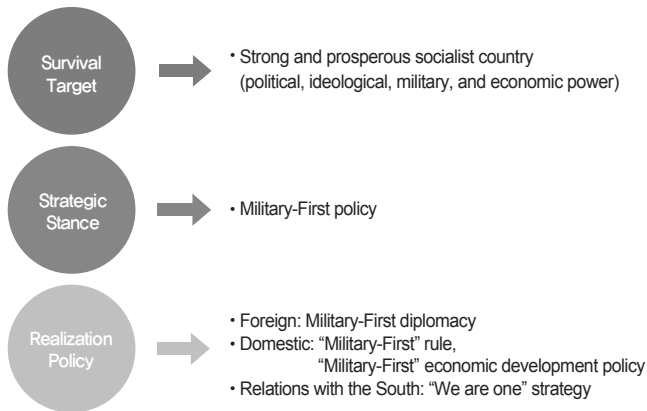
Three policies have directed North Korea's survival strategy since the end of the 1990s until now(2012) without wavering. First, the regime has concentrated all of its energy into enhancing its military strength while leaving the livelihood of the public in the hands of the people. Second, it has pursued the goal of becoming a nuclear weapons state by exercising "military-first" diplomacy. Third, it has utilized the sugarcoated pretext that "we are one" with South Korea in order to capitalize on economic and humanitarian aid from the South in order to strengthen its system. These three policies have resulted in an excessively large North Korean military that is matched by neither the capacity of its economy, nor the size of its territory. This presents a stark contradiction: through North Korea is an overly armed nation, it is also one of the poorest countries in the world.

2) Pursuit of Nuclear Weapons and Military Strength through "Military-First" Diplomacy

The Kim Jong Il regime justifies the "military-first" policy as its survival strategy with the argument that American imperialists and their allies are trying to root out North Korean socialism. Even though the world is now moving towards the post-Cold

War era, North Korea still considers itself to be in a war with imperialism. In regards to this, some experts believe that Pyongyang would give up its nuclear development and overly military-dependent security policy if its system were secured. However, this does not seem likely. Given that the concept of still being at war is the essence of the formation, growth, and continuation of the North Korean socialist system, more people believe that the “military-first” policy is likely to persist. It seems that this policy standpoint will be maintained for a while under Kim Jong Il’s rule, considering the statement made by the North that “We will continue to push ahead with our policy to build a strong and prosperous nation.”

Figure 11. The structure of North Korea’s survival strategy



North Korea interacts with the international community with the mindset that politics is all about power;(comes from having a strong military) and only politics armed with strong military

power can effectively fight the enemy, protect the nation, and guard the national destiny. When the North engages in international affairs, its strategy is “military-first” diplomacy, which indicates that military power is more direct, effective, and powerful in diplomacy than in economic power. It even claims that Saddam Hussein of Iraq and Muammar-al Qaddafi of Libya were attacked and ousted from power by the Western imperialist countries because they did not follow the “military-first” policy.

Pyongyang has maintained the same policy stance on the issue of peace on the Korean Peninsula as well. It claims that military deterrent force is a prerequisite to balance of power against American imperialists and their allies(South Korea and Japan); this force will not only secure its system, but also bring peace to the Peninsula. Therefore, the purpose of the policy pursued by the North is not only to secure its system, but also to reach an asymmetric balance of power with the South. The idea of the “military deterrent force” that the North longs for has been pushed ahead in two directions. The first is to develop and maintain nuclear and long-range missiles, and the second is to modernize existing large-scale traditional armed forces while retaining their size. The Kim Jong Il regime developed nuclear weapons and long-range missiles to be the most important survival tools for a state aspiring to be a nuclear weapons state. Therefore, North Korea believes nuclear weapons to be the most effective tools for protection from attack by outside forces, or absorption by the South. For these reasons, the North continues its efforts to establish the so-called “balance of terror.”

Table 22. Estimated quantity of nuclear bombs that North Korea Possess(Plutonium bombs)

Period	Extracted Quantity(kg)	Accumulated Quantity(kg)	Explosive Power(kt)	Demand Quantity (kg/unit)	Number of Nuclear Bomb(unit)
1986-1994	Below 10	10	-	3~6	Maximum of 6~8
2003	25~30	35~40	Maximum of -3~66~8		
2005-2006	16~21	51~61	Maximum of -3~66~8		
1 st test (2006.10)	-	-5~6	Maximum of -13~66~8		
2006.11-2009.4	?	45~55 + α	Maximum of -13~66~8		
2 nd test (2009.5)	-	-5~6	Maximum of 20 Maximum of -3~66~8		
2009.5-present	?	39~49 + α	Maximum of 203~66~8		

*Note: The number of nuclear bombs was estimated presuming that the total amount of plutonium required to build a 20kt nuclear bomb is used, and that the nuclear development stage is at the beginning level.

*Source: Park Dae Gwang, Kim Jin Moo, *The Kim Jong Il regime's survival strategy and future prospect*(Seoul: Korea Institute for Defense Analyses, 2011), p. 115.

North Korea's nuclear development, which kicked into high gear in the latter half of the 1980s, has a history spanning over at least 20 years. The nuclear program even continued through the severe famine called the "Arduous March," which hit in the 1990s and severely crippled the North. The intelligence agencies of both South Korea and the U.S. presume that the North has developed about 6-8 low-level mini nukes as of 2011. Besides plutonium bombs, the North is also developing nuclear bombs with highly enriched uranium.

North Korea's effort to build up military deterrent force, however, presents two dilemmas. The first is an external security dilemma; the North's possession of weapons makes it difficult for the North to secure its system and isolates it from the world. The heightened security dilemma around the peninsula further exacerbates the issue of security. The second dilemma is one of the domestic system. This dilemma is becoming deeper as the government is using the entirety of its coffers to develop the defense industry, while disregarding the economy and the well-being of the public. Both the international and domestic dilemmas continue to grow as the North continues to pursue military deterrent force and thus weakens the resilience of its system.

3) Reinforcement of the Defense Industry and Pursuit of Economic Recovery through the "Military-First" Economic Policy

The building of military deterrence force, which is the core of the military-first policy that Kim Jong Il's regime has been aiming for, naturally comes with the so-called "military-first economic policy." North Korea asserts that in terms of economic development, military should come first. This military-first economic development policy' is defined as "an economic policy in which priority is first given to the defense industry development, and later shifted to the development of the light industries and agriculture."

However, this definition is nothing more than flowery rhetoric. The actual purpose of the policy is to prioritize the defense industry

in the allocation of North Korea's limited national resources, in order to build up military deterrent forces. In short, the policy is a more severe version of the parallel policy of defense and economy¹⁹⁾ and the heavy industry preferred policy, which were also based on a distorted principle of resource allocation have been carried forward since Kim Il Sung's regime.

In line with its economic policy, North Korean leaders began to implement policies focused on science and technology in 1998. They advocated ideology, army, and science/technology as the three pillars of a strong and prosperous socialist nation. By 1998, North Korea experience a drop of 45% in nominal gross income, 47% in budget size, 33% in power generation, 44% in coal production, 80% in oil imports, 64% in steel production, and 69% in trade volume compared to its levels in 1990. Through the extreme budget cuts in all other sectors, the North Korean government was able to pour money and resources into its science and technology sector in order to promote the cultivation and development of the defense industry. Even now, when the North Korean public's welfare is worse than ever, the top priority of the regime's policy agenda is investment in science and technology. Kim Jong Il even stated, "Telling us not to invest in science and technology is the same as telling us to give up socialism." As

19) This policy, which was introduced at the party conference in October 1966, aimed at economic development and army reinforcement. It has been the guideline for North Korean economic policymaking since it was adopted at a plenary meeting of the Workers Party Central Committee. This policy caused the share of military spending in the national budget, which was about 10% in 1966, to swell to 30% between 1967 and 1971.

a result of the North's enthusiasm and efforts towards advancing its science and technology sector, it was able to carry out two nuclear tests in the 2000s. Some experts estimate the cost of the nuclear tests and the long-range missile launch attempt to be about \$2.7 billion USD. Along with the science and technology industry, Pyongyang also implemented policies to normalize its industrial sectors including the four key industries related to defense: power, coal, machinery, and railroad. Experts in the field of North Korean economy have deduced that the military industry saw some degree of recovery by 2005.

According to one study, the factory operation rate of the North Korean military economy in the 1990s was over 50%, while that of the people's economy was only at 20% due to severe economic difficulties. In addition, in the latter half of the 1990s, the people's economy decreased to 36%; in the late 1990s, when the military's economy experienced a relatively small decline, it retained about 74%. These figures indicated that the North had the material foundations of a state that could support its "military-first" economic policy. Based on this foundation, the North planned to vitalize and develop its military economy to build up military deterrent forces and to fix its faltering economy.

However, by using history as a guide, we can predict that a poverty-ridden and economically weak nation such as North Korea will neglect the welfare of its people and provide money to the defense industry. This is because the "military-first" policy can function only when a state concentrates all of its investments in defense, without allocating any funds to other economic sectors.

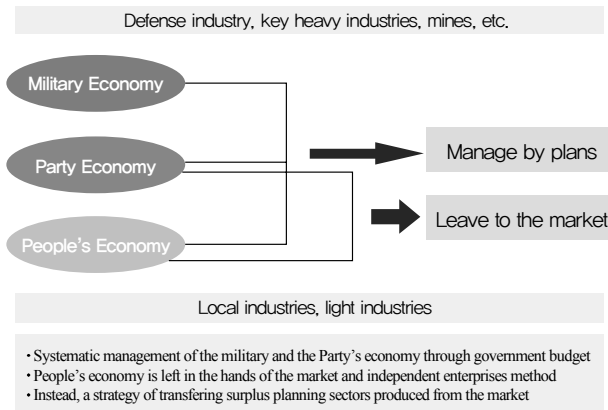
In 2002, North Korea carried out the 7.1 Economic Management Reform; this movement allowed for the comprehensive market system in 2003 and aimed to partially utilize the market. In other words, the reform was a combination of practicalism and the “military-first” policy. With these changes, the government planned to allow market principles to govern the people’s economy; it would then place the economic surplus produced from the market, which the government would control and manage, into military-related industries.

Not surprisingly, this dualistic “military-first” economic policy only accelerated the previously mentioned domestic system dilemma. Leaving the people’s economy to market principles and utilizing the market to benefit the planned economic sectors inversely brought about development of the markets; the North Korean regime perceived this development as a threat to the North Korean system. Even the planned economy began to rely on the market. This caused an expansion of the privileged economy, which refers to the economic sectors that grew as a result of the economic activities of the military and the party. This was also dangerous to the North’s general economy under the supreme leader system.

The growth of the privileged economy divided the economic power of the supreme leader, and stifled the recovery of the people’s economy. As a result, Pyongyang suspended the 7.1 Economic Management Reform in 2005 and enforced a currency reform in November 2009 to completely shut down the market. However, governmental control and eventual abolition of the market destroyed the material foundation of the “military-first” policy, which somehow functioned until that point. Therefore,

within just two months, the North faced a dilemma that ultimately forced it to reopen and tolerate the market.

Figure 12. “Military-First” Economic Policy



B. North Korean Society in the Kim Jong II Era

From the outside perspective, Kim Jong Il's survival strategy based on the “military-first” policy seems to have largely contributed to overcoming the Arduous March and bringing stability to North Korea. From the inside, however, it is visible that this strategy caused social changes that made North Korean society very different from the past. In the early 2010s, North Korean society started to show a binary social structure in which the institution worked separately from reality. The institutions, which emphasized the supreme leader system, the ideology of collectivism, and the planned economy system, appeared to be functioning well to outsiders.

However, internal social issues of incompatibility with the institution took roots in North Korean society and began to spread. These phenomena are different from those of the Eastern European socialist societies in the early 1980s. There are four key factors that reflect the reality of North Korean society in the 2000s.

1) Expansion of the Market

The market, which was once tabooed in North Korea, first appeared in the early 1990s. After the demise of the socialist countries, the North's planned economy system operated differently than before. The Kolkhoz Market, which had opened once every 10 days in the past, adopted the name of "Jangmadang" and became a permanent black market that operated daily. The national spread of Jangmadang was largely a result of the North Korean food crisis and the "Arduous March Period" that the North experienced after Kim Il Sung's death. Furthermore, the state allowed cross-border trade with China and national institutions actively jumped into trade activities. This transformed Jangmadang into a nationwide distribution network by the end of the 1990s.

Under these circumstances, the market utilization scheme based on the "military-first" policy introduced the concepts of division of labor and specialization to the market. North Korea saw the formation of trade markets for imported commodities, as well as Socialist intermediary goods. Business among companies emerged and people became peddlers, market brokers, or street vendors who owned permanent spots to sell their goods in the comprehensive market.

Table 23. The extent of North Korea's marketization(based on a survey on 1,000 North Korean defectors)

Criteria	Average of the subjects	Criteria	Average of the subjects
Proportion of factory-produced goods sold at market price	50.5%	Proportion of individuals operating in trading companies	41.0%
Proportion of consumer factory-produced goods sold at market price	51.9%	Proportion of 8.3 factory workers	40.1%
Proportion of cash payment for commodities	46.6%	Proportion of part-time factory workers	46.1%
Proportion of cooperative farm-produced goods sold at market price	50.8%	Proportion of housewives engaged in the market	68.3%
Proportion of factory-produced, non-food agricultural goods sold at market price	55.3%	Proportion of farm owners engaged in the market	36.5%
Proportion of individual operators in local factories	23.6%	Proportion of workers engaged in the market	54.4%
Proportion of individual operators in state-run factories	21.4%	Proportion of party or government workers engaged in the market	31.5%
Proportion of individual operators in state-owned stores	51.3%	Proportion of professionals engaged in the market	26.7%
Proportion of individual operators in services companies	46.7%	Proportion of household income generated from individual economic activities	74.6%
Proportion of groceries in the market	77.8%	Proportion of non-groceries in the market	83.2%

*Note: 8.3 workers are the workers who engage solely in individual economic activities by falsely reporting for work while paying their salaries to their companies.

*Source: Kim Byung Yeon, Yang Moon Su, *KDI North Korean Economy Research Forum II Sourcebook*(Seoul: Korea Development Institute, Dec. 2009).

