

FROM CONTAINMENT TO ENGAGEMENT: CHANGING
PATTERNS IN INTER-KOREAN RELATIONS, 1998-2004



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in partial fulfilment of the requirements
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MASTER OF PHILOSOPHY

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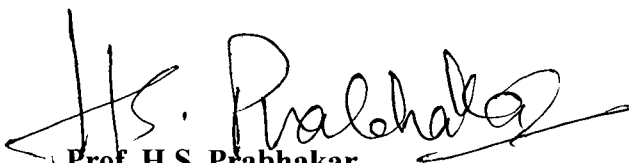
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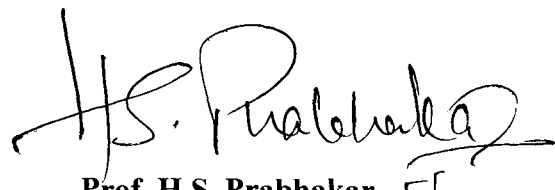
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*Dedicated to my
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List of Abbreviations

APEC	-	Asia Pacific Economic Cooperation
ARF	-	Asean Regional Forum
ASEAN-		Association of South-East Asian Nations
CCP	-	Chinese Communist Party
CIA	-	Central Intelligence Agency
CJVC	-	Contractual Joint Venture Law
DMZ	-	De-Militarization Zone
DPRK	-	Democratic Peoples' Republic of Korea
FEL	-	Foreign Enterprises Law
GNP	-	Gross National Product
HEU	-	Highly Enriched Uranium
IAEA	-	International Atomic Energy Agency
IKECPC-		Inter-Korean Economic Cooperation Promotion Committee
IOC	-	International Olympic Committee
KEDO	-	Korean Peninsula Energy Development Organization
KFWA-		Korean Foundation for the World Aid
KSC	-	Korean Sports Committee
KWP	-	Korean Workers Party
MDL	-	Military Demarcation Line
NGO	-	Non-Governmental Organization
NPT	-	Nuclear Non-Proliferation Treaty
POC	-	Processing on Commission
PRC	-	Peoples' Republic of China
PTL	-	Processing Trade Law
ROK	-	Republic of Korea
TRADP-		Tuman River Area Development Programme
TMD	-	Theatre Missile Defense

UN - United Nations
US - United States
USSR - United Socialist Soviet Republic/ reference to Present Russia
WMD - Weapons of Mass Destruction

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Preface

The issue of Korean reunification has been one of the most significant and interesting areas of study in the international political arena. This work is a modest attempt to study the problem of unification and is confined to integration as a means leading to peaceful unification. The principle of containment had not been successful in ensuring peace in the Korean peninsula for the last five decades. Since 1998 the Engagement Policy has been acting as a bridge between the two Koreas to reduce the level of tension and build confidence on each other. The study attempts to analyze the theories of political integration, particularly the Pluralist and Neo-Functionalist with regard to the Korean reunification as the interaction between South and North Korea is moving towards multidimensional levels since 1998. It is assumed that that these would reduce the tensions between the two Koreas which would eventually lead to a peaceful reunification of Korea.

Through out the period when I prepared the dissertation I received a great deal of generous assistance from my supervisor, Dr. H.S. Prabhakar, who is also Chairperson of Centre for East Asian Studies, School of International Studies, Jawaharlal Nehru University, New Delhi. Indeed, but for his guidance and encouragement, it would not have been possible for me to undertake this work.

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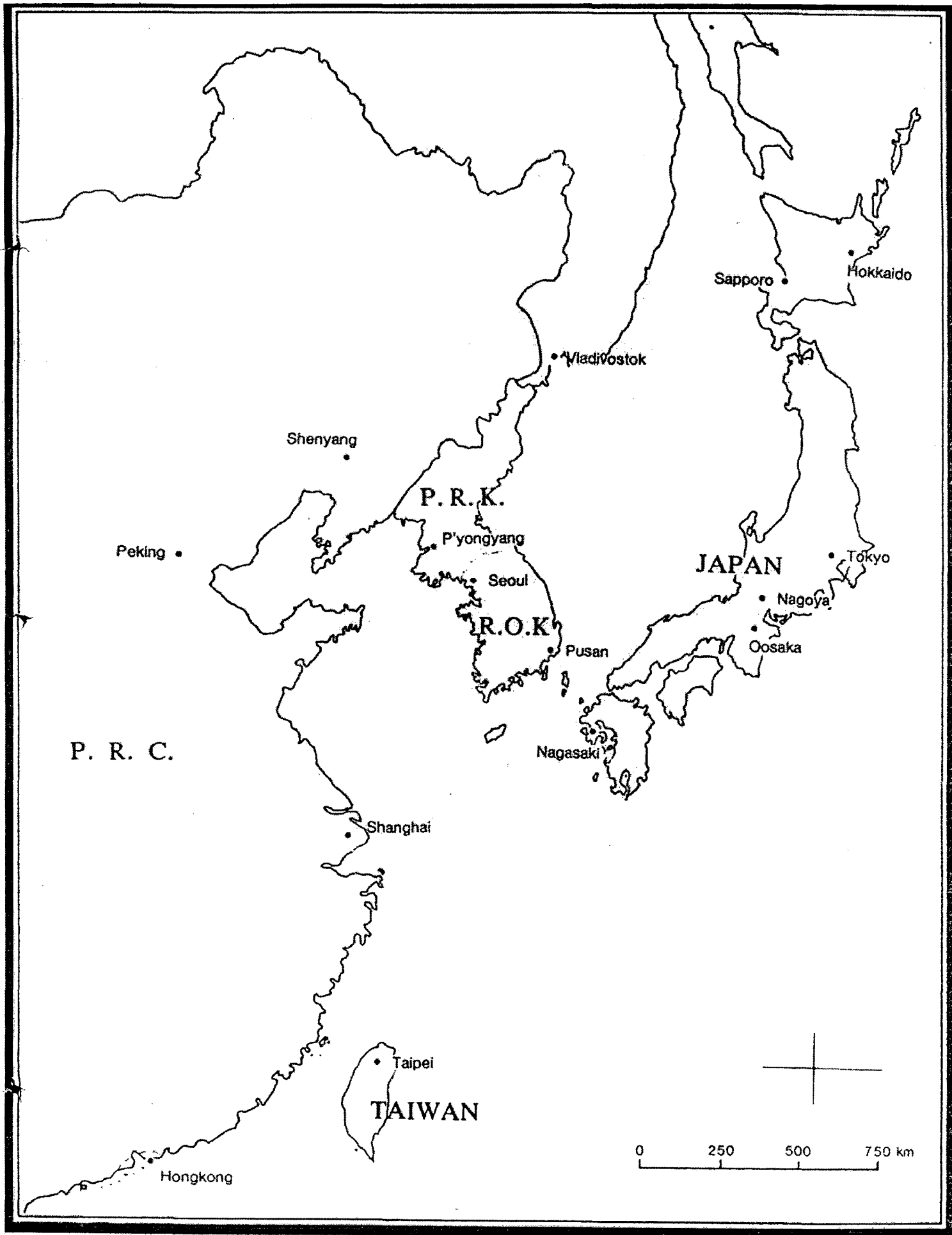
I would like to express my heartfelt feelings for Samatha, Bashu, Batthu, Japatha, Sarat Chandrika, Gopi, Praveen, Asha, Adarsh, and Dhanvi, for their cherishable company.

I am indebted to my family members Amma, Nanna, Annayya, and Vadena for their unconditional love, prayers and guidance that has been a constant source of motivation for me in pursuing my research in JNU.

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With out venturing into that impossible task of acknowledging all the people who assisted in shaping of this dissertation, I thank each and every person who helped in this endeavour.


V. Sudhakar

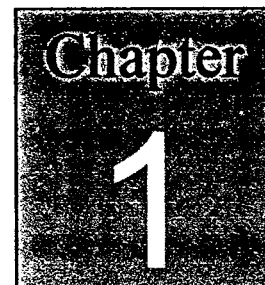




KOREAN PENINSULAR

CHAPTER – I

Introduction
Introduction



Introduction

The end of containment politics through the end of Cold War in the international system is a well known fact to the scholars, academicians and policy makers. The collapse of USSR and the emergence of USA as a unilateral power have led to many significant changes in Asia and Europe. The West and East Germany were reunited with the fall of Berlin Wall in 1989, but in the Korean reunification is still far from reality. In fact, the Korean Peninsula is the only remaining symmetrically divided nation-state in the world, in which two sides maintain heavy military deployment and abnormal political relations. Though the Koreans share homogeneity in terms of language, race and culture together with geographical proximity, the unification of Korea is still a dream to Koreans, which has been baffling the academicians for decades.

The dynamics of inter-Korean relations poses one of the most interesting academic questions that the countries who are directly or indirectly affected by them are grappling with. However since 1998 the inter-Korean relations moved into a different phase which is directly or indirectly influenced the international system. The ultimate goal of the relations between the two divided nations is the attainment of integration/unification. The changing patterns in inter-Korean relations provide a hope for the two Koreas to integrate or reunify. The inter-Korean relations since the Korean division have witnessed many diverse phases till the significant shift that came in relations between the two Koreas in 1998 with the establishment of Kim Dae-Jung's regime.

1.1 Inter-Korean Relations: An Overview

With the establishment of the South Korean government in 1948, South Korea considered North Korea as an illegal entity occupying the northern territory of the Korean

peninsula. According to the National Assembly Resolution of September 12 1948, the Republic of Korea (ROK) is the sole legitimate government with sovereignty over the whole the Korean peninsula. Even ROK ruled out unification negotiations with the North. This position was revealed in Syngman Rhee's statement, "No Negotiation is possible with the North because in any attempt aimed at unification, negotiation with the North Korean puppet 'regime' would mean a tact negotiation of communism".

The United Nations (UN) in its Third General Assembly meeting on December 12 1949 also recognized the ROK government of the Korean peninsula. With recognition from the United Nations President Syngman Rhee stated on January 31 1951, that the ROK has the right to use force to recover the northern part of the peninsula, should the free will of the people in the North continue to be repressed. In other word, the main policy position towards North Korea (Unification Policy) during the Rhee administration was of forceful absorption.

In 1950 North Korea crossed the 38th Parallel to unify the country. Six weeks after the outbreak of the Korean War, North Korea occupied nearly the entire Southern half except the Pusan city. Without the interference of the American troops, North Korea could have succeeded in unification of Korea by force.

The United States had decided to aid the South Korean government despite its earlier decision to exclude South Korea from its defense perimeter. The reason for this war was the U.S. interpretation of the North Korean intention as a part of Soviet's expansionist policy. This interpretation prompted the United Nations to take an action to deter communist aggression. The United Nations Security Council meeting was held on June 26 which passed a resolution requesting a cessation of communist aggression and another resolution on June 27, offering aid to the ROK.

On the same day North Korea declared the UN resolution as illegal since Pyongyang argued that the United States rejected its admission to the United Nations, barred its representatives from participating in the discussion of the Korean issue and Soviet Union and China were not present at the UN debate of the Korean issue. North Korea hastily denouncem the U.S. for their involvement in the Korean War and declared that the U.S. induced the South Korean government to provoke the Korean War, and that

the war was an internal conflict that was to be resolved by Korea itself without interference from any outside power.

The South Korean government retorted that the Korean War was declared by the Soviet Union as a part of its strategy to dominate the world and that deterring the North Korean aggression was a holy war designed to destroy the wicked design of Soviet Union to communize the world. Maintaining this rationale, the South Korean government did not hesitate to approach the United Nations for its involvement in order to turn the Korean War into an opportunity for Korean Unification.

As a result, on September 15 General Douglas MacArthur's amphibious landing operation at Inchon was successful and the UN troops crossed the 38th Parallel and reached the Korea-Manchurian border towards the end of October. This led to the Chinese participation in the Korean War and turned it into a totally new war. Encouraged by China's backing, Kim Il-Sung urged continuation of the war during the Third session of the North Korean Labour Party Central Committee on December 4 in order to expel American troops and to achieve national unification. On December 26, the North Koreans re crossed the 38th Parallel and re-occupied the Seoul on January 4 1951. They continued with their southward invasion, denounced the UN Truce proposal as representing its intention to re-organize the troops of aggression in order to continue to prosecute the war. On March 1951, the United Nations troops again seized the initiative of the war, recaptured Seoul and pushed up to the 38th Parallel. Following the turn of the war the UN sponsored a proposal calling for a ceasefire with the forces in their present places. This proposal was accepted by China, Soviet Union and North Korea. But South Korea objected to the truce talks in the government statement of 1951 "more large scale fighting will provide an opportunity to recover territories to the Yales and Tamen to destroy all territories to unify our countries".

Seoul judged that the changing tide of war was an opportunity to unify Korea. This mood clearly reflected in the South Korean military circles can be discerned by its policy of "March North" to unify Korea by aggression. It was also concerned that if the truce was signed and the UN troops withdrew, that would tantamount to giving North Korea a fresh chance to recoup their lost strength for reinvasion and if the United States withdrew there would be no way to secure its aid. However, South Korea finally agreed

not to stand in the way of signing of the Truce Pact on the condition that Seoul and Washington would sign a Mutual Defense Pact.

Even after signing the Armistice Agreement, South Korea continued to advocate the policy of wiping out the North militarily even during the 1950s. Thus the “March North” policy was very much kept alive during the days of Syngman Rhee. But this ambition was checked by the U.S. as the Korea-U.S. Defense Treaty which promised U.S. aid/assistance to the South only if the North attacks first.

Though the idea of wiping out the North continued in the South Korean military circles, this couldn't happen because of two reasons. Firstly, the South realized the futility and impossibility of a unilateral action which is bound to fail and would also draw negative image about the South among the international powers, particularly the U.S.

Secondly, South Korea witnessed change in the political system from Presidential top Parliamentary system as a result of the Student Revolution in 1960 which after a brief period of Huh Jong's caretaker regime led to the formation of the Chang Myon government in August 1960 (calling them selves as Second Republic). This regime signaled a new beginning as it deviated from Syngman's Rhee's regime, its abandonment of the “March North” policy. Though the regime differed from that of Rhee's regime on a number of issues ranging from unification to domestic problem, it couldn't hold a joint meeting between the North and South because of an internal dissension in the party which opposed talks. Rather they emphasized more on restoring national economy. As premier Chang said in a speech in August 1960 “the most important task of Second Republic is to make a good start is national construction and the country must be made prosperous before unification”.

Thus the replacement of the “March North” policy to “Economic reconstruction” is the most significant achievement of the Chang Myon government. But even this regime was no more interested in the unification issue than the previous one because it brushed aside the demands of the Student groups and progressed on the unification issue by maintaining that the North and South contact was feasible only after political stability.

This policy of “national reconstruction” was continued in the same spirit (if not more aggressively) by the later regimes like that of Park Chang Hee. The principle of construction first and unification later, preoccupied the policies of Park Chang Hee as it

was decided to wait until the conditions for unification were to mature while nurturing the national strength to deter North Korean aggression. Though the emphasis in South moved onto 'national reconstruction' and 'economic development', nevertheless the policy of containment was kept very much alive and the prime reason for this was the attack on Blue House by North Korean commanders.

In 1968, the North Korean commanders attacked Blue House, the official residence of the South Korean President and came in few hundred yards of their target before they were killed. This caused panic in South Korea and the South almost came on the verge of unilateral military action against the North which was prevented only by the timely, active intervention of the U.S. With this incident, the policy of containment continued and the Third Republic started giving importance to improve their defense strength. This position was maintained by South Korea till the end of 1971. The changing external equations in the Korean peninsula in late 1960s and early 1970s have caused the two Koreas to pursue two opposite approaches. In other words the change in the external environment of the Korean unification problem meant the four major actors in East Asian Politics, the United States, Russia, China and Japan sought to relax the tension in the Korean peninsula. The new configuration of power among the U.S., Russia and China in the early 1970's and subsequent trend towards 'détente' dramatically improved Korea's environment.

Moreover there were changes in the composition of the U.N. and its structure owing to the admission of new Afro-Asian countries which weakened the position at the U.N. This was a setback to South's traditional unification policy at the world forum. The Soviet and Chinese responses to Nixon's doctrine to move from confrontation to negotiation, partial withdrawal of the U.S. forces from the South despite Park's plea to the contrary, South Korea's involvement in Vietnam War and its defeat and Sino-Japanese rapprochement might have posed a serious challenge to the traditional anti-communist policy of the South.

As a result the two Koreas have decided to normalize their relations. On July 4 1972, both parties simultaneously announced a Joint Communiqué and raised the hopes of the Koreans regarding the national unification. Soon after, North suddenly suspended its dialogue with South in protest of kidnap of what it called most popular, democratic

leader Kim Dae-Jung in Tokyo. Since then there was no official dialogue between the South and North till 1991.

In the late 1980s and early 1990s the relations were stable due to the nature of political change from authoritarian regime to that of democratically elected leaders. It had created enormous trust in North Korean leadership. After numerous interactions between Prime Ministers, South and North Korea announced the 1991 Basic Agreement but the joint team spirit exercises and North's nuclear programmes made the relations strange. Since 1998 the relations between South and North are moving in a right direction when Kim Dae-Jung came to peace.

However the recent patterns in inter-Korean relations primarily since 1998 offer a hope towards better relations between the two regimes. One of the factors responsible for Kim Dae-Jung's election to the office in 1998 was his fundamentally different stance towards North Korea. He consistently opposed hostile relations and stood for peaceful relations with the North. During this period, DPRK was witnessing a period of hardship with the death of Kim Il Sung, oil crisis and famine. These factors were responsible for a change in ROK's perception towards North Korea.

On the other hand, certain developments in North Korea also paved way for the change of ROK's perception by the DPRK. These include election of democratic leader, i.e. Kim Dae-Jung as the President of ROK, collapse of Soviet Union and death of Kim Il Sung. The political record of Kim Dae-Jung who continuously fought for peaceful reunification since 1972 seems to have taken DPRK into confidence. In fact after the kidnap of Kim Dae-Jung in 1972 in Tokyo DPRK suspended the ongoing peace talks stating that "We cannot sit together and discuss with Lee Hurak and other South Korean CIA 'gangsters' important state of affairs because they persecute a democratic personage calling for peaceful reunification".¹ Thus the election of Kim Dae-Jung as the president created a cordial atmosphere for furthering inter-Korean relations as the North has known him as an ardent supporter of peaceful unification. Moreover with the end of the Cold War and the fall of the Soviet Union, the external aid from Soviet Union almost stopped. As a result the economic output had decreased by about 50% of GDP from 1994 to 1999.

¹ National Unification Board, *A White Paper on South-North Dialogue in Korea*, Seoul, 1980, p. 101.

The death of Kim Il Sung in 1994 was another key factor which led to the shift in DPRK's perception on inter-Korean relations.

Thus from this period, DPRK is not seen as an object of 'confrontation and conquest' but as one of 'compromise, co-existence and co-prosperity' by ROK. Kim Dae-Jung pursued a two track approach i.e. 'engaging while deterring' with DPRK i.e. engaging with the North to the maximum extent possible without compromising on the territorial integrity and sovereignty. Another salient feature of the 'two track approach' has been the separation of economic issues from political and military issues. Thus the South Korean government lifted various investment restrictions onto DPRK. As a result, the volume of trade between ROK and DPRK increased to \$221, 943,000 in 1998 to \$425, 148,000 in 2000² and nearly 30,000 South Korean business men visited North Korea during Kim Dae-Jung period. In September 2001, a project was launched to reconnect the Seoul-Shinuiju railways and build a highway between Munsan and Gaesung across the De-Militarized Zone (DMZ). Since 1998, several significant changes have occurred of which the first major development was the Sunshine policy of the South Korea towards the North.

One of the immediate results of this engagement policy was the historic North and South Summit held in Pyongyang on June 13th 2000. It was for the first time after the division of Korea, that the heads of the two states met together and discussed their differences. Apart from this, the period also witnessed the first inter-Korean Defense ministers talks in September 2000 followed by adoption of an agreement at working level talks on the peaceful use of the De-Militarized Zone.

On August 15 2000, two thousand family members separated since the Korean War were reunited in both Pyongyang and Seoul. Nearly 12,825 South Koreans visited North Korea in 2002 and both countries agreed at the Red Cross talks to setup a permanent re-union center for separated families at Mt. Kumgaung.

Likewise there have been phenomenal changes in North Korea's stance towards South Korea such as opening the Mt. Kumgang area to the South Korean tourist. By 2002, more than 400,000 South Koreans had visited the site. The other changes include

² Dongà Yong Seung, "After the Summit: The Future of Inter-Korean Economic Co-operation", *East Asia Review*. Vol. 13, No. 2, summer 2001, p. 76.

using the term “President of the Republic of the Korea”, internally revising its socialist constitution to allow private ownership, these are noteworthy changes with major implications for South Korean investment history.

Therefore, the changing patterns in inter-Korean relations can be best discerned by the landmark events such as Pyongyang Summit in 2000 where the leaders of the two states met and signed a joint declaration. Both sides agreed to send a unified team to 2000 Sydney Olympics. There are many other major developments in humanitarian, cultural and diplomatic arenas between them. But the most remarkable development was undoubtedly U.S. in easing economic sanctions on DPRK a shift in the international outlook of DPRK is visible. At a speech in London on September 29 2000, the Finance and Economic minister of ROK invited the international community to invest in DPRK.

1.2. Research Questions

The study raises an important research question that doubts the basic rationale of the Realist theoretical approach which perceives “containment” as an effective tool to bring peace among the nations. By analyzing the inter-Korean relations the study demonstrates that containment breeds suspicion and conflict in case of North and South Korea. Rather this study argues that instead of containment the policy of engagement facilitates wider understanding and willingness to cooperate and reviews the engagement policies within the framework of the integration theories. It also addresses the factors that led to substantive change in the inter-Korean relations since 1998 and critically analyzes the role of external powers such as United States, China, Russia and Japan on the issue of inter-Korean relations.

1.3. Hypothesis

The Engagement policies will work better than the containment policies in promoting peace among the nations based on the assumptions that

- a) engagement policies facilitate better understanding and cordial environment to cooperate with each other in terms of people to people interaction, cultural exchanges and economic cooperation which would lead to building of confidence and in reducing suspicion between both Koreas.

- b) containment leads to arms race and thereby affecting the peaceful environment and replaces it with confrontation and conflict in the case of Korean peninsula.
- c) the dynamics of the engagement policies of both Koreas since 1998 when understood in the light of the various integration theories play a dynamic role in determining the direction of inter-Korean relations and the future trajectory these relations would take.

1.4. Methodology

The study is based on both descriptive and theoretical analysis. Primary as well as Secondary sources such as government documents, reports, articles and other published materials were used. Analytical method is used in assessing the existing data on increase of trade, investment, number of reunified families etc in order to understand the developments in inter-Korean relations. The official documents are critically analyzed in order to understand the dynamics and variations in inter-Korean relations. A combination of Pluralistic and Neo-functionalist approaches of interpretation is used in the study as the theoretical basis to explore and analyze the changing patterns in inter-Korean relations since 1998.

1.5. Significance of the Study

An attempt will be made to apply theoretical approaches to these developments so that they can provide us a deeper understanding of the inter-Korean relations. As mentioned earlier in the Realistic approach, the relations between the states or systems could be dictated in terms of power. The inter-Korean relations can be well characterized in terms hostile, conflict and power relations till 1998. After 1998, the ROK's perception towards North Korea has changed. The inter-Korean relations moved from systemic conflict to systemic co-operation³. The level of social interaction and communication is increasing every year. Since these changes cannot be sufficiently explained in terms of realist approach, one should move to Pluralistic approach which emphasizes on integration through social communication and mutual interaction of both people and

³ Dae-Won Koh, "Dynamics of Inter-Korean Conflict And North Korea's Recent Policy Changes", *Asian Survey*, vol. XLIV, no. 3, May-June 2004, pp. 423-441.

governments. Thus the role of social communication becomes key to the Pluralistic mode of integration. In inter-Korean relations, social interaction is increasing through various channels such as religion, humanitarian charity, culture and sports. At the Humanitarian level, the re-union of families is the most significant move in terms of increasing social communication. Nearly 3000 families crossed the DMZ area and met their families after the division of Korea. The number is increasing every year. The humanitarian help also includes the food aid and fertilizer aid to North Korea to overcome the drought situation in late 1990's.

At the socio-cultural level, religion is also playing a major role. While the Buddhists of South and North Korea agreed to hold a joint peace and unification prayer session in Los Angeles, the National Council of Churches expressed its willing to open a Church in North Korea. In cultural sphere, the national orchestra of North Korea had performed the joint classical music performance with South Korean counterparts in Seoul in Aug 18th 2000. For the first time, the North Korean movies were showed in Busan International Film Festival after the Korean division. However, more significant is the decision by both governments to send a unified team for the Sydney Olympics in 2000.

This increasing interaction/ social communication help each other to reduce their differences. While these trends make pluralistic approach more viable for understanding inter-Korean relations, the developments are more diverse to be covered only by Pluralistic framework. The co-operation is considerably improving in other areas such as economy and technology. These developments can be better understood through Functionalist approach, which argues that economic interactions and technological transfers between two systems lead to integration and thereby to unification. Not only the trade between two Koreas is increasing every year but also the South Korean government completely lifted investment restriction by South Koreans in North Korea in order to improve economic ties. In the field of technological transfer, though the co-operation is not as rapid and huge as in trade, it has nevertheless progressed. For example, the Korean Meteorological Administration proposed joint inter-Korean research and exchange of information to prevent weather related disasters. Thus the Functionalist approach mainly concentrates on economic and technological transfer for peaceful integration but it is unable to discuss the other aspects, which include political parties, pressure groups such

as business groups etc which play a major role in the integration process. It is the Neo-Functionalist approach that emphasizes on these aspects. When Kim Dae-Jung came to power in South Korea, the political interactions between South and North Korea begin moving towards peaceful reunification, the South Korean President Kim Dae- Jung visited North Korea and met the North Korean Counterpart (for the first time in the history of Korea) and the first Defense Ministers conference was held in Seoul. However the pressure groups interaction can be substantiated with the visit of Hyundai Chairman Chung to North Korea in June 1998 to invest in North Korea. The other theory which deals the integration is Federalist approach, which however differs with the above approaches. It advocates the formation of a supra national community with legal power where the authority of two sovereign states would be dissolved.

At theoretical level, the study is significant because rather than relying on one theoretical approach for understanding various developments in inter-Korean relations as followed in the earlier works, it advocates use of multiple approaches. It believes that the changing patterns in inter-Korean relations are too broad/wide to be understood by any single theoretical approach and can be best understood only by the combination of Pluralistic and Neo-functionalist approaches which the study aims to pursue with reference to developments from 1998.

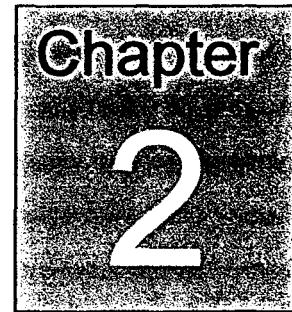
1.6. Structure of the Study

Chapter 1 introduces the basic structure of the dissertation and highlights its linkages with the arguments set forth in the study. It presents a brief overview of the inter-Korean relations till 1998 highlighting the policies adopted by both the Koreas to maintain their relations which marks a change in perception from containment to engagement. It also contains the hypothesis to be tested, methodology to be used further highlighting the significance of the study both at the level of changing relations and as a serious academic question. An attempt is made to review the various integration theories and their relation to inter-Korean relation in *Chapter 2* not only introduces the various theoretical approaches for studying the inter-Korean relations but also analyzes the events happening at various levels since 1998 using the parameters defined by theoretical approaches to categorize them under a coherent theoretical framework. *Chapter 3* presents the events

since 1998 by contrasting it with the policies of previous regime to show the significant development in inter-Korean relations. Mentioning the interactions that are happening at various levels, it aims to analyze those areas which are providing the momentum in inter-Korean relations. To substantiate the changing patterns in the relations *Chapter 4* analyzes the changing patterns in North Korea and its response and influence on the policy towards South Korea and the issue of unification. It presents a brief view of North Korea on the eve of announcement of Sunshine Policy, particularly its economy during late 1990s and the conditions that led to acceptance of Sunshine Policy. It also presents the changes that North Korea undertook in the aftermath of engagement policy. Besides critically analyzing the internal dynamics *Chapter 5* explores the role of outside powers such as China, Japan and Russia in general and US in particular in influencing inter-Korean relations. Apart from analyzing the role of these powers, the study aims to critically question the role played by U.S in the inter-Korean relations. The *Conclusion* summarizes the major findings of the study.

CHAPTER –2

Inter-Korean Relations: A Theoretical Framework



Inter-Korean Relations: A Theoretical Framework

2.1. Realism, Idealism and the Inter-Korean Relations

Peace, order and justice are the major objects of study in any relations in international system. Although peace and its related value and security have engaged the greatest attention but war is seen as the most important problem in the international systems since it destroys the basis of peace, order and justice. Therefore how can peace and security be achieved and how war can be eliminated?

Various explanations, suggestions and predictions have been made of which one is that of the idealists. Idealism was mainly propounded by the succeeding powers in the First World War. They hold that human nature is essentially good, capable of altruism, mutual aid and collaboration. They consider that war is a global problem and therefore requires global measures. This necessitates the need for the creation of supranational institutions to control nation state and emphasis on social and economic measures as a solution to the problem of war. It also proposes legal control of war and lays down legal norms to be obeyed by the nation-states. Disarmament is regarded as the most suitable route to peace.

In response to Idealism the realists have argued that is the conflicting interests among the nations that lead to war. Power is a crucial factor in the struggle to influence the behaviour of the states. International politics is a struggle for power, peace and security. They hold that nations need to enter into alliances in order to maintain balance in the international system. Realists do not rule out the possibility of war in this process of balance of power. They argued that even if wars are being fought, occasionally there will be necessary peace for the survival of man.

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However neither Idealism nor Realism can fully explain why conflicts occur at the international level and how peace and security can be achieved. The Idealist and Realist positions alternatively dominated and even existed simultaneously for most of eighteenth, nineteenth and early twentieth centuries. The First World War, the League of Nations, shortly followed by the Second World War, raised doubts about the two perspectives. The First World War posed challenges to the realist position and the Second World War consolidated towards the balance of power mechanisms which seemingly had not prevented war. The failure of the League of Nations apparently proved and the idealist position was not well founded¹ Scholarly discontent with idealism and realism as effective mechanisms for the creation of a stable international society led to search for other solutions. It is in this context we must locate the development of the integration theory. Even during the war it was believed that integration of the states at the international level or global level could ultimately eliminate war.

Both the Idealist and the Realist approaches failed to establish peace and security in the Korean peninsula. Particularly after the Second World War the realist approach dominated the interaction between both the Koreas till the late 1990s.

The Realist approach between the two Koreas failed to achieve their needs because since 1945 -1998 there had been enormous suspicion for each other. For example, in the Korean War and the other consecutive events such as Cold War etc, they both followed the policy of containment. The recent patterns in inter-Korean relations have changed their stance significantly as a result of the substantive developments which have taken place with Kim Dae-Jung assuming power as the President of Republic of Korea (ROK) in 1998. These developments can be better understood through the theories of integration.

¹ George Thomas, *The State of International Integration Theory*, (New Delhi: Anmol Publication, 1996), p. 3.

2.2. Review of Integration Theories

Before analyzing the recent changes in the inter-Korean relations it is essential to acquire a critical analysis of the integration theories. According to Charles Pentland,² there have been four theoretical approaches to international political integration i.e. Pluralism, Functionalism, Neo-functionalism and Federalism.

2.2.1. The Pluralist Approach

The advocates of this approach present a basic assumption that it is possible to create an international community without reducing or abolishing the sovereignty of the nation-states. They believe that such an international community would contribute to the promotion of world peace.

According to the pluralistic view, the international community can be created by increasing “high adjustment potential” among individuals as well as states. Under this assumption integration is defined as a process leading to the formation of security communities. This definition of integration is mainly provided by Karl Deutsch (1963), whose inquiry concentrates on the conditions that account for “the absence or presence of significant organized preparations for war or large scale violence”.

Karl Deutsch defined a security community as a group of people who have become “integrated” and integration as the attainment within a territory of a “sense of community and of institutions and practices strong enough to assure for a long time dependable expectations of a peaceful change among its population”.³ In these definitions Deutsch made it clear that integration is equivalent to the creation of a security community by peaceful means.

According to this theory, integrating the entire world into a security community to exclude war does not necessarily mean only the merging of different people and governments into a single unit but also the formation of a pluralistic society based on strong sense of community among individuals with certain territories.

² Charles Pentland, *International Theory and European Integration*, (New York: The Free Press, 1973), p. 34.

³ Karl, Deutsch, *Nationalism and Social Communication* (Mass: Harvard University Press, 1966), p. 91.

