

The study on the necessity of inter-Korean cooperation at present

* The Research for Korea Future in Chun-Ang University
(joyssohee@naver.com)

ABSTRACT

There had been 3 inter-Korean summit this year and all 3 declarations addressed inter-Korean economic cooperation. But still there are many skeptical thoughts on this, such as "it's just a giveaway", or "it's against the UN sanctions on North-Korea." This research is to refute these skeptical thoughts and prove the necessity of Inter-Korean economic cooperation at this period by suggesting the economic benefits and non-economic benefits with objective evidences.

1. Introduction

Before starting the research on necessity of inter-Korean economic cooperation, we need to address the history and current status of it. Inter-Korean economic cooperation got on the track in 1988 as Roh Tae-woo announced 'Basic Guidelines for Inter-Korean Material Exchange', and since then, Chung Ju-yung's visiting-with-cows, founding of Kaesong industrial complex, and repairing of Kaesong-Shinuiju railway were done. But as Lee Myung-bak and Park Geun-hye take power, Korea's relation became stagnated for almost 10 years, but for this year as Panmunjom declaration being announced and agreed to connect and modernize Gyeongui line railway and roads, situation has changed. As Korea's state of affairs is changing dramatically and desire for peace grows lately, this is the right moment to address the inter-Korean economic cooperation. So we are insisting on the necessity of inter-Korean economic cooperation right at this moment and will suggest both economic, non-economic reasons for this.

2. Economic benefits of economic cooperation

Firstly, the economic cooperation is necessary because it promotes both country's economic growths. Economic cooperation can bring substantial economic results for both countries. North Korea, according to Hyundai Research Institute, earned \$ 3.8 billion in foreign currency earnings last 10 years by Kaesong industrial complex. They can ease their severe economic

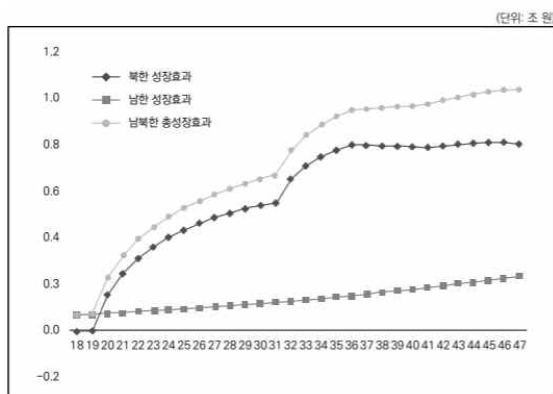
hardship through economic cooperation. But some say 'Economic cooperation is only good for North Korea' by seeing this aspect only; and this is a tunnel vision, because inter-Korean economic cooperation brings considerable economic benefits to South Korea, too. Not only that South Korea earned \$ 32.6 billion by Kaesong industrial complex, but also there are many other economic benefits that South Korea can have. First, government recently announced new economic map of the Korean peninsula.



When this comes true... , The Hangeok Ilbo, 20180502

This is a map that contains 'creation plan of H economic belts' based on economic cooperation(We call west coast belt, east coast belt, border area belt the 'H' belts because they form the shape of 'H'). When this plan gets executed by economic

cooperation, we can create a unification conditions, create job and raise economic growth rate. The Federation of Korean Industries made concrete prospects that when H economic belts plan is realized, GDP will grow about 0.81% every year since the year of 2020. And the reason for this growth was use of resources, reduction of social conflicts, market expansion, and reduction of military force effect. Also in macro aspect, when the door is opened to the continent and the ocean by H belt, Korea will be the HUB in northeast asia, and we can dream of developing economic community in northeast asia someday. Second, economic cooperation can be the breakthrough of economy, which is lacking the power of new growth. In these days, South Korea is having a hard time on economy. Productive population is diminishing because of low birth rate and aging problems, and exports are sluggish because of trade war between China and USA. Also domestic base like consumption and investing is weakened, too. In this bad situation, improving relationships, economic cooperation will provide the environment to achieve economies of scale based on a market of 80 million. Combining South's capital, technology and North's resources, manpower will make Korea become manufacturing, technology powerhouse. Consequently, the key point of raising potential growth rate will be the economic cooperation.