There was a sizeable growth in the number of illegal “running traders”(local buyers), truck vendors, smugglers, “grasshopper traders”(peddlers), and vendors roaming residential alleys. In the end, the legal boundaries for market activities became so blurred that government agencies, state-owned corporations, and residents could not determine which activities were legal and which were not. Private money lenders called “donju” emerged, and they engaged in the business of operating a transportation company called “Ssoebicha”(service-car) under the names of military or government agencies. Producers of capitalistic household items, who turned their homes into small factories with seed money borrowed from donju emerged as well.

These changes created new businesses for individual leisure, such as restaurants, billiard rooms, Internet cafes, public baths, lodging, and private repair services; these businesses had the new phenomena of wage labor hiring, and private financing with donju, at their center. All of these aforementioned businesses accelerated market activity in all sectors of the North Korean economy. According to a survey of North Korean defectors, North Koreans earn about 75% of their household income through individual economic activities, and buy about 80% of their consumer goods from Jangmadang rather than state-owned stores. State enterprises carry out production by selling half of their products to the market, and purchasing raw materials from the market. About 40% of the workers at state-run companies engage solely in working at the market, without even working at an office.

North Koreans individuals realized that the goods necessary

for their daily lives depended on their own ability to obtain them, because the “solicitude” of the party or the supreme leader would not provide them. The development of the market in both quantity and quality was unsettling to the Kim Jong Il regime because marketization is a threat to the socialist system. Therefore, national institutions related to the party and military economy took measures to earn foreign currency through large-scale activities, and to work in collusion with the rich in order to enter the domestic market. These authorities obtained both administrative and economic power, becoming threats to the supreme leader. The North Korean government responded by implementing currency reform in 2006 in order to control the Jangmadang, and phasing it out in November of 2009. However, the abolition of the market was bound to fail because it had already become an indispensable part of not both the livelihood of the public and the official economy of North Korea. Market mechanism is now an unavoidable reality in North Korean society.

2) Changes in Social Networks and Class Structure

Over the past 60 years, North Korean society developed a rigid class structure, as well as social networks based on ideology and ancestry. It was a society that stratified its people based on their social stading: “Baekdusan Julgi”(born into the family of Kim Il Sung), “Nakdonggang Julgi”(born into the family of Korean war veterans), or “Baeksoeng”(an average subject of North Korea). Due to this rigid structure, those born into a humble class could not climb the social ladder.

But, as the market expanded and earning money became increasingly important, the society accepted and normalized the theory that “a rich man is a patriot.” Furthermore, money granted individuals with opportunities such as attending Kim Il Sung University, buying a passport or travel certificate, and becoming a party member or officer. As a result, individual solidarity-which was based on economic interests-began to take importance over public solidarity, which prioritized collective interests. In other words, horizontal networks with money at their center started to intersect with vertical networks that emphasized ideology and origins.

Table 24. North Korea’s economic class division after 2000

Classification	Distribution Range	Average Monthly Income	Consumption Level
Upper class	Within 10%	>1 mil KRW	-Affluent enough to eat rice and pork -Live in a fully-furnished house with furniture and home appliances -Always have enough money(both in domestic and foreign currency) to buy a reserve of provisions from the market
Middle class	20~30%	200,000-500,000 KRW	-Eat rice mixed with corn -At least not suffering from hunger ---Have a reserve of provisions for several days and a small amount of foreign currency
Lower class (The poorest)	50~60% (10~20%)	< 100,000 KRW (< 30,000 KRW)	-Main food is corn, and often eat porridge -Have no reserve of provisions -Have to work at Jangmadang every day to earn a living (-Main food is thin porridge -Need emergency aid from outside)

*Note: This chart is based on the surveys of North Korean defectors based in 2007.

This reshaping of the economic structure led to changes in the North Korean class structure as well. In the past, North Korea classified its people into three categories according to their backgrounds at birth; the system was unwavering and hostile. Ordinary citizens who were not party members were discriminated against in every aspect of their lives including rations, careers, home ownership, and marriage. However, as wealth started to become an increasingly important factor in social value, a new economically-based structure began to replace the politically-based class standard. Though access to core political power still requires individuals to meet the political standards (origins, party membership, etc.), the formation of a new economic class structure is rocking the base of the existing one.

According to testimonies from some North Korean defectors, the formation of the economic class system gained speed and took root in the society in 2000; the classification system became “clearly distinct” in the latter half of the 2000s. The majority of the upper class consists of government or party cadres, residents of Pyongyang. A small minority of this class consists of former pyongmin (ordinary citizens) who were able to move up the social ladder with their own abilities, or through private connections such as friends or relatives living abroad or in the South. The majority of people in the upper class continually accumulate wealth by earning foreign currency, receiving bribes from lower classes, and receiving money from the “generous” supreme leader and his party.

The middle class is the social level that demands the most attention. It includes both middle-ranking cadres and individuals

whose successes in the market brought them wealth. In other words, people in this class generally do not need to be concerned about their livelihood. However, many of them fell into the poor bottom class after the 100:1 currency redenomination that occurred on November 30th, 2009.

The livelihood of members of the lower class, which makes up more than 50% of North Korea's total population, relies on the Jangmadang and individuals' small patches of paddy field. They are in the front line of conflicts between the government and the market. Lastly, the poorest social class, which accounts for about 20% of the population, depends on emergency aid from the U.N. and international NGOs.

The spread of an economic class structure in the North Korean society implies that polarization based on wealth is, in fact, shifting the society toward capitalism. According to North Korean defectors, "North Koreans are upholding socialism by day and supporting capitalism by night."

3) Diffusion of Non-Socialist Phenomena in North Korean Society

Anti-socialist phenomena in North Korean society under Kim Jong Il's rule are becoming parts of a new social norm, rather than being considered irregular acts of political dissidents. This is because the strict socialist norms and the supreme leader system no longer provided people with necessities since the halt of the rationing system; this left the livelihood of individuals to depend on each person's own economic activities. Many North Korean

defectors mock members of the North Korean society, saying, “If they follow orders from the government, they will die of hunger. Those who obey the authorities are no better than patients of Ward 49(a psychiatric ward).”

The anti-socialist phenomenon first arose in the North when the system threatened the livelihoods of the people. With the sudden collapse of the government’s rationing system in the 1990s, people with no knowledge about how to engage in economic activities were left in need of resources. As a result, many of them started to partake in unlawful acts such as illegal trade, as well as misuse, looting, abuse, and embezzlement of state property.

However, the North Korean working class soon began to understand principles of exchange and methods of accumulating wealth; they began to engage in anti-socialist activities in order to earn economic profits. Starting in the 21st century, North Korea experienced an influx of outside information through films, mobile phones, DVDs, CDs, and USB files. These sources that that crossed the Chinese border into the North introduced the North Korean public to the “Yellow Wind of Capitalism.” The result was a rise in the frequency of illegal acts such as counterfeiting currency, committing murder, smugglings goods, partaking in prostitution, consuming drugs, committing fraud, operating mines without a license, bootlegging liquor, and practicing usury. These types of non-socialist behavior are now taking the form of anti-socialist actions. This phenomenon even appears in reference books such as *The Workers’ Reference Book on Law*(published in June 2009).

The book is a prejudicate casebook that states that non-socialist behavior was prevalent, and that their punishments were inconsistent; the book also references hearsay cases of cannibalism and homosexual relationships.

But the problem is that the widespread non-socialist behavior extends beyond being anti-socialist; starting in the latter half of the 2000s, the actions became dissident. In 2009, when Kim Jong Un was officially designated as Kim Jong Il's successor, the North Korean government responded to these anti-socialist actions by declaring a war that is still being fought.

The North Korean government consistently censors non-socialist acts from its citizens—particularly prostitution, border crossing, use of Chinese mobile phones, use of drugs, and watching South Korean videos. The “Yellow Wind of Capitalism” and the “Wind of South Korea” were both components of the war against such behaviors.

Over time, there have been interesting changes in North Korean censorship. Originally, the agents in charge of the censorship were the local public security office, the prosecution, and the local party leadership. But, this system shifted first to a joint censorship by the Workers Party, then to a joint censorship by the Party's security authorities, then later to censorship by the National Security Agency. Then in July of 2011, the “storm unit,” which is composed of special forces under the Reconnaissance Bureau of the Korean People's Army in charge of infiltrating South Korea in times of emergency, took on the responsibility. Since then, ordinary citizens, minor security agencies, border guards, troops, and administrative agencies all carried out the

so-called “stormy censorship.” This shows that the non-socialist phenomenon has spread to all classes of North Korean society, threatening the third generation power succession.

4) Weakened Traditional Social Integration Mechanism

Although the possibility of a North Korean societal crisis has existed since the early 1990s, the North Korean system did not break easily, as did the Eastern socialist countries. This is because of its unique social integration mechanism called the Large Socialist Family²⁰⁾ with the supreme commander as the father, the party as the mother, and the citizens as children.

The failure of the rationing system, the subsequent 20-year-long food crisis, and prevalent non-socialist phenomena forced North Korean authorities to increase their use of physical force to tame their people; among these tactics were censorship, physical punishment, and public execution. In the era of Kim Il Sung, the key to for societal integration was the party’s control over the people through persuasion and ideological education. During that period, the people of North Korea had deep faith in the Large Socialist Family. Therefore, excluding the irregular instances

20) In North Korea, “family” refers not only to blood ties, but also to the organization of the nation and the socialist revolution. In other words, there are two co-existing concepts of family: 1) a family with blood ties, and 2) “the Large Socialist Family,” a hierarchy with the supreme leader at the top, the party in the middle, and the people at the bottom. The North defines the term family as “a place in which the smallest unit of production and the socialist revolution theory is practiced”(Article 1, Family Law). From the very beginning of the North Korean regime, the government warped its definition of “family” to fit the principles of the groupistic socialist system.

of dissidents being sent to political prisons or educational camps, there was generally no need for the regime to take physical action. According to North Korean defectors, by the 1990s, the majority of North Koreans believed the government's propaganda that blamed the state's food crisis economic difficulties in imperialist forces' containment policies.

However, the North Koreans' faith crumbled as they suffered through a 20-year-long food crisis and gained access to outside information. Widespread corruption among all ranks of government, various quasi-taxes, and the currency reform that severely devalued the peoples' monetary assets further accelerated the collapse. Today, not many North Koreans have a strong belief in the Large Socialist Family. Though roughly 20-30% of high-ranking officials value the "family," the majority of the ordinary citizens believe that non-socialist behavior is necessary in order to earn a living. Some even go as far as vocalizing their wish that the government would not meddle in their lives and allow them do businesses as they please. In short, the general North Korean public considers the collective lifestyle that they were forced to follow as nothing more than a mere formality. They live according to their own values, which are different than the national ideology, stating that "as the government has policies, we have countermeasures."

As mentioned above, the North Korean government is responding to the increased level of dissonance by enacting tougher measures on its people. Because the regime's control over its people has recently gained recognition as successful means of

achieving the third generation power succession, starting in 2010 the government has held public executions more frequently than ever before. According to the 2011 “White Paper on Human Rights in North Korea” published by the Korea Institute for National Unification, there was a total of 60 public executions in 2010 alone; this number is more than three times the number of those recorded in the previous year.

C. Where Is the Regime Headed?

1) The Current Condition of the North Korean System

North Korea has been putting forth its utmost effort to build the “strong and prosperous country” that it has aspired to be by 2012, which marks the 100th anniversary of Kim Il Sung’s birth. It plans to achieve this goal by adopting the “military-first” policy as its survival strategy. The policy has three goals: a) to improve relations with the U.S. and be internationally recognized as a nuclear weapons state, b) to completely settle the third generation power succession, and c) to recover the national economy at least to its condition in the 1980s.

It seems unlikely that North Korea will achieve all three of its goals. As of 2011, the Kim Jong Il regime’s only achievement has been strengthening the state’s nuclear power through two nuclear tests. In the past, South Korea and the international community accepted the North’s proposals for exchange and promises to cease provocations. Now, however, outside forces are not willing to provide North Korea with economic aid because

they are fully aware of the regime's intentions to develop even more nuclear weapons.

After the death of Kim Jong Il in 2009, Kim Jong Un was designated as the official successor of the regime; since then, the third generation power succession has seen remarkable progress. But, a complete success in the power succession seems to be a far cry due to the worsening economic difficulties and food crisis. The Bank of Korea estimates that given the current economic situation of the North, it is impossible to recover its economy to its state in the 1980s.

Table 25. Comparing North Korea's macroeconomic conditions in 2009 and in 1990

Category	1990(A)	2009(B)	(B)/(A)
Nominal GNI	USD 23.1bn	USD 22.4bn	96%
Trade volume	USD 4.7 bn	USD 3.4bn	72%
Government Budget	USD 16.6bn	USD 3.5bn	21%
Coal production	33.15 mn tons	25.50 mn tons	76%
Power generation	27.7B kwh	23.5kwh	84%
Imported oil	1.84 mn barrels	0.37 mn barrels	20%
Food production	40.1 mn tons	4.11 mn tons	102%
Fertilizer production	15.8 mn tons	0.46 mn tons	29%
Steel production	5.94 mn tons	1.25 mn tons	21%
Nonferrous metals production	0.47 mn tons	0.091 mn tons	19%
Cement production	12 mn tons	6.12 mn tons	51%

North Korea reported an economic growth rate of about 2% in the first half of the 2000s, but it began to experience negative

growth after its first nuclear test in 2006. Based on the nominal GNI, it seems possible for the North's economy to achieve its 1990 level once again. But, after taking into account possible fluctuations in South Korea's foreign exchange rate and the basis of calculation, the North's nominal GNI in 2009 is only half of that of 1990. As for the government's budget, which affects the annual national income, the amount in 2009 reflects an increase of only 21% from that of 1990. The industrial production indicators that also affect the national income show that the production levels of steel, fertilizer, nonferrous metals, cement, and power generation are still low. The food production figure seems to have increased a bit; however, we can hardly consider that an improvement due to the fact that the rationing system in the northern part of the country has failed since in the late 1980s, and the national demand for food has remained far greater than the supply. Since the 1990s, North Korea has suffered from a chronic food shortage of 1~1.2 million tons on average(excluding the famine that occurred the mid-1990s). Owing to the market system, the North had not experienced many famines since the beginning of the 21st century. However, following the currency reform that was enacted in November of 2009, food has begun to emerge as a problem once again. Under these circumstances, North Korea has actually estranged itself from the traditional North Korean socialist system. The chart below summarizes the extent of the changes that the North Korean system has undergone.