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Deutsch argued that the primary goal of integration is to maintain peace and security in the international community. For this he suggested a number of conditions favorable for the precipitation of the integration process in an international system. In particular, these conditions include unbroken social communication links, geographic and social mobility of persons, mutual responsiveness and wide range of mutual transactions.

The basic explanation of the integration process reflects in terms of communication and transactions between states. He also explains the formation of amalgamated community which is equivalent to convention states which may be unitary or federal. Once the amalgamation takes place the existing boundaries may disappear giving way to new boundaries taking on with the new units of state. Political institutions and organizations will be formed in tune with the new set up.

However Deutsch supported the creation of security communities because amalgamation can occur without the creation of a security community, but for the creation of an amalgamated security community, community formation (security community) must occur and also for any unification attempts to be called integration, security community formation must take place. In cases where amalgamation occurs without integration security communities does not exist. Therefore it is the creation of a security community which is true integration and where peace prevails.

The Pluralistic security- community means that separate national government retains their legal sovereignty and independence. For example, the combined territory of the United States and Canada is of the pluralistic type.

On the same lines Puchala defines integration (regional) is essentially a two phased occurrence. "At the higher level of abstraction regional integration comes to involve either or both the merger of national communities i.e. (people) to form international communities (multinational societies) or the merger of national government to form supranational governments..... Process of regional integration may produce 'integrated' system, 'amalgamated' system or 'integrated and amalgamated' system".⁴

⁴ Donald. J. Puchala, "International Transactions and Regional Integration", *International Organization*, Vol. 24, No. 3, autumn 1970, p. 740.

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International community formation includes creation of 'we feeling' or oneness among the people, development of mutual trust, confidence and predictability, economic integration, disappearance of communication barriers and the heightening of mutual awareness, attentiveness and responsiveness. The International political amalgamation includes formation and expansion of intergovernmental supranational institutions, increasing political activities in the supranational arena and increasing intergovernmental consensus finding and conflict resolution.⁵ Puchala further adds that regional integration is a process of multi-dimensional merger. It includes the mergence of territories, government, politics, economics, societies and cultures.

The recent changing patterns in inter-Korean relations would give a picture that both Koreas are moving towards the establishment of an amalgamated security community to attain integration peacefully without another Korean war. Till 1998 the main theme of inter-Korean relation was confrontation with dialogue. Since 1998 the social interaction between South and North Koreas has been increasing.

On the Pluralist framework, Krishnan (2000) argued that significant and substantial changes have been taken place when Kim Dae-Jung crossed the DMZ (Demilitarized zone) and went to Pyongyang for the summit talks. The enormous respect and warmth with which Kim Dae-Jung was received by Kim Jong-Il at the Sunan airport, the journey the leaders undertook in an open limousine cheered by an estimated 6, 00,000 citizens of Pyongyang, the decision not to display the national flags or play the national anthems of North and South to be on the priorities, process and pattern of eventual reunification of one of the most homogeneous nations that had been subjected to the longest and harshest division in contemporary history⁶.

In the inter-Korean Summit in June 2000 the two heads of regions agreed on economic, social and cultural exchanges and cooperation and arranging reunion of separated families and signed a joint declaration. Using the Pluralistic approach Chung

⁵ Donald. J. Puchala, "International Integration and Disintegration, in Franco-German Relations, 1954-65, *International Organization*, Vol. 24. No.1 spring, 1970, pp. 184-85.

⁶ R.R. Krishnan, "The Inter-Korean Summit", *China Report*, Vol. 36, No.4, 2000, pp. 583-84.

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Won Choue (1985) argues that Korean unification can be made through the increase of interaction and communication between different peoples and political entities.⁷

However the recent developments in the inter-Korean relations could substantiate the Pluralistic approach for the peaceful integration of Korea. The social communication is the key concept in the Pluralistic mode of integration. In case of the inter-Korean relations social communication is increasing through various channels such as, religion, humanitarian charity, culture and sports.

At the humanitarian level, the reunion of families is the most significant move in terms of increasing social communication. Nearly 3000 families have crossed the DMZ (Demilitarized zone) area and met their separated families since the division of Korea. The number is increasing every year. The humanitarian help also includes the food, aid and fertilizer aid to North Korea to overcome the drought situation in the late 1990s.

At the socio-cultural level apart from cultural organizations, religion is playing a major role. While the Buddhists of South and North Korea agreed to hold a joint peace and unification prayer session in Los Angeles, the National Council of Churches expressed its willingness to open a church in North Korea. In the cultural sphere the national orchestra of North Korea performed a joint classical music performance with their South Korean counterparts in Seoul on August 18, 2000. For the first time North Korean movies were shown at the Busan International Film Festival. However a more significant development by the both governments was a proposal to send a unified team for the Athens Olympics in 2004 for the first time ever, which however did not materialize. Nevertheless in Athens also both the teams performed a unified march. Despite marching together at the Sydney Olympics in 2000 The increasing interactions/ social communication helped to reduce the differences while these trends made the Pluralistic approach more viable for the peaceful integration of Korea.

⁷ Chung Won-Choue, *The Integration of Korea- Theory and Research*, (Seoul: Korean Press, 1985), p. 204.

2.2.2. The Functionalist Approach

The Functionalists have made significant contributions to the study of international organizations. Their inquiry has the following features in comparison to that of the state-centric paradigm in the analysis of international relations.

Firstly, they put much emphasis on the analysis of the national level and transnational social context from which international organizations emerge. They focused on the economic and technological elements of societies as contexts out of which organizational forms arise. Secondly, they laid stress on the process of organizational growth across time as the major object analysis. Thirdly, they also tried to find in many works the economic and social causes of war and refused the tendency of over-emphasizing the military and political solutions to the problem of war. Fourthly, they have used regions as units for inequity, while considering the globe as a whole not yet relevant. Fifthly, they have been to a significant extent influenced by the ever growing tendency of behavioral study of phenomena.

David Mitrany (1975), a leading functionalist states “the essential principle is that activities would be selected specifically and organized separately each according to its nature, to the conditions under which it has to operate and to the need of the moment”. On the basis of this microcosmic approach to society, Mitrany presented a comprehensive set of assumptions about the relationship of functionalism and integration which includes:⁸social and economic maladjustments are the basic causes of war, social and economic welfare are the preconditions of peace, the nation-state system cannot deal with the basic social and economic problems because global society is arbitrarily divided into units based on territory rather than units based on problems to be solved, institutions based on function, not territory would be appropriate for solving basic, social and economic problems, functional cooperation can begin with non-political, more technical problems, co-operative experience gained is one functional area that can be transferred to another, co-operation will extend more and more functions to the point that a web of international activities and agencies will overlay political divisions and ultimately these

⁸ David Mitrany, *A Functional Theory of Politics*, (London School of Economics and Political Science, Martin Robertson, 1975), p. 128.

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agencies will require coordinating bodies, which will require planning agencies, which will eventually enter into a general authority for overall coordination. Mitrany's assumptions best reflects the functionalist perspective of international integration.

Thus Functionalism argues that an increasing number of problems facing today's world cannot be solved within the national capacities and that their solution ultimately requires international cooperation. Functionalists perceive economic and social cooperation as a preliminary step towards political unification. They regard growth of cooperation in economic and social fields as the core for the creation a world community and later a world government.

In economic aspects the advent of large scale industries such as aeronautics and electronics has increased the need to create structures involving interdependence and cooperation between the states. In addition, the functionalists recognize that a plan for social welfare and economic development is getting more and more difficult not only because many workers migrate across national boundaries but also because the activities for research and development tend to outstrip national capacities.

The sociological, economic and technological conditions in modern times tend to erode the multi-state system and increase global interdependence which encourages the growth of international cooperation and integration. Unlike Pluralist view which emphasizes the importance of national autonomy in the formation of integration, the functional approach regards integration as a transitional process from an international society to a world society whose units are not confined to national territory. Functionalists assume that the two new developments such as technological innovation and expansion of economic activities will particularly contribute to the precipitation of international integration.

In support to the above argument that the economic and technological expansion would result in integration Oh Seung-Yul (2002) argued the importance of economic equations between South and North Korea has been increasing despite North Korea's nuclear weapon controversy and military tension on the peninsula.⁹ He also assumed that

⁹ Oh Seung-Yul, "Prospects for Inter-Korean Economic Relations", *Korea Focus*, Vol. 10, No.4, September-October 2002, p. 94.

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the economic interaction between the two Koreas would lead to the practical integration of Korea. Despite lack of progress in the relations between United States and North Korea since the inauguration of Bush administration, the prospects of inter-Korean economic cooperation has remained unaffected and is growing progressively.

On the similar grounds Young-Kwan Yoon (2002) argued that the Kim Dao Jung's Sunshine Policy towards North Korea has been based on the theoretical grounds of functionalism. He also mentioned that the June 15 Summit and the pursuit of the Sunshine Policy marked the beginning of a new full-fledged functionalist approach to the problems of North Korea. He regarded the Sunshine Policy not as a naïve policy but rather a step that strengthened the leverage towards North Korea and brought about a change in their external behaviour from a short term perspective and a change in the nature of their political system from a medium and long term perspective. For example, North Koreans detained a tourist in 1999 arguing that she violated the regulation and committed a spy act. But they released her when the South Korean government threatened to stop the Kungang Mt. Tourism Project. This is also evident from all the former Socialist East European countries that have experienced system transformation. The nature of their political system has been democratized as a result of the economic exchange. The inflow of capital brings along with it an influx of information which makes it difficult for the political leaders to exercise their control over the mind of the people.¹⁰

Dong Yong-Seung (2001) also mentioned that the two Koreas agreed to develop institutional mechanisms to minimize political and ideological influences in order to cement inter-Korean cooperation. The success of the inter-Korean Summit in 2000 also witnessed an increase in trade. After the inter-Korean Summit in 2000 and the subsequent announcement of the June 15 Joint Declaration, South and North Korea were able to reconcile and expand cooperation with each other for the first time in half a century, since

¹⁰ Young-Kwan Yoon, *The Sunshine Policy: A South Korean Perspective*, Paper prepared for the Conference on Inter-Korean Relations, Council of Foreign Relations, Washington, D.C., June 12-13, 2002.



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the division of the Korean peninsula in 1945.¹¹ In 2000 South and North Korea established the Inter-Korean Economic Cooperation Promotion Committee. As result of the economic cooperation there has been a marked increase in trade from 2, 2,943 US \$ in 1998 to 4, 25,148 US \$ in 2000.

There has not only been an increase in trade between the two Koreas but the South Korean government also lifted investment restrictions on its citizens from investing in DPRK. In the field of technological transfer the Korean Meteorological administration proposed a joint inter-Korean research and exchange of information to prevent weather related disaster. Thus the functional approach emphasized on the economic and technological and its role in the integration of Korea.

2.2.3. The Neo-Functionalist Approach

Another approach to international integration is Neo-functionalism. It is a regional approach and its basic aim is the creation of a world government. Neo-functionalists took their basic tenets from functionalism. The neo-functionalist approach proposed a gradual sector by sector attack on sovereignty and the state system. They assumed that at the beginning the non-controversial sector could be integrated without facing much opposition and gradually more important and controversial sectors could be brought into the integration theory.

Unlike functionalism which stresses on the functional needs or technological changes in the study of international political integration, neo-functionalism has turned its analytical attention to the influences of political factors, such as interest groups, political parties, governments and international organizations. They have actually presented new conceptual and methodological directions in relation to the explanations of political integration. Both functionalists and neo-functionalists are more concerned about the economic and welfare aspects of individuals and groups than a collective identity as a nation. The claim underlined in both approaches is that people chose their political organization according to the economic developments and welfare needs of the time.

¹¹ Dong Yong-Seung, "After the Summit the Future of Inter-Korean Economic Cooperation", *East Asian Review*, Vol 13, No.2, summer 2001, p. 77.

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The neo-functionalists differ from the functionalists on the issue of political relevance. They avoid the idea of technical self determination which seemed to lead to political irrelevance. Further they deliberately chose a sector that was politically important. They argued that power and welfare cannot be kept separately. They also emphasized the importance of the elements competing interest groups of a modern pluralistic society. The consensus of interest which was considered by functionalists as necessary for integration to advance was set aside by the neo-functionalists and they claimed that in a modern pluralistic society integration could be advanced by channeling various interests and concerns of the competing elements of the society. Another important innovation of neo-functionalists was that integration advances by means of conflicts and crises. It is assumed that conflicts and crises are resolved in a manner that will satisfy differing interests.

Most neo-functionalists defined political integration as a process of change, not as a condition which ultimately leads to some kind of political community. Ernst Haas, who provided the foundation of neo-functionalism, defined political integration as a condition in which specific groups and individuals show more loyalty to their central political institutions than to any other political authority in a specific period of time and in a specific geographic space.¹² It highlights a process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre whose institutions possess or demand jurisdiction over the pre-existing national states.¹³ Haas holds that the study of regional integration is concerned with explaining how and why states cease to be wholly sovereign, how and why they voluntarily mingle and mix their neighbours so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflict between themselves. Existing states will lose their sovereignty and a new sovereign entity will be created. This new sovereign entity is like a sovereign state. Thus integration process will end in

¹² Hans, B. Ernst, *The Uniting of Europe: Political, Social and Economic Forces 1950-57*, (California: Stanford University Press, 1968), p. 16.

¹³ *Ibid.*, p. 17.

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creation of full-fledged states. Such states will enjoy the loyalties and respect of the people.

Holding a similar perspective, Lindberg tried to see political integration in terms of a multi-dimensional phenomenon and defined it as “the evolution over time of a collective decision-making system among nations”. He consistently held the same view. The essence of political integration is that the governments begin to do together what they used to do individually, namely, they set up collective decision-making process that would in greater or less degree handle actions, engage in behaviours and make allocations of goods or values that used to be done (or not done) autonomously by governments or their agencies.¹⁴ In other words, it means that as the integrated nation-states cease to be autonomous and completely sovereign and that they are substantially interested in creating and using common resources by which they can pursue certain common goals.

In order to classify the definition of integration in the neo-functionalist approach, Joseph Nye argued that the neo-functionalist approach embodies a number of faults that reflects its origin in the 1950s. In the original version of the theory it was held that political integration was possible via economic integration, accommodating only these two variables. He tried to bring in other aspects of integration. Nye claimed that the usage of the term “integration’ is often confusing. It is often used for political unification, economic unification, economic and political cooperation and even for free trade and commerce. It is often used synonymously with words like cooperation and community. Political integration extends from consultation over foreign policy, supranational and controversial tasks to the creation of federal institutions. Nye classified integration into economic integration (formation of a transactional economy) and social integration (formation of a transactional society) and political integration (formation of a transactional political independence).¹⁵

¹⁴ Leon, N. Lindberg, “ Political Integration as a Multidimensional Phenomenon requiring Multivariable Measurement, *International Organization*, Vol. 24, No. 3, autumn 1970, pp. 649-50.

¹⁵ Joseph. S. Nye, *Peace in Parts: Integration and Conflict in Regional Organization*, (Boston: Little Brown and Co., 1971), pp. 51-52.

Economic Integration

Economic Integration is divided into two kinds, namely, Trade Integration and Services Integration. Trade integration is mainly concerned with free flow factors, harmonization of fiscal and monetary policy and so on. Services integration refers mainly to integration of shared services.

Social Integration

Social integration refers to the creation of transnational society or the abolition of national impediments to the free flow of transactions. It is maintained that transactions alone may not bring about integration nor is it an index of integration because it does not directly measure the growth of community or sense of obligation which may lag far behind interactions. Transactions may not even create a feeling of identity and self-awareness.

Political Integration

Nye distinguishes four types of political integration that have been prominent in the literature on integration theory: institutional, attitudinal, policy interaction and security community concept.

Institutional integration is that integration process which ultimately leads to common institutions. In policy integration the main concern is with the extent to which a group of countries act as a group in making domestic or foreign policy decisions. The concern in attitudinal integration is with the extent to which a group of people not only interact or share institutions but the extent to which they develop a sense of common identity mutual obligation. Finally, a security community involves the "reliable expectation and of nonviolent relations" among the states of given area.

The above arguments emphasized that neo-functionalism is quite different from functionalism where scholars argued that the need for economic and technological aspects would lead to system integration. But the neo-functionalists enlarged the idea of the functionalists and included the role of political aspects for regional integration. The neo-functionalists approach is quite applicable for the recent changing pattern in inter-Korean relations which has not been confined not only to the economic and technological aspects but in numerous ways. Within the neo-functionalist framework Bonhak Koo and

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Changhee Nam (2000) held that the Kim Dae-Jung had taken political initiative to implement a separate policy i.e. Sunshine Policy towards North Korea.

In his inaugural speech in 1998, President Kim Dae-Jung emphasized that inter-Korean relations must be developed on the basis of reconciliation and cooperation as well as the settlement of peace. However for this policy the South Korean conservatives who believe that Sunshine Policy is based on naive and illusory understanding of the nature of North Korea's leadership and its deep rooted militarism argue that the policy will only help the North Korean military overcome its financial crisis.¹⁶

In spite of domestic criticism in South Korea on the engagement policy towards North, Seoul began proactively to engage Pyongyang in various ways of including some goodwill measures. As a result, socio-economic interaction has rapidly increased between the two Koreas. The historical June 2000 Summit where the two leaders promised to realize peaceful co-existence made the foreign observers believe that the possibility of war was finally diminishing in the Korean peninsula. Joint efforts to reconnect the old Kyongui railway and eradicate landmines were also undertaken by the South Korean government as vivid evidence of the results of the policy.

On the similar lines Yong-Chool Ha (2001) argued that the June 13-15 Summit between ROK President Kim Dae-Jung and North Korean National Defense chairman Kim Jong Il was more than just a symbol of inter Korean reconciliation. The two leaders laid a foundation for improving and expanding bilateral relations. Their joint declaration acknowledged the similarities in their unification formulas and included agreement to begin an exchange of family visits as well as build trust based on exchanges in economic and other areas. The ministerial level talks were followed by the emergence of several important decisions including the opening of the South-North Liaison office at Panmujom, the commencement of family reunions, the rehabilitation of the Seoul-Shinuiju railway and the establishment of the working level talks related to the Red Cross and in military and economic areas.¹⁷

¹⁶ Bonhak Koo and Changhee Nam, "South Korea's Sunshine Policy and the Inter-Korean Security Relations", *The Korean Journal of Defense Analysis*, Vol. XIII, No. 1, autumn 2000, p. 81.

¹⁷ Yong-Chool Ha, "South Korea in 2000: A Summit and the Search for New Institutional Identity", *Asian Survey*, Vol. XLI, No. 1, January-February 2001, p. 31.

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These wide range of contacts demonstrated that much progress had been made in the areas of economic and social cooperation. On June 15-18 the ROK and The Democratic People's Republic of Korea (DPRK) exchanged delegations of divided families for the first time since September 1985. One hundred family members from each side cross visited the two capitals of Seoul and Pyongyang. An agreement signed at the second ministerial level included the provision of food loans and so South Korea sent one-quarter of the committed 50,000 tons of rice and corn to the north. Agreements were also reached on the settlement of disputes, clearance of accounts and investment guarantees all of which conferred most favoured nation status on South Korea. Kyongroo Lho (2001) another Korean analyst also argued that after Inter-Korean Summit in 2000, the inter Korean relations are moving in a divergent ways. The summit acted as a landmark in the history of inter-Korean relations where the leaders of the two Koreas met and discussed various issues and undertook initiatives to build confidence and cooperation.

The June Summit Joint Declaration opened up tantalizing possibilities for the reductions of tensions in the Korean peninsula. Kim Dae-Jung's policy has brought about a tremendous increase in inter- Korean exchange and cooperation. These have resulted in organizing of a total of 21 governmental level meetings including Ministerial talks, Defense Minister's meeting, Working level Military talks, Economic Cooperation Committee meetings, Working level Economic talks etc.¹⁸ It was believed that these political interactions between the two Koreas would facilitate exchange of ideas; create a positive atmosphere in the Korean peninsula by enabling the pressure groups to interact with each other. For example, The Hyundai group chairman Chung Chung-In Young visited North Korea in June 1998 which has resulted in the signing of a concession agreement on tourist development of Mt. Kumgang in the north.

Since the summit exchange, there has been a sharp increase in the visits of separate families as both the governments allowed nearly 3,600 Koreans to meet their meeting families. During the period from 1998, an average of 6,000 South Koreans

¹⁸ Kyongroo Lho, "Two Koreas' Post Summit Foreign Policy and the Issues of Cross-Recognition, *The Korean Journal of Defense Analysis*, Vol. XII, No. 1, autumn 2001, p. 55.

visited North Korea annually as compared to the annual average of 300 from 1989 to 1997. In addition to that a total of 4, 30, 000 South Koreans visited Mt. Kumgang since the inception of the tourist project in November 1998. Thus the political initiative taken by the two governments to facilitate interaction with each other has laid the foundation for the attainment of peaceful integration of Korea.

2.2.4. The Federalist Approach

The other approach which deals with Korean question is the Federalist approach. It is a concept which has often been used freely to signify loose alliances, leagues, organizations and even empires. However these may have some characteristics of federation. The definition and the meaning of the word have become so prominent by the proliferation of federation after the Second World War. The newly independent states in order to suit their conditions often accepted a polity which appeared federal but lacked many of the conventional characteristics of federation.

Federation has been defined by numerous scholars among whom William Riker regarded Federalism as a political organization in which the activities of government are divided between regional and central governments in such a way that each kind of government has some activities on which it makes final decisions.¹⁹ The essential institutions of federalism are "... A government of the federation and a set of governments of the members unity in which both kinds of government rule over the same territory and people and each kind has the authority to make some decisions independently of the other".²⁰

William Livingston (1956) argued that the essential nature of 'federalism is to be sought for in the economic, political and cultural forces that makes a federal form of government necessary and not in the constitutional terminology or in the sharing of powers. He also referred to federal government as ' a form of political and constitutional

¹⁹ William Riker, "Federalism", in Fred. I. Greenstein and Nelson. W. Polsky, ed., *Governmental Institutional and Process, Handbook of Political Science 5* (Addison-Wesley Publishing Company, 1975), p. 99.

²⁰ *Ibid.*, p. 101.

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organization that unites into a single polity a number of diversified groups or component politics so that the personality and individuality of the component parts are largely preserved while creating in the new totality separate and distinct political constitutional unit'.²¹

Carl J. Friedrich (1963) defined federation as 'a union of group selves, united by none or more common objectives but retaining their distinctive group being for other purposes. Federation is, on the inter-group level what association is on the inter-personal level, it unites without destroying themselves that are uniting, and is meant to strengthen them in their mutual relation. It organizes cooperation'.²² He considered three elements to be indispensable for the construction of a federal order i.e. federal spirit, federal loyalty and federal comity. These variables are closely interrelated with each other. The notion of a federal spirit means a spiritual factor manifest in political behaviour. It is a strong sense of solving any conflicts through compromise and accommodation and of tolerating diversity within a community.

Federal loyalty is another peculiar factor necessary to build a working federal system, concerns a basic commitment of "the component units, their officials and representatives to the overall needs and requirements of the federal order". This commitment calls upon the components of the federal system to maintain close cooperation with federal authorities in matters of common concern.

Federal comity, the last vital behavioural elements of federalism consists of the practice of fair play by both federal and local officials to develop a skill in making compromises whenever any conflict situation takes place. Without these factors Friedrich concludes that it is impossible to establish a working federal system. In addition to these factors, Friedrich also suggests that cultural and linguistic homogeneity some degree of economic development and religious unity can contribute to the possibility of forming a federal order.

²¹ William Livingston, *Federalism and Constitutional Change*, (Oxford, Clarendon Press, 1956), p. 6.

²² Carl. J. Friedrich, *Man and his Environment*, (New York: McGraw Hill Book Company, Inc, 1963), p. 108.

According to Ramesh Dutta Dikshit (1975) “A federation is born when a number of usually separate or autonomous units... Mutually agree to merge together to create a state with a single sovereign central government, while retaining for themselves some degree of guaranteed regional autonomy”.²³

From the above discussion, one could say that federalism is a form of government devised to satisfy the desire of different groups of people to unify themselves whilst keeping certain separateness. A federation is formed where two or more states come tighter thereby creating a new entity and granting part of their powers to the new entity while at the same time retaining some of their authority.

2.3. Federation and Confederation

The two terms Federation and Confederation are often interchangeably used and are assumed to be synonymous. These two concepts are concerned with political associations such as a treaty or league of independent states under a common authority.

A Federation can be distinguished from a confederation by its distinctive characteristics and its functioning. A Confederation is a union of governments; a Federation is a union of people. A Confederate Assembly is composed of delegates appointed by the governments constituting the confederation. The federal parliament consists of representatives elected by the citizens of the states forming the Federation.²⁴ As a result, in the Confederation the central government lacks the authority and is subordinate to the regional government. The subordination of federal government to the regional governments is the fundamental and distinguishing characteristic of confederation. But in a Federation, the state governments and federal government co-exists with one another and are supreme in their respective spheres of authority.

In a Confederation, the federal government has the power to cooperate only on the regional governments who are its members. But in a Federation, federal government as well the state governments operates directly and simultaneously upon the people without

²³ Ramesh Dutta Dikshit, *The Political Geography of Federalism*, (Delhi: The Macmillan Company of India Limited, 1975), p. 1.

²⁴ Lord Davis, *A Federal Europe*, (London: Victor Gallanez Ltd, 1990), p. 15.

coming into conflict with each other. A Federation stands on the loyalty of the composing units, the states. A confederation is the outcome of an agreement or treaty made gradually for a specific period whereas Federation is the result of a true constitution supreme over all other instruments, from which both governments, national and states derive their power, and no government is allowed encroachment on the powers of the other.²⁵ In a confederation units are free to disassociate themselves from the Union whereas in a Federation the units are united with the general government on a cooperative basis. Any attempt by any unit or units to secede is a revolt against the nation, which can be and has to be suppressed with the full might of the nation.

The Federalist theory of integration can be applied to the peaceful integration of Korea. North Korea has persistently adhered to the Koryo Confederation model since late Kim il Sung proposed it on October 10, 1980 on the occasion of the Sixth Plenary session of Korean workers party. The North Korean proposal of confederation is much closer to Federation than to confederation in the strict sense.

The Federalist theory of integration had been discussed by Chung-in-Moon and Tae-Hwan Kim. Both have argued that the 2000 Pyongyang Summit have opened the gates for the Federalist approach to the peaceful integration of Korea. “The second item in the joint declaration touches on a more sensitive issue, namely, modes for Korean unification. It states that ‘ Acknowledging that there is a common element in the South’s proposal for a Confederation and the North’s proposal for a loose form of Federation is the formula for achieving unification, the South and the North have agreed to promote reunification in that direction’”.²⁶

They also emphasized that the Kim Jung Il has taken initiative on the issue of national unification and he urged that president Kim Dae-Jung to agree to adopt the North Korean proposal of the Koryo Confederal Democratic Republic (namely Federation model) as a gift to the entire Korean nation i.e. one nation, one unified state, two local governments and two systems where diplomatic and military control by one central

²⁵ B.M. Sharma and L. P. Choudhary, *Federal Polity*, (London: Asia Publishing House, 1967), p. 11.

²⁶ *Text of Joint Press Statement of the Tenth Ministerial Talks, North-South Dialogue in Korea*, Pyongyang 2003, (Seoul: Korea Annual, 2004), p. 10.

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government while other functions are delegated to the jurisdiction of two local governments.

But South Korea has differences on the idea of loose Federation of North Korea. President Kim Dae-Jung counter argued that it is virtually impossible to make a transition from state of national division and conflict to complete stage of Federation at once. According to him the stage of Federation (Yonbang) cannot be reached without first going through the stage of Confederation (Union of states and Yonhap). His version of confederation is predicated on “one nation, two states, two governments and two systems” which is similar to the case of European Union or the Common Wealth of Independent States. He also proposed an alternative to North Korea’s Federation scheme, i.e. Common Wealth Model (which was proposed by Roh Tae-Woo). This model comprises four distinct elements: peaceful management of national division and military conflict through tension reduction, confidence-building measures, arms control and arms reduction and inter-Korean peace treaty, promotion of exchanges and cooperation to foster national unification, institutional realignments to promote inter-Korean social integration through which hostile institutions are removed and friendly institutions re-enforced and a framework for confederation or a union of North and South Korea through summit meetings, ministerial meetings, parliamentary meetings.

But both Koreas recognized the importance of Federalist mode of integration in the Korean unification problem. Won Kyu Choi agreed that after the summit meeting the confrontational relationship of the past has turned into one of reconciliation and changes to take root between the two countries. However there is a fundamental difference in the basis of integration and the formation of the country under a Confederate and a lower stage Federation. The South Korean concept of Federation is similar to that of a federated country where the basis of integration is the conclusion of an agreement or treaty but a lower stage Federation would be the establishment of one people, one country, two systems, and two governments. The debate on Federalist theory of integration is under constant discussion with the view to attain a final solution.

An attempt will be made to apply these alternative theoretical approaches to the developments in both Koreas so as to provide us a deeper understanding of the evolving

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inter-Korean relations. As mentioned earlier in the Realist approach, the relations between the states or systems could be dictated in terms of power. The inter-Korean relations can be well characterized in terms hostility, conflict and power relations till 1998. After 1998, the ROK's perception towards North Korea has changed. The inter-Korean relations moved from systemic conflict to systemic co-operation and the level of social interaction and communication is increasing every year. Since these changes cannot be sufficiently explained in terms of the Realist approach, one should move to Pluralistic approach which emphasizes on integration through social communication and mutual interaction of both people and governments. Thus the role of social communication becomes key to the Pluralistic mode of integration. In the inter-Korean relations, social communication is increasing through various channels such as religion, humanitarian charity, culture and sports.

This increasing interaction/ social communication help each other to reduce their differences as this people to people interaction is very important tool to any divided nation because the communication and interaction between people would create a positive atmosphere to understand each other and also it could help to build confidence among the people of divided nations. While these trends make Pluralistic approach more viable for understanding inter-Korean relations, the developments are more diverse to be covered only by Pluralistic framework. The co-operation is considerably improving in other areas such as economy and technology. These developments can be better understood through Functionalist approach, which argues that economic interactions and technological transfers between two systems lead to integration and thereby to unification. Not only the trade between two Koreas is increasing every year but also the South Korean government completely lifted investment restriction on its citizens from investing in DPRK. In the field of technological transfer, though the co-operation is not as rapid and huge as in trade, there has been some progress. For example, the Korean Meteorological Administration proposed a joint inter-Korean research and exchange of information to prevent weather related disasters.

Thus the Functionalist approach mainly concentrates on economic and technological transfer for peaceful integration but it is unable to discuss the other aspects,

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which include political parties, pressure groups such as business groups, etc which play a major role in the integration process. This gap is bridged by Neo-Functionalist approach that emphasizes on these aspects. When Kim Dae-Jung came to power in South Korea, the political interactions between South and North Korea began moving towards peaceful reunification. However the pressure groups interaction can be substantiated with the visit of Hyundai Company's Chairman Chung-In Young to North in June 1998. The other theory which deals with the integration is Federalist approach, which however differs with the above approaches. It advocates the formation of a supra national community with legal power where the authority of two sovereign states would be dissolved.

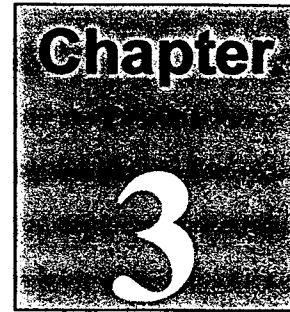
Rather than relying on one theoretical approach for understanding various developments in inter-Korean relations, this study advocates use of multiple approaches aimed at bringing engagement between North and South. It believes that the changing patterns in inter-Korean relations are too broad/wide to be understood by any single theoretical approach and can be best understood only by the combination of Pluralistic and Neo-functionalism approaches which the study aims to pursue with reference to developments from 1998.

Political and Economic interaction, the two Koreas concluded numerous agreements such as Pyongung Summit in 2000 where for the first time the highest authority of both Koreas met each other and concluded Joint agreement. Soon after that the Defense Ministers meeting held in Seoul concluded an agreement to establish a permanent reunion office in Panmunjom. All these developments are emphasizing/ stressing the importance of increased social interactions and communication between the two countries. At the theoretical level, increased social communication and interaction is key word for Pluralist theory of integration and hence this model will be applied for the study of the developments. Moreover, increasing relations are a result of strong political decisions and economic needs. These developments are emphasized by Neo-Functionalists at the theoretical level and hence this approach can be complemented with the earlier Pluralist approach. Using these two approaches, one can analyze the inter-Korean relations in the proposed period in a deeper and better sense.

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The above theoretical framework on inter-Korean relations would be better understood in the following chapters, which discusses the changing nature of the bilateral relations of both Koreas as well the changing trends in South Korea since 1998.

