

A NEW ERA OF RECONCILIATION AND COOPERATION: THE SOUTH-NORTH SUMMIT AND ECONOMIC COOPERATION

On May 9 to 10, 2000, a seminar titled "A New Era of Reconciliation and Cooperation: The South-North Summit and Economic Cooperation" was hosted by the Hyundai Research Institute and the Korea Economic Daily. The seminar included three sessions: The South-North Summit and Economic Cooperation, Strategies and Approaches for Business in North Korea, and Long Term Vision: Peace and Economic Community. Engaging in sincere and insightful discussion, the diverse participants included leading academics, government figures, businessmen, and other specialists in North Korean affairs. The following summaries include the seminar's highlights.

Minister Park Jae-kyu (Ministry of Unification)

This seminar is a meaningful gathering held before the historical inter-Korea summit planned for next month. Meaningful and promising because corporations with experience in business with the North will also be joining along with the academia. The summit is the achievement of President Kim's "Berlin Declaration" and the North's response to our policies concerning the North. The government is conjoining private cooperation with government cooperation as well. In the long-term, South Korea hopes to build Inter-Korean Economic Cooperation.

After the summit talks, we hope to create public corporations and participate in building indirect capital in the North. Even the international situation is going in a favorable direction for the summit. As seen in past relations with the North, in order to continue stable relations, we need to show patience in dealing with our counterpart. We should not be heeding the short-term results but rather, look forward to the long-term. Inter-Korean economic cooperation needs to be approached with the "win-win" method for both parties involved and should take on issues that are practical and possible. For the summit to go smoothly and for further relations with the North, the support of the people is crucial.

Dr. Kim Joong-Woong (President, Hyundai Research Institute)

The main issues of the upcoming summit are exchange and cooperation, with an emphasis on North and South Economic Cooperation.

The summit not only will provide an opportunity for peace, reconciliation and cooperation on the peninsula but will show the signs of global change as the world changes from a military supremacy to an economic supremacy.

A positive turnout of the summit is highly possible, but as with all relations concerning the North, there is always concern of existing unknown variables. Therefore the summit needs to be approached till the end with discretion. Though political and military issues might have limits, issues concerning economic cooperation and dispersed family problems are expected to show definite results. The summit has great significance in the meeting itself. This will, in the future, help and enhance the environment and conditions which will lead to better nongovernmental exchange and cooperation.

Future South-North economic cooperation has to be based on a "win-win" strategy for both Koreas. This is true reciprocity. Only with such an attitude as a foundation, is it possible to lead economic

cooperation, promote South-North understanding and furthermore build a 'South-North Common Economic Community'.

Kim Hakjoon, President of Incheon University, emphasized the dire economic situation of North Korea, which he described as being in a state of near collapse. Order and social structure have already been undermined, and if economic aid is not sent by South Korea or the international community, the entire country will be paralyzed in a couple of years. Accordingly, the main issue of the summit will be economic cooperation, or more accurately, economic aid to North Korea. The first stage of cooperation should consist of trade in goods, followed by more intensive projects using South Korean technology and capital and the North's land and labor. Both Koreas should create an institutional framework to facilitate economic cooperation by drafting regulations for issues such as taxation and investment. The envisioned progress to unification would begin with an economic community, which would become a coalition, and then a confederation, eventually leading to political and legal unification. To bring about such a result, it is important for South and North Korea to identify with each other, or have a "we feeling".

Dr. Yun Dukmin of the Institute of Foreign Affairs and National Security talked on the topic of "The Task for a Successful Promotion of the Inter-Korea Summit." There are three perspectives in which we can view North Korea. The revolutionary actor, the mad/insane actor and the rational actor. North Korea agreed to attend the summit because of their increase of trust in the South's "Sunshine Policy", their confidence in their politics, the current economic difficulties and lastly because they are looking forward to negotiations with the US. South Korea should not have too much expectations on the turnout of the summit. Though there may not be significant changes from the start, the summit itself is a genesis in communicating with the North and to make headway for future talks and cooperation. It can be seen

as the beginning of a new era of talks in the future. It is also important to focus more on the soft issues instead of going head-on with the hard issues.