Table 26. North Korean society under Kim Jong Il's rule vs. under Kim Il Sung's rule

Category	The era of Kim Il Sung	The era of Kim Jong Il (present)
Governing style	Supreme leader system	Military-first policy
Polymaking	Supreme commander as the ultimate decision maker, while the Workers' Party Central Committee, Party's Politburo take part in the decision making process	Chairman of the National Defense Commission and Party Secretary take control in decision making process. Workers' Party Central Committee, Party's Politburo was restored in 2010, but no major role in decision making has been found.
Economic policy	Planned economy system, properly working rationing system	A mix of planned and market economy, paralyzed rationing system
Public controlling mechanism	Propaganda, collective lifestyle, ideological education	Physical controlling mechanisms such as censorship and public execution in addition to propaganda, collective lifestyle, and ideological education.
Residents' consciousness, values	The Large Socialist Family, collectivism	Binary values, individualism, materialistic set of values take precedence.
Residents' living space	Collective social and cultural space	Individual social and cultural space takes importance.

With the exception of the ideology behind the politics, the North Korean economy and society under the rule of Kim Jong Il were considerably similar to the economy and society of the Eastern socialist countries in the 1980s. Economically, North Korea's marketization is often considered to be more progressive

than that of eastern socialist countries. Socially, however, there have not been any signs of the formation of a “second society,” like the socialist civil society that was formed by the Eastern socialist countries in the 1980s. A “second society” refers to a social and cultural community that fosters individualism, rather than conforming to the accepted national ideology. In case of Poland, one of the Eastern European socialist countries, there were many individualistic groups that played a major role in the system transition by contributing to the growth of a socialist civil society: adherents to labor unions, churches, Western pop culture, and the underground press. North Korean society has certainly become more binary and multi-faceted since the era of Kim Jong Il. However, the transitional factors are less developed than those found in the Eastern socialist countries in the 1980s due to the still-powerful governmental control over the people.

In summary, the North Korean system has already entered a transitional period; however, it seems unlikely that the North will follow the path of the Eastern socialist countries due to the “uniqueness of the North Korean system.” The degree of openness in North Korean society remains low, and the sharing of information among citizens is severely limited by authoritative control. In addition, the political consciousness of the North Korean public is far from organized. For these reasons, it seems highly unlikely that the North will undergo dynamic changes such as the Jasmine Revolution that erupted in the Middle East in the spring of 2011.

Some believed that the death of Kim Jong Il on December 19th, 2011 would cause serious instability in the North Korean

system. However, immediately after Kim Jong Il's death, the North Korean military pledged allegiance to Kim Jong Un and the "Rodong Sinmun"(Newspaper of the workers) referred to Kim Jong Un as the "supreme commander" and "great successor of its revolutionary undertakings." Based on these statements, it is safe to expect a smooth third generation succession of power.

2) Prospects of the North Korean System

Will the third generation power succession be able to achieve a soft landing? What will be the future direction for the North Korean system? Experts project that the system's future will follow one of three scenarios. First, the death of Kim Jong Il will negatively affect the succession process, causing a sudden upset in the system. Second, in the short term, political elites and Kim Jung Un will be bound together by a common destiny and therefore maintain system stability. However, in the long term, the system will experience longstanding inconsistencies within itself eventually undergo a transition. Third, the supreme commander system and collective leadership of the powerful elite cooperate well enough to retain the existing system. Many people have frequently discussed these three scenarios since Kim Jung Il's sudden death on December 19th, 2011, but the general expectation is that the North is likely to succeed in the power succession-at least in the foreseeable future.

Many experts have analyzed the variables that affected their predictions about the future of the North's third generation power succession. First, for how long will Kim Jong Il remain alive

to support the power succession? Second, will it be possible for the North Korean government to alleviate the economic difficulties of its people to the extent that the citizens will accept the third generation power succession? And third, how far will China extend its helping hand to North Korea? The reason for the general feeling of doubt regarding long-term stability is that the first two questions mentioned above are currently looking unfavorable. Unlike Kim Jong Il, who received a 20 years of leadership training, Kim Jong Un only had 3 years of training. In addition, there is not much time left in 2012-the year by which that the government pledged to finish building a strong and prosperous nation. Meanwhile, more than the half of the North Korean citizens still face serious economic adversities.

Because most of North Korea's neighboring countries-including China-do not want a sudden change in North Korea, they seem to approve the power succession for the time being. But, North Korea under the rule of Kim Jong Un has already begun to undergo a process of transition, breaking away from the traditional North Korean style of socialism. Also, the resilience of the system is bound to weaken over time. North Korea will inevitably face changes under the rule of Kim Jong Un. Because no one is certain what changes the North will bring to the Korean Peninsula, South Korea should be prepared for all possible scenarios.

2. Inter-Korean Economic Exchanges and Cooperation

A. The Role and Limits of Exchanges and Cooperation in the Divided-Country Model

Unlike in normal international relations in world politics, a confrontation system within a divided nation is considered a zero-sum game. In the case of normal international relations, two countries that share a hostile relationship can transform the aggressive relations into a cooperative alliance due to the changing global situation. They can achieve this end through the leaders' willpower and policy directions; a prime example of this principle is the relationship between the U.S. and Vietnam.

On the other hand, divided nations have been split after having shared a long history as a single nation purely as a result of ideological confrontations. Therefore, the two states of a divided nation cannot easily change their confrontational and conflicted relationship from a zero-sum game to a cooperative one. Since concession is nearly unimaginable in a conflict between divided nations, concession it is extremely difficult to end the zero sum game. In the process of reintegration, both nations find it impossible to give up their ideologies and political system.

However, there is a room for cooperation in economic and social relations. Through economic and social exchange, the two states could lower the social costs of division while generating mutual benefits. In this context, many political scientists have suggested that divided nations expand their scope of economic

and social interaction-rather than focusing mainly on political relations-in order to ease the conflicts between the two nations and reintegrate them. A case in point is the unification of Germany.

Table 27. Inter-German trades and their share

(Unit: mn Deutsche mark, %)

Year	Trade value	Share of total West German trades	Share of total East German trades
1950	810	4.1	16.0
1960	1,915	2.1	10.3
1970	4,134	1.8	11.0
1980	10,872	2.3	8.4
1985	15,537	1.6	8.0
1989	15,309	1.3	-

*Source: Statistisches Bundesamt. Fachserie 6, Reihe 6

Even after their division, the two Germanys continued to engage in exchange and cooperation; in fact, the East German economy was highly dependent upon West Germany before the two states were unified in 1990. Inter-German trade accounted for 8~16% of East Germany's total trade, and almost half of its trade with western countries. However, inter-German trade only made up roughly 2% of West Germany's trades. At that time, as Secretary Honecker of the East German communist party said at the 9th party convention in 1979, the peaceful coexistence of East and West Germany entails neither hierarchical peace with struggles between the exploiting and exploited classes, nor the coexistence of ideologies. The two governments clearly stated that political

and ideological conflicts between their two nations persisted, regardless of the exchanges that took place as well. To the West German government, these economic exchanges did not bring significant economic benefits or address the division in any way; they were simply a means to manage the stability of the division. However, the inter-German exchange made a contribution when the socialist world collapsed in 1990: it encouraged East Germans to vote in favor of their nation's incorporation with the West as a federated state.

Can exchange and cooperation have the same effect on the divided-country model of Korea as it did on Germany? The role of exchange and cooperation between South and North Korea is limited and difficult to apply. The division system of South and North Korea has two characteristics that set it apart from that of the two Germanys.

Firstly, the Korean Civil War and the consequent armistice system caused the Korean division to become deeply rooted in the nation's history. The division of Germany, however, took place during the transition into the post-World War II era and the establishment of the Cold War order. Therefore, West and East Germany did not experience war; they "fought" one other in terms of welfare unlike the two Koreas, which were on opposing sides of an arms race. As a result, the Korean division system created unstable peace with the inherent possibility of war. It set the foundation for a relationship that would be primarily based on competition in an arms race.

Secondly, unlike the East German government, the North

Korean regime takes advantage of its geopolitical standing by pursuing military adventurism and asymmetric military strength from nuclear weapons. East Germany sought balance and external cooperation, while internally stabilizing its political system using ideological reasoning. North Korea, on the other hand, has pursued an unprecedented succession of power spanning across three-generations power succession. It has and continues to threaten the peace of the Korean Peninsula, and is provoking clashes with the international community by empowering its regime through asymmetric military strength. Further, it has intermittently triggered localized and less intense armed conflicts with South Korea. Confidential documents that were disclosed after the German unification verified that of the East German government had previously spied on the West German government. However, East Germany did not frequently commit armed provocations, as the North Korean regime has in the following cases: the Cheongwadae attack, the Rangoon Bombing, the KAL Bombing, the West Sea Battle, the sinking of the South Korean naval ship, and the shelling of Yeonpyeong Island.

Due to these differences, inter-Korean exchange and cooperation can only have a limited scope despite its potential to ease mutual conflicts and build a united community. For East and West Germany, mutual exchange and cooperation eased the tension between them and also helped to maintain the East German system. Most importantly, this relationship remained distinct from the nations' political and ideological conflicts because the East did not utilize it to threaten West Germany's political system.

However, inter-Korean exchange and cooperation is characterized as “exchange and cooperation between nations divided under the armistice system”; for this reason, economic interaction between the two nations is bound to intermittently face obstacles. Also, the functionalistic effects of exchange and cooperation must be assessed from a long-term point of view since the North Korean regime pursues military adventurism. Both the reintegration of Korea and the establishment of a Korean community require exchange and cooperation. However, when determining the role that they will take, we must consider the significantly different natures of the Korean and the German division systems. This chapter will discuss economic exchange and cooperation, and explore their role in the inter-Korean relationship.

B. The Background and Development of Inter-Korean Economic Exchanges and Cooperation

1) The Background of Inter-Korean Economic Exchanges and Cooperation

Inter-Korean economic exchange and cooperation began when the Roh administration started to promote Nordpolitik; this took place in the 1980s, which marked the dawn of the stage of reform and openness for socialist nations. In 1988, the Roh Tae Woo administration declared inter-Korean relationship a “partnership for a national community towards co-prosperity” through the Special Declaration for National Self-esteem, Unification, and Prosperity(also known as the July 7th Declaration). The declaration,

which was in line with the global trend of the post-Cold War era, was based on the needs of inter-Korean relations despite the still-existing ideological confrontations between the two Koreas. After the declaration was made, the Roh administration institutionalized inter-Korean trade and transactions through “the initiative for inter-Korean economic opening” in October 1988. Then, in June 1989, the administration legalized trade and contact between the two Koreas by enacting “the directive on inter-Korean exchange and cooperation.” When the socialist world collapsed in 1990 and Germany achieved unification, the Koreans enacted the Inter-Korean Exchange and Cooperation Act and the Inter-Korean Cooperation Fund Act in order to institutionalize exchange and cooperation among Korean civilians. In short, the South Korean government first institutionalized inter-Korean exchange and cooperation with the intention of maintaining the post-Cold War era on the Korean Peninsula.

In 2005, North Korea established the Inter-Korean Exchange and Cooperation Act. It is evident that Pyongyang continued its participation in inter-Korean exchange and cooperation not it needed them for political and institutional reasons, but because it became unavoidable. At the time, inter-Korean exchange and cooperation was inevitable for the North because the collapse of the socialist world abruptly severed it from its original channels of external economic exchange. As a consequence, North Korea had no choice but to seek economic relations with capitalist nations. Moreover, North Korea became increasingly incapable of maintaining its anti- inter-Korean cooperation attitude due

to the severe economic slowdowns, diminishing production capacity, and shrinking pool of supplies that it experienced beginning in the 1990s. As was the case with East Germany, North Korea had to cooperate with its divided counterpart in order to sustain its regime. Furthermore, few nations were willing to economically cooperate with North Korea because it had been so opposed to active reform and opening.

2) The Definition and History of Inter-Korean Economic Cooperation

Before looking into the 20-year history of inter-Korean economic cooperation, we should first discuss its definition and structure. Trade between North and South Korea encompasses all transactions of goods between the two divided nations, and should be viewed as “intra-ethnic transactions.” This is because although separate governments represent the two Koreas in the international community, they are composed of a single ethnic group and must go through national integration someday. Therefore, in inter-Korean trade, there are no tariffs placed on goods and the mutual inflow and outflow of goods are called shipping-in and shipping-out, respectively (as opposed to import and export). In this regard, East and West Germany referred to their transactions as “intra-German” and the West German government requested and was granted customs-free transactions between the two Germanys by the GATT.

Table 28. Types of inter-Korean trade

Category	Sub-category	Specific type
Commercial transaction	Trade	General trade
		Processing trade
	Economic cooperation programs	The Kaesong Industrial Complex Project
		The Mt. Kungang Tourism Project
	Other	
Non-commercial transaction	North Korean humanitarian aid	Private sector aid
		Public sector aid
	Social and cultural cooperation programs	Social and cultural cooperation programs
	Programs related to North Korean nuclear issues	Construction of light-water reactors and provision of heavy oil KEDO's heavy oil provision

However, inter-Korean trade and transactions are not based on the principle of international division of labor; rather, they reflect the distinct situation of an ethnic group and illustrate the role of trade in the unification process beyond economic implications. The goods traded between the North and the South as divided nations also include humanitarian aid, which is essential for unification because it can help to create a national community, and to persuade the North to abandon its nuclear program.

Table 29. Classification of inter-Korean economic cooperation programs by players

		Target(project)	
		Economic cooperation	Humanitarian aid
Players	The private sector	General trade, processing trade, investment, etc.	NGOs' North Korean humanitarian aid, etc.
	The government	Connection of railways and roads	Provision of food and fertilizer, etc.
	Public-private partnership	Kaesong Industrial Complex Project, Mt. Kungang Tourism Project, light industry cooperation, Mt. Baekdu Tourism Project, etc.	NGOs' North Korean humanitarian aid(when the government's support included), etc.