CHAPTER – 3
Internal Dynamics in
South Korea: Changing Patterns



Internal Dynamics in South Korea: Changing Patterns

South Korea's policy towards North Korea has been changing till 1998. Since the 1998 Engagement Policy of Kim Dae-Jung towards North Korea there was hope for the normalization of relations between the two Koreas and peaceful integration of Korea in future. In order to analyze the changing patterns of inter-Korean relation from the South Korean perspective, it is essential to look at the evolution of South Korea's policy towards North Korea. Inter- Korean relations have been depending on the leaders of the South Korean Presidents. Every President of ROK till Kim Dae-Jung followed different strategy on North Korea, so at this juncture it is very important to obtain a brief overview of all ROK's president policy towards North Korea.

3.1. The Evolution of the South Korea's North Korea Policy

With the establishment of the South Korean Government in 1948, South Korea considered North Korea as an illegal entity occupying the northern territory of the Korean peninsula. According to the National Assembly Resolution of September 12, 1948, the Republic of Korea (ROK) is the sole legitimate government with sovereignty over the whole Korean peninsula. Every ROK ruled out unification negotiations with the North. This position was revealed in Syngman Rhee's statement, "No Negotiation is possible with the North because in any attempt aimed at unification, negotiation with the North Korean puppet 'regime' would mean a tact negotiation of communism".

The United Nations (UN) in its Third General Assembly meeting on December 12 1949 also recognized the ROK government of the Korean peninsula. With the UN's recognition President Syngman Rhee stated on January 31, 1955, that the ROK has the

right to use force to recover the northern part of the peninsula should the free will of the people in the North continue to be repressed. In other words, the main policy position towards North Korea (Unification Policy) during the Rhee administration was of forceful absorption. In 1950 North Korea crossed the 38th Parallel to unify the country. With the UN intervention, the war ceased. Six weeks after the outbreak of the Korean War, North Korea occupied nearly the entire Southern half except Pusan city. If there had been no participation of American troops, North Korea could have succeeded in unification of Korea by force¹.

The United States had decided to aid the South Korean government despite its earlier decision to exclude South Korea from its defense perimeter. The reason for this was the U.S. interpretation of the North Korean intention as a part of Soviet's expansionist policy. This interpretation promoted the United Nations to take an action to deter communist aggression. The United Nations Security Council meeting held on June 26, passed a resolution requesting cessation of communist aggression and another resolution on June 27 offering aid to the ROK. On the same day North Korea declared the UN resolution as illegal. Pyongyang argued that since the United States rejected its admission to the United Nations, barred its representatives from discussion of the Korean issue and the Soviet Union and China were also not present at the UN debate of the Korean issue, North Korea hastily denounced the U.S. for their involvement in the Korean War. North Korea declared that the U.S. induced the South Korean government to provoke the Korean War, and that the war was an internal conflict that was to be resolved by Korea itself without interference from any outside interference.

The South Korean government retorted that the Korean War was declared by the Soviet Union as a part of its strategy to dominate the world and that deterring the North Korean aggression was a holy war designed to destroy the wicked design of Soviet Union to communize the world. Maintaining this rationale the South Korean government did not hesitate to approach the United Nations for its involvement in order to turn the Korean War into an opportunity for Korean Unification. As a result on September 15, General

¹ Chung-Won Choue, *The Integration of Korea: Theory and Research*, (Seoul : Korea One Press), 1985, p. 50.

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Douglas MacArthur's amphibious landing operation at Inchon was successful and the UN troops crossed the 38th Parallel and reached the Korea-Manchurian border towards the end of October. This led to the Chinese participation in the Korean War and turned it into a totally new war. Encouraged by China's backing, Kim Il-Sung urged continuation of the war during the Third session of the North Korean Labour Party Central Committee on December 4, in order to expel the American troops and to achieve national unification. On December 26, the North Koreans re crossed the 38th Parallel and re-occupied the Seoul on January 4, 1951. They continued with their southward invasion, denounced the UN Truce proposal as representing its intention to re-organize the troops of aggression in order to continue to prosecute the war. On March 1951, the United Nations troops again seized the initiative of the war, recaptured Seoul and pushed up to the 38th Parallel. Following the turn of the war the UN sponsored a proposal calling for a ceasefire with the forces in their present places. This proposal was accepted by China, Soviet Union and North Korea. But South Korea objected to the truce talks, the government statement of 1951 "more large scale fighting will provide an opportunity to recover territories to the Yales and Tamen to destroy all territories to unify our countries²".

Seoul judged that the changed tide of war was an opportunity to unify Korea. It was also concerned that if the truce was signed and the UN troops withdrew, that would tantamount to giving North Korea a fresh chance to recoup their lost strength for reinvasion and if the United States withdrew there would be no way to secure its aid. However South Korea finally agreed not to stand in the way of signing of the Truce Pact on the condition that Seoul and Washington would sign a Mutual Defense Pact. Even after signing the Armistice Agreement, South Korea continued to advocate the policy of wiping out the North militarily even during the 1950's. The South Korean President Sung Man Rhee called for resumption of war against the North to rescue the northern brethren.³ But this ambition was checked by U.S. as the Korea-U.S. Defense Treaty

² *Foreign BroadCast Information Service*, Daily Report, October 4, 1951, p. 6.

³ Chung-Wan Choue, *op. cit.*, p. 56.

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promised U.S. aid to South only if the North attacks first⁴. Though the idea of wiping out the North continued in the South Korean military circles this couldn't happen because the South realized the futility and impossibility of a unilateral action which is bound to fail and would also draw negative image about the South among the international powers particularly the U.S.

Meanwhile South Korea witnessed change in the political system from Presidential to Parliamentary system as a result of the Student Revolution in 1960 which after a brief period of Huh Jong's caretaker regime led to the formation of the Chang Myon government in August 1960 (calling themselves as Second Republic). This regime signaled a new beginning as it deviated from Syngman's Rhee's regime, its abandonment of the "March North" policy. Though the regime differed from that of Rhee's regime on a number of issues ranging from unification to domestic problem, it couldn't hold a joint meeting between the North and South because of an internal dissension in the party which opposed talks. Rather they emphasized more on restoring national economy. As premier Chang said in a speech in August 1960 "the most important task of Second Republic is to make a good start is national construction and the country must be made prosperous before unification".⁵

Thus the replacement of the "March North" policy to "Economic Reconstruction" is the most significant achievement of the Chang Myon government. But even this regime was no more interested in the unification issue than the previous one because it brushed aside the demands of the student groups and progressed on the unification issue by maintaining that the North and South contact was feasible only after political stability. This policy of "national reconstruction" was continued in the same spirit (if not more aggressively) by the later regimes like that of Park Chang Hee. The principle of construction first and unification later, preoccupied the policies of Park Chang Hee as was decided to wait until the conditions for unification were to mature while nurturing the national strength to deter North Korean aggression. However the Third Republic

⁴ United States Congress, "*Mutual Defense Treaty with Korea*", Senate Hearings 83rd Congress, 2nd session (Washington: United States Congress, January 13-14, 1954), p. 4.

⁵ Bea-ho Hahn and Kyu-Taik Kim, "Korean Political Leaders (1952-1962): Their Social Origins and Skills", *Asian Survey*, Vol. 2, No. 7 1963, p. 305.

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started giving importance to improve their defense strength. This position was maintained by South Korea till the end of 1971. The changing external equations in the Korean peninsula in late 1960s and early 1970s have caused the two Koreas to pursue two opposite approaches. In other words the change in the external environment of the Korean unification problem meant the four major actors in East Asian Politics, the United States, Russia, China and Japan sought to relax the tension in the Korean peninsula. The new configuration of power among the U.S., Russia and China in the early 1970's and subsequent trend towards 'détente' dramatically improved Korea's environment.⁶

Moreover there were changes in the composition of the U.N. and its structure owing to the admission of new Afro-Asian countries which weakened the position at the U.N. This was a setback to South's traditional unification policy at the World Forum. The Soviet and Chinese responses to Nixon's doctrine to move from confrontation to negotiation, partial withdrawal of the U.S. forces from the South despite Park's plea to the contrary, South Korea's involvement in Vietnam War and its defeat and Sino-Japanese rapprochement might have posed a serious challenge to the traditional anti-communist policy of the South. As a result the two Koreas decided to normalize their relations. On July 4, 1972, both parties simultaneously announced a Joint Communiqué and realized the hopes of the Koreans. But soon after, dialogue of the North with the South was suspended with the kidnapping of Kim Dae-Jung in Tokyo. Since then there had been no official dialogue between the South and North till 1991.

In the late 1980s and early 1990s the relations were stable due to the leaders who were democratically elected by the people. It had created enormous trust in North Korean leadership. After the interaction of numerous Prime Ministers South and North Korea announced the 1991 Basic Agreement but the joint team spirit exercises and North's nuclear programmes made the relations strange. Since 1998 the relations between South and North are moving in a right direction with the coming of Kim Dae-Jung to power. Since Kim Dae-Jung took office as the President in 1998, South Korea's approach towards North Korea has changed dramatically from a hard line policy based on the Cold

⁶ Harold Hakwon Sunoo, *America's Dilemma in Asia: The Case of South Korea*, (Chicago: Nelson Hall, 1979), p. 156.

War containment to the Engagement policy⁷ (called the 'Sunshine Policy'). This change was expected because of Kim Dae-Jung's already made design on the unification policy which is based on the gradual increase of exchanges between the two Koreas until the unification is completed. The 'Sunshine Policy'⁸ therefore was the first initial step of President Kim Dae-Jung's unification policy.

3.2. Comparison of the Kim Dae-Jung's Engagement Policy with Previous Regimes

The core of the 'Sunshine policy' is to resume the inter-Korean relations by bringing North Korea out of isolation and integrating it into world politics. In order to examine the effectiveness of the Sunshine policy towards North Korea it is necessary to compare it with the policies of the previous South Korean governments on North Korea (the most critical problem with President Kim Young Sam's policy was the lack of consistency). After making the special Presidential Declaration for National Self-Esteem, Unification and Prosperity on July 7, 1988, the Roh Tae-woo government in South Korea began to implement a positive shift in its North Korean policy in response to the emerging signs at the end of the Cold War in the international political climate. In the Address to celebrate the 40th Anniversary of the establishment of the DPRK on September 8, 1988, North Korean President Kim Il Sung positively responded to the reconciliatory gesture of the South by stating that if the South would adopt a non-aggression treaty with sincerity then the North was willing to hold Summit talks with the South and to have economic exchanges with the capitalist nations without normal diplomatic relations.

On December 28, 1988, South Korea proposed to have North-South high level talks at the Prime Ministerial level. The South Korean government enacted and

⁷ On July 25, 1998, the South Korean Government announced that it would no longer use the expression 'Sunshine' because North Koreans might be misled to think of it as an absorption policy. However the expression has been commonly used in academic and policy discussions. See Kihl Young Whan, "Seoul's Engagement Policy and US- DPRK Relations", *Korean Journal of Defense Analysis*, Vol. 10, No. 1, p. 21.

⁸ The term "Sunshine Policy" originated from an Aesop's Fable in which the Sun and Wind contest who can make a traveler to take off his coat. The more severely the Wind blows the more clothes the traveler puts on. On the contrast the Sun wins the contest because the more Sunshine the Sun sheds on the traveler, the sooner the traveler took off coat. Based on this analogy, Kim Dae-Jung implemented Sunshine Policy to open up North Korea.

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proclaimed the special act governing inter-Korean Exchanges and Cooperation Fund in August 1990 thereby fostering an atmosphere of reconciliation and cooperation between the two Koreas. With these series of events easing tension on the peninsula the North changed its position from seeking an independent entry into the United Nations or postponing UN membership as a single member until after unification thereby joining the UN together with the South.

Table 3.1 Unification Policies of ROK since Kim Dae-Jung administration and Past Administrations

	Government of ROK, since 1998	Past Administrations
Basic Principles	Against absorbing the North; For proceeding gradually	For absorbing the North
Manner of Execution	Policies consistent Simultaneous pursuit of Four-Part Meeting (ROK, DPRK, PRC, and U.S) and bilateral talks	Policies changed frequently Depended on Four-Party Meeting
South-North Exchanges	Regulations eased Active people exchanges(3,3317 South Koreans visited the North in 1998 which is 1.4 times the previous eight-year period) Nine cases of economic exchanges; five cultural exchanges; Mt. Kungang tourism started	People exchanges restricted Up to 1997 there were six economic exchanges and 3 cultural exchanges
DPRK-U.S. Rapprochement	Supports it actively Supports package deal on all pending issues	Lukewarm toward it

Source: Office of the President of The Republic of Korea, February 1999.

As a result on December 13, 1991, inter-Korean high level talks were held for the first time after the national division and the Agreement on Reconciliation, Non-

aggression, Exchanges and Cooperation between the South and the North (often called Basic Agreement) was signed. With the surfacing of the suspicions of North Korea's nuclear system the Roh Tae-woo government maintained that the improvement of inter-Korean relations was not in conflict with the resolution of the nuclear issue. The rising suspicion however settled down temporarily as the North officially expressed its intention to sign the convention on nuclear safety with International Atomic Energy Agency (IAEA) on January 1992 while South Korea and the U.S. announced their plans to suspend the 1992 Team Spirit exercise, a joint military drills held annually. On January 22, 1992, North Korea and the U.S. held high level talks for the first time since the signing of 1953 Armistice and discussed the resolution of the nuclear issue and improvement of bilateral relations.

On January 30, 1992, North Korea signed the convention on nuclear safety with IAEA. As a result the temporary inspections began on May 26, 1992 where 'significant discrepancies' were discovered. On February 15, 1993, the IAEA requested the North to allow special inspections which it rejected on the grounds of violation of sovereignty. Soon after during the 24th South Korea-U.S. Annual Security meeting on October 8 1992, they decided to resume team spirit if no progress was made in nuclear inspections of the North. Hence North Korea responded that it would not participate in dialogue if team spirit exercise was to resume. Moreover on March 9, 1993, North Korea decided to withdraw from the Nuclear Non-Proliferation Treaty (NPT) and demanded U.S. to open bilateral political negotiations with the North and it also proposed to the South to exchange "special envoys at Vice-Prime Ministerial level" for inter-Korean Summit talks to be held on May 25, 1993, and to have comprehensive high-level discussions on the ongoing nuclear issue. But President Kim Young Sam rejected the North's proposal by stating "I cannot shake hands with those who make nuclear weapons"⁹. Further more the South Korean government also worked in generating an international move to take sanctions against North Korea. Then the North declared its willingness to go to war whereas the U.S. tried to send more troops to the South as a precaution against a possible

⁹ Park Kun Young, "Engagement Policy and Thawing of the Cold War Structure on the Korean Peninsula", *Korea Journal*, Vol. 41, No. 2, summer 2001, p. 64.

war driving the peninsula to an imminent crisis of war. But Jimmy Carter's visit to the North and his meeting with Kim Il Sung on June 18, 1994 dissipated the danger of the Second Korean War and the scheduled North-South Summit meeting seemed to open a chapter in inter-Korean relations.

However with the death of Kim Il Sung on July 8, 1994, the North-South Summit talks scheduled for July 25, 1994 were cancelled. In fact South defined Kim Il Sung as a war criminal instantly creating the mood that the South should 'not send messengers of condolence' to the North. President Kim Young Sam ordered an emergency alert to all military forces, although the North ceased all visible activities including military drills. North Korea condemned the move of South and stated "the South committed an anti-national behaviour by pointing guns at its own people in deep sorrow".¹⁰ Moreover President Kim Young Sam reacted by making remarks insinuating his willingness to achieve unification by absorbing the North as exemplified in his congratulatory message on National Independence Day on August 15, 1994 which emphasized unification based on liberal democracy. In addition to that he mentioned that under the premise that the death of Kim Il Sung would accelerate the collapse of the North. He expressed his opposition to the North Korea-U.S. Agreed Framework when it was drafted in October 1994. It stated that the North Korean regime is at the brink of political and economic dissolution and any compromise with the North will only extend its life.¹¹

Despite Seoul's opposition, Washington and Pyongyang continued negotiations and signed the Agreed Framework on October 21, 1994. The U.S had interest in Non-Proliferation with the North Koreans due to its security reasons. Further it also includes South Korea in KEDO to settle down the North's nuclear issue. Subsequently, the Kim Young Sam administration agreed with the U.S. to suspend the 1994 Team Spirit drills on October 21, 1994 and gave up the long held policy to link the resolution of the nuclear issue and economic cooperation. In accordance with this shift in policy the government began to take a proactive stance on economic exchanges and cooperation with the North.

¹⁰ An announcement made by the spokesperson of the Committee for the Peaceful Unification of the Fatherland, December 9, 1994.

¹¹ *New York Times*, 6 October 1994 (Internet Edition).

As a result inter-Korean trade has been growing but the inter-Korean relations froze due to the North Korea submarine incident on September 18, 1996. President Kim Young Sam asserted that this incident not simply symbolized spy infiltration but also armed military provocation¹² and expressed that he would reconsider his North Korea policy, including the four party talks and support for light water reactors unless the North admitted itself to be wrong, apologized and promised not to repeat such an act. Moreover, a government official of South Korea held that the government will totally freeze inter-Korean economic cooperation for the time being and stated that no cooperation projects can be undertaken under the mounting tension caused by the submarine intrusion.¹³

Thus during period of Kim Young Sam's government the policy maintained reflected lack of consistency and confrontational mentality towards the North. They succeeded to open up North Korea to a certain extent but failed to make consistency and get the confidence on pursuing policy on North. The engagement policy of South Korean President Kim Dae-Jung towards the North is completely different from Kim Young Sam's North Korea policy. Kim Dae-Jung's administration completely rejected the previous assumption of Kim Young administration which maintained that "the North will not change" and adopted a new assumption that "the North will change". This shift of idea enables us to accept a pragmatic value system in which the North is seen not as an object of confrontation and conquest but that of compromise, co-existence and co-prosperity.

From this period North Korea came to be visualized not as a powerful country posing a threat to the South but rather as a weak state in need of assistance¹⁴. Kim Dae-Jung implemented two track approach i.e. engaging while deterring. The salient features of this two track approach were enunciated in the Inaugural address on February 25, 1998. They included peace threatening armed provocation by North Korean will not be tolerated, not make attempt will be made to determine the North Korean regime or

¹² *Washington post*, 9 November 1996 (Internet Edition).

¹³ *Korea Annual*, Yonhap News Agency, Seoul 2003, p. 215.

¹⁴ Han Sung-Joo, "The Myth and Reality of New North Korea Policy: Views on 'Sunshine' Policy", *Korea Focus*, Vol. 6 No. 4, July-August 1998, p. 56.

attempt at unification by absorbing the North and will actively pursue reconciliation and cooperation in accordance with the inter-Korean Basic Agreement to lead the North towards openness and change. In other words, the South will withhold any intention to seek unification for the sake of unification and to seek peaceful co-existence in which one party does not undermine or threaten the other and South would support the vision to pursue unification from a long term perspective via inter-Korean reconciliation and cooperation.

The two track approach is relatively flexible and multifaceted in which political and military issues do not dominate other issues such as, socio-economic issues and cultural exchanges and cooperation. Solutions to political and military issues were sought in conjunction with deepening progress in mutual exchanges and cooperation. On the basis of the two track approach, the Kim Dae-Jung administration tried to deal with the two axis together with the political and military issues on one axis and diverse civilian led programmes of exchanges and cooperation on the other hand. Civilian led exchanges and cooperation enable contacts between the two Koreas which will increase interdependence. Furthermore it will aid in building political trust between the two states and reduce military spending which will contribute greatly to the bringing about of peace on the peninsula. As a result of that even on June 29, 1998 the North Korean submarine intrusion incident¹⁵ could not affect the mutual exchanges as was evident on August 4, 1998 when South Korea's largest Chebol Hyundai group signed an agreement with North Korea on establishing a joint company for tours to the North Mt. Kumgang with the support of the South Korean government. Another example of successful implementation of the two track approach is the response of the Kim Dae-Jung administration to North Korea's provocation in the exchange of the fire in the West Sea on June 15 1999. In spite of the provocation on June 26, 1999 South and North Korea agreed to open Vice-Ministerial talks and on September 2, 1999 both South and North Korean business leaders agreed on six points of cooperation primarily on exchanges and joint research involving financial reform. Moreover the government has taken a series of

¹⁵ Defense Minister Chung-young-tack, issued a public statement that the North Korean submarine infiltrated into the South Korean waters on June 29 1998, *Korea Annual*, Yonhap News Agency, Seoul 2003, p. 215.

measures for the vitalization of economic cooperation (such as encouraging civilian aid to the North and removing the cap on investment funds to the North) by steadily pushing ahead with the civilian led economic exchanges and cooperation programme so that the economic programme would continue even without dialogue or negotiations between the authorities.

The launching of the Mt. Kumgang Project especially was regarded as the symbol of North-South economic cooperation. By separating military factors from the economic ones the two track approach has helped in giving adequate place to the sensitive emotional aspects of inter-Korean relations irrespective of political developments and therefore helped in reducing the mutual threat perception. It was maintained that if the Kim Dae-Jung administration reconsidered the North Korean policy as his predecessors including the four party talks and support for the light water reactors unless the North admitted it was wrong, apologized and promised not to repeat such an act the inter-Korean relations would have been distressed to undermine the existing relations let alone make progress and consequently increase tension and danger. Moreover Kim Dae-Jung who studied the unification extensively for an extended period of time prior to becoming the President was expected to give unification the highest priority when he took office. He realized that the discussion of unification would itself be an obstacle to the improvement of inter-Korean relations¹⁶. Normalized inter-Korean relations would result in a practically unified situation and in the long term systemic differences of the two Koreas will be removed naturally. Kim Dae-Jung had earlier proposed a three step approach to national unification. The attempt to move beyond the idea of unification for the sake of it and to employ a pragmatic approach is clearly manifested in Clause 2 of the North-South Joint Declaration signed on June 15, 2000. Though South Korea wanted to avoid discussing the so called fundamental problems as much as possible, particularly regarded the “one nation- two system” format on the ground that it gives an impression that the South kept a side of the unification issue which could act as an obstacle in the

¹⁶ If the active discussion of Unification by the South may cause the North to suspect unification by absorption. Moreover the two Koreas had uncompromising discrepancies as to what type of social structure is to be built in the unified Korea. The North wants a federation having two systems in one nation, where as the South seeks to form one system in one nation based on democratic principles and a market economy.

improvement of inter-Korean relations. Emphasizing that unification was a gradual process the South continued to maintain economic, social and cultural relations with North Korea to facilitate peaceful unification. This emerges as the most fundamental difference between the previous governments and Kim Dae-Jung administration on the North Korea policy.

Further more to create a positive atmosphere South Korea actively pursued the engagement policy despite North's provocation policy which is fundamentally different from that of the earlier period. In the past, many talks and co-operation were suddenly withheld as a response to any provocation and incident that would affect each country's security. But it did not mean that the South is any less negligent about issues pertaining to its sovereignty. The inaugural speech of Kim Dae-Jung during the Pyongyang Summit would serve as a bench mark for this. In this Summit, Kim Dae-Jung made it very clear in the beginning itself that the South would not tolerate any armed kind of provocation, though it gives a fresh look at the inter-Korean relations. Thus Kim Dae-Jung's administration made it clear that the friendly atmosphere in inter-Korean relations would not be at the expense of South Korea's security. This statement can also be regarded as a kind of assurance to the people of South Korea that in pursuit of this policy national security is not over looked. Hence the South has been balancing the provocation activities of the North (if any) to normalize their relations which is marked a fundamental shift from the previous regimes. As a result of this policy on North, the tensions have been decreasing in the Korean peninsula and mutual exchanges and co-operation have been moving ahead. For example in August 1993, North Korea declared that it would suspect the next round of inter-Korean high-level talks, demanded the cancellation of the "Team Spirit" U.S.-ROK military exercise and also viewed that the advent of the nuclear issue in late 1993. North Korea denounced the Kim Young Sam government as a regime that did not differ from the "fascist" military regime.¹⁷

As mentioned earlier, North Korea is experiencing severe economic difficulties due to shortage of food, oil shortage etc which were aggravated by the natural calamities

¹⁷ Ho-Yeolp Yoo, "The Kim Dae -Jung Government's Unification Policy and the Prospects for Inter-Korean Relations", *Korea and World Affairs*, Vol. 22, No. 1, spring 1998, p. 14.

like floods and famine in 1995 and 1996. In order to help in this disaster situation the South has been positively responding through activating inter-Korean economic exchanges and co-operation, allowing South Korean business, private groups like NGO's to co-operate and operate in North Korea. Moreover, the most significant step was taken by Kim Dae-Jung on March 9, 2000 by delivering the "Berlin Declaration"¹⁸ on North Korea, by proposing inter-Korean reconciliation and co-operation, by which Seoul is ready to help Pyongyang to overcome its economic difficulties. This influenced the North Korean authority to come out of all suspicions and open up all the means to speed up inter-Korean exchanges and co-operation.

As a result, the historical summit meeting between South and North Korea was held on June 13, 2000 in Pyongyang in which both Koreas agreed and declared a Five-Point declaration on reconciliation and co-operation. The June 13-15 Summit meeting between ROK President Kim Dae-Jung and North Korean National Defense Commission Chairman Kim Jong-Il was more than just a symbol of inter-Korean reconciliation. The two leaders laid the foundation for improving and expanding bilateral relations. Their joint declaration marked the beginning an exchange of family visits as well as building trust on exchanges in economic and other areas.¹⁹ In the words of Kim Dae-Jung, the South-North Summit is significant in itself and the historic talks should be open a new positive chapter in inter-Korean relations. The South should approach the other side with open minds and passionate love while seeking pragmatic solutions to the many tasks lying between South and North. He also expressed that South has reached important agreements with North Korea in the past; including the July 4th joint Communiqué in 1972 and the Basic South-North Agreement in 1991, but virtually none of the provisions

¹⁸ The announcement of Berlin Declaration in March 9, 2000 by Kim Dae-Jung would appear to make North Korea to come out of all suspicions on South Korea. Under this Kim Dae-Jung made three promises to North Korea: to guarantee their security, assist in their economic recovery efforts and support them actively in the international arena. He also mentioned that the government of the Republic of Korea is ready to help North Korea tide over its economic difficulties, the economy and politics. However to realize meaningful economic collaboration, the social infrastructure including highways, harbors, railroads, and electric and communication facilities must be expanded.... The Government of ROK is ready to respond positively to any North Korean request in this regard. For full text of the Berlin Declaration see Yonhap, March 9, 2000.

¹⁹ *Korea Unification Bulletin*, No. 2, June 2000, p. 1.

of the agreements have been implemented due to the lack of mutual trust.²⁰ The Joint Declaration Summit meeting aims at the creation of mutual and genuine trust. The salient feature of joint declaration includes five important issues.²¹ Firstly, the South and North agreed as matters of national unification and will join hands in efforts to resolve the issue of national unification independently. Secondly, both have acknowledged their different unification formulas and decided to achieve the unification goal gradually. Thirdly, both Koreas decided to continue the exchanges of dispersed family members and their relatives and South decided to give repatriation of communist prisoners who have completed their terms in jail. Fourthly, Seoul and Pyongyang will pursue a balanced development of their national economics and build mutual trust by accelerating exchanged in the social, cultural, sports, health and environmental fields. And lastly, they decided to open all the diplomatic, political means to speed up the above agreed exchanges and co-operation.

The most significant achievement of the 2000 Pyongyang Summit in the inter-Korean relations is that a momentum was created to eliminate the military threat to national security under a process of moving closer to permanent peace. The two leaders decided to cement a foundation for peaceful co-existence by talking steps to prevent in advertent armed clashes and devising measures to ensure the non-aggressions.²² The first defense meeting on September 25, 2000 provided a momentum to the efforts to end decades-old military confrontation and open an era of reconciliation and co-operation. It also helped to build the confidence on military issues by which they decided to form a working-level military committee to discuss the procedure for building inter-Korean highways. The Summit meeting provided an opportunity to open all ways and means to speed up the inter-Korean relations. In fact, at each and every level, the inter-Korean

²⁰ *The Selected Speeches of President Kim Dae-Jung*, Government of ROK, Vol. III, Office of the President Republic of Korea, 1998, p. 129.

²¹ For the details of Inter-Korean Governments, see Historical Materials of South-North Dialogue, on the www.unikorea.gov (accessed May 30, 2005).

²² Lim Dong- Won, "Inter-Korean Summit Meeting and Future Tasks", *Korea Focus*, Vol. 7, No. 5, September-October 2002, p. 78.

relations after the Joint Declaration were influenced by the spirit of Joint Declaration. Inter-Korean exchanges in all spheres after the Summit were mentioned within the framework provided by Joint Declaration. It provided a strong base to improve their mutual trust, so that the two Koreas strongly stick to their promises and establish numerous ways to reduce the long easing tension on the Korean peninsula. Thus the atmosphere was most conducive for expansion of inter-Korean relations to various levels such as humanitarian, social, sports etc.

A brief look at the developments would help analyze the growing positive atmosphere in and around inter-Korean relations. *Article 4 of the Joint Declaration of Summit 2000, gives emphasis to promote a balanced development of national economy through economic cooperation and exchanges in civic, cultural, sports, public health, environment and all other fields.*²³ [Emphasis added]. The above statement has become the basic guideline for co-operation in all levels. Hence an attempt would be made to explain the developments in inter-Korean relations and how the influence of the Joint Declaration can be clearly discerned in these relations.

Among all fields of exchange and co-operation between the two Koreas since 1998, the economic relations stand out to be unique. The key role that the growing economic relations can play in unification was quite clearly emphasized in the Joint Declaration which referred to the *development of national economy* [emphasis mine] for the first time in history. Ever since the signing of the 1992 Inter-Korean Basic Agreement, inter-Korean trade has gradually increased year by year, despite having several ups and downs. Though there were some astonishing investments, most of those exchanges were based on individual contracts between North Korean authorities and South Korean business partners (Hyundai or Daewoo) and were not based on any common legal or institutional foundation. Even prior to the agreements, South and North Korea had concurred on the principles of economic cooperation but had not introduced an institutional mechanism jointly governed by the two Koreas. Genuine business

²³ Text of Joint Declaration, Yonhap News Agency, p. 4. For full text of Joint Declaration during the Summit 2000, see Yonhap News Agency, 15 June, 2000.

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cooperation was not able to expand. Unless such cooperation is enhanced, inter-Korean economic cooperation will not generate sufficient financial outcome in the long-term.

Table. 3.2 Inter-Korean Trade Volume

(Unit: 1,000 US \$)									
Year	Nominal Trade Volume	Non-Commercial Exchanges						Inflow	Real Trade Amount
		Outflow							
		LWR	Aid	Heavy Oil	Mt. Kumgang	Cooperation Project	Sub Total		
1989	18,724								18,724
1990	13,466								13,466
1991	11,266								111,266
1992	173,426								173,426
1993	186,592								185,582
1994	194,547								194,547
1995	287,291		217	10,778			10,995		276,296
1996	252,039		1,437	12,782			14,255		237,784
1997	308,339	17,842	8,389	29,019			15,250	2,788	250,301
1998	221,943	3,954	15,628	19,891	37,551	1,197	78,149	105	143,689
1999	333,437	14,434	43,426	39,512	40,575	6,332	144,279	122	189,036
2000	425,148	35,609	104,477	7,192	14,608	17,166	179,052	1,856	244,240
Total	2,526,218	71,839	17,35,741	19,102	92,734	24,695	481,980	4,871	2,526,271

Source: Dong Yong-Seung, *op.cit.*, p. 80.

The inter-Korean economic co-operation received big boost after 1998 when Kim Dae-Jung assumed office. This mutual co-operation was further catalyzed during the Summit of 2000 where four agreements helped to create a positive environment in inter-Korean economic co-operation. The importance of these four agreements and their implications for inter-Korean relations would be discussed in later pages.

After 1998, the nature of economic co-operation can be broadly divided into three types i.e. processing on trade, government participation and private co-operation. Processing-on-Commission (POC) trade is the most remarkable development in inter-Korean relations given that it requires deeper communication than mere exchanges of finished products across a border. It allowed greater functional linkages between the two countries.²⁴ One of the most effective ways to boost inter-Korean economic exchanges is

²⁴ Samuel S. Kim, Matthew S. Winters, "Inter-Korean Economic Relations", in Samuel S. Kim, ed., *Inter-Korean Relations: Problem and Prospects*, (New York: Palgrave, 2004), p. 65.

through commission-based processing trade. Processing- on-commission trade is a form of inter-Korean trade in which South Korean companies send raw materials to North Korean manufacturers for processing and then re-import the products in either finished or semi-finished forms. Commission-based procession trade, which commenced in 1992, had reached the 10 million-dollar level in 1994. By 1996, it stood at 70 million dollars, and had reached 100 million dollars by the end of 2000 and more than doubled in a span of four years.²⁵ In addition, the number of participating businesses and trade products in the processing trade has risen steadily, with participants increasing from four companies in 1992 to 151 in 2000. Trade products have been diversified as well. Earlier only simple items such as agricultural products, textiles, and shoes were processed, but later colour television, auto-wiring, computer monitor boards, and cassette tapes were also produced. Moreover the processing on trade was of great interest to North as it was the largest foreign exchange. This made North give special attention to processing on trade which enacted three trade-related laws including a new law on the promotion of processing trade throughout the country during the fourth session of the 10th Supreme People's Assembly on April 5, 2001.