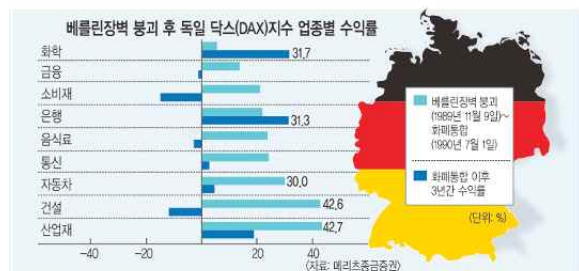
Economic annual growth effects of Mount Gunggang business, Korea Institute for International Economic Policy, p 111

President Moon Jae-in also mentioned that the effect of economic cooperation over the next 30 years will be approximately 170 trillion won.

According to Korea Institute for International Economic Policy, the analysis of economic growth effect of restarting the Mt. Kungang tourism industry predicted that it will be about 21 trillion won, and about 210 trillion won of resuming Kaesong industrial complex. As you see, inter-Korean economic cooperation will bring both North and South Korea considerable benefits, and it will be the major breakthrough in the difficult situation.

3. Non-economic benefits of economic cooperation

Another reason why economic cooperation is necessary is that it also has many benefits in socio-cultural aspect. First, 'Korea discount' will be disappeared. 'Korea discount' was not only the problem in economy, but it also damaged the Korea's nation branding, our image of nation was 'war-threatened country', or 'unstable country.' But when the economic cooperation is activated and companion relationship is established, our nation brand will be something like 'country trying to make peace.'



Korea Discount? Korea Premium ! ... Anticipation for an upward rally, Gookmin Ilbo, 20180430

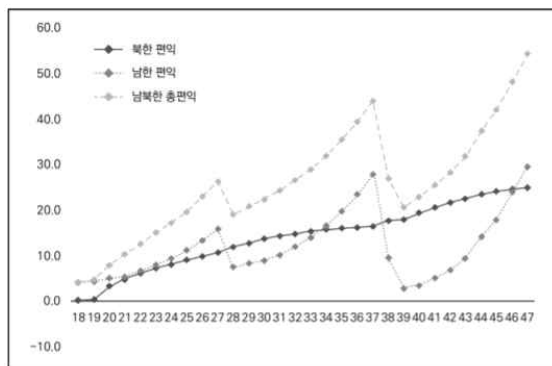
This will delete Korean discount on cultural, art, tourism and eventually enhance nation brand and competitiveness. Second, economic cooperation will play a big role in inter-Korean social integration. It can help build mutual trust because it's the exchange of human and materials and it will accelerate the improvement of inter-Korean

relationships. It may sound abstract, but when we look at case of Germany, it gets clear. In the past, East and West Germany built mutual trust by exchange and cooperation in long-term, and tried hard to recover homogeneity of the nation. This was started by the trade, and as it expands and trust was built, they started to cooperate in a variety of ways. Especially, Willy Brandt's active policies made many West German enterprises invest in East Germany, and it led to the active exchanges in all aspects of the nation. As you saw, Germany started the unification by economic cooperations. Korea should start with economic cooperation and gradually expand the exchange. Constant and win-win exchange is the key to enhance the understanding of each other and to solve the social problems after the unification. So starting the economic cooperation will be the base of the development of relations.

4. Refutation on the opinion 'It's too early to begin economic cooperation'

These complex profits notwithstanding, scepticism still exists. We want to address two main central criticisms.

First, the inter-Korean economic cooperation is eventually giving away? Some people depreciate inter-Korean economic cooperation as 'give away', but it's not true. In the true sense of the word, The inter-Korean economic cooperation is not an unilateral support. It is a coexisting (win-win) economic cooperation undertaking.



Effects of Gradual Unification, Korea Institute for International Economy Policy, p132

This is applicable toward not only socio-economic

efficacies as previously noted but also operations of preparing unification. If inter-Korean economic cooperation were vitalized, there would be a considerable efficacy of reducing unification cost because it will be a great help to overcoming the gap of economy and social culture between two Koreas. Therefore inter-Korean economic cooperation is an investment for our the Korean Peninsula's future, not the thing that we give away.

Second, inter-Korean economic cooperation is a infraction of UN sanctions against north korea?