Commercial transactions are for-profit economic deals that are composed of economic trade and cooperation programs. Trade is classified into general trade and processing trade, while economic cooperation programs are composed of the Kaesong Industrial Complex Project, the Mt. Kungang Tourism Project, and other programs. Non-commercial transactions are classified into those for humanitarian support to North Korea, social and cultural cooperation programs to promote exchange, the light-water reactor construction project, and the provision of heavy oil for North Korea's nuclear freeze. We can also classify inter-Korean economic cooperation programs by player, as shown in the following table. Between normal states, private sectors should be responsible for investment cooperation. However, in the case of the two Koreas, the governments must also be involved due to the nature of the North Korean regime, the risks of investment, and the lack of a market economy in the North.

Let us look into the overall history of inter-Korean economic cooperation, which has been institutionalized and promoted since the 1990s. First, South Korea started to establish related institutions that attracted the North; later, North Korea responded to these efforts by coming up with institutional tools. In terms of types of trade, the two nations started from an indirect trading system and slowly expanded into a direct approach. Inter-Korean trade has evolved from the trade of general goods, to processing trade, to direct trade; in the process, there was a considerable rise in the importance of Kaesong Industrial Complex. In terms of trade structure, the proportion of commercial transactions was initially high, and non-commercial transactions later increased(to about 50%). However, the share of commercial trade has significantly expanded since 2008.

Table 30. The history of inter-Korean economic cooperation

Period	Preparation(1988 to 1990)
Major steps	<ul style="list-style-type: none"> • Through the July 7th Declaration in 1988, trade with North Korea was approved. • Enactment of the Inter-Korean Exchange, Cooperation Act, and the Inter-Korean Cooperation Fund Act laid the institutional foundation.
Size and Type	<ul style="list-style-type: none"> • Inter-Korean trade was mainly achieved in the form of cross trade through the Korean-Chinese and Korean-Japanese(indirect trade) • The size was around \$20 mil USD, and Chung Ju-Yung, chairman of Hyundai, visited North Korea(1989)
Inter-Korean relations and Situation on the peninsula	<ul style="list-style-type: none"> • The collapse of the socialist world • Economic difficulties in North Korea

Period	Introduction(1991 to 1992)
Major steps	<ul style="list-style-type: none"> • With the conclusion of the Basic Agreement and the sub-agreement on inter-Korean exchange and cooperation, the parties agreed upon the principles of direct trade and establishment of open accounts
Size and Type	<ul style="list-style-type: none"> • North Korea established the Rasun Special Economic Zone. • In 1992, Kim Woo Jung, chairman of Daewoo, visited North Korea and for the first time, processing trades started(by Kolon). • The trade size exceeded \$100 mil USD and remained below \$200 mil USD.
Inter-Korean relations and Situation on the peninsula	<ul style="list-style-type: none"> • The emergence of North Korean nuclear issues • South Korea's foundation of diplomatic ties with China and Russia
Period	Vitalization(1993 to 1997)
Major steps	<ul style="list-style-type: none"> • The 1st North Korean nuclear crisis, North Korea's Arduous March, strained inter- Korean relations. • In 1994, the 1st inter-Korean trade vitalization measure was devised. • The Korea International Trade Association(KITA) opened windows for inter-Korean trade consultation. • In September 1996, the Rasun international investment forum was held.
Size and Type	<ul style="list-style-type: none"> • In 1996, the 1st inter-Korean joint company was launched by South Korea's Daewoo and North Korea's Samcheonri, and LG Corp. started tall processing of TVs in North Korea. • After surpassing the \$200 mil USD mark, the trade value remained at around \$200 mil USD <ul style="list-style-type: none"> - The share of processing trade in commercial trade rose to 30%

Inter-Korean relations and Situation on the peninsula	<ul style="list-style-type: none"> • The Geneva Agreement on the 1st North Korean nuclear crisis(1993 to 1994) • The death of Kim Il Sung(1994) • The controversy over aid ships operating under the North Korean flag(1996) • The Gangneung submarine infiltration incident(1996)
Period	Quantitative expansion(1998 to 2007)
Major steps	<ul style="list-style-type: none"> • In 1998, the 2nd inter-Korean trade vitalization measure was taken, and the method was shifted from a negative one to a positive one. • In 2000, the June 15th Declaration and the Berlin Declaration were adopted. • The 7.1 Economic Management reform was adopted in the North, and the Sinuiju, Kaeseong, and Mt. Kungang Special Administrative Region Act was enacted. • In 2003, four inter- Korean economic cooperation agreements became effective. • In June 2003, construction of the Kaesong Industrial Complex began. • In 2005, North Korea established the inter-Korean economic cooperation act and opened an inter-Korean economic cooperation office. • The October 4th Declaration.
Size and Type	<ul style="list-style-type: none"> • In November 1998, Mt. Kungang became open for tourism. <ul style="list-style-type: none"> - Direct investment in North Korea was initiated. • In 2000, Pyeonghwa Motors started construction of production bases. <ul style="list-style-type: none"> - Construction work to connect the Gyeongui line railway and roads to the North started. • In 2005, the Kaesong Industrial Complex started operation. • In commercial trades, the share of processing trades increased to about 50%. • The trade value exceeded \$300 mil USD in 1998 \$1 bil USD in 2005.

Inter-Korean relations and Situation on the peninsula	<ul style="list-style-type: none"> • North Korea's 1st long-range missile launch(1998) • Suspicion over North Korea's secret nuclear development site(1999) • The 1st inter- Korean summit talks(2000) • The 2nd North Korean nuclear crisis, and the 1st West Sea Naval Battle(2002) • The September 9th Joint Declaration • The 1st nuclear test, and the 2nd West Sea Naval Battle(2006) • The 2nd inter-Korean summit talks(2007)
Period	Qualitative development(2008 to present)
Major steps	<ul style="list-style-type: none"> • The Inter-Korean Exchange and Cooperation Act were amended. the procedure for frequent visits to the North was streamlined. The institution for partnership permission was abolished. • Products were expanded from physical goods to electric ones. The trading company registration system was planned. • The institution for the right to administrative investigation on inter-Korean traders and businesses(to promote orderly inter-Korean exchange and cooperation). • The traded goods management system was established. • The Inter-Korean Exchange and Cooperation Promotion Center(tentatively named) will be founded.
Size and Type	<ul style="list-style-type: none"> • In 2010, the trade value stood at around \$1.9 bil USD. Efforts have been made to introduce a fair and transparent inter-Korean trade system. • Since the May 24 Measures(South Korea's decision to suspend inter-Korean trade), trade has been mainly focused on the Kaesong Industrial Complex.
Inter-Korean relations and Situation on the peninsula	<ul style="list-style-type: none"> • The shooting of a South Korean tourist(2008) • The 2nd North Korean nuclear test(2009) • The sinking of the South Korean Naval ship Cheonan, the shelling of South Korean Yeonpyeong Island, and suspicion over North Korea's uranium weapon development(2010)

On the other hand, economic exchange has experienced dual relations of confrontation and cooperation because the two Koreas promoted mutual transactions while North Korea stuck to both its existing South Korean strategies and North Korean socialism. The growth was unbalanced in terms of both quality and quantity, and North Korea continued to strengthen its nuclear capacity and provoke South Korea despite the trade partnership. Though boiling tensions between the South and the North occasionally interrupted inter-Korean economic exchange and cooperation, the relationship has grown quantitatively and long-term structure has evolved.

From now on, we will study the stages of the history of inter-Korean economic cooperation more closely. Until the South Korean government declared the July 7th Declaration and enacted the Inter-Korean Exchange and Cooperation Act in the early 1990s, Korean-Chinese and Korean-Japanese people were mainly responsible for inter-Korean economic exchanges. Their trade, which they executed in the form of cross and indirect trade, had a value of around \$20 million USD. However, since the Koreas adopted the Basic Agreement in 1991, inter-Korean trade has gained momentum. Kim Woo Jung, chairman of Daewoo who was the South Korean conglomerate at the time, visited North Korea in 1992. This initiated processing trades, and caused the trade value to exceed \$100 million USD.

However, due to North Korea's passive attitude and lack of market economy, inter-Korean trade could not expand further. Therefore, its value remained between \$100 and 200 million USD until the early years of the Kim Young Sam administration.

As the Kim administration took its first measures to vitalize inter-Korean economic cooperation in 1994, the trade value surpassed \$200 million USD by 1995 and processing trade accounted for 30% of total trade.

Table 31. Changes in the inter-Korean trade value by year

(Unit: USD mn)

Type	Shipping-in	Shipping-out	Balance	Total
1989	19	-	-19	19
1990	12	2	-10	14
1991	106	6	-100	112
1992	163	11	-152	174
1993	178	8	-170	186
1994	176	18	-158	194
1995	223	64	-287	287
1996	182	70	-112	252
1997	193	115	-78	308
1998	92	130	38	222
1999	122	212	90	334
2000	152	273	121	425
2001	176	227	51	403
2002	272	370	98	642
2003	289	435	146	724
2004	258	439	181	697
2005	340	715	375	1,055
2006	520	830	310	1,350
2007	765	1,032	267	1,797
2008	932	888	-44	1,820
2009	934	745	-189	1,679
2010	1,043	868	-175	1,912
Total	6,213	6,713	500	12,927

*Source: Ministry of Unification-Korea International Trade Association, 『Inter-Korea Cooperation Statistics』.

Following the launch of the Kim Dae Jung administration, which promoted the engagement policies with the North, inter-Korean economic exchange and cooperation underwent dramatic quantitative expansion and structural change. First of all, through the second measure that was taken to vitalize inter-Korean economic cooperation(1998), the trade system shifted from negative one to positive.²¹⁾ Then, there was an expansion in the quantity of trade. As the Koreas launched the Mt. Kumgang Tourism Project in November 1998, both nations began to engage in massive investment, as well as inter-Korean economic exchange and cooperation. Furthermore, the Geneva Agreement brought about the full-fledged construction of light-water reactors in 1998, the active provision of North Korean humanitarian aid providing rice and fertilizer, and 30% increase in the proportion of non-commercial inter-Korean transactions. As a result, the value of inter-Korean economic cooperation during the Kim Dae Jung administration(2002) amounted to approximately \$600 million USD-about triple the amount of \$200 million USD, which was the average value of trade under the Kim Young Sam administration.

Under the Roh Moo Hyun administration, inter-Korean economic cooperation grew remarkably in quantity, but also experienced a groundbreaking structural change. In terms of quantity, the value of trade in 2007(\$1.7 billion USD) was almost triple what

21) Under the negative system of inter-Korean trade, the parties are only allowed to trade specifically designated items. Under the positive system, the parties can freely trade all items excluding those that are specifically banned from trade.

was worth during the Kim administration. In terms of quality, intergovernmental investment and cooperation—in which the South Korean government invested in North Korean projects such as inter-Korean roads and the Kaesong Industrial Complex Project—and humanitarian aid accounted for the majority of inter-Korean economic exchange and cooperation. Because of private sectors and the governments, investments in North Korea took up a large share in the total economic exchange. More specifically, during five years of the Roh administration, general trade and processing trade accounted for an average of 46% of total trade, while aid (public and private aid, social and cultural cooperation, assistance to resolve North Korean nuclear issues, etc.) and investment in North Korea took up 32% and 22% on average, respectively. Even though the Mt. Kungang Tourism Project—which was a significant North Korean investment—experienced dwindling investments, dealings made through the fully operating Kaesong Industrial Complex became a major form of commercial transactions, continuous inter-governmental investment, and cooperation. Further, the size of humanitarian aid was fixed at 1/3 of the total trade value; this led some South Koreans to view inter-Korean economic cooperation as “charity to the North.”

The Lee Myung Bak administration, which launched in 2008, addressed such flaws by promoting the sustained growth of inter-Korean economic cooperation. He aimed to achieve coexistence and co-prosperity for both Koreas, and adjusted the relationship to bring more order and organization. This actually heightened tensions between the two Koreas, and led North Korea to commit provocations

Table 32. The structure of inter-Korean trades by year and type

(Unit:%)

	Commercial transactions						Non-commercial transactions				Total
	General trades	Processing trades	Mt. Kumgang tourism	The Kaesong Industrial Complex	Others	Total	Humanitarian aid	Assistance related to North Korean nuclear issues	Social and cultural exchange and cooperation	Total	
1989	100	-	-	-	-	100	-	-	-	-	100
1990	100	-	-	-	-	100	-	-	-	-	100
1991	100	-	-	-	-	100	-	-	-	-	100
1992	99.5	0.5	-	-	-	100	-	-	-	-	100
1993	96.2	3.8	-	-	-	100	-	-	-	-	100
1994	86.8	13.2	-	-	-	100	-	-	-	-	100
1995	80.2	16.0	-	-	-	96.2	0.1	3.8	-	3.8	100
1996	64.8	29.5	-	-	-	94.4	0.6	5.1	-	5.7	100
1997	55.5	25.6	-	-	-	81.2	2.7	16.1	-	18.8	100
1998	32.8	32.0	17.0	-	0.5	82.3	7.0	10.7	-	17.8	100
1999	26.8	29.9	12.2	-	1.9	70.8	13.0	16.2	-	29.2	100
2000	26.0	30.4	3.8	-	4.1	64.3	24.6	11.2	-	35.7	100
2001	27.6	31.0	2.0	-	2.7	63.3	27.4	9.3	-	36.7	100
2002	26.8	26.7	1.9	-	2.0	57.3	33.2	9.4	-	42.7	100
2003	30.9	25.5	2.2	-	0.7	59.3	37.4	3.3	-	40.7	100
2004	24.6	25.2	6.0	-	0.8	62.6	37.1	0.1	0.2	37.4	100
2005	19.9	19.9	8.2	16.7	0.6	65.3	34.6	-	0.1	34.7	100
2006	22.5	18.7	4.2	22.1	1.2	68.8	31.1	-	0.2	31.2	100
2007	25.8	18.4	6.4	24.6	0.7	79.8	18.1	2.1	0.1	20.2	100
2008	21.9	22.4	3.5	44.4	1.1	94.0	3.7	2.2	0.1	6.0	100
2009	15.3	24.4	0.5	56.0	1.6	97.8	2.2	-	-	2.2	100
2010	6.2	16.6	0.1	75.5	0.4	98.8	1.2	-	-	1.2	100

*Source: Ministry of Unification-Korea International Trade Association, 『Inter-Korea Cooperation Statistics』.

to the South. As a result, the value of inter-Korea economic exchange grew only slightly from \$1.7 billion USD(late 2007) to \$1.9 billion USD(2010). Also, non-commercial transactions lost their significance, their shares decreasing from over 30% to 5% of the total value. On the other hand, the Kaesong Industrial Complex Project gained

importance with the proportion of 75.5% in 2010. Although general trade and processing trade shrunk significantly due to the suspension of the Mt. Kungang Tourism Project after the shooting of a South Korean tourist and the South Korean government's suspension of inter-Korean trade after North Korea sank a South Korean Naval ship, the Kaesong Industrial Complex Project continued. It now plays a major role in inter-Korean trade.