Prior to this, North Korea had no law governing processing trade. The closest equivalent was the Regulation on Processing Trade in Free Economic Trade Zones enacted in 1996 exclusively for the Rajin-Sonbong area. The new Processing Trade Law is considered to be clear evidence of the North's deep interest in inter-Korean processing-on-commission trade. With North's adoption of the law, processing trade could be included in the national planning system. It is assumed that at the end it will play a positive role in opening the economy of North Korea.

3.3. Governmental-Level Cooperation

Among the inter-Korean governmental-level cooperative businesses, the Seoul-Shinuiju Railway reconnection and Munsan- Kaesong road construction are

²⁵ *Korea Unification Bulletin*, Ministry of Unification of Republic of Korea, Seoul, No. 54, July 2004, p. 8.

highlighted²⁶. Under the plan, the South, with an estimated cost of 15.12 billion Won–63.9 billion Won for the railroad and 87.3 billion Won for the road, will reconnect the twelve kilometers of railroad track from Munsan to the Military Demarcation Line (MDL) and construct the six kilometers of track from *Tongildaekyo* (Unification Bridge) to the MDL. The North will connect the twelve kilometers of track from the MDL to Kaesong. Both the transportation projects will contribute to expanding inter-Korean exchanges. Moreover, they will add momentum to inter-Korean economic cooperation. However, the North has withdrawn its workers from the Seoul-Shinuiju railroad construction site, following the halt of inter-Korean dialogue.

During the second round of Ministerial talks (August 29-31, 2000, Pyongyang), Pyongyang made a formal request for about one million tons of grain in the form of a loan. After a comprehensive review, the South Korean government decided to provide the requested food loan to North Korea. Subsequently, in the first working-level meeting for inter-Korean economic cooperation, both the Koreas signed “the Agreement on Provision of Food Loan” on September 26, 2000, and the South’s Export-Import Bank and the North’s Chosun Trade Bank arranged the loan contract. The agreement stated that South Korea would provide 300,000 tons of foreign rice and 200,000 tons of foreign corn to North Korea in the form of a long-term loan. At the same time, it was stipulated in the agreement that transparency of food distribution should be guaranteed. As a result, after receiving North’s report on food distribution at the second working-level meeting (November 8-11, 2000) the South Korean inspectors observed the Pyongyang distribution area. This marked the first occasion in which a South Korean delegation actually conducted on-site monitoring of food distribution. Previously, when the South provided aid to the North, on-site monitoring had been impossible.

3.4. Private Investment

Considering the size of inter-Korean trade, South Korea’s investment to the North remains small. Of little there is, the *Minjok Sanup Chonghoesa* (National Industry

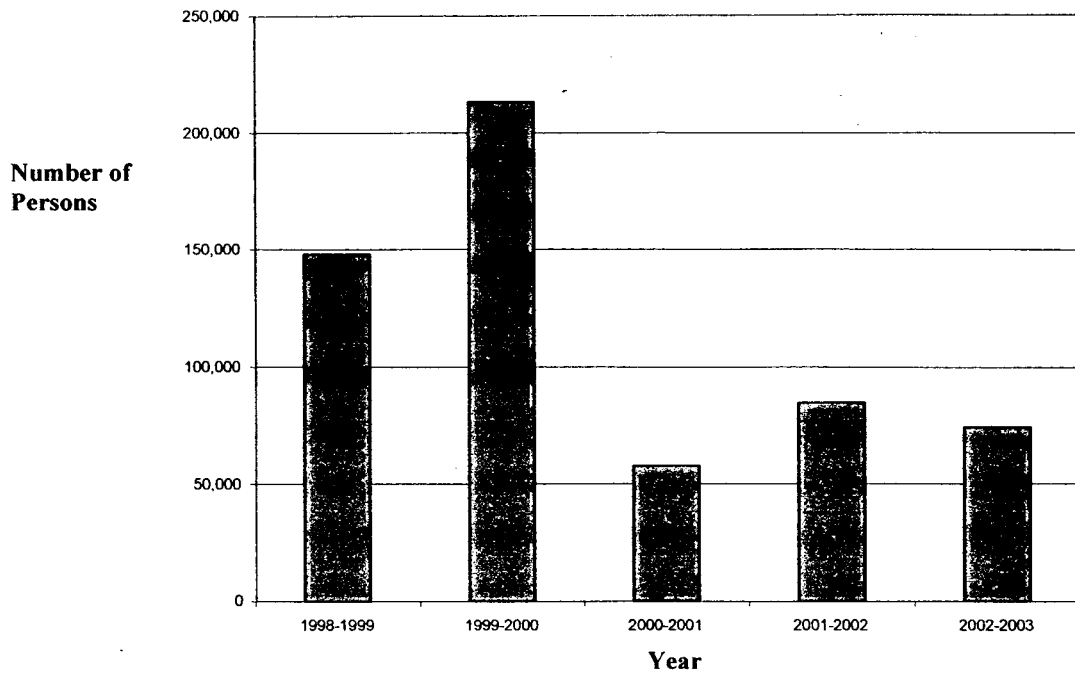
²⁶ Dong Yong-Seung, “After the Summit: The Future of Inter-Korean Economic Cooperation”, *East Asian Review*, Vol. 13, No. 2, summer 2001, p. 83.

General Corporation), established by Daewoo in the South and the North's *Samchonri* Corporation are models of direct investment and joint management. The Mt. Kumgang project is the first example of independent investment, operated solely by the South's Hyundai Asan Corporation. In addition, a joint- management investment, *Pyonghwa* (Peace) Automobile Corporation, is seeking to establish an auto assembly factory, and Taechang is attempting to open Mt. Kumgang *Saemmul* (Spring Water) factory in the North. However the South Korean companies required the permission of the South Korean government to invest in North Korea. Currently, the Ministry of Unification has approved 39 companies and 18 projects to conduct such cooperative businesses. In 2000, South Korea permitted Samsung Electronics to invest in a software development project with the North, and also approved the *Pyonghwa* car assembly factory. Since their agreement on August 22, 2000, Hyundai Asan Corporation and North Korea are implementing the project of Kaesong industrial complex which is expected to boost inter-Korean economic cooperation. In the field of agriculture, inter-Korean economic cooperation is also being implemented in order to resolve the North's food crisis. One type of cooperation involves a corn seed development project by the Kukje (International) Corn Foundation.

3.5. The Mt. Kumgang Tourism Project

The Mt. Kumgang project has boosted exchanges both in terms of human as well as material resources. It represents the largest cooperative venture between the two Koreas since the division of the Korean peninsula. Since the commencement of the project on November 18, 1998 and up to November 30, 2000, a total of 360,143 tourists have visited Mt. Kumgang.

Fig. 3.1. South Korean Tourists Visiting Mt. Geumgang



Source: ROK Ministry of Unification, 2004.

However, due to Hyundai's financial difficulties, the Mt. Kumgang project is on shaky ground. After two and one-half years in co-operation, Hyundai Merchant Marine on being unable to pay the \$16 million in entrance fees to North Korea since this February has threatened to scrap the project. Besides this 450 billion Won in capital has been wiped out by snowballing deficits. Hyundai-Asan, the branch responsible for North Korea projects, is currently negotiating with North Corporation on the issue, and at the same time it has asked the South Korean government for help in saving the deficit-ridden project.

3.6. Kaesong Industrial Complex

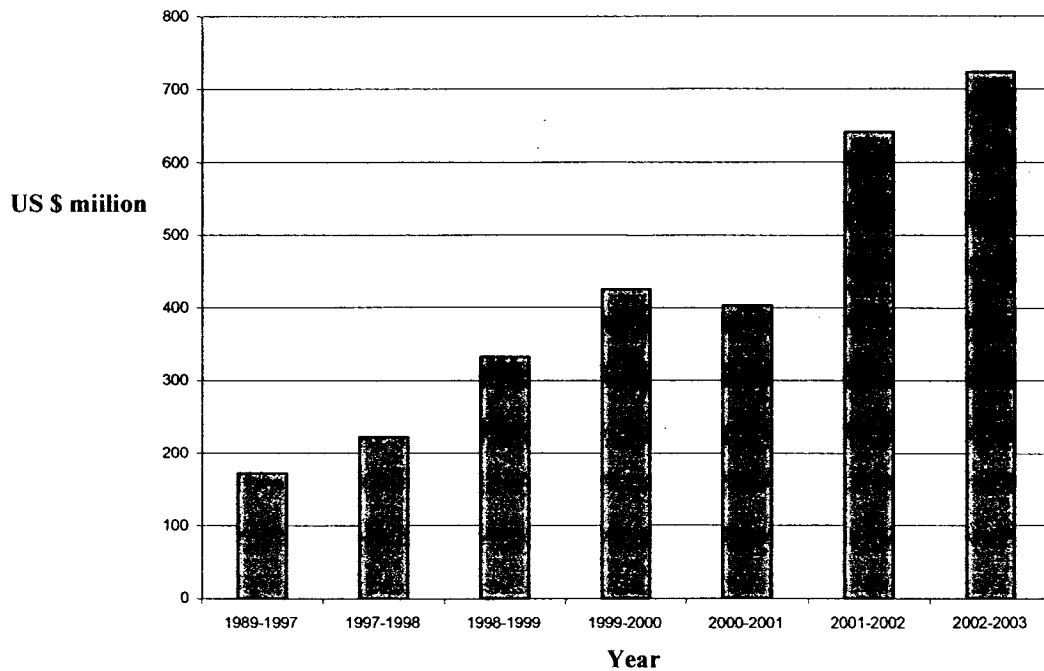
Another project that is all set to change the face of Korean business is the Kaesong Industrial Complex project. Until recently, the scale of inter-Korean economic cooperation, such as commissioned processing and direct investment, was too small to

reap any economic benefits. This project when implemented, would lead to the merging of elements of production from South and North Korea on a massive scale, stimulating inter-Korean economic cooperation and bringing substantial economic benefits to both the sides. The project was conceived by the Hyundai group in 1999 and in the year 2000, an agreement on the project was signed between Hyundai and North Korea's Asian-Pacific Peace Committee and the National Economic Cooperation Association²⁷. The groundbreaking ceremony took place on June 30, 2003, and the construction began in April 2004. The project began as a part of private economic cooperation initially, but later, the government authorities of both South and North Korea became involved in the process.

Though the government got involved in the construction, the management of the complex however was in the hands of developing companies. While this project is expected to cut the production cost of South Korean companies by more than 200% thus making them highly competitive in the international market, it is going to benefit North Korea initially with creation of thousands of jobs for its people, lease income and in later stages immensely benefit from the corporate income tax payments. However the most important long-term benefit is that it will contribute towards the unification of South and North Korea, and its proximity to the demarcation line will reinforce the idea that it is a symbol of peace. The complex will also entail massive movement of goods and human exchange, as well as contacts between the South and North Koreans related to the operation of factories in Kaesong thereby substantially easing tensions on the Korean Peninsula.

²⁷ Park Suhk-Sam, "Creating a Visible Bridge: The Economic Impact of Kaesong Industrial Complex Construction", *East Asian Review*, Vol. 16, No. 3, autumn 2004, p. 89.

Fig. 3.2. Inter Korean Annual Trade Volume



Source: ROK Ministry of Unification, 2004.

The recent spur of activity in inter-Korean economic co-operation received a boost after the Summit 2000. The decision to develop an institutional mechanism that minimized political and ideological influences in order to control and support inter-Korean exchange and cooperation during the second round of ministerial talks between the two Koreas offered an important ground for the improvement of inter-Korean relations. The central consultative body held four ministerial talks between July 19 and December 12, 2000 during which both the countries signed four agreements as stipulated in the joint press statement, and also agreed to hold working-level meetings on economic cooperation and establish the Inter-Korean Economic Cooperation Promotion Committee (IKECPC).²⁸ Two rounds of working-level talks, in September and November, and the first meeting of the IKECPC, on December 26, 2000, were held in Seoul and Pyongyang. These meetings have led to the establishment of a formal inter-Korean cooperation

²⁸ Dong Yong-Seung, *op. cit.*, p. 76.

mechanism, as they initiated agreements in four areas, including investment protection, prevention of double taxation, procedures for commercial dispute resolution and settlement clearance. The four agreements were signed formally by the heads of both delegations during the fourth round of ministerial talks.

Firstly the Agreement on Investment Protection is probably the most vital of all agreements, as it would provide protection for assets of investors from the other side and guarantee free investment-related activities including the transfer of proceeds, and the ability to enter and stay in each other's territory. The agreement prohibited, in principle, any act of expropriation by the state and, when expropriation is unavoidable, it stipulated a provision for the payment of sufficient compensation. This enables South Korean businessmen to invest in North Korea without the fear of their investments being confiscated by the North Korean authorities. It would also enable them to carry out business activities freely in North Korea while being treated as well as, or sometimes even better than other foreign companies. Most important of all, it made it possible for companies of South Korea to work outside the domestic laws of North Korea.

Secondly, it was evident that the two Koreas had considerable difference in tax structures which would hinder the growth of business groups between each other, the two Koreas sought to address this issue through agreement on double taxation. Both the Agreement on Prevention of Double Taxation on Income clarified the governmental rights of both South and North Korea on tax collection, so as to avoid double taxation on income generated during the process of promoting inter-Korean economic cooperation. This agreement contains the ownership and scope of rights to collect tax on such types of income as business profits, interest earnings and royalties. The agreement also provided procedures for avoiding double taxation, exchanging tax information and resolving tax disputes. Thus, the South Korean businesses investing in North Korea are now exempted from paying taxes twice (27 percent in South Korea and 13 percent in North Korea) on the same earnings, and thereby expect to enjoy a 13 percent tax deduction, leading to an increase in net income.²⁹

²⁹ Dong Yong-Seung, *op. cit.*, p. 78.

Thirdly, a mechanism for settling disputes was evolved in the Agreement on Procedures for Resolution of Commercial Disputes, in which South and North Korea consented to create a joint dispute resolution body. The agreement prescribed the creation and function of a South-North Commercial Dispute Arbitration Committee and the procedures for dispute resolution and that both sides would respect decisions made by the arbitration committee. The differences in the economic systems led to chances of disputes arising during the course of promoting economic cooperation. In the past, since the two Koreas had failed to agree on a procedure for dispute resolution, one side often had to suffer from unilateral loss which severely affected the inter-Korean relations. With the signing of this agreement, the two Koreas finally paved the way to quick and rational resolution of commercial disputes as they arise and this would ensure continuous economic relations between the two Koreas despite the occasional arising disputes.

Fourthly, a mechanism of Agreement on Clearing Settlement was introduced as the two Koreas agreed to settle the payment of certain traded goods as determined by mutual agreement through a special settlement clearance system. The agreement provided for matters relating to the operation of the settlement clearance system, including the scope and quantity of the goods transacted through such a system, the maximum size of the credit line extended to each side and designation of a settlement clearance bank. In addition, the two sides agreed that the payment for the transaction of goods not included in the settlement, clearance system would be made pursuant to the general means of settlement practiced in the international market, thereby paving the way to a system of direct account settlement between the two Koreas. Till now, accounts in inter-Korean trade had been settled indirectly either via a bank in a third country or through a middleman.

The finalizing of the settlement clearance agreement makes direct settlement between the two Koreas possible. This will cut both the transaction time and costs of inter-Korean trade. Trade is expected to grow in the future, led particularly by an increase of trade in mutually supplementary areas. The signing of these four economic agreements has enormous implications in economic, social, political and legal spheres of both Koreas. It has, for the first time in the history of two Koreas, established a set of common

norms to be applied to inter-Korean economic cooperation based on consensus between them. Economic cooperation between the two Koreas will be placed hereafter under a set of common norms and systems agreed upon and managed by the two Koreas. This contributed to speeding up of the institutionalization of inter-Korean cooperation in other areas.

As evident from the agreement, the economic relations are poised to receive a big boost with this agreement. The inter-Korean processing trade received a big boost from the above agreements and the volume of goods under processing trade increased almost by 100% from \$100 millions at the end of 2000 to more than \$ 200 millions at the end of 2004³⁰. Not only has the volume of trade doubled within four years but trade products have also been diversified as well wherein the processing of items such as agricultural products, textiles, and shoes have now moved towards more sophisticated products such as color television, auto-wiring, computer monitor boards, and cassette tapes etc.

While the benefits from these agreements in the economic sphere are quite conspicuous, the benefits in other spheres such as social and legal are not as easily discernable which nevertheless are equally significant, and probably out match the economic benefits themselves. These agreements certainly facilitated greater social communication as the atmosphere for inter-Korean economic co-operation is increasingly becoming cordial. However the most significant benefits from these agreements apart from that of economic ones are in the legal sphere. The fore most of it is the fact is that the South Korean government, for the first time, considered them as “treaties” in order to give them legal status. This was not the case for the agreements that were signed in the past. For example, after signing the Basic Agreement in 1992, the South Korean government did not obtain consent from the National Assembly. Consent by the National Assembly is required to give legal validity to inter-Korean agreements related to the people’s rights and duties.

The announcement of the 1992 Basic Agreement was followed by various agreements on military and economic affairs, but the agreements themselves were not ratified according to domestic law. The South Korean government, as well as the

³⁰ *Korea Unification Bulletin*, Ministry of Unification of Republic of Korea, Seoul, No. 54, July 2004, p. 8.

Supreme Court and the Constitutional Court, simply considered them as gentlemen's agreements³¹. Therefore, the government's approach to the four agreements differs from the earlier ones. After considering various aspects of the matter the government finally decided to treat the Four Major Agreements as treaties ("special treaty," type 1 of the treaty stipulated in Clause 1, Article 6 of the Constitution)³² Such a decision was considered to be significant, especially from a legal point of view, as it meant that at least in the field of economic cooperation, inter-Korean relations would now be recognized within a legal and institutional framework. It was maintained that if they were not treated as "treaties" (i.e. legally guaranteed as South Korean domestic laws), it would be impossible to provide legal rights or benefits to the South Korean businesses operating in the North. Thus, it is the first example of an institutional framework on inter-Korean economic cooperation and first concrete attempt to overcome fixed ideas and approaches with regard to inter-Korean economic cooperation.

However the changes are not confined to economic and legal spheres. With the changing environment and relations particularly after the arrival of Kim Dae-Jung to power, there is change in the way in which Inter-Korean sports relations are seen. From this period, the spirit of Joint Declaration has influenced sports relations also. Inter-Korean cultural and athletic exchanges were seen as practical measures to revitalize a shared culture that was torn apart following the Korean division. It is hoped that mending that cultural fabric through non-political exchanges will in turn bring the two nations closer together. Therefore, a wide range of cultural exchanges offers a practical foundation for Korean unification in a country long fought by ideological hostilities. Most important among these exchanges include the participation and co-operation by North Korea in Busan Asian Games in 2002, participation in World Student Games in

³¹ Jhe Seong-Ho, "Four Major Agreements on Inter-Korean Economic Cooperation: Legal Measures for Implementation" *East Asian Review*, Vol. 16, No. 4, winter 2004, p. 23.

³² The premise for this is to identify the legal nature of inter-Korean relations and determine whether North Korea can be recognized as having the ability to sign a treaty. The South Korean government, according to international law, does not recognize North Korea as a nation, but as a political entity consisting of two parts of a divided nation. In relation to an inter-Korean treaty, the South Korean government appears to have taken the position that it recognizes North Korea as being eligible to sign a treaty.

Tageau, the unified teams for both Sydney and Athens Olympics would stand out as bearers of hope for future inter-Korean relations. Since the historic inter-Korean summit, there has been significant progress in sports exchanges. For the first time in the history of inter-Korean relations, at the opening and closing ceremonies of the 2000 Sydney Olympic Games, players from both nations marched behind a unified Korean flag wearing identical uniforms. Though there were talks between two countries to place a unified team in Athens Olympics in 2004, it did not materialize. Finally although the two Koreas marched together for the opening ceremony they competed as two different nations.

However North's participation in Busan Asian Games held in South Korea in 2002 is of great significance as it could contribute to the social integration of two Koreas, as well as diversification of exchange programs. The positive participation of North Korea in the Busan Asian Games was seen as not as the result of political compromise, but of continued communication and negotiation between the two Korean governments. Confident of the North's positive gestures towards inter-Korean exchange programmes particularly after the changing relations since 1998, Kim Un-Yong, President of KSC at that time, and Choi Jae-seung, Chairman of the Culture and Tourism Committee of the National Assembly visited Pyongyang, to aggressively promote the North's participation in the Busan Asian Games. North Korean officials agreed to review the matter positively. South Korean representatives tried to avoid politically sensitive questions such as forming a single team. Rather, they focused on relatively less political and less sensitive agenda and more on the emotions of shared heritage, common culture etc. to ensure North's participation. Thus it constituted of events such as a joint parade at the opening and closing ceremonies, hoisting a unified Korean flag, and the torch ceremonies conducted on Mt. Halla in the South and Mt. Paektu in the North. As a result of the agreements resulted in working-level talks between the two sides whereby North Korea dispatched a total of 695 people, including a 340-strong delegation composed of athletes, IOC members, umpires and supportive staff, in addition to the 355-member North Korean

cheering squad³³. This marked the first time that North Korea had participated in an international sports event held in the South since national division, and was the largest inter-Korean exchange programme since the 1990s. This also marked the occasion when for the first time in history of two Koreas, the national anthem of North Korea was played during the games. The good spirit of Busan games was reflected again in August 2003, when the North Korean team visited South Korea to participate in the World Student Games (Taegu Universiade) held in Taegu. There also both the Korean teams marched together in the opening ceremony but participated separately in the games. Moreover, the two Korean teams jointly waved the Peninsula's peace flag at the closing ceremony of this event. Another interesting observation in these games was that, the South Korean government provided full support for the North's delegation, funding hotel and other expenses from the inter-Korean Cooperation Fund.

In the spirit of the South Korean government's Sunshine Policy, several attempts by the private sector were also made for more active inter-Korean athletic exchanges such as a soccer match was organized between labour unions from Korea, unification Basketball matches were held in Seoul and Pyongyang and the unification Table Tennis Games were held in Pyongyang. The non-governmental and private sectors also played a positive role in promoting sports in North Korea. Various non-governmental groups such as Hyundai Asan and other labor unions took an active role in sports exchanges in North Korea and are helping North in creating a sports infrastructure. Recently, Hyundai Asan Foundation has been working on the construction of a 12,335-seat gymnasium in Pyongyang. The 57.5 million-dollar project will provide a modern space for future sports and cultural events in North Korea.³⁴

Initially in the early years of changing relations since 1998, not much active role was taken up by North Korean and South Korean governments for promotion of inter-Korean sports exchanges. While the former was having cash stripped economy with

³³ Choi Dae-Seok, "Building Bridges: The Significance of Inter-Korean Sports and Cultural Exchange" *East Asian Review*, Vol. 14, No. 4, winter 2002, p. 112.

³⁴ *Ibid.*, p. 118.

hardly any funds for development of sports, the latter's initiatives were initially were not adequate for the sports exchanges. It was only after the Busan Asian games that the South Korean government announced the decision to take a variety of measures to support inter-Korean exchanges in the future such as, through creation of a National Sports Promotion Fund and the Inter-Korean Cooperation Fund. Also a flurry of matches between the two countries was planned. At the third ministerial talks (September, 2002), South Korean authorities proposed the revival of Seoul-Pyongyang soccer match. In addition, the Minister of Culture and Tourism of the South visited Pyongyang to discuss several athletic and cultural exchange programs between the two Koreas. Given that the ultimate goal of inter-Korean sports exchanges lies in cultural integration and the restoration of national homogeneity, the significance of recent changes in inter-Korean relations cannot be over emphasized but nevertheless one of the important results of sports exchanges offer symbolic space for continuation of common heritage, culture, shared spaces through symbols such as flags, unified march etc. In the sphere of humanitarian support/ exchanges, Non-Governmental Organizations (NGO's) are playing a major role.

Since the late 1980s North Korea has been facing severe economic bankruptcy. The chief allies of North Korea- the Soviet Union and China discontinued new loans and demanded repayment of outstanding loans. By the end of the 1980s, the economic growth of North Korea had slowed to a minimal level and the consecutive floods in 1995 and 1996 and a renewed drought in 1997 caused a massive loss of crops and cultivated land. Analysts estimate that 18 per cent of the country's farmland was permanently destroyed and nearly two million people died (10 per cent of North Korea's population) from starvation and related sufferings.³⁵

Since the adoption of the Sunshine policy of engagement, the Non-Government Organizations (NGOs) in Korea have played an important role in providing humanitarian aid to North Korea. For this the South Korean government has given licensed law on cooperation exchange between North and South Korea. Although these organizations are

³⁵ Hyung Suk Kim and Thomas T. Park, "The North Korean Famine and Korean NGO's", in Suk Hi Kim, ed., *North Korea at Cross Roads*, (North Carolina: Mc Farland and Company, 2003), p. 135.

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different in terms of their political and religious orientation, they formed a council of private organization to work together to help North Korea.

In the past, the North and South Korean governments had vied with each other for providing economic assistance. It had started in November 1960 when the North announced its plan to help the South reclaim thousands of acres of farmland to build 100,000 residential houses and rehabilitate power plants. In November 1977, South Korea expressed its willingness to provide food to North Korea. In September 1984, North Korea provided 7, 200 tons of rice and \$5.7 million worth of clothes to the South Korean flood victims. In turn the South provided the North with 1, 50,000 tons of rice in June 1995. However such economic aids were designed for donor countries to boast of their economic strength ad to promote their ideology rather than to provide genuine humanitarian assistance.

Table 3.3 Humanitarian Assistance to North Korea (Government & Civilian)
(Unit: US\$ in tens of thousands)

Year	Government-Level	Civilian-Level	Total
1998	1,100 (KRW15.4 bil.)	2,085 (KRW27.53 bil.)	3,185 (KRW42.93 bil.)
1999	2,825 (KRW33.9 bil.)	1,863 (KRW22.36 bil.)	4,688 (KRW56.26 bil.)
2000	7,863 (KRW94.4 bil.)	3,513 (KRW42.1 bil.)	11,376 (KRW136.5 bil.)
2001	7,045 (KRW91.3 bil.)	6,494 (KRW84.4 bil.)	13,539 (KRW175.7 bil.)
2002	8,375 (KRW107.5 bil.)	5,117 (KRW64.1 bil.)	13,492 (KRW171.6 bil.)
2003	8,702 (KRW104.1 bil.)	7,061 (KRW84.7 bil.)	15,763 (KRW188.8 bil.)
2004.5	256 (KRW3.1 bil.)	6,978 (KRW83.7 bil.)	7,234 (KRW86.8 bil.)

Note: KRW (Korean Currency Unit Won).

Source: ROK Ministry of Unification 2004.

The assistance of the South Korean non-governmental organizations for North Korea began in the early 1990s as an alternative to solve rice surplus resulting from

several years of good harvest during the late 1980s. The Korean Christian Association and a daily newspaper began a campaign to collect rice from farmers and other citizens under the name of "The Hovering Rice". They delivered 10,000 tons of rice to North Korea in July 1990. In 1991 Korean American Medical doctors and other overseas Koreans helped North Korea to begin the construction of the Third People's Hospital in Pyongyang. Several Korean non-governmental organizations provided the hospital with a variety of financial and material support so that it could open its door for full service in 1995.

Since 1995 the South Koreans and the Korean overseas have formed numerous NGOs to provide humanitarian assistance to North Korea. The turning point for the South Korean assistance came in February 1998 when President Kim Dae-Jung announced his Sunshine Policy of reconciliation with North Korea. This policy legally allowed individuals, organizations and even the government to provide aid to North Korea. For instance The Korean Foundation for the World Aid (KFWA) is an international organization with the sole aim to provide and promote care and humanitarian services in North Korea and other nations. It is the largest non-governmental organization among the 30 NGOs in South Korea that engages in charitable activities focused in North Korea. KFWA donates approximately \$10 million worth of medical supplies and necessities and several other countries every year. Several ministries of the South Korean government have recognized KFWA as an important NGO through official actions.

On February 3, 1997, the Ministry of Foreign Minister Affairs and Trade permitted KFWA to register as a legal foundation. On April 8, 1998, the Ministry of Unification approved KFWA as the sole NGO for North-South cooperation in the area of health services. It had arranged numerous trips for about 500 South Koreans to visit North Korea for fact finding that enable them to better understand the humanitarian needs of their fellow citizens in the North. The major activities of KFWA is to modernize children's hospitals, establish heart disease centers, feed hungry children, provide children's hospitals with medical equipment and supplies and the necessities to the North Koreans.

Moreover the humanitarian exchanges are not confined to only the South Korea's assistance by NGO's to North Korea, but both Koreas decided for reunion of families to bridge the gap between divided families. The re-union of families is the most significant move that touches the emotions of people in two Koreas. Nearly 3000 families have crossed the De- Militarized Zone (DMZ) area and met their separated families since the division of Korea.

In the Joint Declaration of Pyongyang summit, the third article deals with the reunion of separated families by stating that the South and the North have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of National Liberation Day in August, and the question of unrepentant communist who had served long prison sentences in the South Korea³⁶. President Kim Dae-Jung persistently sought the resolution of the issue pertaining to reunion of separated families. Chairman Kim Jong Il willingly accepted the South Korean proposal and also made a counter- proposal. He wanted the return of those North Korean spies and sympathizers who had been released after serving long-term sentences, but had refused to be law- abiding South Korean citizens for ideological reasons.

The South accepted the offer within the broad framework of humanitarianism. Since the Summit in June 2000, there have been numerous (till January 2003 6th round of reunion of separated families) reunion of separated families between South and the North. At the same time, the South Korean government has returned eighty- three unrepentant communists to the North. North Korea however, has been lagging behind in making reciprocal measures. The reciprocity of North in terms of reunion of families has to be improved and the base has to be increased to speed up their long-term goal i.e., reunification. As mentioned earlier, the North Korea's economic bankruptcy and other natural calamities led to severe food shortage and resulted in thousands of hunger deaths. In order to overcome this problem the South Korea had decided to open all their avenues to help North Korea. The humanitarian and fertilizer aid has been increasing year by year.

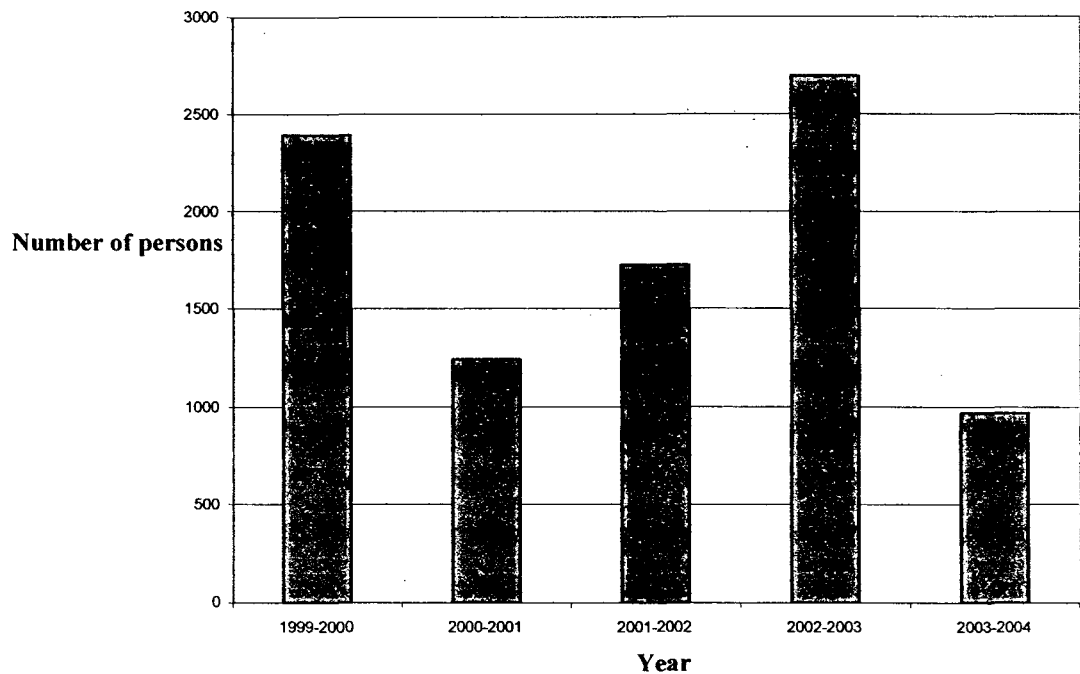
³⁶ Chung-In Moon, Tae-Hwan Kim, "Sustaining Inter-Korean Reconciliation: North-South Korea Cooperation", *The Journal of East Asian Affairs*, Vol. XV, No. 1, 2001, p. 211.