A lot of people may wonder about this issue, let me explain. International society's stance including a permanent member of the UN Security Council is firm : We will not ease the sanctions without North Korea's practical denuclearization. Therefore, we can not do inter-Korean economic cooperation autonomously. However, it doesn't mean that the way of economic cooperation is blocked. Definitely, the international exchange between two Korea's enterprises and the resume of Kaesong(개성) industrial Complex is banned at present by UN resolutions. Nonetheless, we need to focus on the fact we can draw inter-Korean cooperation through other ways that can be accepted by International society. For example, in broad meaning of economic cooperation, it can be a good way to consider the promotion of public welfare support project. Of course, we should propel the projects that will only support citizens in North Korea, because 'Sunshine policies' are often criticized that it only helped maintaining North Korea's regime, not the citizens who really needed help. UN's Resolution 2321, 2371 of the Security Council addressed the 'concern for extreme pain of North Korea's citizens', and we can know that international society has positive views on supporting North Korea's citizens' human rights and economic issues they have. So we need to focus on this, and we should propel citizen-supportative business such as medical, welfare, and agriculture industries. If we start the economic cooperation with these business, it will reduce the antipathy of helping North Korea, and we can build mutual trust without breaking the international regulations. If you'd like to say 'I

don't know why should we do such efforts in spite of sanctions against north korea.', I want you to remember the proposition I mentioned before : It is an investment for the Korean Peninsula's future. Considering the change of North Korea's stance that originally used to volunteer for isolation, we also need to consider the incorporation possibility of North Korea into international society. By then, South Korean can degenerate into just one indifferent country of North Korea's many other economic partners. This can be obstacles of our future unification and impede the development of relationship between two Koreas. We can not be a coexisting cooperation partner if we keep procrastinating inter-Korean economic cooperation with sanctions against north korea as an excuse. Therefore, the best thing we can do now is to start discussion about economic cooperation and propel it gradually.

5. Conclusion

Some people say 'Korean unification is meaningless because of its huge costs of unification' or 'Inter-Korean economic cooperation would be premature considering sanctions against north korea' Nonetheless, we would like to say inter-Korean economic cooperation is essential at this moment. Definitely, costs of unification would be a considerable sum of money. However, that's the reason why we think inter-Korean economic cooperation should be invigorated before differences of south and north Korea are widening so far. If we delay the inter-Korean economic cooperation because of the fear of considerable costs of unification or external situations, the polarization of socio-economic gap between two Koreas would be more serious. it will only cause significant increase of the unification cost. The same can be said about sanctions against north korea. We have to try to overcome the limitations while the going is good. At this moment when endeavor to understand each other has been proven through 3 times summit, we should enthusiastically prosecute inter-Korean economic cooperation.

In this regard, the proliferation of national bond of sympathy would be more important than anything else. We need to inform that the resume of

inter-Korean economic cooperation would be a help of Korean Peninsula's Peace. We need to take a measured approach with a long-term perspective and we should utilize economic cooperation as the breakthrough, not the omnipotence. Also, we should inform that inter-Korean economic cooperation is a important breakthrough to narrow a gap and to overcome differences between two Koreas. Spring of Korean peninsula is coming. We believe that inter-Korean economic cooperation can be a priming water of the peace of Korean peninsula by overcoming all these obstacles in a calm and orderly way. Therefore inter-Korean economic cooperation should be started now.

참고문헌

- [1] 서양아, 남북경협이 한반도 통일기반 조성에 미치는 영향 연구, 2014.12
- [2] 조정민, 동서독 사례분석 통한 남북경제협력 기대 효과, 2010.08
- [3] 임강택, 북미정상회담 이후 남북 경제협력 추진 : 전망과 과제, 2018.06
- [4] 북한경제연구협의회, 북미정상회담 이후 남북경협의 가능성과 전망, 2018
- [5] HUFFPOST, 문재인 대통령이 언급한 '남북경협 경제효과' 보고서 내용은 이렇다
[https://www.huffingtonpost.kr/entry/story_kr_5b73dae4b02b415d73c360\(2018.08.15.\)](https://www.huffingtonpost.kr/entry/story_kr_5b73dae4b02b415d73c360(2018.08.15.))
- [6] OhmyNews, "남북 경제협력, 경제성장률 증대 효과만 매년 0.81%",
[http://www.ohmynews.com/NWS_Web/View/at_pg.aspx?CNTN_CD=A0002432255\(2018.05.08.\)](http://www.ohmynews.com/NWS_Web/View/at_pg.aspx?CNTN_CD=A0002432255(2018.05.08.))