An overview of the 23-year long history of inter-Korean economic cooperation since 1988 shows us key points about the relationship. The extent and quantity of inter-Korean economic exchange have grown continuously, and in line with the tide of the post-Cold War era its types and structure become more diversified. Although these interactions were somewhat effective as a buffer zone in inter-Korean military relations, North Korean nuclear crises continued to expand. Consequently, inter-Korean relations were forced to retain their Cold War nature; this prevented the functionality of inter-Korean economic exchange from reaching the level that other divided nations' exchanges were able to achieve. In the case of Germany, 20 years after the adoption of their basic agreement, the East and the West charted a path to economic integration through unification. Similarly, in the case of China and Taiwan, China established the Regulation on Promotion of Taiwan's Investment in 1988 and the Taiwanese government signed the CEPA with China in 2010, 22 years after it had relaxed its Three Noes Policy. The result of these measures was a Chinese-Taiwanese joint free market. Other divided nations also typically start to move toward economic integration after about

20 years of economic cooperation and exchange. However, despite the 23 years of inter-Korean economic exchange, the prospect of building an inter-Korean economic community remains daunting. As mentioned earlier, this is due to the distinctive nature of the Korea divided-nation model.

C. Missions for the Korean Economic Community

1) The Status and Issues of General Trades and Processing Trades

General trade refers to the transaction of goods by North and South Korea based on comparative edge. Processing trade refers to transactions through which South Korea provides North Korea with raw materials, and North Korea processes these materials into goods with their facilities and labor forces. General trade and processing trade are the most common forms of economic exchange through which the two Koreas make gains according to the principle of comparative advantage.

General and processing trades, which were the Koreas' only forms of commercial transaction, accounted for nearly 100% of all inter-Korean transactions until 1995. However, humanitarian aid from South Korea, assistance in resolving North Korea's nuclear issues, and the establishment of the Mt. Kungang Tourism Project and Kaesong Industrial Complex brought about changes. Since the 2000s, the shares of processing trade and general trade both diminished to 24%, adding up to 48% between the years 2000 and 2009. However, in 2010, the South Korean government

suspended inter-Korean economic exchange; this caused the total proportion to drop to 22.8%, with general trade accounting for 6.2% and processing trade accounting for 16.6%.

Table 33. The development and status of general and processing trades

(Unit: mil USD)

		'89	'91	'93	'95	'97	'99	'01	'03	'05	'07	'08	'09	'10
General trades	Shipping-in	18.7	105.7	175.2	201.7	147.4	67.7	100.9	177.4	188.9	441.2	336.4	245.1	111.6
	Shipping-out	0.1	5.5	4.4	28.7	23.8	21.7	10.5	46.2	20.9	20.2	33.0	10.9	6.2
	Total	18.7	111.3	179.6	230.4	171.2	89.4	111.4	223.7	209.8	461.4	399.4	256	117.8
Processing trades	Shipping-in	0	0	3.0	21.2	42.9	53.7	72.6	111.6	131.2	204.5	257.3	254.0	222.3
	Shipping-out	0	0	4.0	24.7	36.2	45.9	52.3	73.4	78.5	125.0	151.0	155.6	95.0
	Total	0	0	7.0	45.9	79.1	99.6	124.9	185.0	209.7	329.5	408.3	409.6	317.3

The monetary value of general trade amounted to less than \$100 million USD in the late 1990s; it increased slightly starting in the 2000, and stood at around \$400 million USD in 2007. However, between the years 2000 and 2009, the average totaled a mere \$260 million USD. In 2010, due to South Korea's decision to halt the economic exchange, the amount further decreased to \$100 million USD. More than 90% the goods traded through general trade were North Korean goods that were shipped into the South and purchased by South Koreans. Compared to this quantity, the number of exports from the South into the North was marginal. This is because North Korea's economic difficulties prevent it from obtaining enough purchasing power to buy South Korean products, and because the North only has primary commodities available

to sell. So, more than 80% of the goods that South Korea buys from North Korea are primary commodities such as agricultural, forestry, fishery and mineral products. Therefore, inter-Korean economic exchange had no choice but to shift towards the use of North Korea's labor force. As a result, processing trade has outpaced general trade as of the beginning of the 2000s. In 2000, the value of processing trade exceeded \$100 million USD and increased to \$400 million USD in 2009. Despite the suspension of inter-Korean economic exchange, the value reached \$310 million USD in 2010. In processing trade, over 80% of the traded goods are textiles and 10% are electronics. This is because in processing its goods, North Korea does not have many options besides those that are labor-intensive and largely unaffected by electricity (due to North Korea's electricity shortage and fluctuating voltage). Therefore, compared to the goods produced in the Kaesong Industrial Complex Project, the goods produced for processing trade have practical limitations in their expansion.

There is another reason that it is more difficult to expand general and processing trade in the inter-Korean economic exchange than in other divided nations: due to the division, goods must be shipped by sea. Not only does this incur huge shipping costs, but it also prevents settlement through open accounts and therefore limits businesses to only using cash.

2) The Kaesong Industrial Complex Project: Current Status, Issues and Investment

Kaesong Industrial Complex, which operates as a “special economic zone” on leased territory, is a unique form of economic cooperation that cannot be found in any other divided-nation model. Though South Korea was the sole investor in the project, both Koreas worked together to build the industrial complex near the DMZ. North Korea responded to the South’s investment efforts by enacting the Kaesong Industrial Complex Act, which leased the land out to South Korea for 50 years and provided a North Korean labor force. However, all of the internal and external infrastructures of the complex have been established and maintained through investments from the South.

The developed area of Kaesong Industrial Complex, which started to get promoted in 2003, currently covers an area of 3.3 million m²(1 million pyeong). It began to fully operate in 2005 and as of late 2010, 46,000 North Korean workers and 121 companies have been operating in the complex. Despite the South Korean government’s decision to suspend inter-Korean economic exchange in 2012, the complex recorded a value of \$320 million USD in production and \$36 million USD in exports. From 2005 to 2010, the cumulative production amounted to \$1.1 billion USD(the cumulative export value of \$160 million). The project accounted more than half of the entire inter-Korean economic exchange in 2009, and in 2010, the share grew to 75%. Today, Kaesong Industrial Complex is the most exemplary inter-Korean economic cooperation project; it brings benefits to

both Koreas, providing North Korean workers with an average wage of \$98 USD per person. Despite the heightened military tensions between the two Koreas, both nations recognize the deep need to sustain the project. Therefore, we can view this project as a buffer of inter-Korean tensions.

Because of the divided-nation model that unique to the Korean Peninsula, building an inter-Korean economic community was a difficult task. Despite the success and significance of the Kaesong Industrial Complex Project, the peninsula is not yet free from the influence of the Cold War armistice. As the complex is located near the demilitarized zone in North Korea, provocations by the North such as the sinking of the South Korean Naval ship unavoidably affect complex access to business personnel. On some occasions, Pyongyang has even threatened Seoul to limit or close road access because of its own dissatisfaction. Such political risks have affected the business performance of the companies operating in the complex. For example, after North Korea conducted its second nuclear test in 2009, orders received by the companies dropped by about 20%. Generally, there should be no political risks in a special economic zone and there should be a guarantee of free access, communications, and customs clearance. But, North Korea feared an encroachment of capitalism and consequently made the complex far from an ideal special economic zone; this resulted in the businesses bearing huge costs aside from operational ones. The complex has improved the competitiveness of small and medium-sized South Korean enterprises, and has clearly offered benefits to the North in the form of employment and

income; however, it is faltering in the face of challenges arising from inter-Korean political and military relations and the distinctive nature of the North Korean regime.

Table 34. The Development of the Kaesong Industrial Complex Project

Type	'05	'06	'07	'08	'09	'10	Description
Number of companies in operation	18	30	65	93	117	121	<ul style="list-style-type: none"> • The number of companies by industry: -Textile & leather: 71 -Chemical: 9 -Machinery and metal: 22 -Electric and electronics: 13 -Food: 2 -Paper and wood: 3 -Ceramics: 1
Production value (Export value)	1,491 (87)	7,373 (1,983)	18,478 (3,967)	25,142 (3,584)	25,648 (2,860)	32,332 (3,667)	<ul style="list-style-type: none"> • The proportion by production value: -Textile: 56.0% -Electric and electronics: 20.4% -Metal and machinery: 12.5% -Chemical: 9.0% -Food: 1.7% -Paper and wood: 0.4% -Ceramics: 0.03%
North Korean workers	6,013	11,160	22,538	38,931	42,561	46,284	<ul style="list-style-type: none"> • North Korean workers' gender ratio: Women 74%, Men 26%
South Korean workers	507	791	785	1,055	935	804	
Total	6,520	11,951	23,323	39,986	43,496	47,088	

3) The Status and Issues of the Mt. Kungang Tourism Project

In 1998, Hyundai-Asan and North Korea agreed on a \$940 million USD deal that gave Hyundai-Asan exclusive rights to the tourism industry in Mt. Kungang; this resulted in the launch of the Mt. Kungang Tourism Project. However, unlike the Kaesong Industrial Complex Project that had been promoted in a relatively stable manner despite the ups and downs of inter-Korean relations, the Mt. Kungang Tourism Project has repeatedly faced challenges. This is because the Kaesong Project was founded upon an agreement to jointly manage it through discussion by the both countries' authorities, and because the South Korean government had invested in Kaesong since its initial phase. The Mt. Kungang project, however, lacked these characteristics. In 1991, the project was suspended because North Korea detained South Korean tourists. Between 2001 and 2002, it faced economic complications due to Hyundai-Asan's financial difficulties. In 2003, it was halted once again in order to prevent the spread of SARS to the North. Then, starting in August 2008, the project was suspended again due to the North Korean shooting of a South Korean tourist. Although the project has experienced many ups and downs in less than ten years, the cumulative number of tourists in Mt. Kungang until its last suspension reached around 2 million. Furthermore, this project has served as a channel for social and cultural exchange and cooperation by facilitating 17 reunions for separated families during its operation.

Table 35. The Number of Tourists at Mt. Kumgang

Route	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	Total
Sea	10,554	148,074	213,009	57,879	84,727	38,306	449	-	-	-	-	552,998
Land	-	-	-	-	-	36,028	267,971	298,247	234,446	345,006	199,966	1,381,664
Total	10,554	148,074	213,009	57,879	84,727	74,334	268,420	298,247	234,446	345,006	199,966	1,934,662

However, the Mt. Kumgang Tourism Project clearly highlights the difficulties of promoting economic cooperation projects under the Korean divided-nation model. Simply put, this project proves that there need to be more efforts to further develop in the tourism industry between the two countries, because it is the most peaceful form of economic exchange across the demilitarized zone while the armistice remains effective. Some argue that various inter-Korean economic exchanges, including the Kaesong Industrial Complex Project, were possible because of the launch of the Mt. Kumgang Tourism despite the high tensions in the 2000s. However, the project eventually faced difficulties because of the poorly managed threats to peace on the Korean Peninsula, such as the North Korean nuclear issue. Other previously socialist countries such as China and Cuba underwent reform and opening by allowing foreign tourists, and contributed to regional peace through such efforts. But unlike these nations, North Korea had a “closed opening” of Mt. Kumgang that only allowed access to South Koreans, and this effort made no progress in the opening of the North Korean regime. On such grounds, some understandably criticized the Mt. Kumgang Project, stating that the government contributed about \$450 million USD from 1998 to 2008 for

tourism, which actually merely maintained the stability of the North Korean regime.

4) The Review of Inter-Korean Economic Exchange and Cooperation

Inter-Korean exchange and cooperation are important tools for building an inter-Korean community of people with common norms, values, and lifestyles. In order for North and South Korea, which have developed many differences during the long division, to form an economic, social, and cultural community, many think that the most efficient method is to maintain steady exchange and cooperation. But, given the 20years history of inter-Korean economic exchange and cooperation and the current status of division, can it be considered effective?

We can answer this question by considering three factors: the introduction of market in the North Korean economy, the opening of the economy, and the establishment of the foundation for an inter-Korean economic community. There are opposing arguments regarding the effect of the economic cooperation on introducing a market economy to North Korea. Those who view the cooperation negatively say that the inflow of wealth caused by inter-Korean economic cooperation is only used to sustain North Korea's planned economy and to prevent the encroachment of a market economy. On the other hand, those who view it positively believe that although it was originally used to strengthen North Korea's planned economy, it has eventually made its way into North Korea's domestic market and has further strengthened

it. For instance, many of goods shipped to Kaesong Industrial Complex have been distributed throughout North Korea's domestic market. Furthermore, many North Korean workers at the complex have learned the concepts of the capitalist economy without realizing it.

There are also divided opinions regarding the effect of inter-Korean exchange on the openness of the North Korean economy. Some argue that inter-Korean economic cooperation has not taken any measures to promote the opening of North Korea because the exchanges have taken place under the strict control of North Korean authorities. Others, however, argue that the exchanges in themselves are opening up the North's economy because of North Korea's fear of unification by absorption, and its subsequent adherence to its South Korean strategies. Finally, on laying the foundation for an inter-Korean economic community, there is an opinion that it has not been effective; there is also an opposing argument inter-Korean economic activities in a limited area have encouraged the two Koreas to learn each other's differences and become closer.

All of these opinions are valid and they should be understood comprehensively. As the issue of inter-Korean relations is double-sided, both opinions and reality will inevitably be divided. In one sense, the reality is shaped by the unique nature of the Korean divided-nation model and will face many more difficulties. However, this negative side must eventually be eliminated, and this should result in the growth of the positive aspects of inter-Korean cooperation.