An attempt will be made to apply Pluralistic approach which emphasizes on integration through social communication and mutual interaction of both people and governments. Thus the role of social communication becomes key to the Pluralistic mode of integration. If one looks at the relation since 1998, the changes for increasing social/physical communication are rapid and greater than ever.

The efforts to restore the cross-border railway connecting Seoul and Shinuiju, known as the “Kyongui Line” exemplifies a new form of cooperation between the two Koreas and it presents a vision for Korea as the transportation and logistics hub of Northeast Asia in the 21st century. Munsan-Kaesong road construction under which South would construct twelve kilometers of railroad and North will connect the twelve kilometers of track from the MDL to Kaesong. Both the transportation projects will contribute to the expansion of inter-Korean exchanges. These are efforts to build up physical communication links which in turn would help increase the social communication between the people of two Koreas. Apart from rail road network to facilitate communication links in inter-Korean relations, social communication is also increasing through various channels such as religion, humanitarian charity, culture and sports.

At the Humanitarian level, the re-union of families is the most significant move in terms of increasing social communication. Nearly 3000 families have crossed the DMZ area and met their separated families since the division of Korea. The number is increasing every year. Apart from that, the humanitarian assistance by the South Korean NGO's in the various fields like KFWA's role in medical facilities is bound to help in building a positive atmosphere. The humanitarian help also includes the food aid and fertilizer aid to North Korea to overcome the drought situation in late 1990s.

Fig. 3.3. Government-Level Reunions of Separated Families Since the June 15 Summit



Source: ROK Ministry of Unification, 2004.

The other forms for increasing social communication include religion, culture etc. In the cultural sphere, the national orchestra of North Korea performed a joint classical music performance with South Korean counterparts in Seoul on August 18, 2000. For the first time after the Korean division, North Korean movies were shown at the Busan International Film Festival. However, more significant is the decision by both governments to send a unified team for the Sydney Olympics in 2000.

This increasing social communication help each other to reduce their differences as this people to people interaction is very important tool for any divided nation since the communication and interaction between people would create a positive atmosphere to understand each other and help to build confidence among the people of divided nations. The inter-Korean relations has become significant since 1998 because for the first time after the division of both Korea, efforts to revive various communication channels such as rails, roads are being actively pursued.

When it comes to analyze the inter-Korean relations after 1998 within a theoretical frame work, it is the Functionalist approach that becomes valuable mode because the relations are moving fast in the sphere of economy. In fact, the inter-Korean economic relations not only moving fast but also within a framework of institutionalized mechanism. Under this mechanism and the signed four agreements for better relations inter-Korean economic relations are poised for a big boost in the near future. The construction of projects like Kaesong Industrial complex, which requires nearly 15-20 years to finish all phases, would immensely benefit both South Korea by making their business competitive and North Korea by creation of labour and corporate tax payments. Thus benefits from economic projects like these serve as a strong credibility for the Functionalist approach, which emphasizes that economic interactions and technological transfers between two systems lead to integration and thereby to unification. Thus even by the present rate of business exchanges, the benefits from economic relations would be too many to think with regard to relations in the future. Moreover, given the generation gap that is slowly building up in Korea particularly with the generations who were born after the trauma of Korean War and hence emotionally less linked to the issue of Korean division and unification, the economic benefits from the inter-Korean relations give them a more pragmatic cause for rallying for the unification. Though the rate of technological transfer is not as huge as in trade, there has been some progress like the Korean Meteorological Administration proposed a joint inter-Korean research and exchange of information to prevent weather related disasters.

Though the focus on economy is quite clear from the inter-Korean relations since 1998, any strong emphasis on the functional aspect of these relations without taking adequate attention the developments in other areas would not only lead us to a partial picture but would also minimize the role played by the other factors. In fact, there are other players which include political parties, pressure groups such as business groups, etc which play a major role in the integration process. Inter-Korean relations are developing in spheres other than just economy since 1998. There were active interactions in the fields of sports, humanitarian, cultural exchanges etc. the role of multi players in the question of inter-Korean relations becomes clear even when one gives a passing look at

the 2000 Summit Joint Declaration. The Article 4 of the Joint Declaration clearly emphasizes this when it says, *gives emphasis to promote a balanced development of national economy through economic cooperation and exchanges in civic, cultural, sports, public health, environment and all other fields.*³⁷ This gives a gist of the plurality of the process that are simultaneously in pursuit with the question of unification.

Thus projects ranging from Mt. Geumgangsán mountain tourism project to the cross-border projects to reconnect the railways from Seoul to Sinjuju, to remove thousands of landmines buried in the adjacent area and to open roads of traffic to the sports exchanges, inter-Korean relations are to be looked as multi-faceted. These joint projects help the two sides to switch gear from passively managing security threats to actively resolving them based on the ideas of common security and cooperative security, and to provide a turning point to make a significant development in their relations.

The Neo-functionalíst approach helps us to best analyze these dynamics at various levels that are occurring simultaneously. A notable strength of neo-functionalism is that the main actors of exchanges and cooperation are not limited to the state. Though it is criticized for emphasizing, the role of the integration seeking elites acting at the transnational level and for its dependence on the elite's technocratic policy decisions, neo-functionalism can include in the integration process the whole spectrum of actors-actors in the central government, local governments, civil society, the economic community and the international community. This approach enables us to imagine the possibility of multilevel governance intersecting various spheres in inter-Korean relation. The economic benefits together with the cultural, social aspects would then make people realize the true potential of living in a unified Korea. This will produce a positive effect through which the present tide of openness and integration will not be reverse, thus contributing to stable reproduction of inter-Korean relations.

However, the Neo-functionalíst approach also gives adequate attention to the central role that the economic relations can play for the peaceful resolution of the problem of the Korean People. For example, exchanges between the divided West

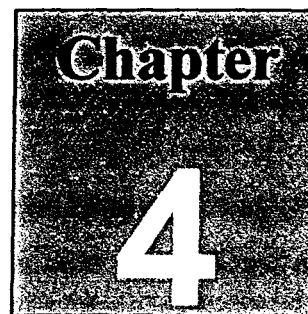
³⁷ Text of Joint Declaration, YNA, p. 4. For full text of Joint Declaration during the Summit 2000, see Yonhap News Agency, 15 June, 2000.

Germany began with economic exchanges, defined as “regional trade”, not inter-state trade, with out levying of taxes on traded goods. This helped to serve the interest of German people on both sides as well as the interest of the states. Even in the case of Korea, inter-Korean economic relations are on the move as they have signed four crucial agreements on trade and as in case of Germany, it would help the both Koreas to normalize their relations in the long term and move towards reunification.

Though the emphasis had been more on economic integration between the two Koreas it is also essential to take into view the other domains, social, cultural etc. The Kim Dae Jung’s Engagement Policy towards the North based on the neo-functionalist approach which gives importance to social integration needs to be taken into consideration whereby the sole aim would not be merely attainment of unification for the namesake but in spirit too. It should aim at building a unified Korea with similar perceptions and with no distrust towards the other. An attempt towards this is evident in the case of the Mt. Kumgang tourism project where despite the economic constraints efforts are continuously being made to continue with the project with the help of both the governments. This reflects that unification is being perceived from a broader perspective and not in terms of material and economic benefits only.

The changing equations in inter-Korean relations would be better understood in the light of the changing nature of North Korea’s policy towards South Korea. The following chapter analyzes North Korea’s perception of these changing relations.

CHAPTER – 4
Internal Dynamics
in North Korea: Changing Patterns

A graphic with a dark, textured background. The word "Chapter" is written in a white, serif font at the top. Below it, the number "4" is written in a large, white, serif font.

Internal Dynamics in North Korea: Changing Patterns

4.1 Pyongyang's Policy towards Seoul till 1998

Despite the evolution of various policies of North Korea towards South since the foundation of the two states in 1948, North Korea followed certain underlying theological principles consistently. These principles¹ may be summarized as follows: Firstly, the DPRK is the representative of the Korean people and the regime in the South is a grave threat to the very existence of the DPRK which is backed by the ceaselessly hostile United States. Therefore DPRK must have a strong defense at all cost against American and South Korean hostility. This defense was not to be just in military, but also on the ideological terms. The people of North Korea must be protected from any ideological infection of South Korean or Western capitalism which would only confuse the people and undermine their unity and morale. Secondly, the people as opposed to the government of South Korea would warmly welcome unity with their Northern brethren and be more sympathetic towards the DPRK and its leadership. They were not to be restrained and indoctrinated by their government and U.S propaganda. Therefore, the DPRK government should pursue united front tactics with sympathetic elements in South Korea (and abroad) whenever possible dividing the people from their unrepresentative government. Thirdly, the North would emerge victorious because it is morally correct and will gain the support of the people of North and South. Therefore at times dealing directly with ROK leadership has been considered as a feasible tactic and even establish a “confederation” bringing the two systems together under a single state, provided the outside powers (primarily United States) do not interfere and the system are left as they

¹ For North Korean ideology as theology, see Hans S. Park, *North Korea: The Politics of Conventional Wisdom* (Boulder Co: Lynne Rienner), 2002, p. 27.

are for the time being. This is because left to themselves, the Koreans (North and South) will eventually see the superiority of the North Korean system and voluntarily chose to be governed by it.

Without altering these fundamental theological principles the North Korean policy towards South has changed considerably over the time. Increasingly both Pyongyang and Seoul have treated each other as legitimate states rather than as hostile non-state entities. Pyongyang-Seoul relations have evolved through three successive stages: In the first the two culminated in inter-Korean Agreements in 1972 (the July 4th Joint Communiqué) and 1991.

The Basic Agreement on Reconciliation, Non-Aggression Exchanges and Cooperation each of which raised great expectations of reconciliation and reunification of the Korean peninsula but were soon overshadowed by renewed distrust and mutual hostility. The second stage witnessed the re-emergence of DPRK from a decade of internal and external crises including the collapse of Pyongyang's communist allies, the death of Kim Il-Sung, the 1993-94 nuclear standoffs with the United States and the famine of the mid 1990's. In the third stage since 1998 with Kim Dae-Jung coming to power as the president of ROK and the occurrence of the historic Pyongyang Summit, North Korea moved closer towards the South with regard to the policy of peaceful existence.

Before analyzing these three stages of inter-Korean relations one needs to look at the policy followed by North Korea before the Joint Communiqué of July 4, 1972. North Korea had followed the revolutionary strategy towards South Korea till 1972. It had never given up on the idea that South Korea would one day undergo a socialist revolution and join the North under a single revolutionary government. This idea was first expressed in 1946 with the concept of North Korea as a 'democratic base' (*Minju Kiji*). The northern half of the Republic i.e. North Korea is such a base for anti-imperialist, anti-feudal democratic revolution in the whole country. DPRK has waited for revolution to erupt 'in the whole country' the revolutionary regime which should unite with the sympathetic elements in the non-revolutionary part of the country. This was the origin of Pyongyang's United Front Policy, and North Korea still attempted to cultivate the support of anti-

government critics in South Korea. It seems unlikely that the Pyongyang leadership puts much hope in a pro-DPRK cadre in South Korea.

Initially, this United Front Policy (Revolutionary Strategy) was combined with a proper proactive military strategy. In June 1950 North Korea decided to attack the South, a decision that was bold but by no means irrational under the circumstances. In the war against the Syngman Rhee Authoritarian regime the Korean people needed to defend the Democratic People's Republic of Korea and its constitution with their lives, wipe out the traitorous puppet regime of Syngman Rhee and liberate the Southern half, restore the Southern half of peoples' committees, the genuine peoples' power and accomplish the cause of the country's reunification under the banner of the Democratic People's Republic of Korea.² The war would have quickly ended in the North's favour had it not been for the US led coalition defense of ROK.

North Korean Foreign Minister Pak Hon-Young's prediction that a huge pro-Pyongyang uprising would erupt in the South in support of the Korean Peoples' Army turned out to be wrong and Pak paid with his life for his failure of prognostication and was executed for treason in 1955. Nevertheless the fact that the Rhee regime was saved by the U.S forces during the Korean War could be used to support the notion that the ROK was an artificial entity propped by the Americans.³ It was held that South Korea is nothing but an instrument subservient to the instructions of the US master, a puppet regime prepared at the point of the bayonet of the US imperialists. US imperialism holds tight control over South Korea in its political, economical, cultural, military and all other fields through this puppet regime and its referred to as 'aid'. The puppet regime 'aid' are the major instruments of U.S imperialists neo-colonial rule over South Korea.⁴ According to North Korea, the U.S imperialism and the colonialist social, political and economic set up in South Korea is a yoke on people's neck obstructing the democratic development of the South Korean society and is the root cause of economic bankruptcy. This economic bankruptcy and the miserable social conditions of the people have led to

² Kim Il- Sung, *Selected Works I*, (Foreign Languages Publishing House: Pyongyang Korea), 1976, p. 289.

³ Charles. K. Amstrong, *Inter-Korean Relations a North Korean Perspective*, in Samuel. S. Kim, ed., *Inter-Korean Relations: Problem and Prospects*, (New York: Palgrave, 2004), p. 42.

⁴ Bong Baik, *Kim Il-Sung, Biography III*, (Tokyo: Marisha, 1970), p. 463.

session's socio-economic and national revolution of contradictions. The basic contradiction in the South Korean society at the present stage is between US imperialism and its accomplices-landlords, comprador capitalist and reactionary bureaucrats on the one hand and the workers, peasants, petty-bourgeoisie, students and national capitalists on the other.⁵ Kim Il-Sung declared the character of the South Korean revolution as "The basic task of the revolution in South Korea is to eliminate U.S colonial domination, secure the democratic development of South Korean society and achieve the country's unification in unison with the socialist forces in the North."⁶

Thus North Korea assumed that revolution would come and change the colonialist and imperialist character of the process and anti- North Korean South Korean authority. However there was no viable pro-North Korean, anti-imperialist, national liberation in South Korea after the Korean War. Pyongyang's approach seems to have been that since the ROK would soon collapse due to its own contradictions sooner rather than later, the North should abide its time and be prepared to move in and reunify the country when the opportunity presents itself.⁷ But a June 25 style of invasion was never again attempted due to the clear U.S commitment towards the defense of South Korea and unwillingness of USSR and China to support such a venture.

However with the student revolution of April 1960 resulting in the removal of Syngman Rhee, the DPRK leadership hoped for a collapse of the Southern system that would lead to unification of North Korea terms. In order to achieve this end, the DPRK softened its rhetoric towards the interior Chang Myon government. Although this was couched in terms of 'peaceful coexistence', the DPRK leadership seems to have felt the South would soon come under communist control and stepped training of southern-born cadres for that end.⁸ But after the military coup and the emergence of the Park Chung Hee government in 1961, the window of opportunity for unification on North Korean

⁵ Ibid., p. 463.

⁶ Kim Il-Sung, *Selected Works II*, (Pyongyang Korea: Foreign Languages Publishing House, 1976), p. 389.

⁷ Charles. K. Amstrong, *Inter-Korean Relations a North Korean Perspective*, in Samuel. S. Kim, ed., op. cit, p. 42.

⁸ Balasz Solantai, "You Have no Political Line of Your Own: Kim Il-Sung and the Soviets, 1953-64", Paper presented at the Woodrow International Center for Scholars, Washington, D.C, May 28, 2002, pp. 27-28.

terms appeared to have closed. However, Pyongyang did not give up on a potential military solution to the problem of Korean division.⁹ North Korea had become more hostile and active in character since the establishment of military dictatorship in South Korea in May 16, 1960. The emergence of an active anti-communist leader following the May 16 military coup prompted North Korea to take a more aggressive approach than before. Conscious of the staunch anti-communist posture of the South Korean military, North Korea changed that the South Korean military coup was a U.S. plot to escape from the dilemma of its colonial rule in Korea by establishing a fascist military dictatorship.¹⁰

With the establishment of military dictatorship in ROK, DPRK focused on preparing for a military confrontation with the Americans. As a result of Pyongyang reinforced military preparations, Kim Il-Sung visited Soviet Union and China and signed separate mutual defense agreements in July 1961 two months after the military coup in South Korea. The plenary session of North Korean Labour Party Control Committee adapted four principles of military built up, in order to reinforce North Korea's own internal conditions. The four major military lines were: cadetization of all military men, modernization of military equipment, militarization of all military men and fortification of all territories.

The advent of a strong anti-communist government in South Korea led North Korea to believe that all the avenues to negotiations had been blocked, so Pyongyang decided to take an aggressive approach to unification. This was evident in three of Kim Il-Sung speeches. In his speech before the Fourth meeting of the Korean Labour Party on September 11, 1961, Kim presented a three phase revolutionary theory. First, the South Korean people of all strata should be made to organize a revolutionary party guided by Marxism and Leninism. Secondly, they should be made as a force which would play a leading role in demanding withdrawal of U.S. troops. Thirdly, North Korea should achieve the unification of Korea through its merger with them in the final stage.¹¹ In his

⁹ Charles. K. Amstrong, op. cit., p. 43.

¹⁰ Bong Baik, op. cit., p. 473.

¹¹ *Kim Il Sung Selected Works I-VI*, (Pyongyang Korea: Foreign Languages Publishing House, 1979), p. 141.

speech before the Eight General Congress of the 4th Central Committee of the North Korean Labour Party in February 1964, Kim Il-Sung adapted three great revolutionary guidelines: the strengthening of the revolutionary force in North Korea, the strengthening of the revolutionary force in South Korea and the reinforcement of the revolutionary forces in the international arena. In his address to the Social Science Institute in Indonesia on April 14, 1965, he made it clear that North Korea's ultimate objective was Korean unification through the socialist revolutionary process.

Thus beginning in 1962 North Korea embarked on a renewed program of military built-up under the slogan *chonmin mujanghn's* (arming the entire people) and diverted the precious economic resources into the military even at the moment when East Bloc assistance for post war reconstruction was discontinued. This proved to be a turning point for the DPRK economy after an impressive period of post-war development in the 1950's and early 1960's as North Korea would never regain its economic advantage over the South.

Moreover attempts to destabilize the ROK government through direct action reached its peak in 1968 with the infiltration of North Korean commanders onto the grounds of the South Korean presidential compound or Blue House. The commanders came within a few hundred yards of their target, president Park Chung-Hee. This was followed by the North Korean capture of the American intelligence ship the USS Pueblo, whose crew was held captive for a year and was released following an American apology for spying on the DPRK. So the relations between the two Koreas at this time practiced their version of West Germany's Hallstein Doctrine or China's Policy toward the Republic of China or Taiwan i.e. refusal to recognize the rival state's existence or to maintain diplomatic ties with any foreign country that recognized it. Both Koreas were entrenched in their respective Cold War Blocs, which reinforced the North-South Korean confrontation and inhibited North-South contact.¹²

However the external environment changed dramatically in the early 1970's when the Nixon administration made secret and then public overtures towards normalization with the People's Republic of China (PRC) who are the closest supporter of North. The

¹² Charles. K. Amstrong, op. cit., p. 45.

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four major actors in East Asian politics- the United States, the Soviet Union, China and Japan helped to relax the tension in the Korean peninsula. The new configuration of power among the U.S., the Soviet Union and China in the early 1970's and subsequent trends towards 'détente' dramatically improved the Korean environment.¹³

Moreover there were changes in the composition of the U.N. and its structure owing to the admission of new Afro-Asian countries which weakened the U.S. position at the U.N. This was a setback to the South's traditional unification policy at the World Forum. The Soviet Union and Chinese responses to Nixon's doctrine to move from confrontation to negotiation, partial withdrawal of U.S. forces from the South despite Park's plea to the country, the South involvement in Vietnam and its defeat and Sino-Japanese rapprochement might have posed a serious challenge to South's traditional anti-communist policy. Thus the changing external environment helped both Koreas to normalize their relations. The two Koreas took matters into their own hands and began direct negotiations with each other first through their respective Red Cross Committees and then through a series of meetings between North and South Korean intelligence officers. As a result both North and South announced joint communiqué on July 4, 1972.¹⁴

The North-South joint statement comprises of seven points and the two sides reached an agreement on the following principles of the reunification of the country. Firstly, reunification should be achieved independently without reliance upon outside force or its intervention. Secondly, reunification should be achieved by peaceful means, without recourse to the use of arms against the other side. Thirdly, great national unity as one nation should be promoted first of all, transcending the differences of ideology, ideal and system. The two sides agreed upon refraining from slandering and culminating the other side and from committing armed provocations, big or small, upon taking active measures for preventing unexpected military conflicts in order to ease the tension between the North and South and create an atmosphere of trust. The two sides agreed upon realizing many sided inter-change between the North and the South restore the

¹³ Harold Hakwon Sunn, *America's Dilemma in Asia: The Case of South Korea*, (Chicago: Nelson Hall, 1979), p. 156.

¹⁴ Don Oberdofer, *The Two Koreas: A Contemporary History*, (Reading, MA: Addison-Wesley, 1997), pp. 14-15.

severed national ties, promoted mutual understanding and accelerate independent, peaceful unification. The two sides agreed upon rendering active assistance in bringing an early success to the North-South Red Cross talks now in progress amidst the great of the whole nation. They also agreed upon installing permanent direct telephone links between Pyongyang and Seoul to prevent unforeseen military incidents and to deal with the questions arising between the North and South directly, promptly and accurately. Fourthly the two sides agreed upon forming a North-South coordinating commission for the purpose of promoting the implementation of these points of agreement and at the same time settling various problems between the North and the South. Firmly believing that the points of agreement mentioned above conform to the unanimous desire of the whole nation to aspire for national reunification, both the sides solemnly promised to the whole nation to honestly fulfill these points of agreements.¹⁵

The North-South dialogue and North-South joint statement paved the way for achieving reunification, removing the barrier standing between the North and South. They laid precious foundation of struggle for realizing the supreme divine of the nation on the principle of national reunification fully conforming to the national aspiration and interests of the Korean people.

The announcement of the North-South joint statement aroused a great repercussion both at home and abroad.¹⁶ However due to lack of confidence of the North Korean authorities on the participation of the South Korean authoritarian leaders and the continuation of the revolutionary strategy of North Korea over South Korea, the official dialogue process came to a standstill. The new movement that raised tremendous expectations of both the North and South reached a settlement in about a little over a year. After a half dozen meetings of the newly created North-South coordinating committee, the two sides reached an impasse and the North cutoff talks in the mid 1973, when Kim Dae-jung was kidnapped in Tokyo on August 8, 1973. The statement declared a unilateral suspension of the operation of the coordinating committee. asserting that we cannot sit together and discuss with Lee Hurak and other South Korean 'gangsters'

¹⁵ Kim Han-Gil, *Modern History of Korea*, (Foreign Languages Publishing House: Pyongyang Korea, 1979), p. 549.

¹⁶ *Ibid.*, p. 550.

important state affairs because they persecute a democratic personage calling for a peaceful unification.¹⁷

By the 1970's the DPRK had put aside or at least moderated its Southern Revolutionary strategy.¹⁸ This doesn't mean that North Korea had given up together on the notion that the South Korean regime might collapse. Some direct actions gave way to terrorist tactics by North Korean agents in South Korea and outside. In 1974 an ethnic Korean from Japan attempted to assassinate Park Chung-Hee but failed, shooting and killing Park's wife instead. The later half of the 1970's was probably the last point at which the DPRK held any serious hope of a military solution that would unify Korea in the North's favour. The North Vietnamese conquest of the South in April 1975 might have suggested that Korean unification would follow suit, an idea reinforced by U.S. presidential candidate Jimmy Carter's campaign promise later that year to pull American troops out of Korea, signaling a reduced military commitment to the ROK.¹⁹

The confusion in South Korea following the assassination of Park Chung Hee by his own Chief of Intelligence in October 1979 promised to be another opportunity for the North to take charge of Korean unification. But the Carter administration reversed the idea of withdrawal of troops and followed by another military coup under General Chun Doo-Hwan, had avoided the North Korean intervention at the critical moment in South Korea. Thereafter Ronald Reagan's unqualified commitment to the ROK's defense soon closed the window of opportunity as the conventional military balance shifted away from the North and the economic gap grew increasingly in favour of the South. In October 1983 North Korean agents set off a bomb that killed a dozen members of ROK President Chun Doo-Hwan's cabinet in Rangoon, Myanmar although they missed killing Chun. While deplorable, the DPRK's assassination tactics were not the same as the kind of terrorism practiced by the Irish Republican Army in Britain or Islamic terrorist groups in the Middle East. The DPRK did not engage in random violence towards civilians

¹⁷ National Unification Board, *A White Paper on South-North Dialogue in Korea*, Seoul, 1980-2003, p. 86.

¹⁸ Yi Chong-Sok, *Understanding Contemporary North Korea*, (Seoul: Yokra Pip Yongsu), 2000, p. 381.

¹⁹ Nicholas Ebersterdt, "North Korea's Unification Policy, 1948-1996", in D. Oberdorfer, ed., *The Two Koreas: A Contemporary History*, (Reading, MA: Addison-Wesley, 1997), p. 242.

attempting to terrorize the population at large but rather targeted political leaders for assassination.²⁰ DPRK always thought the South Korean civilians to be with them but not the leaders. Therefore they wanted to eliminate the unpopular South Korean leaders as it would create a favourable image of North Korea among the oppressed South Korean civilization population. But one major exception to this tactic was the bombing of a Korean Airlines passenger plane in November 1987 which was apparently intended to create a climate of fear that would disrupt the 1988 Seoul Olympics. This turned out to be unsuccessful and since 1987 there have not been any further DPRK backed terrorist attacks on ROK citizens as far as publicly known. But the North-South Red Cross dialogue was revised in the mid 1980's and there was a brief flurry of cultural exchanges and visits of separate families in 1985 but this quickly fizzled out. In the late 1980's the historic Thirteenth Presidential election on December 17, 1987, which brought about the first peaceful transfer of power through direct election in the history of South Korea brought about changes in North Korea's perspective towards the South.

The transition from Chun Doo-Hwan era to Roh Tae-woo era saw a transformation in the nature of politics from authoritarianism to democracy, from civil uprising, underground dissident movement to open and participatory politics.²¹ As a result the attitude of North had changed and the high level North-South talks that had began after a setback caused DPRK protests over the ROK-U.S. "Teamspirit" joint military exercises in the mid 1980's. Subsequent to the Roh Tae-Woo factor the regional and global circumstances had shifted dramatically to the detriment of the DPRK's position. The collapse of every communist state in East Europe between 1989 and 1991, including the USSR itself came as a deep shock to North Korea and deprived Pyongyang of most of its important trade partners, political supporters and allies. As result in December 1991, North and South signed an agreement on reconciliation, non-aggression and exchanges and cooperation called Basic Agreement which is regarded as an important declaration of North and South cooperation and coexistence since the 1972 Joint Communiqué. It was followed in February 1992 by a joint "Declaration of the

²⁰ David Kang, "North Korea's Military and Security Strategy", in Samuel. S. Kim, (ed.), *North Korean Foreign Relations in the Post-Cold War Era*, (Hong Kong: Oxford University Press, 1998), pp. 177-179.

²¹ R.R. Krishnan, *The Fruits of a Democratic Revolution*, (The Pioneer: New Delhi), 1987, p. 315.

Denuclearization of the Korean Peninsula”. This rose up the hopes for a major change in the North-South relations and for a new momentum towards reconciliation and eventual unification.²²

4.2 North Korea on the eve of Sunshine Policy in 1990's: The Decade of Disaster

The basic principle of North Korea's national economic management has been to build absolute economic self-reliance i.e. Juche ideology²³. According to the North Korean authorities the aim of the country's economic policy is to supply necessary industrial and technical means to satisfy domestic demand for material goods. The principles of self-reliant, restriction on international trade and closed economic management have given negative economic growth in North Korea. North Korea was witnessing one of the worst ever turbulent crisis during the decade of 1990's. In fact, the adverse conditions were so pervasive that there was hardly any sphere i.e. political, economic, natural, social and external, in North Korea which is with out any crises.

North Korea as is evident is one of the poorest nations and most isolated economies in the world. In addition to this, the North Korean economy from 1989 onwards began to witness negative economic growth which continued for nearly the next decade. Thus the Gross National Product (GNP) of North Korea fell from \$23.1 billion in 1990 to \$12.6 billion in 1998, a decline of 55 percent according to Bank of Korea.²⁴ Its

²² Charles. K. Armstrong, op. cit., p. 45.

²³ The Principle of juche means self reliance the first syllable, *ju*, means “the main of fundamental” principle; the second syllable, *che*, means body self or foundation of something. Kim Il-Sung introduced juche in a speech in Korean Workers Party (KWP) as propaganda to agitate workers on December 28, 1955, when he was trying to eliminate rival politicians. Since its inception *juche* under went revisions, reinterpretations in the later years with its reliance foreign powers for its economic aid and military support. The belief of juche thus got eroded, making it necessary for revising or re interpreting the original idea of juche to make it compatible to the present. However its popularity as a principle in North Korea is intact as North Korean's see juche as in separable from socialism and as only means by which masses can gain independence. Juche is repeated endlessly in class rooms, and in media, emphasizing national self- reliance independence and worship of the supreme leader. Finally the ideology remains to have a powerful influence on the domestic and international policies of North Korea.

For more details on Juche ideology and the central role it plays in North Korean economy and security, see Oh Kaongdan and Ralph C Hassig, *North Korea Through the Looking Glass*, Washington, D.C.: Brookings Institution Press, 2000.

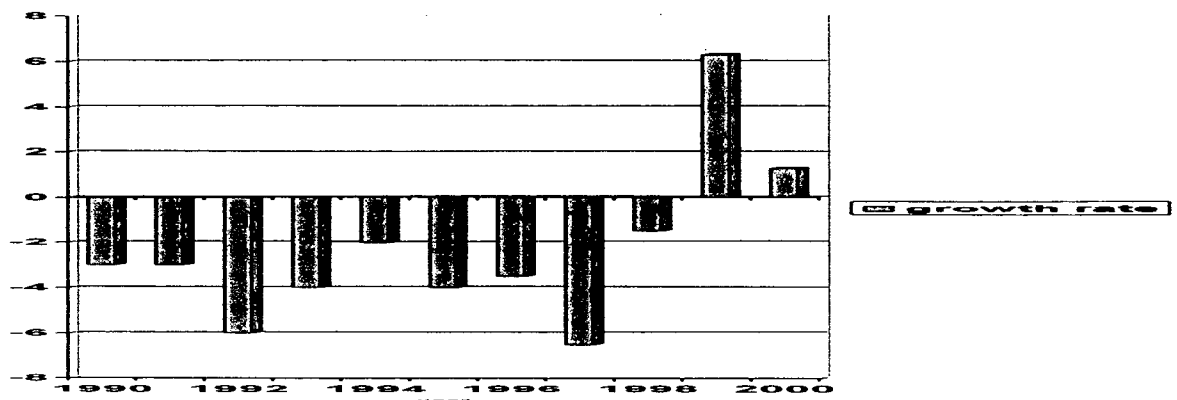
²⁴ Kim, Hyung Suk and Park, Thomas T., “The North Korean Famine and Korean NGO's”, in Suk Hi Kim, ed., *North Korea at Cross Roads*, (North Carolina: Mc Farland and Company, 2003), p. 134.

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foreign trade declined by 70 percent as the country's economic relations with former communist countries dwindled. In 1998, the country's foreign debt, in default since the 1980's amounted to \$12 billion, equal to 96 percent of this country's GNP. The production in the North Korean factories is estimated to have operated at no more than 25 percent of capacity during this period. The health care system was in dire conditions and the food shortage became the most pressing economic problem.

Both external and internal factors account for the negative economic growth in North Korea. At the external level, there were various developments and the decline of friendly market system/cooperative system among the socialist countries which usually ranged from one-fourth to one-third of regular market prices which adversely affected the economy. Secondly, the breakdown of the cooperative network among the socialist resulted in market contraction and a decrease in demand. In the late 1980s, China and Russia stopped providing new loans and began demanding repayment of outstanding loans. The stoppage of new loans by the exiting socialist powers to its ailing socialist brother North Korea coupled with their insistence on repayment of loans made North Korean economy move from bad to worse. Consequently, today North Korea suffers from shortages of foreign currency, grain, spare parts, oil, technology, and morale, poor product quality, living standards, and production facilities.

Fig. 4.1. Growth Rate of North Korean Economy



Source: Suk Hi Kim, North Korea at Cross Roads, 1999, p.132.

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Apart from the external factors, factors like natural calamities have aggravated the burden on the economy. North Korea witnessed one of the worst ever famines not only in its history but also in the history of mankind in the year 1995 which continued till 1999. Though there are no official reports on the number of deaths during this famine, reports from international organizations like Red Cross roughly estimate that the number of deaths were between 100,000 to 300,000. Moreover, in 1995 and 1996, the country witnessed floods which were followed by a severe drought in 1997. Due to this, the production of grains such as corn got reduced by almost 50 percent. These natural calamities intensified the negative economic growth and the recession in the economy made the natural calamities worse.