Chang Dal-Joong, Professor of Political Science at Seoul National University, noted that most inter-Korean contact had been initiated by the North until 1974, but South Korea, with the arrival of democracy, became the initiating side after that date. Almost as a rule, these meetings merely solidified the existing conflict and tension between the two Koreas. The cost of upgrading the North Korean economy will be formidable: according to an analysis by Goldman Sachs, South Korea would have to contribute 17% of its GDP to raise North Korean productivity. To ensure that the arriving summit has practical significance besides its symbolism, both parties should replace their "zero-sum" attitude with a "win-win" approach. In addition, while the Korean issue will be difficult to resolve just with the participation of the two Koreas, and the cooperation of other countries is needed, it may not be desirable for regional neighbors to have too much influence on the summit. Even if immediate solutions for the peninsula are not found, the summit may be a springboard to future solutions.

Media Valley Chairman Kim Ki Hwan concurred that North Korea accepted the proposal for a summit meeting because of its collapsed economy and its intent to improve its bargaining position with the US. At any rate, the fact that North Korea even agreed to a summit meeting shows that the reclusive state has developed a certain amount of trust in its southern neighbor. South Korea's goals for the summit include relieving tensions, promoting dialogue, reaching an agreement, and progressing the issue of divided families. North Korea may respond to the South's proposals by calling for the removal of the US forces stationed in the South, and for promotion of unification organizations. In terms of leverage, the South can use the incentive of economic aid as well as its influence with regional neighbors. Reciprocity should be a guideline for

relations between the two Koreas; while the South can offer economic assistance, the North can cooperate with the South in non-economic areas. A flexible approach to the summit meeting is likely to relieve tension on the peninsula.

Dr. Choi Sooyoung of the Unification Research Institute made his presentation “Tasks for an Active North-South Economic Cooperation”. Since the start of The Peoples Government, under the North Korean Engagement Policy, the separation between economics and politics has become more clear and interchange between the two countries on a purely non-governmental point of view has been actively promoted. In order to achieve the goal of North and South economic cooperation, first we must help the North recover from the massive economic crisis. Then both parties will develop into relations such as mutual dependency and finally into creating a North/South economic community. What the North needs most urgently from this summit is support that will revive their economy. The support should be processed in many different fields. Neither party should hope for immediate, short-term results but instead look further ahead to long-term profits. There needs to be mutual trust in each other.

In his presentation “Strategies for Investment in North Korea”, Lee Tae Seop, a Researcher at Hyundai Research Institute gave a number of suggestions for South Korean firms and the government. Strategies for firms to minimize the risk and cost associated with business in North Korea included: consignment manufacturing, group investment or consortiums of firms in related industries, cooperation between large firms and smaller firms, and industrial areas for small and medium firms built by large corporations. The government should support North Korean ventures by contributing to infrastructure, subsidizing shipping costs, providing financial assistance to individual firms, and providing a temporary market for goods made in North Korea.

Yoo Wan Young, the President of IMRI corporation, spoke on the “Problems and Approaches to Investment in North Korea: The Business Perspective”. He pointed out that since small and medium firms are relatively weak in funds, organization, and information, they will have to carefully analyze and plan before starting their ventures. In the last 10 years of investment in the North, firms experienced many problems, including a lack of trust and contacts between the two sides, extremely deficient infrastructure, and political uncertainty. Mr. Yoo suggested that the South Korean government should propose a concrete program for cooperation to the North, that North Korean ventures should be motivated by profit, and that firms should build a relationship of trust with their North Korean partners.

Professor Ahn Doo Soon of Seoul University discussed the summit and how it is the ‘stepping stone’ for further communication between the North and South. It would be wise to take one step at a time and not rush into seeing quick results. There is a specific order in which problems can be solved. The missile problem must not be the first agenda of the talks but rather humanitarian problems must be the first to be discussed. Also, too many requests and demands should be restrained. Concerning Dr. Choi’s talk, the professor depicted this summit as being a landmark event just in the meeting itself. There will be many issues that are brought to the table and we must be careful in the way we approach those issues. North Korea’s economy has come to a point where they can not go on without the help of foreign support. This is one of the reasons that the North is showing a positive attitude toward this summit. He also mentions the importance of division of roles. The government can not possibly take on all the tasks by itself. For each specific task, related organizations need to allot the work among themselves. **VIP**