5) Future Missions

The dual nature of inter-Korean relations, which is an inherent characteristic of the Korean divided-nation model, will remain until the Koreas achieve unification and establish a peace regime on the peninsula. Given such a double-sided nature, inter-Korean economic exchange and cooperation must adopt a new paradigm while repressing the negative impacts of North Korea's military adventurism on the economic exchange as much as possible. In the future, inter-Korean economic exchange and cooperation should move forward in order to achieve the following missions:

a) Sustainment of Inter-Korean Cooperation According to Norms

Since the 2000s North and South Korea have adopted a total of 13 agreements, which include four major agreements(settlement through open accounts, guarantee in investment, prevention of double taxation, and certification of origin) under mutual agreement. However, they are limited when it comes to controlling or preventing the North Korean regime's unilateral actions such as the regime's closing road access to Kaesong Industrial Complex(November 2008) and its violating property rights of South Korean businesses operating in the Mt. Kumgang tourism zone(August 2011). Therefore, semi-governmental organizations such as The Association for Relations Across the Taiwan Straits(China) and The Straits Exchange Foundation(Taiwan), or a standing organization such as the inter-Korean Joint Economic Committee under the 1992 Basic Agreement, is necessary in order to discuss issues related to economic exchange. Also, future

agreements on inter-Korean economic cooperation should include policy that guarantees certain military rights. Given the reality of the armistice and North Korea's "military-first" policy, this step is crucial.

b) North Korea's Reform and Opening

Without North Korea's active will to reform and open, inter-Korean economic cooperation cannot be mutual. Therefore, they will be unable to advance in such a way that will bring mutual benefits and will instead repeatedly introduce obstacles. Understandably, North Korea's reform and opening will not be easy to achieve and it will depend on the will of the North Korean regime. However, history tells us that the environment can trigger a change; therefore, we cannot say that it is an impossible feat. Currently, it is hard for North Korea not to accept the market system. This is also true of international economic cooperation. In this sense, the fact that Pyongyang and Beijing are fully cooperating in jointly developing Rajin and Hwanggeumbyeong after a June 2011 agreement is not only to raise China's influence on the North Korean economy, but also to eventually lead North Korea's reform and opening.

c) Inter-Korean Economic Community in the Long Run

To this end, the two Koreas should promote economic cooperation and exchange in a more systematic and organized way, and approach it from the perspective of North Korean development. The huge gap between the North Korean and South

Korean economies is a stumbling block to the foundation of an inter-Korean economic community. Therefore, rather than maintaining short-term economic cooperation, the Koreans can recover the North's system and connect the two Korea's economies through long-term cooperation toward economic development.

d) East Asian Economic Cooperation

As mentioned above, stable inter-Korean economic cooperation is not easy to sustain due to the distinctive nature of the Korean divided-nation model. In order to overcome this limitation, the economic cooperation must become international: in other words, by linking Korean economic exchange to the economic development demand of neighboring nations. In order for this to be effective, the two Korea's must prevent inter-Korean military and political relations from immediately affecting their economic cooperation. China is currently focusing on developing three underdeveloped Northeast provinces to modernize its economy by 2050. To develop the provinces, a route to the East Sea is necessary and therefore there must be cooperative relations with the entire surrounding economic bloc. In addition, Russia needs cooperation with its neighboring nations in order to develop a rich natural gas reserve in its maritime territory to develop the region. Russia is also working to connect itself to the Korean Peninsula with a trans-Siberian railway. Japan is also showing interest in securing natural gas from the maritime territory, hoping to increase its economic cooperation with other Northeast Asian economies.

If inter-Korean economic exchange and cooperation focuses on North Korea's development and if neighboring nations show interest, the countries can cooperate to sustain this economic interchange in a stable manner. In addition, the efforts can further encourage North Korea to open its economy.

3. Humanitarian Aid to North Korea

A. The Meaning of Humanitarian Aid to North Korea

The Development Assistance Committee(DAC) of the OECD defines humanitarian aid as “aid and action designed to save lives, alleviate suffering, and maintain and protect human dignity during and in the aftermath of emergencies.” In other words, they are actions intended to help those whose basic rights to life are threatened by war or conflict between nations, ethnic groups, or tribes; to provide them with basic needs including food, water, medical assistance, and housing; and to restore their rights. This humanitarian principle is based on the understanding that the international community should uphold human values for all people under threat regardless of their political leaning, ideology, idea, faith, or race. Normally, advanced nations have ethical and moral obligations to eliminate poverty and hunger in the less-developed countries and to improve humanitarian conditions for citizens under severe and complicated political threat. After the Cold War, conflicted areas grew and hunger and humanitarian conditions

in impoverished areas worsened. This led the U.N. to declare the “Millennium Development Goals”²²⁾ in 2000, which urged major OECD economies to increase their ODA to GNI ratio to 0.7%.

In this global wave, North Korea has been classified as a “[country] in protracted crisis” since 1995, receiving humanitarian aid equivalent to approximately \$1.7 billion USD from U.N. organizations (the United Nations Office for the Coordination of Humanitarian Affairs, the World Food Program, the World Health Organization, the United Nations Children’s Fund, the United Nations Population Fund, the United Nations Development Programme, etc) until 2010. Between 1995 and 2010, the U.S. provided the most aid to the North through the U.N. organizations, followed by Japan and South Korea. The three nations accounted for around 70% of the total aid received by North Korea. However, since 2005, aid from the U.S. and Japan has drastically diminished; as a result, South Korea is becoming the biggest donor country.

Why has South Korea maintained its aid to North Korea while the rest of the international community has reduced its assistance? The primary cause is North Korea’s rejection of the U.N.’s integrated aid in August 2004. Other causes are the unresolved

22) The MDGs are a global agenda on poverty eradication adopted in the Millennium Summit held at the headquarters of the U.N. in September 2000. This global commitment aims to halve poverty by 2015.

191 U.N. member countries at the Summit agreed to ① eradicate extreme poverty and hunger, ② achieve universal primary education, ③ promote gender equality and empower women, ④ reduce child mortality rates, ⑤ improve maternal health, ⑥ combat HIV/AIDS, malaria, and other diseases, ⑦ ensure environmental sustainability, and ⑧ develop a global partnership for development by 2015.

issue of North Korea's abduction of Japanese people, and the North Korean nuclear issues which have gotten worse since 2005. Since the goal of humanitarian aid is to realize humanitarianism, it is offered based on the principles of political neutrality, fairness, independence, and unconditionality. However, it is difficult to continue aid provisions to a recipient country whose government uses the aid to threaten world peace, and prevents the distribution of the aid to those who need it the most. The reason that South Korea has continued its aid provision despite the changing international situation is that there is a certain difference between the rest of the international community's assistance and South Korea's. Unlike the other countries, South Korea considers providing aid to North Korea essential-not only for the universal value of humanitarianism, but also based on the principle that North and South Koreans as brothers and sisters who should achieve unification together. The South believes that aid helps to recover confidence and cooperation between the two Koreas, which works toward building the national community that is the foundation of unification.

There is also a practical implication of for offering aid to North Korea. As South Korea joined the DAC²³⁾ in 2010, it became

23) This OECD-affiliated organization manages advanced nations' assistance to developing countries. It was launched as the Development Assistance Group(DAG) in 1960. However, its title was changed to the Development Assistance Committee and it became an OECD-affiliated committee with entry into the OECD treaty, effective September 1961. Along with the Economic Policy Committee and the Trade Committee, the DAC is one of the three major committees of the OECD. Currently, the DAC has 24 member countries including the European Council of the EU.

the first country in the world to change from a recipient country to a donor country. In 2010 alone, the South provided the ODA with aid equivalent to \$1.1 billion USD, or 0.12% of its GNI, in the form of aid for developing nations. Since North Korea is a developing country with a per-capita GNI of less than \$1,000 USD, it is a target for South Korean aid. Furthermore, North Korean issues such as severe famine, the consequential huge outflow of North Korean defectors, malnutrition of North Korean children and adolescents who are the future members of a unified Korea, and the deforestation of mountains, inevitably directly affect South Korea. For this reason, the South has promoted aid to North Korea as an essential part of building the foundation for unification. Although the issue of transparency in distribution of aid arises, the assistance it is expected to expand the range of inter-Korean human exchange, push North Koreans to feel a sense of friendship and ethnic homogeneity with South Korea, and also relax inter-Korean military confrontation to some extent.

South Korea's aid to the North is also distinctive in that the two Koreas are divided under the armistice, and North Korea's military adventurism toward South Korea inevitably influences aid. The purpose of humanitarian aid to North Korea is to recover mutual confidence and to reduce military tensions. When the opposite happens, this affects South Korean society and consequentially impacts aid given to North Korea.

Humanitarian aid to North Korea has a distinctive nature. Therefore, we should understand it not only as a means to realize universal humanitarianism, but also in the complex context of

the division, changes in the inter-Korean relations, and unification. Aid to North Korea essentially has multiple purposes and is based on both unconditionality and conditionality. This is why all of the successive South Korean governments have agreed to offer aid to the North, but have also developed strategies depending on the relations and implemented aid-related policies in line with such strategies.

B. The Background of the Recurring Aid Situation

1) North Korea's Structural and Chronic Food Crisis

More than 80% of North Korea's land is covered with mountains, and there is a 7 to 3 ratio of dry fields and rice paddies. Therefore corn, rather than rice, became a mainstay of the working class and self-sufficiency of food became impossible. Since 1976, the North Korean regime has adopted the so-called Juche Agricultural Policy, which is considered a land-intensive farming method and intends to increase food production through land development, reclamation projects, development of terraced fields, and high-density farming. Thanks to such efforts, food supply was relatively steady until the late 1970s.

However, the situation has changed since the 1980s. At the beginning of the 1980s, agricultural productivity in the North started to slowly decline due to the growing contradictions between its socialist planned economy and its collective farm system. In addition, as the socialist world moved toward reform and opening, agricultural commodity support from those countries started to

diminis. Moreover, in 1986, North Korea was classified as a default economy by the international community and faced the shortage of foreign currencies; this further complicated importing food. As a result, in 1985 the North reduced its food ration per person from 700g to 546g and introduced alternative foods to cope with the shortage. According to North Korean defectors, in the late 1980s, food rationing was suspended for three to four months in the northern parts of Hamgyeongbuk-do and certain parts of Gangwon-do. Even when food was supplied, the amount fell short of the official rationing amount.

Eventually, in the mid 1990s, North Korea faced a famine for a variety of reasons: the collapse of the socialist world in 1990, the resulting paralysis of industrial production capacity that began in 1992, and a five-year period of recurring natural disasters starting in 1993. Between 1995 and 1998, North Korea's food production amounted to an average of 3.69 million tons, and the shortage stood at an average of 1.53 million tons. This period saw frequent death from starvation, and more and more people started to escape the North. North Korea's famine was little known by the outside world and unlike African countries, most of the people suffered malnutrition while the regime held the control of society. For this reason, some in the international community called this tragedy the "silent famine."

Since the 2000s, North Korea has overcome the extreme famine of the mid 1990s. Thanks to over than 10 years of emergency relief as well as assistance from the international community and the South Korean government to recover agriculture, the

North has partially overcome its food and agricultural crisis. Also, farming on personal fields such as vegetable gardens and small plots has become more; this resulted in more lively market activities, which restored food distribution through markets to its past condition.

Table 36. Food distribution and the shortfall in North Korea

(Unit: thousand tons)

Year	Minimum demand	The past year's production	Shortage
1985-1992	On average, 520	On average, 420	Around, 100
1995	534	413	121
1996	529	345	184
1997	530	369	161
1998	495	349	146
1999	504	389	115
2000	518	422	96
2001	524	359	165
2002	536	395	141
2003	542	413	129
2004	548	425	123
2005	545	431	114
2006	560	454	106
2007	543	448	95
2008	540	401	139
2009	548	431	117
2010	545	411	134
2011	545	420-430	115-125

*Notes: 1. The minimum demand was calculated based on a reduced official ration
 2. Production in 2010 is an estimated value including the output from personal fields and slopes.(Tae-jin Kwon, Min-Jee Nam; 2011)

*Source: The Rural Development Administration

However, as the chart above shows, after the 2000s North Korea continued to face an average annual shortage of about 1.2 million tons. In particular, North Korea is currently experiencing its worst food crisis since the 2000s because Pyongyang has repeatedly implemented aggressive foreign policies and market control policies since 2006, and because the climate conditions become unfavorable in 2011. U.N. organizations such as the WFP estimate that there are currently 6 to 8 million recipients of emergency relief in North Korea, as it was in the mid 1990s.

2) Poor Nutrition and Health Care

Since the food crisis hit the North in the mid 1990s, about one third of North Koreans have suffered from malnutrition because of a more than 15-year period of insufficient food, limited energy intake, inadequate protein intake, and intake of foods like wild greens instead of grains such as rice, corn, and potatoes. According to the “World Hunger Map” issued by the WFP²⁴⁾ in July 2011, North Korea(along with Mongolia and India) is a Category 4 country with a moderately high prevalence of chronic malnutrition at 20 to 34% of the total population. Countries with a malnutrition prevalence of 35% or higher are all African countries including Kenya, Zimbabwe, and Rwanda.

24) Source: the WFP

Category 1: <5%(extremely low: OECD economies)

Category 2: 5-9%(very low)

Category 3: 10-19%(moderately low)

Category 4: 20-34%(moderately high: least developed countries in Asia such as North Korea and Mongolia)

Category 5: =35%(very high: African countries)

Table 37. Comparison of major health indicators between South and North Korea

	Infant mortality rate (2005-2010: person per 1,000 people)	Maternal mortality rate (2007: person per 100,000 people)	Height(20s) (2005-2010, cm)		Life expectancy (2010: year)	
			Men	Women	Men	Women
South Korea	4.4	13	174.2	161.4	76.2	82.9
North Korea	48.0	67	165.4	154.9	64.9	71.7

*Note: Maternal mortality rate is quoted from 『State of World Population 2007』, UNPFA.

*Source: Statistics Korea, 『Major Statistics of North Korea』(2010).