This vicious circle continued to ensure the negative growth of the economy, as there was not much of aid from the external sources during the early periods of natural calamities. In fact, countries like U.S. initially denied the existence of the North Korean famine. Not only in the case of famine, but North Korea' position vis-a-vis the international politics was also grim during this period as is evident from the external situation i.e. in international politics. This period witnessed not only the fall of Soviet Union in 1991, but also many other communist states in Eastern Europe, thus reducing the number of countries in the Communist Bloc. These had enormous repercussions for North Korea since erstwhile Soviet Union was one of the chief suppliers of aid, economic assistance, food grains, and oil supplies to North Korea. More importantly, the fall of communist regimes in various parts of the world led to the dismantling of friendly co-operative system that existed between the communist countries.

As a result of these events, North Korea was not only stripped of the economic assistance it was receiving earlier but was forced to buy goods from the international market at international prices, thus resulting in severe pressure in its dwindling foreign reserves. Another direct consequence of the fall out of Soviet Union was the nuclear stand-off between North Korea and United states. As North was facing chronic oil / power shortage after the fall of Soviet Union, it resorted to revival of its nuclear program. Though it seems that the DPRK's nuclear program was a defensive one and was a desperate attempt to ensure state survival, it irked United States and ultimately U.S. and DPRK came to the brink of a war in June 1994. It was only by an eleventh hour visit by

former U.S. President Jimmy Carter to Pyongyang and talks with Kim Il Sung that averted the war.

But none of these crises were as severe as the sudden death of the Great Leader Kim Il-Sung on July 9, 1994, soon after talks with U.S. which led DPRK to the verge of collapse in the political sphere. Kim-Il-Sung was the greatest leader in North Korea who was regarded as a fatherly figure by the people of North Korea who ruled for nearly 45 years. His untimely death during the crisis period pushed North Korea nearly to collapse. But soon after the mourning period, his son Kim Jong-Il took charge as a General Secretary of KWP, and brought the political crisis under control. However Carter's visit to Pyongyang, demise of Kim Il-Sung followed by the talks between both North Korea and U.S concluded in the Agreed Frame Work of October 1994, which assured to supply the energy requirements of the North in return for the abandonment of its nuclear program.

According to the Agreed Framework of the U.S-DPRK, the ROK has to play a major role to construct Korean Peninsula Energy Development Organization (KEDO). Subsequently South Korea also provided food, economic aid to the North in the mid 1990's, but a small North Korean submarine intrusion into South Korean waters on September 18 1996 adversely affected the relations. Commenting on this incident a government official stated that the ROK government will totally freeze inter-Korean economic cooperation.

The situation only changed with the coming of Kim Dae-Jung to power in 1998. At this stage of crisis in all spheres i.e. economic, political, social South Korea announced the Sunshine Policy in 1998 February to North Korea. The South Korean President Kim Dae-Jung announced a three stage of Sunshine Policy in order to normalize/neutralize relations with the North. As per the three basic principles, South Korea would not tolerate any armed provocation, will not have any intention to harm or absorb North Korea and Seoul will actively push, reconciliation and cooperation between the North and South.

However, the Sunshine Policy initially did not receive adequate positive response from North Korea. This was probably because of two reasons. Firstly, there was lack of trust and the suspicious nature of North Korea on South Korea. The relations between the

two Koreas since 1945 had been guided and dominated by 'suspicion' towards each other. So, even when the Sunshine Policy was announced by South Korea in 1998, suspicion still dominated. Thus North Korea did not show much interest immediately towards the policy. Secondly North Korea had succeeded in restoring the balance in its international relations which was badly affected, particularly after the fall of Soviet Union. It established the links with most of the countries of European Union, Eurasia and its neighboring countries of China and Russia.

4.3 Inter-Korean Relations since 1998: Changing Patterns in North Korea

Since the inauguration of Kim Dae-Jung as the South Korean President in 1998, the inter-Korean relations moved in a positive manner signifying divergent changes. It became clear that without seriously addressing the issue of mutual suspicion i.e. perceiving the 'other' as a threat to its internal security, there could not be further developments in inter-Korean relations. South Korea took various measures to remove this suspicion and fears of North Korea. The first effort was the removal of investment restrictions on South Korean Business firms. On April 30, 1998, the ROK government completely lifted investment restriction on DPRK to promote inter-Korean economic cooperation. As mentioned earlier, DPRK had recorded negative economic growth for nine consecutive years from 1990-1998. While enjoying economic benefits from South Korea and other countries, the North Korean economy finally turned around in 1999.

However the crucial measure to remove suspicion came in with the announcement of Berlin Declaration by Kim Dae-Jung in March 2000. Under the Berlin Declaration, Kim Dae-Jung made three promises to the North Koreans: a) to guarantee their security, b) assist in their economic recovery efforts and c) support them actively in the international arena. He also mentioned that the Government of the Republic of Korea is ready to help North Korea tide over its economic difficulties, the economy and politics. However to realize meaningful economic collaboration, the social infrastructure including highways, harbors, railroads and electric and communication facilities must be expanded....The government of the Republic of Korea is ready to respond positively to any North Korean request in this regard".²⁵

²⁵ For a full English text of the Berlin Declaration see Yonhap, March 9, 2000.

Pyongyang's reaction came six days later on March 15 2000, in a commentary entitled 'Actions Speak Louder Than Words' in Rodong Shinmun (The Workers Daily) the official organ of the Korean Workers Party (KWP). While dismissing the 'declaration' as nothing new, the DPRK nonetheless claimed that inter-Korean talks could take place any time if their behaviour is in line with our principled position.²⁶ DPRK has enormous confidence on Kim Dae-Jung because he was the man who always criticized the authoritarian and dictatorial regimes in South Korea. He was also a veteran political leader who was probably the most well known politician outside South Korea. He has been often described as an indomitable oppositionist who had been kidnapped, jailed, sentenced to death and exiled during more than thirty years of active political life devoted to establishing a liberal democratic political order in South Korea.²⁷ In 1973 soon after the announcement of Joint Communiqué in July 4, 1972, DPRK suddenly withdrew from the official level talks due to the kidnapping of Kim Dae-Jung in August 1973 in Tokyo.

On the Eve of New Year's message of 2000 the message of Kim Jong-Il was published in the Rodong Shinmun and mentioned in its editorial that the Pyongyang regime did not criticize South Korea's engagement policy and the North also did not call for repealing South Korea's national security law which has been demanded as one of the strings for governmental level bilateral talks²⁸ and it also showed a willingness to go along with Seoul's policy of separating politics from business. It is likely that North Korea will continue private level exchanges and cooperation with the South in order to pursue its policy direction seeking pragmatic benefits.²⁹ Since then, the interaction between South and North has been increasing in numerous ways in political, economic and social and cultural levels.

²⁶ "Malpoda Silchon haengdond ui Chungyo hata" (*Action Speaks Louder Than Words*), Rodong Shinmun, March 15, 2000, p. 5, as quoted in Jung Jin-Wi, *North Korean relations and Unification*, Yonsei University Press, 2003, p. 141.

²⁷ R.R. Krishnan, *The Fruits of a Democratic Revolution*, *The Pioneer*, New Delhi, 1987, p. 315.

²⁸ North Korea's New Year Message, Analysis of North Korea's New Year Message", *Korean Unification Bulletin*, Ministry of Unification of the Republic of Korea, No. 15, January 2000, p. 4.

²⁹ *Ibid.*, p. 5.

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At the political level, the historic Pyongyang Summit was the first meeting where for the first time the two Korean heads of the State met and discussed various issues to normalize the relations after the division of Korea in 1945 and the first Defense Ministerial level talks in September 2000 were most significant. The North Korea showed enormous positive attitude to this political interactions to resolve/reduce the tension in Korean peninsula with South Korea. As a result of this showing positive attitude towards the South's engagement policy, a major breakthrough came in April 2000 where Pyongyang and Seoul announced on April 19 that both Koreas had agreed to hold first Inter-Korean Summit in Pyongyang during June 13-15. Kim Jong-Il seized inter-Korean summit diplomacy to showcase his leadership in North Korea. He apparently saw in the inter-Korean Summit a great opportunity of killing several birds with one stone, producing multiple normative, diplomatic and material benefits without seriously threatening the North Korean system.

According to North Korean diplomats in Russia romancing the inter-Korean summit would accomplish at least three things. Firstly, Kim Jong-Il reportedly boosted his prestige among the power elite by kindling expectations that the summit would empower the DPRK to improve its economic fortunes and acquire more food, clothing and medicine for its people. Secondly, he apparently pulled off a major public relations coup, a wholesale image transformation in South Korea. The Pyongyang Summit would help demonstrate the "superiority" of the DPRK in eyes of all Koreans living in the South and abroad and that the side which is morally weaker and committed so many crimes against its own nation kowtow before the real and only leader of all Koreans.

Thirdly the Summit would greatly enhance the prestige of the DPRK and Kim Jong-Il throughout the world and attract more countries to cooperate with Pyongyang.³⁰ Whatever the North Korea's survival strategy could be, but the Pyongyang Summit in 2000 was hailed as an historic event and a turning point in inter-Korean relations as their leaders dramatically signed a five-point Joint Declaration on June 14 that would end fifty-five years of conflict, distrust and antagonism.³¹ The meeting and talks held for the

³⁰ Samuel. S. Kim, "North Korea in 2000: Surviving through High Hopes of Summit Diplomacy", *Asian Survey*, Vol. XLI, No. 1, January/February 2001, pp. 15-16.

³¹ "Hope Floats in the Air: Two Koreas Sign Landmark Accord", *Korea Now*, June 17, 2000, p. 4.

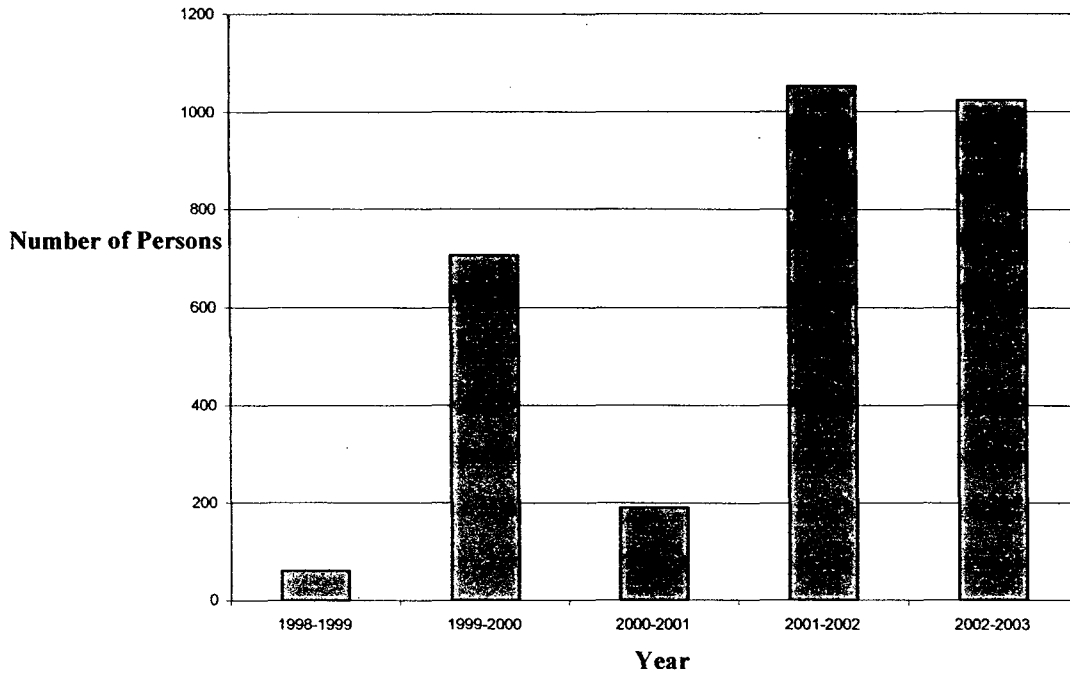
first in the divided Korean history and it carries grave significance in promoting mutual understanding and developing North-South relations and achieving peaceful national reunification.

The Five article North-South Joint Declaration provides a road map for the nature, scope and direction of the future inter-Korean rapprochement. Despite the entire South's unification pomp that surrounded the summit and declaration and the official claim in the North that these were "the greatest successes in the reunification movement since the country was divided into two parts over half a century back."³² Kim Jong-Il and Kim Dae-Jung embraced each other before domestic and global television audiences, signaling in a symbolically powerful way their acceptance of each others legitimacy. At core the Summit was all about mutual recognition and legitimation. The single greatest accomplishment was to put an end to the fratricidal politics of competitive legitimation and de-legitimation.

The Five article Joint Declaration are as follows: the South and North as matters of national unification will join hands in efforts to resolve the issue of national unification independently, acknowledging that the different formulas the North and South favour for reunification have common factors, they will strive to work together to achieve this goal, the South and North will exchange groups of dispersed family members and their relatives around and resolve as soon as possible humanitarian issues including the repatriation of communist prisoners who have completed their terms in jail., the South and North will pursue a balanced development of their national economies and build mutual trust by accelerating exchange in the social, cultural, sports, health and environment fields, and in order to put these agreements into practice, the South and North will hold dialogue between government authorities at an early date.

³² *KCNA*, November 18, 2000.

Fig. 4. 2. North Korean Annual Visits to South Korea



Source: ROK Ministry of Unification, 2004.

Indeed, the Joint Declaration glossed over the ineluctable fact that there is no common formula for reunification, broadly stating that North and South agreed to solve the question of country's reunification independently.³³ Acknowledging that there is a common element in the South's proposal for a Confederation and the North's proposal for a loose forum of federation as the formula for achieving unification (Article 2) in the wake of the Pyongyang Summit it was proclaimed for the first time "the issue of unifying the differing systems in the North and the South as one that may be left to posterity to settle slowly in the future".³⁴

One of the remarkable features of the Joint Declaration was that it had nothing to say about military and security matters, not even about working together for tension reduction and confidence building measures. Article 3 deals with the reunion of separated

³³ Samuel .S. Kim, op. cit., p. 16.

³⁴ *Rodong Shinmun*, June 25, 2000, p. 6.

families by stating that “the North and the South have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of National liberation in August and the question of unrepentant communists who had served long prison sentences in the South. From his arrival in Pyongyang, President Kim Dae-Jung persistently sought the resolution of the issue pertaining to the reunion of separated families. Pyongyang positively responded to the Seoul’s proposal and wanted the return of those North Korean spies and sympathizers who had been released after serving long term sentences. The South accepted this within the broad framework of humanitarianism.³⁵

Article 4 gives emphasis to North Korea’s bottom line framed as the North-South agreement to promote a ‘balanced development of national economy through economic cooperation and exchanges in civic, cultural, sports, public health, environment and all other fields’. The previous agreements between North and South such as July 4 Joint Communiqué and the Basic Agreement, economic changes and cooperation were regarded as goals per se. However the June 15 Joint Declaration, regarded them as a means for the balanced development of the national economy. The use of the term “national economy” is also refreshing since it assumes an integration of North and South Korean economies.³⁶

Thus the historic Pyongyang Summit opened the gates of both the Koreas to build confidence on each other at political level. Immediately in the same year on September 25 the Defense Ministerial talks could be another milestone in their political interaction, where the two parties agreed to form a working-level ministry committee to discuss the details and procedures on building inter-Korean highway.

The relations between North and South were not confined to political alone but also have moved to other key spheres, such as economy, social and cultural fields. As mentioned earlier, North Korea had faced negative economic growth till 1999. These severe economic crises forced North Korea to seriously consider the future of its autarkic system, resulting in a host of new laws addressing foreign investment, relations with

³⁵ Chung-in Moon, Tae-Hwan Kim, “Sustaining Inter-Korean Reconciliation: North-South Cooperation”, *The Journal of East Asian Affairs*, Vol. XV, No.1, 2001, p. 211.

³⁶ *Ibid.*, p. 212.

capitalist firms and new zones of free trade. In order to improve its economy, North Korea's best policy option was to seek for economic cooperation with South Korea. However over three decades since the Korean War there had been no economic contacts between North and South Korea other than with the special declaration for national self-esteem unification and prosperity in July 1988 the economic relations had started.

Since then the inter-Korean trade has increased with the exception of slight drop in 1996 due to the political tensions between the North and the South. Processing on Commission trade has increased since its first realization in 1992. In 1997, the volume of processing on Commission trade reached around U.S. \$ 79 million accounting for more than 25% of total inter-Korean trade. The reason for this rapid increase is that both the North and South share common interests in expanding processing on commission trade. From the North Korean perspective, the inter-Korean trade provides the opportunity to earn badly needed hard currency and revitalizing its economy. For this, North Korea assumes a more positive attitude towards inter-Korean economic relations. This requires that North Korea should adapt a more active open-door policy and seek government level cooperation with the South.³⁷ However, the North Korean government has hesitated to do so because it feared that such active cooperation may result in its absorption by the South. The negative attitude of North Korea on South Korea and no changes in economic policy directions of the North Korean authorities affected the inter-Korean trade till 1998.

Since 1998 the inter-Korean trade has moving forward because the South Korean President Kim Dae-Jung has separated the economics from politics. This is a significant move in the history of economic relations between the two Koreas. In the Berlin Declaration he had promised to assist give guarantee to North Korea's security and assist in their economic recovery efforts. Pyongyang positively responds to the Seoul's initiative. For instance, Kim Yong-Sun, the Secretary of the Korean Worker Party of North Korea reportedly said that as long as South Korean government abides by the principle of a separation of business from politics, North Korea was willing to go along expanded contacts.³⁸ The Pyongyang Summit in 2000 helped both the Koreas to build

³⁷ Dong ho Jo, "Revitalization of the North Korean Economy as a Precondition for the Improvement of Inter-Korean Economic Relations", *Korea and World Affairs*, fall, 1998, p. 374.

³⁸ "North Korea to Pursue Inter-Korean Economic Exchanges", *Korea Times*, April 7, 1998.

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confidence on each other; particularly North Korea started to keep trust on South Korean Leadership. A flurry of post summit rapprochement measures and projects were helped to warm the icy relations and boost economic cooperation.

But without the change or reform in the internal economic structure of the North Korea, these positive developments would not help to the North Korea to come out of the economic crises. Even the analysts and policy makers of South Korea held a view that improvement of inter-Korean economic relations would help North Korea to escape from the economic crises and thereby would introduce North Korea to start economic reforms.

Recent patterns in inter-Korean relations have succeeded to open up the North Korean internal structure particularly North has made several major policy changes aimed at the usual objectives of economic reform and opening such as the adjustment of investment priority among industrial sectors, introduction of a market mechanism and private ownership system, expansion of the private economic sector, promotion of foreign trade and inducement of foreign capital and technology. North Korea witnessed increased activities of the South Korean Business firms because of removal of investment restrictions. This resulted in flurry of Business activities by South Korean firms in North Korea which made North Korea to revise its Constitution to adapt itself to the changing circumstances of increasing foreign investment (to accommodate new categories such as market, private property etc). Thus North Korea revised its Constitution and Important among them would be the internal reforms at the institutional level i.e. in the Constitution which was amended, in order to recognize 'private property' which is one of the most significant changes as far as communist structure of North Korea is concerned. Apart from this, it made three subsequent laws which focused on external economic cooperation. These include the Foreign Equity Law, the Contractual Joint Venture Law, and the Foreign Enterprises Law.

North Korea has developed a legal framework for foreign business corporations since it initiated its open-door policy in the early 1990's. For example, the new socialist constitution of 1998 and subsequent amendments include three basic laws designed to establish a framework for external economic co-operation, the Foreign equity Law, the Contractual Joint Venture Law and the Foreign Enterprise law. Such laws demonstrate North Korea's recognition that any country wishing to attract foreign investment must

adapt laws that define property, govern contracts, stipulate taxes and other ways make economic development predictable enough for foreign firms who comfortably participate. The Foreign Equity Law governs the rights and obligations for establishing and managing joint ventures on the North Korean soil. This law confines the geographic region available for such equity, joint ventures to two free economic zones: A free economic and trade zone of the Rajin–Son Bong region established in 1999 and a Special Administrative Zone of Shinujju established in 2002. Some ventures may be established in other regions, if necessary, but this may prove difficult for foreign companies. The law further opened doors to South Korean investors with a provision that includes “Koreans living outside the territory of North Korea” while the old law confined such investors to only “the Korean traders and manufactures in Japan”. North Korea prefer investment that involved internationally competitive products, infrastructural developments or scientific research and technological developments.

The Contractual Joint Venture Law (CJVL) governs the rights and obligations of concern parties of establishing and managing a Contractual Joint Venture. One major purpose of this law is to expand Economic cooperation and technological exchange between North Korea and the rest of the world. North Korea prefers to establish Contractual Joint Ventures primarily in sectors protecting exportable goods using advanced technology, and in the tourism and service sectors. Like Equity Joint Ventures, the main regional scopes available for Contractual Joint Ventures are the two free economic zones mentioned above, though such ventures would be expanded elsewhere within the territory of North Korea.

The Foreign Enterprises Law (FEL) provides the basic rule for the creation of wholly foreign – owned enterprises the law provides all relevant guide lines for the business activities of foreign enterprises. According to this law, foreign enterprises must carry out their business activities according to the charter by –laws of Enterprises management, which are subject to approval by the North Korea Government.

In addition to these laws governing three forms of foreign investment, North Korea has continued to issue a series of detailed laws and regulations necessary for attracting foreign investment. They include laws concerning the following- Taxes on foreign Invested Enterprise and Foreigners, Foreign exchange control, Foreign-invested

banks, the leasing of the land and costumes duties. These laws and other economic reforms undertaken by North Korea indicate that the country is serious about stabilizing its domestic economy and improving its living standards. In promoting economy's advancement the spheres of foreign trade and external economic cooperation have received top priority because North Korea recognizes that economic expansion leads to increased demand for foreign currency.

The most significant changes in the field of inter-Korean economic relations had been visualized from the June 2000 summit meeting. The Joint Declaration produced by the summit was conspicuously silent on security and military issues, in effect implying economic relations as the practical pathway for the development of inter-Korean relations.³⁹ The fourth article in the joint declaration says the South–North have agreed to “*consolidate mutual trust by promoting balanced development of the national economy, through the economic cooperation and exchanges in civic, culture, sports, public health, environmental and all other fields.*”[Emphasis added]. In previous agreements, such as the 1972 Joint Communiqué and the 1991 Basic Agreement, economic exchanges and cooperation were regarded as goals per se, while the 2000 Joint Declaration treats the both Korea as a means to promote balanced development of the “national economy”. The use of the term “national economy” is of significant importance as it assumes an eventual integration of North and South Korean economies⁴⁰. Such a usage was unprecedented in the earlier relations of both Koreas. Since the 2000 Summit meeting, North had concluded more than two dozen agreements with South Korea which include Agreement on Procedures for Resolution of Commercial Disputes, Agreement on Prevention of Double Taxation of Income, Agreement on Investment Protection, and Agreement on Connection of inter-Korean Rails and Roads. Among all the agreements, the agreement on investment protection the both sides would provide protection for assets of investors from the other side and guarantee free investment- related activities including the transfer of proceeds, and the ability to enter and stay in each other's territory. It also allows the South Korean business men to invest in North Korea with out fear of their investments

³⁹ Samuel S. Kim and Matthew S. op. cit., p. 65.

⁴⁰ Richard Tait, “Playing by the Rules in Korea: Lessons Learned in the North-South Economic Engagement,” *Asian Survey*, Vol. 43, No. 2, March/April 2003, p. 316.

being confiscated by North Korean authorities. This agreement had created a positive atmosphere to improve the trade relations between two Koreas.

Moreover, the growth rate of Processing-On-Commission (POC) trade between North and South Korea has increased preferably. By this trade South Korean companies sending raw materials into North Korea and re-importing finished or semi finished product, thus accruing many benefits to North Korea. As a result, the level of technology and information transfer has been increasing in North Korea because of the many POC plants that have been established which used South Korean machinery and supervisors. The willingness of the North Korean government to allow South Korean supervisors and factory organization within its territory indicates a slackening of its fears of cultural pollution and of attacks on its political system.⁴¹ Indeed, in April 2001 the North Korea passed the Processing Trade Law, representing its deep interest in POC.

In order to improve the volume of trade and the level of infrastructure, Pyongyang agreed to reconnect a 24 km served Kyongui Line (Seoul- Shinujju railway) which many proclaim as the coming of a new age of the "Iron Silk Road". It is a major axis in the world linking Europe, Asia and the Pacific via North Korea. To speed up this venture, North Korea had signed 12 out of 17 inter Korean agreements with South Korea. As a result of the North Korean Economic changes, the volume of trade between the two Koreas has been increasing year by year. The volume of trade between DPRK and ROK has grown fast from \$221, 94300 in 1998 to \$425, 148000 in 2000 and \$642 million in 2002. And nearly 30,000 South Korean businessmen visited North Korea during the 1998-2000 periods. The huge number of cooperative men visits to North Korea and the large amount of tourist visits to Mt.Kumgang had given a great momentum to the Social and Cultural interaction between two Koreas. By 2002, more than 400,000 South Koreans had made the tour to Mt.Kumgang and at the family reunions level South Korean visitors to North Korea has rapidly increased from 3,317 in 1998 to 12,825 in 2002.

⁴¹ Samuel S. Kim and Matthew S, op. cit., p. 66.

However, the North Korea maintains government agents to monitor the tourists, preventing conversation with locals and even certain photographs on South Koreans⁴². While the number of South Korean visitors to North is ever increasing the opposite is not happening at the same rate. The number of North Korean visitors to South Korea has still not crossed more than 1500 for any given year. The less number of North Korean visitors to South Korea, restrictions of the army on the tourists would imply that North still fears about the 'cultural absorption' and doesn't wish for increasing social communication between the two societies. The introduction of these moves had these underlying assumptions and had they been implemented in the true spirit, these would have paved way for better social communication between two countries. By these evidences, it would appear that North Korea had open their economy, improved the relations with the South for its economic benefits and it sticks only to economic level interaction with South Korea.

Though it may partially true, the inter-Korean relations are gradually changing to achieve great momentum in the process to normalize and reduce the tension in the Korean Peninsula. The completion of de-mining work in December 2002 was described by the North Korea as a shining fruition of the June 15 North-South Joint Declaration a land mark of national Unification, and a product of all the Koreans.⁴³ The events such as, decision to make a unified march in the opening and closing ceremonies at both the Sydney Olympics in 2000 and Athens Olympics in 2004 and the agreement on cooperation for national reunification by South and North Korean media representatives were mile stones in their relations with other cultural and social spheres.

4.4 Attempts of Unification / Confederation in 1990's

In the 1990's there was also a proposal on unification issue. The main DPRK proposal for the form of unification to which it has returned consistency for more than two decades is a Confederation of the two existing political systems in the Korean peninsula. Although Pyongyang did not outline in detail its proposed Confederal Republic of Koryo until 1980, North Korea first suggested such a Confederation in

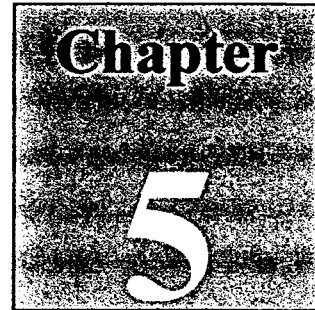
⁴² Ibid., p. 77.

⁴³ KCNA, December 17, 2002.

August 1960 during the turbulent Chang Myon government in South Korea. Seoul's initial response was to say the least not very enthusiastic. Over time however the North has shown more flexibility in its confederation proposal, a willingness to see confederation not as the end goal of unification but a transitory institution and giving more rights to two regional governments.

By 1991 in fact North Korean officials including Kim Il-Sung suggested that there was plenty of room for negotiation with the South on the form of Confederation and that both the sides with a Confederated Korean system could have considerable autonomy even in its foreign relations under the general rubric of military and diplomatic unity. The Confederal Republic was in fact not dissimilar to the "Korean National Community" proposed as a unification strategy by ROK President Roh Tae-Woo in the late 1980's.

However, with the Pyongyang Summit in 2000 the debate over the Federalist mode of integration again came into lime light and the Summit also has opened the gates for the federalist approach to the peaceful integration of Korea. In the Joint Declaration of 2000, both Koreas recognized the importance of Federalist mode of Korean Integration. The Article 2 of the Joint Declaration had touched on this sensitive issue, namely modes for Korean unification. It states that 'Acknowledging that there is a common element in the North's proposal for a loose form of Federation and the South's proposal for a Confederation is the formula for achieving unification, the North and the South have agreed to promote reunification in that direction'. But presently there is no unanimity over this type of unification and the changing dynamics of the inter-Korean relations would provide a hope to the federalist mode of Korean integration.



External Dynamics in Inter-Korean Relations

Korean peninsula has been surrounded by the world powers i.e. Russia, China and Japan. The role of U.S. is largely differs from that of these three powers. The presence of the American troops on the Japanese soil and the Korean soil is a continuing phenomenon since the end of the Second World War. They never left East Asia alone and also played a significant role in the security dynamics of the East Asian region. Till the end of the Cold War in 1991 and collapse of USSR, U.S. had pursued a containment policy or control of USSR's expansionist policy for which it used the Korean and Japanese soil. Even after the Cold War, the collapse of USSR, U.S. emerged as unilateral power in the international arena and in East Asia.

In the inter-Korean relations the role of all the external powers including the U.S. is very significant. It is essential to take a look at the external dynamics and role of various powers in order to gain a complete picture of the inter-Korean relations. Among all the external powers the role of Russia is fairly significant and consistent one.

5.1.1. Russia and the Inter-Korean Relations

Moscow's reassessment of its role in the inter-Korean relations dates back to the era of Mikhail Gorbachev. Though he paid scant attention to Korean diplomacy in his early years, beginning in 1998 however, Gorbachev took a series of steps that would have a profound impact on the power relations on the Korean peninsula. In March 1988 the Soviet Foreign Minister created a loophole in the ban on Soviet travel to South Korea by allowing ethnic Koreans from Sakhalin to visit their homeland via third countries. Six months later in August 1988, 6000 Soviet athletes and tourists accompanied by Bolshoi

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chorus and the Moscow's Philharmonic travelled to Seoul for the 1988 Summer Olympics despite Moscow's prior support for Pyongyang's bid to co-host the event. The Soviet Union's enthusiastic participation in the 1988 Olympics paved the way for expansion of economic cooperation between Seoul and Moscow.

In a speech in Krasnoyarsk in September 1988, Gorbachev advocated improvement of economic and trade ties with South Korea for the first time as a part of his border effort to reform the Soviet economy and expand economic and cooperation with a wide range of countries. Meanwhile in July 1988 the newly appointed South Korean President Roh Tae-woo announced his *Nordpolitik*, a major policy initiative aimed at improving North-South relations by expanding political, economic and cultural ties with Soviet Union, China and other socialist countries and urged Japan and United States to develop better relations with North Korea.

On September 30 1990, the Soviet Union established formal diplomatic relations with South Korea. In December 1990 Roh Tae-woo travelled to Moscow to meet Gorbachev. The two leaders outlined the general principles of South Korean relations i.e. non-use of force, neighborliness and cooperation and noted that the development of relations between Seoul and Moscow would help promote peace and security and eliminate the vestiges of the Cold War in Asia.¹

In January 1991, South Korea extended a \$3 billion loan to the USSR, half in cash and half in Korean products. Following the above Summit, Soviet Union stopped its assistance to Pyongyang's nuclear programme in an effort to persuade North Korea leaders to allow for inspection of International Atomic Energy Agency (IAEA). Subsequently Gorbachev made a series of startling announcements attesting to the dramatic improvement in Soviet- South Korean relations. Firstly, Gorbachev told the South Korea President that he would support Seoul's membership in the United Nations regardless of Pyongyang's opposition. The Soviet leader also expressed support for North Korean dialogue with the South as well as with Japan and the United States in an effort to reduce the tension on the peninsula. He proposed codifying the improved Soviet- South

¹ "Declaration of General Principles of Relations between the Union of Soviet Socialist Republic and the Republic of Korea", *Izvestyia*, December 15, 1990 in *Current Digest of the Soviet Press*, (CDSP), Vol. XLII, No. 50, 1990, p. 21.

Korean relationship in a new treaty and in support of U.S and South Korean positions called on Pyongyang to submit to IAEA inspections of its nuclear power plants.

At this time when North Korea was no longer assured of Soviet support for its international positions even China also decided to support separate Korean membership in the United Nations. Fearing diplomatic isolation on May 27, 1991, Kim Il Sung applied for membership in the United Nations. It was a major reversal of North Korea's position that Korea should occupy only one seat in the United Nations Organization. With the simultaneous improvement of relations between China and South Korea and the Soviet Union and South Korea neither Moscow and Beijing had further cause to veto Seoul's entry into the United Nations and both the Koreas were able to obtain seats in September 1991.