The severity of North Korea's poor nutritional status becomes even more stark when compared to that of South Korea. As of 2008, the average daily energy intake of a South Korean was about 2,870 kcal, while that of a North Korean was about 1,600 kcal. An individual's nutritional status is directly related to public health indicators such as infant mortality rate, maternal mortality rate, height, and life expectancy. When comparing the North's indicators to the South's, North Korea's infant mortality rate was 10.9 times that of South Korea, while its maternal mortality rate was 5.1 times more than South Korea's. Regardless of gender, life expectancy is more 10 years higher for South Koreans than for North Koreans; the height of the average South Korean in his or her 20's is 10 cm greater than the North's; and according to many NGOs' surveys on teenage North Korean defectors in South Korea, there is a about 15 cm gap between the average heights of South Koreans and North Korean defectors. North Korean teenagers who were born since

the mid 1990s amid the food crisis are also known as the “Cotjebi”(flower swallow or child beggars) generation. The gap between this generation’s height and weight and that of South Korean teenagers’ is huge.

Such poor health indicators in North Korea directly lead to diseases that are prevalent in poor nations; this is a serious issue given the potential population integration after unification. In the late 1990s when the food crisis was at its peak, the three major diseases in North Korea were cholera, paratyphoid, and gastro-intestinal disorders which are epidemics that result from sudden disasters. However, three major diseases are currently tuberculosis, hepatitis, and gastro-intestinal disorders(Good Friends, News Letter: North Korea Today vol. 419). Those diseases are the result of malnutrition and an increased use of alternative foods for grains such as corn and potatoes. According to a 2011 report jointly published by the Center for Epidemiology of Stanford School of Medicine and Christian Friends of Korea at the Korea Economic Institute, the prevalence of tuberculosis has soared due to the aftereffect of the mid-1990s great famine and the unimproved food situation. In 1994, North Korea reported to the WHO that the number of tuberculosis patients was 38 people per 100,000. However the number increased to 100 in the late 1990s and further grew to 178 in 2006 and 370 in 2010; this is four times higher than South Korea’s number, which stood at 90. It was also the highest proportion of tuberculosis patients in the world, excluding African countries.

It is not an overstatement to say that North Korea’s health

care industry has collapsed as its investment in public medical service has been suspended since its economic crisis. In this situation, the national health care system cannot treat a rapidly increasing number of tuberculosis patients, forcing patients to buy medicine from jangmadang or use home remedies to attempt to treat the disease. North Korea's free medical treatment practically exists in name only. There are no medications in the hospitals, and the quality of service is very low. After the 2000s, when health care aid from the international community was on the rise, North Koreans were able to buy quality medicines from jangmadang. However, the situation has become dire after the reduction and suspension of aid.

3) North Korea's Distorted Food Distribution System and the Structurally Vulnerable Group

Under the existing food distribution system in the North, all people live in groups and receive food vouchers from the groups (gi-up-so or state-run businesses, organizations, and military). With the vouchers, they can receive food from local food administration units at giveaway prices. According to former secretary of the Workers' Party Hwang Jang-yop, it became hard to maintain the food rationing system and provide food to all classes of people due to the 1996 food crisis; as a result, Kim Jong Il commanded that the government provide for one fourth of the people and organization, the gi-up-so provide for another fourth, the people provide for themselves another fourth, and the aid provides the last fourth. North Korea's food rationing

system by class is shown in the following table. Only about 25% of the population, including party, government, and military officers in Pyongyang, some citizens, workers of security organizations, local party and government officers, soldiers, workers of munitions factories and first-class state-run businesses, were provided with food by the government through the official system; the remaining 75% of the people, had to provide for themselves.

To be specific, even though gi-up-so, factories, and organizations partly provide for their workers, mostly people secure their food from the marketplace by selling goods, farming on personal fields, and providing labor for money. Farmers, who account about one third of the population, appear to have better conditions as they receive food for the following year through year-end settlement. However, as the regime has become stricter in collecting food for the military and forcing farmers to bear the costs of nation building, they receive food for only 4 to 6 months. So, they have no choice but to secure food through a variety of personal economic activities. The bottom 20 to 25% of the population are the poor: the disabled, the elderly, orphans and detainees of gyo-hwa-so who do not have the means to open a small business or farm a small field. They are the vulnerable group who do not receive any care from the country.

Figure 13. North Korea's food distribution system and ranks



As of 2011, when the worst food crisis hit the country since the 2000s, fewer people have been able to secure food through the official rationing system. In fact, the market system has begun to replace the official rationing system. In this situation, if the authorities restrict market activities; this interrupts the food supply through markets, and therefore causes more people to become poor. It will hit especially hard for those at the bottom of society. This group immediately experiences famine if the food price soars or if they lose a small sum or anything that they have due to

a currency reform. This group is also excluded from the government's policy, as the authorities have been pushing the "military-first"²⁵⁾ economic policy that prioritizes the defense industry to maintain its regime. In the end, these people have no choice but to rely on foreign aid for survival.

C. The Scale of Humanitarian Aid to North Korea

1) Public Aid

South Korean society has become tired of protracted humanitarian aid to North Korea and many raise questions over its effectiveness. Therefore, in order to examine it objectively, 15 years of South Korea's humanitarian aid to North Korea should be reviewed by actor and by type. First of all, the size of aid is as follows:

25) The "military-first" economic policy is North Korea's economic policy under the rule of Kim Jong Il, which aims to sustain the "military-first" politics promoted by Kim Jong Il after the Arduous March.

Although North Korea argues that the "military-first" economic policy is a policy that "prioritizes the defense industry in line with an emphasis on military and at the same time promotes the advancement of the light and agricultural industries," it actually advances of the defense industry before the livelihood of the people.

Table 38. Overall aid to North Korea

(Unit: 100 mil KRW)

Type		'95	'96	'97	'98	'99	'00	'01	'02	'03	
Government	Donations	The authorities	1,854	-	-	-	339	944	684	832	811
		Through private organizations	-	-	-	-	-	34	62	65	81
		Through international organizations	-	24	240	154	-	-	229	243	205
		Total	1,854	24	240	154	339	978	975	1,140	1,097
	Food loans	-	-	-	-	-	1,057	-	1,510	1,510	
	Total	1,854	24	240	154	339	2,035	975	2,650	2,607	
Private sector(donations)		2	12	182	275	223	387	782	576	766	
Total		1,856	36	422	429	562	2,422	1,757	3,226	3,373	
Type		'04	'05	'06	'07	'08	'09	'10	'11-7	Total	
Government	Donations	The authorities	949	1,221	2,000	1,432	-	0	1831	-	11,249
		Through private organizations	102	120	134	216	241	77	21	-	1,153
		Through international organizations	262	19	139	335	197	217	-	-	2,264
		Total	1,313	1,360	2,273	1,983	438	294	204	-	14,666
	Food loans	1,359	1,787	-	1,505	-	-	-	-	-	8,728
	Total	2,672	3,147	2,273	3,488	438	294	204	-	23,394	
Private sector(donations)		1,558	779	709	909	725	377	200	29	8,462	
Total		4,230	3,926	2,982	4,397	1,163	671	404	29	31,885	

The size of South Korea's aid to North Korea for 15 years from 1995 to 2010 was around KRW 3.1 trillion or USD 2.95 billion when public and private aid combined. Therefore, its annual average is about USD 190 million or KRW 200 billion. Of them, the public sector and the private sector provided aid equivalent to KRW 2.3 trillion and KRW 840 billion for 15 years, respectively. The government and the private sector accounted for around 74% and 26% of the entire KRW 3.1 trillion aid.

Table 39. Humanitarian aid to North Korea by successive South Korean governments(as of late July 2011)

Government	The Kim Young Sam administration	The Kim Dae Jung administration	The Roh Moo Hyun administration	The Lee Myung Bak administration	Total
Period	Jun 1995~Feb1998 (32 months)	Mar 1998~Feb 2003 (60 months)	Mar 2003~Feb 2008 (60 months)	Mar 2008~Jul 2011 (41 months)	Jun 1995~Jul 2011 (193 months)
Public ①	KRW 211.8 bil USD 261.72 mil (12%)	KRW 615.3 bil USD 499.77 mil (23%)	KRW 1 tril 422.6 bil USD 1 bil 366.67 mil (63%)	KRW 89.7 bil USD 77.85 mil (3%)	KRW 2 tril 339.4 bil USD 2 bil 206 mil (100%)
Private ②	KRW 19.6 bil USD 22.36 mil (3%)	KRW 240.4 bil USD 191.25 mil (26%)	KRW 460.7 bil USD 430.73 mil (59%)	KRW 128.4 bil USD 108.64 mil (14%)	KRW 849.1 bil USD 752.98 mil (100%)
Total ①+②	KRW 231.4 bil USD 284.08 mil (10%)	KRW 855.7 bil USD 691.02 mil (24%)	KRW 1 tril 883.3 bil USD 1 bil 797.40 mil (62%)	KRW 218.1 bil USD 186.48 mil (6%)	KRW 3 tril 188.5 bil USD 2 bil 958.98 mil (100%)

The South Korean government's aid has been provided through three channels which are the authorities(fertilizer, rice, etc.), international organizations, and private organizations. Of the government's aid of KRW 2.3 trillion, KRW 1.9 trillion or 85%(including rice provided in the form of loan) was offered directly by the authorities, while KRW 226.4 billion or 9.6% and KRW 115.3 billion or 4.9% were provided through international and private organizations, respectively. Therefore, the biggest role was assumed by the government, which has made aid not only based on humanitarianism and aspiration for national welfare but also depend on changing North Korean policies of the South Korean governments. Such dependence has become a key factor of the South-South conflict.

Humanitarian aid to North Korea by successive South Korean governments shows that the Kim Young Sam administration, the Kim Dae Jung administration, the Roh administration, and the Lee administration take up 10%, 24%, 62%, and 6% respectively of the total aid, which amounts to over 3 trillion KRW. The amount of aid during the Roh administration is 2.2 times of what the previous administration provided, and the expansion in the amount of aid during the Roh administration led to many questions regarding the effectiveness and transparency of the aid. Though it received the most of its aid during this period, North Korea caused the second nuclear crisis after U.S. Special Envoy Kelly's visit to Pyongyang in October 2002 and it also committed its first nuclear test in 2006. Moreover, it worsened its internal condition by starting reinforcing its market control policies and planned economy in the second half of 2005.

In terms of types of aid provided by the South Korean government to the North, food and fertilizer accounted for 46.2% and 33%, respectively, taking up a total of 79.2%. Emergency relief, aid through private organizations, and aid through international organizations accounted for 6.3%, 4.8%, and 9.5%, respectively. Therefore, public aid has been disproportionately focused on food and fertilizer, and was flawed in that it "gave the North fish rather than teaching it to catch its own." Aid through international and private organizations, which guaranteed greater transparency, only took up around 15% of total aid. Since private organizations and the U.N. organizations focus their aid on the vulnerable group to give more benefits to the working

class despite the North Korean authorities' control, this method can be considered a measure to secure transparency.

Table 40. Types of public aid to North Korea and their share (1995 to July 2011)

Type	Items	Total amount
Food aid (donations +loans)	<ul style="list-style-type: none"> • 2,655,000 tons of South Korean and imported rice • 200,000 tons of Chinese corn(in total, 2,855,000 tons) 	1 tril 100.8 bil KRW (46.2%)
Fertilizer	<ul style="list-style-type: none"> • 2,515,000 tons of South Korean fertilizer 	787.2 bil KRW (33%)
Emergency relief	<ul style="list-style-type: none"> • Relief for the Yongcheon incident, medicines for avian influenza, a relief for floods, food-and-mouth disease, forest insect pest, and scarlet fever, etc. 	152.4 bil KRW (6.3%)
Aid through private organizations	<ul style="list-style-type: none"> • Individual projects, policy projects, joint projects, support for infants and toddlers, agricultural product shipment costs, etc. 	115.3 bil KRW (4.8%)
Aid through international organizations	<ul style="list-style-type: none"> • Food aid through the WFP equivalent to KRW 143.4 bil • Infant support and malaria aid through the WHO equivalent to 58.96 bil RW • Aid for the vulnerable group and infants through the UNICEF equivalent to KRW 21.7 bil • Aid through other international organizations equivalent to KRW 2.6 bil 	226.66 bil KRW (9.5%)

2) Private Aid

NGOs have offered aid to North Korea for the just cause of recovering the sense of unity among Koreans and building a national community. As shown in the table below, the private sector provided

aid worth 849.1 billion KRW, or about 26% of the total aid to the North(3.1 trillion KRW over the past 15 years).

Table 41. The status of private aid to North Korea

(Unit: 100 mil)

Actor	Korean Red Cross	Private organizations		Total
		Groups	Value	
1995	2	-	-	2
1996	12	-	-	12
1997	182	-	-	182
1998	275	-	-	275
1999	157	10	66	223
2000	113	12	274	387
2001	286	19	496	782
2002	90	25	486	576
2003	70	29	696	766
2004	441	33	1,117	1,558
2005	46	44	733	779
2006	44	58	665	709
2007	40	66	869	909
2008	4	64	721	725
2009	0	59	377	377
2010	16	42	184	200
2011	-	15	29	29
Total	1,778	6,713		8,491

*Note: These organizations have worked for a long period of time, and now there are 91 private organizations, which the Ministry of Unification assigned as private North Korea Aid organizations.

*Source: quoted from "Private Aid to North Korea: the Status and Challenges by sectors" by Kim Bung Ro.

Aid from private organizations to North Korea not only complements governmental humanitarian aid, but it also keeps

national homogeneity intact based on brotherly love and humanitarianism amid the inter-Korean conflict. Recognizing that private aid works as a buffer to the inter-Korean conflict, the government multiplied the window for aid in September 1998 so that private organizations could directly participate in humanitarian aid activities to the North, as opposed to its initial system of keeping a single window of Korean Red Cross open. In order to promote aid activities by private organizations with a weak financial standing, South Korean government has provided aid through the organizations by using the Inter-Korean Exchange and Cooperation Fund starting in 2000. Such aid has amounted to 115.3 billion KRW over the past 15 years. When combined with aid from private organizations, which amounted to 849.1 billion KRW, the amount of aid over the past 15 years is equivalent to 955.3 billion KRW. Along with this quantitative growth, the number of private organizations offering aid to the North stood at 91 as of 2011.

Aid from private organizations to North Korea is significant in various ways. First, they can help people in local areas outside Pyongyang, which South Korean authorities cannot monitor. Second, it can directly target the vulnerable population instead of those who sustain the regime. Third, it can directly offer a variety of items such as medicines, agricultural machinery and equipment, coal briquettes, wheat flour, seed potatoes, and powdered milk instead of cash. Fourth, it can reach North Koreans from diverse fields: farmers, health care providers, government officials, and engineers; this closes the gap between the South and the North. Understandably, North Korean authorities have tried their best to

prevent South Korean private groups from meeting the vulnerable people, as well as experts in a variety of fields in local areas.