5.1.2. Russia's Balanced Relations with the Two Koreas

During Yeltsin's visit to Seoul in November 1992, the Russian and South Korean leaders signed the Treaty of Principles of Relations between the Russian Federation and the ROK. The 1992 treaty states that the relations between the two partners are based on shared commitment to ideals of freedom, democracy, human rights and a market economy. While claiming that the treaty was not intended to be detrimental to Pyongyang's interest, Yeltsin noted that as a result of the improvement in relations with Seoul, Russia had altered certain aspects of policy toward North Korea. Delivery of offensive weapons and nuclear equipment were halted and the mutual defense clause in the 1961 Treaty with Pyongyang were to be reconsidered, as they believed that these moves would contribute to the improvement of inter-Korean relations. During South Korean President Kim Young Sam's visit to Moscow on June 2 1994, Russia and South Korea issued a joint declaration proclaiming their "constructive mutually complementary partnership".

By the end of 1994 some political figures in Moscow came to the conclusion that downgrading relations with Pyongyang did not correspond to Russian interest in the region. During 1995 and 1996 steps were taken to renew political contacts and revive trade and cultural relations with the DPRK. With the arrival of a new leader to the North

Korean authority and the beginning of political dialogue, South Korea expressed support for the ongoing reforms in Russia and its future membership in Asia Pacific Economic Cooperation (APEC), while Russia re-affirmed its commitment of the De-nuclearization of the Korean peninsula. Nevertheless since the mid 1990's, Russian leaders have used bilateral meetings with South Korean and North Korean leaders to enhance Russia's role in conflict resolution on the Korean peninsula. Russia's stake of inter-Korean relations as a process had begun during Yeltsin's period. Putin's diplomacy on the Korean peninsula has been particularly active in staking out a role for Russia in inter-Korean relations.

In May 1999, South Korean President Kim Dae-Jung's visit to Moscow, the improvement of Russian-North Korean relations in the late 1990's highlighted that Russia could play the role of mediator in inter-Korean relations. Yeltsin expressed Russia's support for South Korea's engagement policy towards North Korea. Moreover during Russian Foreign Minister Igor Ivanov's visit to Pyongyang on February 9 2000, Russia and North Korea signed a new treaty of Friendship, Good Neighborliness and Cooperation, replacing their 1961 agreement. Russian officials saw the treaty with Pyongyang as symbolizing the restoration of balance in Moscow's relations with North and South Korea.² According to Russian Ambassador to South Korea, Evgenii Afanasiev, the improvement of Russia-North Korea relations would help promote peace and stability on the peninsula as a well as a more prominent role for Russia in the region. Subsequently in July 2000, Putin's visit to North Korea as the first Russian President to visit North Korea aimed to boost Russia's profile in North East Asia. The Final Communiqué noted Russia's support for the result of the North-South Summit, the commitment of both the sides in the development of a multi polar world order, the process of Korean Unification without outside interference, non-interference in internal affairs and support for sovereignty, independence and territorial integrity.³

During the subsequent visit of Russian President to Seoul on February 26-28 2000, Putin and Kim Dae-Jung noted their support for the result of the inter-Korean Summit, the efforts of Kim Dae-Jung to ease North-South tensions and Russia's

² Kim Sok-Huan, "The Meaning of the Russian Foreign Ministers Visit to North Korea", *Chungang Ilbo*, (Seoul), Foreign Broadcast Information Service-EAS-2000, February 1, 2000.

³ KCNA (Pyongyang), July 20, 2000.

readiness to facilitate inter-Korean cooperation. The two Presidents also noted that the improved climate of inter-Korean relations created favourable conditions for trilateral projects (involving Russia) in energy and transportation.⁴ Russian officials' viewed that the inter-Korean relations started moving in a positive direction after the Pyongyang Summit and Russia willingness do whatever possible to continue this dialogue and support a peaceful settlement on the Korean peninsula. North Korean leader Kim Jong Il to Russia in August 2001 for further tightening the North and Russia's bilateral relations, Russia and North Korea had signed an accord known as "the Moscow Declaration" highlighting both areas of Russian-North Korean agreement and their differences and even during their visit Kim and Putin pledged their support for the inter-Korean dialogue which began in June 2000 Summit and the Russian President said he was prepared to play a constructive role in this process.⁵

After exactly a year in July 2002 Kim Jong Il's visit to Russia, Putin's representative to the Russian Far East federal district Pulikovskii visited on train to St-Petersburg which was dubbed as the "Korea-Russia Friendship Express" to celebrate the twelfth anniversary of the establishment of relations between Moscow and Seoul. By maintaining the balanced relations with both the Koreas it has been trying to benefit from the outcome of the changing patterns of inter-Korean relations.

5.1.3. Russia and Inter-Korean Economic Cooperation

Russian regional cooperation with both the Koreas have focused on major rail and gas pipeline projects. The presence of Korean Diaspora in the Russian Far East and the use of North Korean labour in the regional projects have further highlighted the importance of Russia's Korean diplomacy for the economic development of the Russian Far East.

Russia's energy strategy adopted on May 22 2002 involved a substantial reorientation of Russian energy exports from Europe to North East Asia. By 2020, 25-30

⁴ Ko Jae-nam, "Pyongyang's Opening and North-South-Russia Cooperation", *Korean Focus*, Vol. 9, No. 3, May-June, 2001, p. 69.

⁵ Hyun-ik Hong, "Kim Jong Il's Russia Visit and South Korea's Diplomatic Strategy", *Korea and World Affairs*, Vol. XXV, No. 3, fall 2001, p. 343.

per cent of Russia's oil exports and 20 per cent of its gas exports could be destined for North-East Asian markets. This shift in Russian energy exports reflects a preference in Europe to avoid undue dependence on gas imports from Russia as well as the Putin leadership's interest in diversifying Russian export market. The South Korean natural gas market is one of the most developed in North-East Asia and is seen as a promising destination for natural gas from East Siberia and Sakhalin. Due to the heavy reliance on coal for energy, North Korea established Natural Gas Research Society in 1998 to encourage use of natural gas and promote pipeline project. There are three energy pipeline projects that could involve the two Koreas including one shipping liquid natural gas from Sakhalin to the Russian mainland and then South to the Korean peninsula and possibly to China and another spanning from the Kovykytinskoe gas field in East Siberia to China and then to the Korean peninsula. The Third Project would involve shipping oil from Angarsk in East Siberia principally to China but possibly also to the Korean peninsula and Japan depending on the route of the pipeline.

Since North Korea faces an active shortage of energy resources and also in the currency for import of energy, Pyongyang is likely to support the Trans-Korean Pipeline Projects to benefit from transit revenues. Other potential project participants are concerned that a trans-Korean route would provide Pyongyang with leverage over oil and gas flows and enable it to blackmail other recipients (including China and South Korea) for political purposes. Nevertheless, if these pipeline projects would be implemented this would significantly lead to the fulfillment of two of Putin's political goals ensuring that Russia becomes more of player in the North-East Asian economy and depending on the route selected thereby enhancing Russian leverage on the Korean peninsula.

The Russian interest has not been to stick to one sector but to develop wide transport systems with the two Koreas in order to attain a tenfold rise in shipping along the Trans-Siberia from 45,000 containers per year to 500,000 to 600,000 annually. This rail project would also involve cooperation between Russia, North Korea and South Korea in unifying and automating custom procedures to eliminate clearance stops at their borders. Russia first proposed the idea to North Korean leaders during Foreign Minister Igor Ivanov's visit to Pyongyang in February 2000 and then at the Summit meeting

between Putin and Kim Jong Il in June. When North Korean leaders responded positively, Putin raised the issue with Kim Dae-Jung during their September 2000 meeting at the United Nations (UN) millennium Summit and Russia and South Korea reached an agreement in Principle to connect the trans-Siberian to the inter-Korean railway. In December 2001, Russia and South Korea discussed the possibility of a connection from Pusan to Pyongyang and then to Khasan in Primorskii Krai. The 950 km Pyongyang-Khasan line would require a 250 \$ million investment and take about 24 years to be completed.

During the Summit meeting with Kim Dae-Jung in February 2001, Putin continued to promote a rail link from the Trans-Siberian railroad to the inter-Korean railway in an effort to encourage tripartite economic cooperation among Russia, South Korea and North Korea.⁶ Russia and South Korea established a committee on transportation cooperation to continue their discussions of the proposed link between the two rail lines. In an effort to speed up work on the project which was delayed in the past due to lack of equipment on the Northern side, Seoul offered to provide rails and ties to Pyongyang.

By these efforts of both Koreas, the Russian de-mining activities began in September 2002 in the buffer zone between the two Koreas and they successfully completed work in mid-December 2002. As a result on June 14 2003, the third anniversary of their historic summit meeting, South Korea and North Korea briefly opened their borders to celebrate the reconnection of their rail link.

5.1.4. Russia and its Nuclear Policy towards North Korea and Korean Unification

Russia initially reacted with caution to the revelation by the United States in October 2002 that North Korea was developing a Highly Enriched Uranium (HEU) nuclear programme. But by November, Russian officials had launched a multifaceted diplomatic effort to ensure that the ensuing crisis would be resolved peacefully and without the intervention of the UN Security Council. Americans and Russian officials have held several discussions on North Korea.

⁶ Young-Chin, "Russia Reiterates Support for ROK's DPRK Policy", *The Korea Times*, February 27, 2001.

The Summit meeting between Putin and Japan's Prime Minister Koizumi ended focusing considerable attention on North Korea's nuclear crisis. In a Joint Statement, Russia and Japan urged a peaceful solution to the crisis involving a nuclear free Korean peninsula. Similarly during Putin's December Summit meeting with Jiang Zemin and Hu Jintao, Russian and Chinese leaders issued a declaration calling for a non nuclear peninsula and urging the United States to normalize relations with North Korea. In the declaration signed after the May 2003 Summit in Moscow, Putin and Hu Jintao stated that the crisis should be resolved through political and diplomatic means. Both Russia and China have viewed any condemnation of North Korea nuclear programme by the UN Security Council as unnecessarily provocative and urged the body to hold off to such actions.⁷

In January 2003, South Korean officials specifically asked the Russian Foreign Minister Igor Ivanov to use his influence to persuade North Korea revoke/repeal its decision to withdraw from nuclear non-proliferation frameworks. Nevertheless U.S and South Korean leaders have viewed China as the key to diffusing crisis. Chinese leaders propose holding U.S.-North Korean talks in China but Russian officials pressed forward with their own three part initiative. Deputy Foreign minister Alesander Losyukov travelled to Pyongyang in January 2003 to propose to plan involving guarantees of a nuclear free Korean peninsula, a written security pledge by the United States and a package of relief and economic assistance. In the end, China hosted three way talks in April 2003, leaving Russia once again on the sidelines of international efforts to diffuse the crisis. However for Russia, the crisis has offered an opportunity to demonstrate Moscow's value as an intermediary on Korean security issues and to stake a Russian claim to a role in post- crisis arrangements.

Till the early 1990's Russian officials thought unsuccessfully to contribute to the inter-dialogue because Moscow had downgraded relations with Pyongyang. However Russia lacked sufficient influence in North Korea to play any sort of mediating role in inter-Korean relations. Thus by the mid 1990's, the Russian officials sought to restore balance with the North and South Korea to enhance Russia's influence over inter-Korean

⁷ Felicity Barringer and David E. Sanger, "Delay by U.N. on Rebuking North Korea Is Urged", *New York Times*, July 3, 2003, p. 48.

relations. The Russians officials and analysts note that while China, Japan and the United States all have varying interests in maintaining the status quo on the peninsula, Moscow is the only power to unequivocally support a process of gradual unification in the Russian perspectives it also helps to have a unified friendly Korea to provide a counterbalance to both Chinese and Japanese powers and serve as an engine of development for the Russian Far East.

5.2.1. People's Republic of China and the Korean Peninsula

Since 1949 the People's Republic of China (PRC) has played an important function as a balancer in the Korean peninsula. Since the late 1980's Beijing has served as a key constructive role in reducing tensions and facilitating reconciliation between Seoul and Pyongyang.⁸ China's role in the management of Korean conflict linked to its policy preferences vis-à-vis the Korean peninsula and desired political outcomes on the peninsula. It has been playing a key role as a balancer and stabilizer on the peninsula but always operates on the sidelines and never at the center stage till the 1980's. Since the 1980's it has consistently enjoyed cordial relations with both Seoul and Pyongyang and conducts significant trade with both North and South Korea. Bonds of Socialist ideology and a history of military alliance link with North but China has developed ties with the South, driven increasingly by its own economic and strategic interests. China needs strategy and peace in East Asia in order to continue its economic growth which has been fostered by a period of congenial international relations that is unprecedented in modern Chinese history.⁹

Broadly China's Korea policy can be divided into two phases. Since 1949 to the mid 1980's it had followed one Korea policy but the major change in its outlook towards the peninsula shifted to two Korea policies for the broader strategic and economic interest. In the second phase (mid 1980's to the present) Beijing completely focused on

⁸ Andrew Scobell, "China and inter-Korean Relations: Beijing as Balaneer", in Samuel. S. Kim, ed., *Inter-Korean Relations: Problem and Prospects*, (New York: Palgrave, 2004), p. 81.

⁹ Lee-Hong Yung, "The Korean Summit Meeting and the International Environment", *Korea Journal*, Vol. 41, No. 2, summer 2001, p. 110.

balanced relations with Seoul and Pyongyang. It included broader strategic reorientation from preparing for eminent global conflict in the era of Mao Zedong to anticipating an epoch of overall peace and economic development in the Deng Xiapoing era. Beijing adapted a more pragmatic, less doctrinaire approach to the Korean peninsula. At first the “two Koreas” approach was de-facto but in 1992 the approach became de-jure when China established full diplomatic relations with South Korea.

Since the economic crisis in North Korea that begun in the early 1990s, China has become deeply mired in dealing with the fallout from this, providing desperately needed food and fuel to Pyongyang and playing unwilling host to hundreds of thousand of refugees. At the same time Beijing has sought to promote its burgeoning economic relationship with Seoul and sustain the steady stream of students, entrepreneurs and tourists between China and South Korea. Despite asymmetry involving its economic and people to people relations with Pyongyang and Seoul, Beijing has managed to maintain an uneven but steady equilibrium in its balancing role on the Korean peninsula.¹⁰

5.2.2. China and Inter-Korean Economic Relations

Since China has been maintaining balanced relations between the South and North Korea there is a major imbalance in China’s economic interaction with North and South Korea. For Pyongyang, Beijing is a vital source of foreign aid and China is North Korea’s most important trading partner. Aid from Beijing fluctuates from year to year, but remains crucial. In October 2000 China reportedly agreed to provide North Korea with 200,000 tons of food aid and as much as 500,000 tons of fuel. But Pyongyang could no longer expect imports at concessionary prices or no cost from its socialist neighbour. Since the 1990’s Beijing has required payments in hard currency from Pyongyang. As a result China-North Korean trade is extremely lopsided, while bilateral trade may constitute as much as one third of Pyongyang’s total trade volume it represents less than 1 per cent of China’s total foreign trade. Meanwhile China has been doing more than 60 times as much as trade volume with South Korea than it does with the North.¹¹ China

¹⁰ Andrew Scobell, *op. cit.*, p. 87.

¹¹ *Ibid.*, p. 90.

derives many more benefits from its economic relations with South Korea than it does with North Korea.

Beijing is Seoul's largest export market and Seoul is Beijing's second largest source for foreign direct investment. China also views South Korea as a vital source of capital and expertise to develop North Korea's virtually non-existent infrastructure and integrate Pyongyang into the regional and global economy.¹²

Beijing has pushed one project in particular: the TRADP and voiced support for another the so-called "Iron Silk Road". In fact the two projects are complementary and interconnected. Since the early 1990's China has advocated what is called a Tuman River Golden Triangle and Tuman River Area Development Programme (TRADP) was officially launched in 1992 in Beijing. TRADP's strongest promoter has been the provincial government of Jilin which would be one of the prime beneficiaries of a successful economic zone. The project envisions extensive investment in infrastructure, including road, railway and port facilities. The success of this plan calls for investment from Japan, South Korea, Russia and China. The biggest booster of the Iron Silk Road has been former South Korean President Kim Dae-Jung who envisioned a railway running from Pusan to Paris, a latter version of the silk route. It would be an overland trade route linking North-East Asia and Europe. This would be a shorter, more convenient and less expensive route for cargo than the current ocean route. China is strongly supportive of the reconnection of a rail link between North and South Korea.

Apart from these changing relations between China, North and South Korea in economic spheres, changes were also occurring in the social sphere where China was accommodating North Korean refugees since mid 1990's. The problem of North Korean Refugees and asylum seekers emerged in the mid 1990's and by mid 2002 it became acute. The refugees continued to cross the porous border into China in search of food and better life. By 2000, hundreds of thousands of illegal migrants were estimated to be in China mostly living in the provinces directly adjacent to the peninsula Liaoning and Jilin. The Chinese authorities tended to tolerate them as long as they maintain low profile.

¹² Samuel. S. Kim, "The Making of China's Korea Policy in the Era of Reform" in David .M. Lampton, ed., *Chinese Foreign and Security Policy and Reform Era*, (Stanford University Press: CA, 2001), p. 386.

China also permitted South Korean humanitarian organizations to operate in these areas assisting their ethnic brethren as long as they quietly went about their business.¹³ In contrast to the illegal flood of refugees from North Korea into China most South Koreans in China are illegally studying for tourism or conducting business. In fact, South Korea consists of the largest group of students studying at the Chinese University. In addition to that, tens of thousands of ROK citizens reside in China working for more than 1,500 South Korean companies.¹⁴

Since early 1990 the economic and trade relations has substantially improved between Beijing and Seoul while Jiang Zemin's visit to South Korea had further boosted trade and diplomatic relations. The relations between Beijing and Pyongyang have been substantially weakened or have disappeared altogether particularly in economic relations. But China did not completely withhold its helping hand to its traditional partner.

5.2.3. Beijing's Role in Pyongyang's Reform

China's obvious cordial relations are with Pyongyang by helping to sustain North Korea's economy. In 1996, Beijing agreed to supply Pyongyang with about 50, 000 tons of grains, 1.3 million tons of oil and 23 million tons of coal per year for five years. Beijing has been further helping Pyongyang without humiliating its pride. For example Beijing gave 800,000 tons of grain on the third anniversary of Kim Il-Sung's death in 1997 and 70,000 tons of grain on his birth anniversary in 1998. More than helping North Korea with food, Beijing also gave trade autonomy to the three provinces in the North East Asia as a means of helping North Korea's food shortage. Presently the border trade between Beijing and Pyongyang is flourishing.¹⁵

There are many indications that China's relations with North Korea have been rapidly improving since Kim Yeong-nam's, President of Pyongyang's Supreme People's

¹³ Andrew Scobell, op. cit., p. 88.

¹⁴ Taeho Kim, "A Testing Ground for China's Power, Prosperity and Preferences: China Post Cold War Relations with Korean Peninsula", *Pacifica Review*, Vol. 13, No. 1, February 2001, p. 35.

¹⁵ Lae-Hong Yung, "The Korean Summit Meeting and the International Environment", *Korea Journal*, summer 2001, p. 112.

Assembly visit to Beijing in 1999. Personal exchanges between China and North Korea have improved. Kim Jong-II's visit to Beijing just before his meeting with President Kim Dae-Jung, Pyongyang has been giving straight forward support to Beijing's formula of "One China, Two systems", even implying its applicability to the case of Korea.

Moreover, China is the only major power that has supported without reservation the 2000 Pyongyang Summit. The secret negotiation for the summit took place in Shanghai led to the view that Beijing must have known of the Summit in advance. China always aims for the reconciliation of the relations and cooperation among the two Koreas. Jiang Zemin sent his personal letters to Kim Jong Il and Kim Dae-Jung to congratulate them on the success of the meeting.¹⁶ China has been giving a positive response to both the Koreas for normalizing their relationship and is also contributing to Pyongyang to come out from its economic crisis through reforms. The sudden visit of Kim Jong Il to Shanghai in January 2001 is considered as Pyongyang's goal to learn about Chinese experiences with economic reforms and to promote possible economic cooperation between the two countries.¹⁷ Kim Jong Il was impressed by the radical changes that have taken place in Shanghai since his previous visit in 1983. He declared that the Chinese reform strategy and policy are "correct" thereby laying down ideological legitimacy for Chinese style reform in North Korea.¹⁸

In a broad sense the Chinese model of reform has great appeal to North Korea because the model implies a separation of politics and economics that makes it possible to carry out economic reforms and as a means of strengthening the communist regime. China managed not only to preserve the communist party state but also to achieve rapid economic growth. Among the various regional variations of this broadly defined Chinese model, Shanghai is well known for the active role its municipal government has played in carrying out a restructuring of its existing industry and its ability to attract foreign capital particularly in hi-tech areas, acting like any Asian developmental state.¹⁹

¹⁶ Renmin Ribao (People's Daily), June 17, 2000.

¹⁷ Lee-Hong Yung, op. cit., p. 113.

¹⁸ <http://www.chosun-dom/January 20, 2001>.

¹⁹ <http://www.chosun-dom/January 26, 2001>.

For this reason, Kim's visit to Shanghai raises the expectation that North Korea will finally initiate drastic reforms similar to those undertaken by China. Moreover, there is also evidence that North Korea is gradually introducing various agricultural and industrial reform measures similar to those of China implemented almost twenty years ago. North Korea had reduced the size of its agricultural production quotas while allowing them more autonomy and reduced production quotas while allowing the producers to dispose of any output above the quotas as they please.²⁰ These specific measures introduced in rural areas are similar to what China adapted in the first stage of its agricultural reforms. Similar changes are taking place in the North Korean industry. At present it is expanding expertise autonomy by decentralizing the decision making authority to the basic unit and top manager.

Beijing has its own policy reservations on the issue of Korean unification. China preferred policy outcome in inter-Korean reconciliation without unification. Beijing assumes that if unification occurs it would under Seoul's auspices.²¹ Because of this China prefers what might be called the "status quo plus" outcome i.e. the continued existence of the two Korea states but with greatly decreased tensions on the peninsula. This would mean that North Korea moderates its hard line stance through reconciliation with South Korea and ameliorates its economic situation through reforms and greater trade, investment and aid from South Korea. This would necessitate less Chinese aid; produce a moral stable Pyongyang regime that would result in the peninsula being drawn into a Chinese sphere of influence.²²

But China does not want inter-Korean rapprochement to be too successful or too quick a conflict management without swift resolution. Beijing would prefer a slow pace of reconciliation rather than fast one. On one hand for China, North Korea is too close for

²⁰ <http://joins.com>, April 25, 2000.

²¹ Andrew Scobell, *op. cit.*, p. 90.

²² Samuel. S. Kim, *op. cit.*, p. 404.

“comfort”.²³ Pyongyang is largely a liability in the eyes of Beijing, a socialist buffer that requires considerable handholding and substantial resources. On the other hand, China doesn't want the North Korean regime to collapse- this would mean the disappearance of a socialist buffer state and indicates the mergence of a single larger and stronger Korean state that is democratic, capitalist and a U.S. ally. Beijing leaders have tended to view Korea's relationship with China as being one of “lips and teeth”. When the lips (Korea) are gone then the teeth (China) get cold.²⁴

Jiang Zemin repeatedly told North Korean hosts in September 2001 during his three day visit to Pyongyang that because China is ‘close to the Korean peninsula it is always concerned about the development of the situation on the peninsula and consistently worked to maintain peace and stability on the peninsula’.²⁵

The collapse of the North Korean regime would not be conducive to peace and stability in China's view. It would also mean that China is one of the ever shrinking handfuls of lenient party states, which is not a comforting thought for Beijing. Moreover the end of the Pyongyang regime would further weaken the ideological underpinnings of communist party rule in China. A de-facto core element of Chinese Communist Party (CCP) legitimacy is devoted commitment to national unification with Taiwan. A Korea unified under democratic capitalism would invite obvious comparisons to the Taiwan Strait standoff and fuel speculation about the future of this unification.

Moreover China also views South Korea as a potential security concern. If the Koreas were unified it would result in a larger, stronger and more populous state that borders China. This unified Korea would be a positive challenge to China in the North East Asia as a lively democracy and a key U.S. ally (with tens of thousands of troops stationed on its soil).

²³ Andrew Scobell, “North Korea on the Brink: Breakdown or Breakthrough”, in Carolyn Pumphrey, ed., *The Rise of China in Asia: Security Implications*, (Carlisle Barracks, PA: U.S. Army War College), 2002, p. 23.

²⁴ Andrew Scobell, op. cit., p. 88.

²⁵ Ibid., p. 90.

5.2.4. China's Role in Denuclearization of the Korean Peninsula

By the end of the Cold War, Pyongyang lost the support of her traditional partner Beijing in missile development programme. Though China continued to supply limited military items to North Korea, including ballistic missile technology in the first decade of the twenty first century, the scope and volume of such assistance has decreased significantly over the previous decades. Chinese analysts claim that Beijing withdrew its support for Pyongyang's missile programmes with the close of the Cold War.²⁶ Beijing opposed Pyongyang's effort to acquire nuclear weapons and is unlikely to assist it in this regard since the reform era.

In his speech at the Joint Press Conference on October 25 2002 at Crawford, Texas with George.W.Bush, Jiang Zemin stated that China was "completely in the dark" about North Korea's nuclear programme. Beijing was strongly opposed to either of the Koreas acquiring nuclear weapons because it feared that this would increase the potential for increasing regional instability since it wanted the Korean peninsula to be a nuclear free zone.²⁷ China was relieved when the 1993-93 nuclear crisis was resolved by the Agreed Framework between Pyongyang and Washington.

However, China is clearly alarmed by the rhetoric and actions of North Korea since October 2002, especially Pyongyang's announcement on January 10 2003 of its intention to withdraw from Nuclear Non-Proliferation Treaty (NPT). Meanwhile the Chinese analysts also contend that Washington's "Axis of Evil" rhetoric has been most unhelpful but only succeeded in raising the tensions on the Korean peninsula and heightening Paranoia.²⁸

Beijing believes that only direct talks between Pyongyang and Washington hold any hope of resolving the issue. Significantly a spokesman from the Foreign Ministry told the reporters in Beijing on January 13, 2003 that China was willing to host talks and later

²⁶ McVadon, *China's Goals and Strategies for the Korean Peninsula*, in Henry D. Sokolski, ed., *Planning for a Peaceful Korea*, (Carlisle Barracks, PA: U.S. Army War College, 2001), p. 154.

²⁷ Andrew Scobell, op. cit., p. 86.

²⁸ "Remarks by the President Jiang Zemin in Press Conference, Bush Ranch, Crawford, Texas, available at <http://www.whitehouse.gov/news/Releases>.

a Pyongyang official also lent his support to such an option. On April 13, 2003, after months of insisting on a one-to-one dialogue with the United States, North Korea announced that it was open to any form of talks with the United States. This announcement paved the way for the three party talks in Beijing on April 23-25, 2003, involving North Korea, United States and China. China deserves considerable credit for bringing both the sides together.

5.3.1. Japan and inter-Korean Relations

The geographical proximity of the Korean peninsula to the Japanese archipelago makes inter-Korean relations a vital matter for Japan. However compared to China, Russia, Japan has played a markedly passive role in inter-Korean relations because of its security conditions. Till the end of the Cold War, Japan took a detached role in inter-Korean political competition.²⁹ The collapse of communism in Europe fundamentally transformed the focus of inter-Korean relations from a zero-sum contest between more or less evenly matched rivals to a conflict management effort between a rich and confident South Korea and an isolated and impoverished North Korea. The ups and downs of inter-Korean relations now held possibility of a sudden reunification of Korea under terms favourable to the increasingly powerful South Korea and of a separate North Korea lashing out with Weapons of Mass Destruction (WMD).

With the changing security equations in the region, Japan found it more and more difficult to be bystander in inter-Korean relations. One of the primary conditions that allowed Japan to take a passive stance in inter-Korean relations during the Cold War was the security commitment of the United States to Japan and its surrounding areas. However the end of the Cold War resulted in reduction of U.S. troops in East Asia.³⁰ In fact, with the disappearance of a direct Soviet military threat to Japan, questions rose

²⁹ C.S. Eliot Kang, *op cit.*, p. 99.

³⁰ In East Asian Strategic Initiatives (EASI) of April 1990, the United States outlined a Blue print a force reduction in East Asia to be implemented in two phase (1990-92 and 1992-95). The first phase reduction was completed as planned. The reduction consisted of nearly 4,800 troops from Japan, about 7,000 from South Korea and a total withdrawal from Philippines (nearly 15,000) bringing down the U.S force level in the three countries to 83,000 from 109,200 in 1993.

about the U.S.-Japan alliance itself, especially for the U.S. and Japan policy makers to recast the bilateral security relationship from a new perspective in 1997. The new guidelines emphasized the alliance's utility in preserving stability and in lowering uncertainty in East Asia. The alliance was essentially recast to deal with uncertainties associated with the rise of China and contingencies related to Korea.³¹ However, the new guidelines of U.S.-Japan bilateral guidelines have been justified against the palpable and mounting threat posed by North Korea. The reformulation of the U.S-Japan alliance has significantly altered Japan's role in inter-Korean relations from that of a bystander to one of a more committed backer of South Korea.

5.3.2. Role of Tokyo in Pyongyang's Nuclear Issue

The bitter experiences of the Japanese due to the atomic attacks in World War II till the Cold War produced a considerable degree of anxiety amongst them. The Japanese fear became palpable during the nuclear crisis of April 1994 when North Korea removed spent fuel rods from its nuclear reactor in Yongbyun. The fear was further amplified by the advancement of North Korea's long range ballistic missile capability. In May 1993, Pyongyang test launched a missile Nodong-1 into the East Sea or Sea of Japan. This warned the Japanese of the increased missile capability of North Korea to launch attack on cities in the southern half of Japan including Osaka.

North Korea's testing of a more advanced missile Taepodong-1 in late August 1998 dramatically heightened Japan's awareness of North Korea's Missile capability and the insecurity that all sites of Japan fell within the purview of North Korea's authority. One of the prime reasons behind the insecurity of Japan was due to the lack of its military in offensive capacities to deter or counter North Korean attacks. The Japanese leaders in the Diet and defense bureaucracies had initiated self-help security measures in November 1998 following the Taepodong shock. Japan decided to acquire spy satellites for the first time. In addition to this, in March 1999, the director of Defense Agency, Norota Hosei, addressed to a defense panel that Japan had to right to make pre-emptive military strikes

³¹ C.S. Eliot Kang, op. cit., p. 100.

if it realized that a missile attack on Japan was imminent. This was a remarkable development in Japan's post World War II security policy.

Moreover on the heels of the Taepondong-1 test, Japan also agreed to cooperate with the United States on a joint project to develop a Theatre Missile Defense system (TMD). Further in the wake of October 2002, revelation about North Korea's secret Highly Enriched Uranium (HEU) nuclear weapon programme among the other physical and legal weapons taken to increase its defensive capabilities, Japan readily agreed with the United States to increase funding and research for the missile defense project.

In order to further improve the situation or to deter North Korea, Japan accelerated its self-help and collective defense measures. With the emergence of direct threat from Pyongyang, Tokyo initiated and increased security cooperation with Seoul. This was a sharp departure from Japan's lack of interest in closer security ties with South Korea during the Cold War. The emergence of direct threat from North Korea indirectly helped Japan and South Korea to normalize their relations. During the historic state visit of Kim Dae-Jung in October 1998, Prime Minister Obuchi agreed with President Kim to increase bilateral security cooperation to handle the mutual North Korean threat. Japan's eagerness to improve relations with South Korea was reflected in the decision to include in the Summit, a joint statement on its colonial deeds, its first ever written apology to the South Koreans for Japan's oppressive colonial rule.

However in 1999, Tokyo's diplomacy became embedded in the Trilateral Policy Coordination (TCOG) mechanism associated with the "Perry Process" of engagement initiated by President Clinton and supported by South Korean President Kim Dae-Jung.³² Before the creation of TCOG, Tokyo dealt with Pyongyang on its own. For example when Pyongyang test fired a Taepodong 1 along range ballistic missile over Japan in late

³² The Perry Process has its origin in President Clinton's attempt to defuse congressional criticism of his North Korea policy. In November 1999, President Clinton named William. S. Perry a former Secretary of Defense respected by Congress as the North Korean Policy Coordinator. Perry was charged with a full and complete review of U.S. policy towards North Korea and with producing a policy report by May 1999. The Perry Report issued only in September 1999 concluded that the United States should intensify its engagement with North Korea. The Report recommended that the U.S. establish diplomatic relations with North Korea. As a short term measure, it advocated that the United States lift some economic sanctions in exchange for North Korea's suspension of its missile testing. It recommended that the mid term goal of the U.S. should be getting the North Koreans to agree to cease engaging in nuclear and missile development. The ultimate goal, it stated was the dismantling of the Cold War structure on the Korean peninsula.