Table 42. Classification of private aid activities

Category	Private organizations
General relief (Religious groups)	Archdiocese of Seoul, the Committee for the Reconciliation of the Korean People, JTS Korea, the Society Division of the General Assembly of Presbyterian Church in Korea, the Christian Council of Korea, the Korean Methodist Church Seobu Annual Conference, CCC, One Korea Buddhist Movement, the Headquarters of Movement of Sowing Grace(Won-buddhism), and the Headquarters of Movement for the National Community(Jogye Order of Korean Buddhism)
Healthcare	The Eugene Bell Foundation, Medical Aid for Children, Okedongmu Children in Korea, the Korean National Tuberculosis Association, the Korean Medical Association, the Korea Association of Health Promotion, Nanum International, Green Doctors, the Sam Welfare Foundation, the Korea Foundation for International Healthcare, the Korea Medical Engineering Association, the Inter-Korean Dental Health Council, International Aid Korea, and the Korea Food for the Hungry International
Agriculture and environment	The International Corn Foundation, World Vision, the Private Alliance for Inter-Korean Cooperation in Agricultural Development, the Korea Peninsula Agro-fishery Policy Research Institute, Forest for Peace, the Hangeorae Agricultural Association Corporation, the North Goseong Agricultural Cooperation Association, the Inter-Korean Private Economic Cooperation Council, the National Agricultural Cooperative Federation, and Korean Sharing Movement

Category	Private organizations
Society and welfare (The vulnerable group)	South-North Movement for Sharing, Good Neighbors, the Korean Foundation for World Aid, Good Friends, the Lighthouse Foundation, Rose Club Korea, the Korea Association of People Sharing Love, Peace 3000, the Sharing Love Foundation, North and South Living Together Movement, Good People, Movement for One Korea, the World Association of Milals, the Eastern Social Welfare Society, ChildFund Korea, the 21C Unification Service Organization, New Millennium Life Movement, and Movement for Sharing Coal Briquettes
Culture and others	The Foundation of Inter-Korea Cooperation, the Hankyoreh Foundation for Reunification and Culture, the Institute for Peace Affairs, Junior Chamber International Korea, the Gangwon Headquarters of Inter-Korean Cooperation Movement, the Jeju Headquarters of Inter-Korean Cooperation Movement, the Saemaul Movement Center, Korea YMCA, the Korean National Commission for UNESCO, the Korean Council for Reconciliation and Cooperation, the Gyeongnam Reunification Agricultural Cooperation, IDF Korea, and Korea State Council Lions Club International

*Note: These organizations have worked for a long period of time, and now there are 91 private organizations, which the Ministry of Unification assigned as private North Korea Aid organizations.

*Source: quoted from “Private Aid to North Korea: the Status and Challenges by sectors” by Kim Bung Ro.

However, since 2005 when the “military-first” economic policy aggravated the polarization of the North Korean society and as the poverty of the vulnerable group that the North Korean authorities could not take care of became more visible, the North Korean government has taken on a more flexible approach. Starting in 2005, it became visible that South Korean private organizations

felt negatively towards aid to the North and they recognized the limitations of emergency relief. Therefore, naturally, they started to adopt project-based support as well as development assistance projects in cooperation with municipalities in the North. They did this by specializing their activities based on the groups' purposes and specialties. Then, following the 2004 Yongcheon incident, they shifted their aid activities toward development. For example, in the health care sector, the businesses promoted projects to improve and renovate hospitals, exterminate insects, restore pharmaceutical production facilities, and eradicate tuberculosis. In the agricultural and environmental sectors, they carried out projects to build seed potato production units and goat farms, provide technologies to improve seeds, restore forests, improve farmhouses and collective farms, and improve kindergartens and hospitals. For the poorest people, they offered meals and school supplies to orphanages, daycare centers, and elementary schools. Also, in cultural cooperation, they implemented projects to provide technology to preserve Goguryeo tomb murals, jointly excavate Manwoldae in Kaeseong, and publish a South-North Korean dictionary. Likewise, they expanded assistance projects into various other fields.

However, since North Korea's nuclear test in 2006, South Korean private organizations have found it difficult to provide aid. These groups' funds for aid are composed of donations as well as governmental support through the Inter-Korean Exchange and Cooperation Fund; naturally, the nuclear test made their fundraising difficult. More and more South Koreans began to

raise questions about the effectiveness of aid to the North. Since inter-Korean aid became increasingly strained in 2008, private aid shrank from 90 billion KRW in 2007 to 20 billion KRW in 2010(including the South Korean government's support from the Inter-Korean Economic Cooperation Fund). Nevertheless, private groups continue to retain their role of maintaining confidence between the South and the North by continuing their support to vulnerable groups, as in the case of the 2010 aid after the flood.

D. Evaluation of Humanitarian Aid to North Korea

1) The Conflict over Aid to North Korea

During the Cold War, there was no aid to North Korea and therefore, there was no South-South conflict. However, as inter-Korean exchange and cooperation become active and aid to North Korea expanded regularly since the 2000s, the South-South conflict has become visible in a variety of aspects. In particular, between 2000 and 2010, aid continued at an annual average of 280 billion KRW(\$200-300 million USD); in 2007, it exceeded \$400 million USD, which was the maximum amount of aid provided to this day. This led to a fierce ideological conflict in South Korea that frequently employed the symbolic expression "charity to the North" This a conflict focused more on ideology than on the effectiveness of increasing aid.

As the Korean society became diversified, public opinions did as well. When the Samsung Economic Research Institute estimated

that the costs of the South-South conflict was responsible for 27% of South Korea's GNP, this excessively aggressive conflict began to undermine the ROK's potential for growth because it incurred huge social expenses; this intense conflict over unification-related issues could help but harm South Korea's potential for unification. When evaluating a certain issue, the involved parties must examine all sides of the situation, and then take a rational approach instead of seeing the issue in black and white based on subjective values. Unification education in society must play a role in resolving the South-South conflict and help to build a consensus in unification discussions. This section will look into the pros and cons of the aid to North Korea that has continued for 15 years, and seek a method of properly further advancing it.

2) Positive Sides of Aid to North Korea

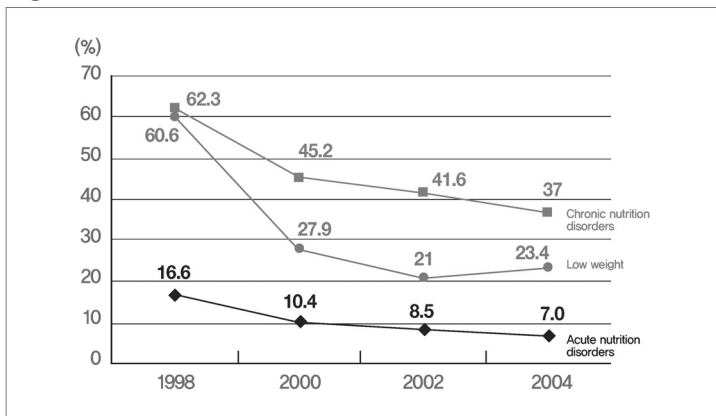
a) It has improved North Korea's food supply.

Since the 2000s, North Korea's food production has stood at an average of around 4.1 million tons, and the annual shortage has amounted to about 1.2 million tons. In this situation, the South Korean government has annually provided an average of 300,000 to 400,000 tons of rice and 300,000 tons of fertilizer until 2007, which played a decisive role in ending the famine of the late 1990s. Since provisions for 1 ton of fertilizer increases production by 2 to 3 tons, we can deduce that food aid up until 2007 actually amounted to 900,000-1 million tons yearly.

b) *It has improved humanitarian conditions for North Koreans.*

As mentioned before, in terms of health indicators, humanitarian conditions for North Koreans are similar to those of people living in Africa. However, the 1998 and 2004 joint surveys of North Korea, the WFP, the FAO, and UNICEF have proven that continuous humanitarian aid has actually decreased the presence of various indicators: chronic nutrition disorders, low weight, and acute nutrition disorders of North Korean children under six. To be specific, the 1998 survey showed that the prevalence of chronic nutrition disorders of North Korean children under six was 62.9%; in 2004, however, the number dropped to 37%. Unfortunately, in the 2009 survey that was conducted after a reduction in international aid, the figure increased once again to 43.1%.

Figure 14. The nutritional status of North Korean children



c) It expanded channels for civilian exchanges and improved lives of North Koreans.

Monitoring, which is a required step in providing aid to North Korea, allows South Koreans to come into direct contact with North Koreans. Although the North Korean authorities have tried to prevent this contact, it became diversified as private aid became more specialized and continued to spread to inland areas outside Pyongyang. While public aid cannot be monitored as thoroughly as private aid, the expansion of its windows to Nampo, Wonsan, Hongnam, Haeju, Songrim, and Sinuiju had made more local people aware of public aid. The distribution of fertilizer in burlap bags with the words “Republic of Korea” printed on them encourages the sense of unity as Koreans among farmers and the working class people. In the case of rice, the privileged group received it first and this created an intense controversy over the transparency of its distribution. However, according to North Korean defectors, news that rice shipments from the South arrived and the port lowered the price of rice in jangmadang. Also, many North Korean defectors recently testified that when there was food aid from the South, the authorities were less strict about forcing people to forfeit their rice to the military.

3) Negative Sides of Aid to North Korea

a) It contributed to the survival of the North Korean regime because of the lack of transparency in aid distribution.

Although aid did contribute to improving the lives of North

Korea's working class, this is only an indirect effect of aid. The direct effect was that most of the goods were used by the privileged class, and were also used to contribute to the survival of the regime. Although the fertilizer provided by the South Korean government was distributed to collective farms around the country to benefit farmers, most of the rice was first distributed to the privileged class. Furthermore, the rice provided by foreign aid only had an indirect effect on decreasing price of rice in markets to benefit the working class. Furthermore, though this situation improved later, North Korean authorities used to directly mail all general goods offered by private groups to Pyongyang.

Moreover, North Korean authorities enjoyed financial gains because they used the official rationing system to set the price of rice provided by the South Korean government, which they sold to the privileged class. In the mid 2000s, the market price of 1 kg of rice was about 1,000 KRW and the state-set price was about 46 KRW. If 500,000 tons of rice were to be provided, the total value would be about 5% of the North Korean government's annual budget(in terms of the state-set price) in the mid 2000s; that surpasses the annual budget in terms of the market price for rice.

b) It failed to effectively contribute to establishing peace on the Korean Peninsula.

While receiving assistance from South Korea and stepping up inter-Korean exchange and cooperation around the demarcation line, North Korea has continued its nuclear development and has carried

out two nuclear tests. This triggered critics in South Korea to argue that their “aid to North Korea is being turned into a nuclear bomb.” In the case of Germany, West Germany provided the East with aid under conditions that alleviated military and political tensions: requiring the East to turn missiles directed to the West to in directions, encouraging the extradition of more political prisoners, and relaxing restrictions on East Germans’ visits to the West. However, Korea focused on quantitative exchange and cooperation and therefore failed to entail a reduction in military tensions; this only encouraged negative views on aid to North Korea.

c) It failed to cause North Korea to change.

Changes in North Korea depend on the actions of the North Korean regime. Therefore, agents outside of the regime cannot easily facilitate change. But at the same time, reform and opening is unavoidable as North Korea does not have the economic capacity to sustain its regime. Although the regime recognizes this need, it believes that reform and opening are threats to its survival. Therefore, it has sought North Korean-style changes by delaying reform and opening as long as possible, or pursued a “partial opening without reform.” Because of this attitude, critics of aid to North Korea believe that aid only lowers the incentive for North Korea to practice reform and openness.

4) The Future Direction of Aid to North Korea

In 2009, the Institute for Peace and Unification Studies of Seoul National University conducted a survey about public

awareness on unification. Results showed that after the second nuclear test, 47.4% of South Korean respondents answered, “we should not be provide aid until the nuclear issues are resolved.” This figure showed an increase from the 41.5% recorded in the previous year’s survey. However, around 52% of the respondents supported conditional aid to North Korea. Given that the survey was conducted right after the nuclear test, when the South Korean public sentiment on North Korea was at a minimum, we can say that there is still a certain level of societal consensus on providing on humanitarian aid in order to improve lives of the North Korean working class. Perhaps the proportion of supporters will increase if inter-Korean relations were to become less confrontational, and if the regime were to guarantee transparency in distribution.

This suggests that future discussion on aid to North Korea should focus not on whether the South should provide it, but on how to maximize its efficiency, transparency, and effectiveness. As long as 20-30% of North Koreans have limited access to food and threatened lives, we must continue to provide humanitarian aid based on brotherly love and the cause of recovering national homogeneity in order to create a national community. The problems that we face are how to control the North Korean regime, which tries to seize control of the aid; how to ensure benefits all North Koreans; and how to lead North Korea to the path toward changes. This leads to the following future missions:

In the future, the South should offer aid in the form of development assistance or development partnerships that figuratively teach the North how to catch fish rather than simply

providing the fish. For example, the South must shift aid efforts from food donations to a new project that improves farming methods and farming technologies. Furthermore, development assistance can secure transparency in the humanitarian aid system.

Second, the ROK should aim to improve transparency and the effectiveness of distribution. For instance, if the South offers rice in the form of free donations instead of the in current form of loans, North Korea has no choice but to accept South Korea's conditions such as distribution transparency. Given the example of the UNHCR's experience in Africa, during which only 40% of the goods that were provided went to the intended recipients, guaranteeing transparency in distribution depends on negotiations with corrupt governments. However, South Korea could increase transparency by requiring North Korea to report the status of its "humanitarian crises" by region and by class. Authorities would prepare a comprehensive long-term humanitarian aid plan based on the report, and private groups could monitor the sites to share duties with the government in the phase of implementation.

Third, the government must come up with multifaceted strategies and comprehensive plans considering a variety of factors such as inter-Korean relations, North Korean nuclear issues, the international community's sanctions, and humanitarian emergencies in the North that can affect aid. With an attitude that the South will unconditionally provide aid as long as humanitarian emergencies exist in North Korea, the ROK must encourage the North Korean regime to change itself by designing development assistance projects and partnerships.