August 1998, Japan announced its decision to halt its involvement with Korean Peninsula Energy Development Organization (KEDO) to suspend its effort to restart the normalization talks with North Korea and to freeze its food and other support to North Korea. These unilateral actions particularly the threat to stop financial contributions to KEDO alarmed South Korea's President Kim Dae-Jung who was trying to sustain its Sunshine Policy. They also annoyed the Clinton administration that was trying to protect its own engagement policy for the sake of regional stability and its anti proliferation strategy. Seoul and Washington were ultimately able to persuade Tokyo to withdraw the suspension of its financial commitment to KEDO. In fact from this episode Tokyo, Seoul and Washington realized that a high level trilateral policy coordinating mechanism was needed to deal more effectively with North Korea and in April 1999, they established the TCOG to bring about a more united front to deal with the North Korean threat.³³

As a result, the first joint navel "search and rescue" was conducted where Japan, South Korea and the United States urged North Korea to abandon its plan to launch a Taepondong-2.

5.3.3. Tokyo's Effort towards Denuclearization of Korean Peninsula through Multi-Dimensions

Since the nuclear crisis of 1994, Japan has been a strong supporter of multilateral efforts to stabilize and improve inter-Korean relations. There are two evidences in this regard. Firstly, although Japan had contributed to and participated in a number of aid programmes such as rice shipments to North Korea, and developmental schemes (e.g. the TRADP) to stabilize inter-Korean relations its generous contribution to KEDO stands out for its financial and political significance. Secondly, Japan's role facilitating North Korean involvement in ASEAN Regional Forum (ARF)³⁴ which had added another point

³³ C.S. Eliot Kang, *op. cit.*, p. 103.

³⁴ The ARF was established in 1994 and has membership of 24 countries. It is a principle forum for security dialogue. It provides a setting in which members can discuss current regional security issues and develop co-operative measures to enhance peace and security in the Asia-Pacific region.

of contact between North Korea and South Korea as well as between North Korea and the United States.³⁵

Japan also brought to bear its considerable diplomatic clout throughout the Asia Pacific, specifically South East Asia to add a regional dimension to the inter-Korean relations. With the support of South Korea, Japan took a leadership role in persuading its ASEAN friends to invite North Korea into the activities of ARF, the only official multilateral security organization in the Asia Pacific created by the ASEAN with Japanese instigation. Japan also played a critical role with South Korea in convincing North Korea to seek membership in ARF. The joining of North Korea as a member of ARF in 2000 enabled her to come out of the isolation. The late July 2002 contact between North Korea's Foreign Minister and his South Korean, Japanese and U.S. counterparts during the Brunei ARF meeting demonstrates the usefulness of this multilateral mechanism. The most noteworthy feature during this occasion was the informal exchange between North Korean Foreign Minister Pack Nam Sun and U.S. Secretary of State Colin Powell. This meeting constituted after a number of unsuccessful attempts for high level bilateral talks between Pyongyang and Washington from the time that President Bush took charge of the office and October 2002 meeting in Pyongyang between Assistant Secretary of State James Kelly and North Korean officials. However Japan's multilateral diplomacy and financial muscle in KEDO and the ARF have been the most significant function that Japan has been playing in inter-Korean relations. With the inauguration of Japanese Prime Minister Koizumi Junichiro, Japan has pursued an active policy toward North Korea.

In the historic Summit meeting between Japanese Prime Minister Koizumi Junichiro and North Korean leader Kim Jong-Il in Pyongyang on September 17 2002, they discussed nuclear and missile proliferation issues and Tokyo encouraged dialogue between the two Koreas in the attempt to improve inter-Korean relations and ensure peace and stability in North East. Moreover Koizumi's second visit to Pyongyang in May 2004 seems to appear that Japan is serious about normalizing relations with North Korea to reduce the tension in the Korean Peninsula.

³⁵ Ibid., p. 109.

5.3.4. Japan's Position on Korean Reunification

Japan regards the Korean unification as a severe threat to its existence. The Korean peninsula has been a strategically vital area for Japan's national interest and maintained that the Korean reunification would trigger the rearmament of Korea. Moreover in keeping with the legacy of the Japanese colonization of Korea, Japan would be cautious of a reunified Korea as its reunification would affect Japan's security. Apart from this, Korea's threat perception of each other was a major concern for Japan. The nuclear attack on Japan by the U.S during the Second World War produced a deep sense of defense insecurity among the former. In keeping view of these experiences, Japan wanted to avoid any further nuclear confrontation in the Korean peninsula (North and South).

As Japan plays a more central role in conflict management in inter-Korean relations, it needs to think and act strategically to build confidence and trust with South Korea as it is expected that the reunification will be on South Korean terms. In other words, in order to engage in conflict management with North Korea, Japan and South Korea must also build confidence and security with each other to prepare the ground for Korean reunification. It was maintained that a true Japanese-Korean reconciliation would significantly contribute to a stable setting for Korea's eventual reunification, mitigating the international complications that may ensue from the end of the country's division.³⁶

5.4.1. United States and its Role in Inter-Korean Relations

Since the division of Korea, the U.S. has been deeply involved in Korean issues and its policy had more influence than any other powers on the events unfolding in the peninsula. During the Cold War, the Korean peninsula was a key battle ground between the Soviet Union and the United States. At the 38th Parallel, two alliances confronted one another - to the North, Moscow and Beijing siding with Pyongyang, while to the South

³⁶ Zbigniew Brzezinski, "A Geostrategy for Eurasia", *Foreign Affairs*, Vol. 76, No. 5, September/October 1997, p. 62.

Washington and Tokyo were found siding with Seoul.³⁷ Even now the U.S. is maintaining 37,000 troops in the South Korean soil.

The end of the Cold War and the North-South Summit of June 2000 has provoked the growth of discussion in Korea and United States concerning the future of the American military presence in the peninsula. Moreover, the role of the United States in inter-Korean relations has become a contested one with the spectrum of views ranging from supporters of the Cold War template to dissenters who see the U.S. fundamentally as an obstacle to improvement in the inter-Korean relations. The contested nature of the role of U.S. became increasingly evident in the aftermath of the June 2000 North-South Korea Summit which led to relaxation of the tensions in the peninsula followed by the Bush administration's designation of North Korea as a part of an "axis of evil".

These changing relations between United States and both the Koreas can be better understood by the following table:

Table 5.1 U.S role in Inter-Korean Relations

	International Political Environment		
U.S. role in IKR	Cold War	Post Cold War	Post Summit
	Co-container	Facilitator	Middle Path

Source: Author's conceptualization

During the period of the Cold War, United States played a dual role as "co-container". Inter-Korean dialogue was for all interests and purpose non-existent because the only mode of interaction on the peninsula was one between the adversarial sides. In this context, the role of the U.S. remained primary one of deterrence and defensive of the peninsula's security and inter-Korean relations, its role was limited to Washington's support of South Korean containment and isolation of the North.

Although there were brief periods during which the inter-Korean relations witnessed some changes (i.e. July 1972 North-South Joint Communiqué; 1984-85

³⁷ Choong Nam Kim, "The Sunshine Policy and its Impact on South Korea's Relations with Major Powers", *Korea Observer*, Vol. 35, No. 4, winter 2004, p. 582.

exchanges), they were short-lived and did not produce the desired results (of reducing tensions). The South Korea had virtually no interest in improving relations with the North. Due to this, the role of U.S. in inter-Korean relations was by definition limited to the support of the ally's (South) position. Even in détente period, the South was extremely critical and suspicious of any inkling of détente spreading to U.S.-DPRK relationship. In March 1972, Seoul immediately contested U.S. because intimations that it might lift travel restrictions on North Korea.³⁸ Moreover in July 1972, Foreign Minister Kim Yong-Silk filed strong protests over Secretary Roger's use of the formal designation "DPRK" when referring to the North. The South opposed this deviation from the co-container role played by the U.S. because the successive South Korean governments from Syngman Rhee to Park Chung Hee to Chun Doo Hwan experienced insecurity.

According to the Central Intelligence Agency (CIA) estimates, North Korean economy measured in per capita terms on par with or higher than that of South Korea through the 1970's. The North was endowed with the mineral resources and the industrial legacy left by the Japanese. North Korea experienced a fairly stable leadership under Kim il-Sung and a strong support of Beijing and Moscow, while the South experienced political instability, coups and the death of their Chief Executive Park Chung Hee. Moreover, the South faced the prospect of the withdrawal of the U.S. troop which was contemplated during Johnson, Nixon and Carter's administration. This gave rise to a zero-sum co-containment expectation by the insecure South of its ally, United States. However, the situation was completely different in the 1980's and 1990's as the South was beginning to far outpace the North in material terms.

Before looking at the role of United States in inter-Korean relations in the 1980's and 1990's, it is essential to note an additional role played by the United States in inter-Korean relations during the Cold War years. In addition to the containment policy towards North Korea, Washington also played an implicit role in the containment or restraint on the ambitions of its ally in the peninsula. Both the Syngman Rhee Park Chung Hee governments were never hesitant about the need for unification which raised serious concerns in the U.S government about avoiding entrapment in a Second Korean

³⁸ Victor. D. Cha, *op. cit.*, p. 141.

conflict. Keeping view of this, the role of U.S in inter-Korean relations was arguably regarded as that of a co-container seeking to restrain both sides while allying strongly with one. In other words, in accordance with the American security commitment to its South Korean ally, the role of U.S in inter-Korean relations was explicit and uncontested. However there was also an implicit role that the United States played with regard to containing not just North Korea but also restraining its South Korean ally. Particularly in the early Cold War years, the South Korean government made no secret of their desires for the unification by force (*Pukchin t'ongil or songong t'ongil*). For that reason, Rhee refused to sign Armistice Treaty and deliberately tried to sabotage the negotiations during the Korean War because he wanted to prosecute the war with U.S. support to the end.

However, United States visualized no benefits of inflaming a second conflagration in Asia (given the war in Vietnam) and therefore was hypersensitive towards becoming potentially entrapped into a conflict by its ally's over zealous actions. Successive American administration therefore viewed the alliance relationship with South Korea in dual; terms not merely as containment of the North but also as binding or restraining the South. This restraining rationale was evident in very specific messages sent by the Lyndon Johnson administration during the 1968 crisis (e.g. the Vence mission in which Cyrus Vence was dispatched as a special envoy to convey to Park that United States would not tolerate any unilateral military retaliation by the South Koreans for the Blue House Raid.³⁹ The U.S. concern about the South Korean pre-emptive attack has abated considerably over the years (particularly after the democratization in 1987) and the United States transferred peacetime authority to the South in 1994. However, the role of United States in inter-Korean relations during the Cold War was a dual one that featured not only containment of the North but also the restrain of the South.

5.4.2. United States as a Facilitator during the Post Cold War Era

³⁹ The North Korean Commandos infiltrated onto the grounds of South Korea Presidential compound or Blue House in December 1968. The commandos came within a few hundred yards of their target. Though the South Korean president escaped unhurt, this attack strained the inter-Korean relations and brought South Korea on the verge of retaliating militarily. However this standoff was averted with active U.S. intervention.

The second role played by the United States in inter-Korean relations was as a “facilitator”. After the Cold War, the U.S. made efforts through dialogue with the North and through the entreaties to the South, to create greater interaction between the two Koreas. This was ostensibly for the purpose of reducing tensions on the peninsula. The strongest form of this was when the United States would make inter-Korean dialogue a precondition for improvements in the U.S.-DPRK relations.

The United States as a facilitator of inter-Korean relations became most relevant in the immediate post Cold War years. The period from 1993-96 marked an important phase due to the North Korean nuclear crisis and the negotiations and implementation of the Agreed Framework. The official U.S. position has been that it has always supported tension-reduction between the two Koreas. The primary reason for the U.S. interest in bilateral talks with North Korea was largely derived from the U.S. non-proliferation interests. Washington needed Seoul’s assistance and therefore pressed its allies not to overlook the desires of U.S for negotiation with North Korea on the peninsula. These efforts were especially evident during the administration of Kim Young Sam. The irony of this dynamic was that U.S.-DPRK bilateral talks leading to the Agreed Framework arguably was a necessary condition to improve the North-South dialogue that culminated in the June 2000 Summit which had been scheduled in July 9, 1994 between Kim Young Sam and Kim Il Sung.

In spite of many obstacles and mutual tensions, the Clinton administration made negotiations with Pyongyang without formal diplomatic relations.⁴⁰ In October 1994, Washington and Pyongyang signed the Agreed Framework which froze Pyongyang’s nuclear “research” programme and missile tests and called for a consortium to provide money and expertise, to build two nuclear reactors in the North. While the North determined to produce a nuclear war ahead, the nuclear issues made the inter-Korean relations undergo a low phase. As a result, the actions of South Korea such as the announcement of Seoul that it would halt the economic assistance to the North until the North Korean nuclear question was resolved in 1993 and failure to pay due respect to the

⁴⁰ Chin Ha Suk, “The United States Policy towards Korea: Four Whales and a Shrimp”, *Korea Observer*, Vol. 34, No. 2, summer 2003, p. 306.

death of Kim il Sung, raised the existing hostilities on the Korean peninsula. This hostility between the two Koreas which became more evident during this period resulted in an impasse over the role that South Korea would play in the nuclear deal. South Korea's insistence to provide any nuclear reactor to North Korea, even a South Korean style 'light-water reactor' built with South Korean capital and technology has been made clear by President Kim Young Sam.

Moreover, the U.S. also pledged to remain active in regional alliances, to maintain forward deployment and welcome in principle the formation of multilateral security dialogue in the Asia-Pacific region with the hope that such a forum would help defend political conflicts and prevent an arms race. President Clinton was inclined to collaborate with President Kim Young Sam to revise the "two-plus-two formula i.e. the two Koreas would negotiate a permanent peace treaty to replace the Korean War ceasefire with the U.S. and China acting as facilitators and eventual guarantors. The pre-arranged declaration had already been presented informally to North Korea, China, Japan and Russia. Both the Presidents of U.S.-ROK agreed in 1996 to propose a four power conference of the two Koreas, United States and China to initiate a process aimed at achieving a permanent peace agreement on the Korean peninsula. As a result, the first round of the four power talks took place in December 1997, at Geneva.

Even when the South Korean President announced the Sunshine policy in 1998, the Clinton administration had given support by lifting off the economic sanctions on North Korea. The North Korean Vice Marshal Jo Myong Rok personally handed a letter to Clinton from Kim-Jong-Il to solve the differences between the two governments⁴¹ (U.S. and North Korea) resembles that DPRK has enormous faith/confidence on Clinton's administration in Washington. However, the successor of Clinton, George W Bush did not completely support to the South's engagement policy towards North. Bush publicly registered his own skepticism about North Korea's missile and other weapons and called a "time out" on Clinton's engagement with North Korea. By adapting a policy review in June 2001, he made U.S. become a hindrance to inter-Korean relations.

⁴¹ Chin Ha Suk, op. cit., p. 310.

5.4.3. Washington's Middle Path during the Post- Pyongyang Summit

It is rather a complex question to understand the role of U.S in the inter-Korean relations particularly after the Pyongyang's Summit because it is marked with so many contradictions. In short U.S and ROK security interests on the peninsula had always been dissimilar. The ROK's first priority was peninsula's defense but for the United States, the key concern particularly in the post-Cold War era was the proliferation threat transformed into concern about North as a homeland security threat after September 11, 2001 terrorist attacks on U.S.

Moreover, in November 2001, after the attacks of Sep 11 on U.S, the U.S under Secretary of State, John Bolton made a public statement criticizing North Korea for developing and possessing biological weapons. Immediately, President Bush expressed concerns about the proliferation of Weapons of Mass Destruction (WMD) among the countries that support terrorism and branded North Korea, along with Iran and Iraq as constituting "an Axis of Evil" and declared that U.S would not tolerate or standby idly while they developed Weapons of Mass Destruction (WMD).

This hard line policy of President Bush clearly constitutes an obstacle to South Korea's efforts to proceed with its policy of engagement with North Korea. Washington expressed distrust on North Korean leader Kim Jong-Il during the Summit between Kim Dae-Jung. President Bush made it clear that his administration would not accept the Kim Jong-II's regime as genuine dialogue partner. This posture has narrowed the possible options available to the Kim Dae- Jung's administration. But with the growing anti-American sentiment in South Korea and the international communities concern about growing U.S. unilateralism, President Bush seemed to have adopted a middle path during his visit to Seoul in February 2002 by supporting the Kim Dae-Jung's engagement policy towards North Korea.⁴² On February 16th President Bush said that he supports South Korean President Kim Dea-Jung's Sunshine Policy towards North Korea, but added that

⁴² Hong Kyndok, "South Korea-U.S. Co-operation on North Korea Policy", *Korea Focus*, Vol. 10, No. 2, March-April 2002, p. 62.

appropriate steps should be taken against nations possessing Weapons of Mass Destruction (WMD).⁴³

Though the statement of “axis of evil” did provoke intense criticism in the Korean peninsula, inter-Korean relations seems to appear unaffected by U.S. criticism. Hardly within two weeks after the ‘axis of evil’ statement, both the Koreas opened a railway line in restricted area of De Militarized Zone (DMZ) for the first time in fifty years, taking North Koreans into South Korea. These statements made by U.S did not deter South Korea in carrying its relations with North Korea. In fact in July 2002, President Kim Dae-Jung expressed his intent to promote the engagement policy towards North Korea.⁴⁴ But perhaps more significant move that shows the relative autonomy is the decision to hold Liberation Day jointly. The preparation committee for joint celebration held talks with the North Korean counterpart and on 23rd July 2002, it was announced that South Korea and North Korea would hold August 15th (National Liberation Day) jointly in Seoul.⁴⁵

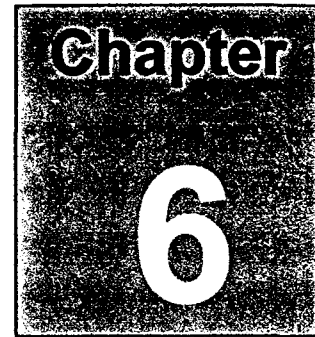
The above referred events show that the relative autonomy of the South Korea to pursue policy towards North Korea has been improved. The two Koreas seems to be more close that ever in dealing their issues independently and it would lead to reduction of tensions and to peaceful reunification of Korea in near future.

⁴³ *Korea Annual*, (Seoul: Yonhap News Agency) 2003, p. 214.

⁴⁴ *Korea Unification Bulletin*, Ministry of Unification of Republic of Korea, Seoul, no. 45, July 2002, p. 8.

⁴⁵ *Ibid.*, p. 9.

Chapter- 6
Conclusion



Conclusion

This study concludes that the two Koreas are clearly moving towards normalization of their relations from containment to engagement since the inauguration of Kim Dae-Jung administration in 1998. These changing relations have grasped all the international attention towards the Korean peninsula. Both Koreas appear to have changed their attitude towards each other and are working to ease tension and build confidence. The Engagement Policy of Kim Dae-Jung towards North Korea marks a significant shift from all the previous regimes in South Korea. From this period, North Korea is being seen as a friendly neighbour suffering from severe economic crises and natural disasters. The period witnessed the separation of sensitive political issues from that of the economic issues. Moreover the two track approach of Kim Dae-Jung also helped to neutralize the relations between both the Koreas.

Sporadic events such as, the submarine intrusion of North Korea in 1998 did not affect the ongoing inter-Korean interactions. This was fundamentally different from the policies of the previous regimes. However, this did not imply complete submission of control over North Korea by the South Koreans. The positive attitude of the South Korean leaders while pursuing the engagement policy towards the North also generated positive attitude on the part of the North Korean leaders. The internal problems in the form of natural calamities, hunger deaths etc caused North Korea to open up for interaction with South Korea. Greater interactions helped to foster confidence between the two nations which resulted in the commencement of the historical Pyongyang Summit in 2000 where both Korean leaders signed a Joint Declaration which laid the foundation for the ongoing diverse inter-Korean interactions. The most striking feature of the Joint Declaration is that both South and North Korea decided to build their national economy

through their joint efforts and decided to work for gradual process of unification independently without the intervention of any out side power. For this they gave emphasis in the Joint declaration that both the Koreas are the only Masters to deal their issues.

The election of Roh Moo-Hun, who supported Kim Dae-Jung's engagement policy on North Korea and defeated his opposition candidate Lee Hoi-Chang in the 2003 Presidential election, pledged that he would continue with the Sunshine policy demonstrated signs of rapprochement of inter-Korean relations. In fact, Kim Jong-Il himself made a statement in December 25, 2004 in KCNA, an official news paper of North Korea that North would not invade South Korea implies that both the Koreas want to avoid another war in the sensitive Korean peninsula. The fact that both South and North Korean leaders recognized the importance of a co-operative initiative over a unilateral one in resolving the Korean question represents a major paradigm shift in discourses on the Korean unification.

By analyzing the theoretical understanding, this study draws conclusion that the changing equations in the inter-Korean relations can be better understood by applying the theories of integration characterized by Charles Pentland particularly in the Pluralist theory of integration and the Neo-Functionalist theory by Puchala, the theorists have given importance to the establishment of amalgamated security, communication links, mutual responsiveness and wide range of mutual transactions. In the changing pattern of inter-Korean relations since 1998 both the Koreas have agreed to develop all possible means to establish these unbroken social exchanges. In the Pyongyang Summit both the Koreas have decided to pursue mutual exchanges at all levels including social, cultural and economic. And accordingly exchanges of activities took place in various spheres and at various levels other than at the governmental level. The neo-functionalist theory lays emphasis on multiple mode of interaction by means of governmental and non-governmental sectoral interactions for peaceful regional integration. As a result of that the number of reunion of families are increasing year by year and four lakh South Korean tourists have crossed to the Mt. Kumgang project in North Korea in 2004, screening of North Korean films for the first time in Busan Film Festival. This incident marks an

important step towards the gradual unification process between the two Koreas in the future.

Empirically, this study cites domestic, political, economic changes in both Koreas that led to the evolution of engagement approach. In case of North Korea its positive response towards the Policy of Engagement comes from Kim Dae-Jung's policy of demarcation of economic issues from the sensitive political issues. The removal of suspicion came in with the announcement of Berlin Declaration by Kim Dae-Jung in March 2000, where he promised to guarantee North Korea's security and assist in their economic recovery. At the political level, the historic Pyongyang Summit provided the platform for the North Korean Chief to meet the South Korean President and recognize his position for the first time after the division of Korea. Moreover in order to overcome the shrinking economy North Korea revitalized its constitution in 1998. Ever since it witnessed economic disasters North Korea recognized the inevitable of opening up of its economy. North Korea accepted Sunshine policy offered because it provided an opportunity to open its economy without compromising on its honour. The internal reforms at the institutional level i.e. in the Constitution which was amended in order to recognize 'private property' would be one of the most significant changes as far as communist structure of North Korea is concerned. This development can be further strengthened by the agreements at Keasung Industrial Complex where the North Korean workers were allowed to be paid directly by the South Korean companies unlike in earlier agreements where the companies paid to the North Korean state.

More conspicuous are the changes in the field of economy that gained momentum with the signing of the 2000 Pyongyang Joint Declaration which created a positive atmosphere to improve the trade relations between the two Koreas. As a result of the 2000 Summit meeting, North Korea had concluded several agreements with South Korea for the establishment of the 'Korean national economy'. North Korea's assurance to provide protection for assets of investors from the other side and guarantee free investment-related activities including the transfer of proceeds brought the South Korean business men into confidence allaying their fears of investing in North Korea leading to increased South Korean investment in North Korea. Moreover passing of the Processing Trade Law (PTL) resulted in considerable increase in the growth rate of trade. To

increase foreign investment certain changes were made which included the basic laws designed to establish a framework for institutional economic cooperation- the Foreign Equity Law, the Contractual Joint Venture Law and the Foreign Enterprise Law. Not only the above referred laws helped in increase of foreign investment but more importantly the economic co-operation has been institutionalized for the first time in the history of Korea.

Though the economic moves are more conspicuous and the institutionalization of economic co-operation a direct result of the signing of Joint Declaration, the relations, nevertheless, spread to various other levels. This period witnessed the coming of a new age of the “Iron Silk Road” whereby Pyongyang agreed to reconnect a 24 km served Kyonggi Line (Seoul- Shinujju railway) to facilitate improvement in the level of trade volume and infrastructural development with South Korea.

In the cultural and social sphere, North had agreed to open up the Mt. Kumgang tourist project to the South Koreans and also encouraged the reunion of families. The huge number of cooperative men visits to North Korea and the large amount of tourist visits to Mt.Kumgang had given a great momentum to the social and cultural interaction between two Koreas. Apart from these, the issue of re union of families which probably is the most sensitive issue as far as Koreans emotions are concerned received a boost when the North Korea agreed in principle for the construction of a Family Re-Union Centre in Panumjom. Besides these the decision to send a unified team to the Sydney Olympics in 2000 also marks an important step towards improving the inter-Korean relations.

In case of South Korea, since the inauguration of Kim Dae-Jung’s administration, there is change of perception towards North Korea. The policy from 1998 is fundamentally different from all the previous South Korean regimes that always followed the containment policy towards North Korea. Since this period, North has been as friendly neighbour seeking help from the South Korea. Moreover, the principle of separation of politics from economy through the two track approach is more significant change in the policy of South Korea. In order to create a positive atmosphere, South Korea actively pursued the engagement policy despite North Korea’s provocative measures. Moreover, at the level of political interaction, South Korean and foreign and economic minister Nyum asked the international community in London in 2001 to invest

in North Korea which is very significant political shift in pursuing policy on North Korea. This aptly shows the extent of change of perception in South Korean administration towards North Korea.

As the economy is win-win situation for both the countries, both South Korean government and the business companies are pushing forward for increased economic interaction with North Korea. The projects like Kaesung industrial complex are going to benefit South Korean economy and its products in international market. However, the South Korean interests are not economic driven which is evident from the likes of desire to continue Mt. Kumgang project despite its losses.

Though economic co-operation is ahead of all other spheres, events are happening simultaneously in many other spheres. The South Korean Democratic leadership is making attempts to open all the means to create an atmosphere for gradual or peaceful unification in the near future. The right examples in this regard are the ones like sending of an unified Korean team to Sydney and Athens Olympics in 2004. But more important are the efforts of Unification Ministry to create or develop the importance of integration of the two Koreas among the younger generations. It introduced a new Internet service in December 2004 using famous cartoon characters, such as Baby Dinosaur Dooly, to enhance young people's understanding of the inter-Korean affairs, including the necessity of reintegrating the divided peninsula. The ministry also plans to conduct a two-day road show marking the beginning of the Internet service at 10 places frequented by young people, such as Taehangno and Sinchon in Seoul, to explain why the reunification is necessary to the generations who did not experience the 1950-53 Korean War.

Other important developments which are a direct result of the changing relations since 1998, is the increasing role of various non-governmental groups in helping to increase interactions with North Korea. Non-Governmental organizations like Hyundai Asan, Korean Foundation for World Aid (KWFA) are working for improving the standards of education, health and sports in North Korea.

The finding of the study validates the basic assumptions set forth in the study. The development in the inter-Korean relations confirms that containment policies adopted by various administrations in Korea could not bring peace and reconsolidation in the peninsula. However, the policies of engagement evolved and forward by Kim Dae-Jung

and Roh Moo Hun administrations have dramatically changed the behaviour of both states, both are willing to cooperate and coordinate.

Appendices
Appendices

Appendix: 1

Joint Statement of North and South Agency in Seoul, visited Pyongyang in the period from May 2 to 5, 1972, and had talks with Kim Yong Ju, director of the Organizational Guidance Department in Pyongyang, and Second Vice-Premier Pak Sung Chol, on behalf of Director Kim Yong Ju, visited Seoul in the period from May 29 - to June 1, 1972, and had talks with Director Li Hu Rak.

At these talks the two sides had an openhearted exchange of opinions with the common desire to achieve the peaceful reunification of the country at the earliest possible date and attained big success in promoting mutual understanding.

In this course, the two sides reached a complete accord of view on the following points to dispel misunderstanding and distrust between the north and the south caused by the absence of meeting for a long period and ease the tension at its high pitch and, furthermore, promote the reunification of the country;

1. The two sides reached an agreement on the following principles of the reunification of the country:

Firstly, reunification should be achieved independently, without reliance upon outside force or its interference;

Secondly, reunification should be achieved by peaceful means, without recourse to the use of arms against the other side;

Thirdly, great national unity should be promoted first of all as one nation, transcending the differences of ideology, ideal and system.

2. The two sides agreed upon refraining from slandering and calumniating the other side and from committing armed provocations, big or small, and upon taking active measures for preventing incidents of unexpected military conflicts, in order to ease the tension between the north and the south and create an atmosphere of trust.

3. The two sides agreed upon realizing versatile interchange in various fields between the north and the south to restore the national ties now severed, promote mutual understanding and accelerate independent peaceful reunification.

4. The two sides agreed upon rendering active cooperation in bringing to an early success the north-south Red Cross talks now in progress amid the great expectation of the whole nation.

5. The two sides agreed upon installing permanent direct telephone links between Pyongyang and Seoul to prevent unforeseen military incidents and deal with

directly, promptly and, accurately the questions arising between the north and the south.

6. The two sides agreed upon forming and operating a North-South Coordination Committee with Director Kim Yong Ju and Director Li Hu Rak as its co-chairman for the purpose of promoting the implementation of these points of agreement and, at the same time, improving and settling various problems between the north and the south and solving the question of the country's reunification on the basis of the principles of the national reunification agreed upon.

7. Firmly believing that the points of agreement mentioned above conform to the unanimous desire of the whole nation which aspires after national reunification, feeling as if days are so many years, the two sides solemnly promise to the whole nation to honestly fulfil these points of agreement.

Agreed upon July 4th 1972 by Kim Yong Ju, North side delegate and Li Hu Rak, South side delegate.

Appendix: 2

Full Text of North-South Joint Agreement on Reconciliation, Nonaggression, and Cooperation and Exchange

Following is a full text of the Agreement on Reconciliation, nonaggression, and Cooperation and Exchange between the North and the South adopted at the third-day session of the fifth north-south high-level talks in Seoul on Dec. 13, 1991.

Pursuant to the will of all the fellow countrymen desirous of the peaceful reunification of the divided country, reaffirming the three principles of national reunification laid down in the July 4th North-South Joint Statement; Pledging themselves to remove the political and military confrontation for the achievement of national reconciliation, for the prevention of invasion and conflicts by the armed forces, for the realization of detente and for the guarantee of peace; To realize many-sized cooperation and exchange for the promotion of the common interests and prosperity of the nation; and To make concerted efforts to achieve peaceful reunification, admitting that the relationship between the sides is not the one between countries but a special one formed temporarily in the process of advancing towards reunification, the north and the south have agreed as follows:

1. North-South Reconciliation

Article 1. The north and the south shall recognize and respect the system that exists on the other side.

Article 2. The north and the south shall not interfere in the internal affairs of the other side.

Article 3. The north and the south shall cease to abuse and slander the other side.

Article 4. The north and the south shall refrain from all acts aimed at destroying and overthrowing the other side.

Article 5. The north and the south shall make concerted efforts to convert the present armistice into a durable peace between the north and the south and observe the present Military Armistice Agreement until such peace has been achieved.

Article 6. The north and the south shall discontinue confrontation and competition, cooperate with each other and make concerted efforts for national dignity and interests in the international arena.

Article 7. The north and the south shall set up and operate a north-south liaison office at Panmunjom within three months after the effectuation of this agreement in order to ensure close contacts and prompt consultation with each other.

Article 8. The north and the south shall form a north-south political subcommittee within the framework of the full-dress talks in one month after the effectuation of this agreement

in order to discuss concrete measures for implementing and observing the agreement on north-south reconciliation.

2. North-South Nonaggression

Article 9. The north and the south shall not use arms against the other side, nor shall they invade the other by force of arms.

Article 10. The north and the south shall settle differences and disputes between them peacefully through dialogue and negotiation.

Article 11. The north and the south shall designate as the demarcation line and zone of nonaggression the Military Demarcation Line which was laid down in the agreement on the military armistice dated July 27, 1953 and the area which has so far been within the jurisdiction of the sides.

Article 12. In order to implement and guarantee nonaggression the north and the south shall set up and operate a north-south joint military committee within three months after the effectuation of this agreement.

The north-south joint military committee shall discuss and promote the realization of military confidence-building and disarmament, such as notification of and control over the transfer of large units and military exercises, use of the Demilitarized Zone for peaceful purposes, exchange of military personnel and information, the realization of phased arms cut down including the removal of mass destruction weapons and offensive capability and their verification.

Article 13. The north and the south shall install and operate direct telephone links between the military authorities of the sides in order to prevent the outbreak and escalation of accidental armed conflicts.

Article 14. The north and the south shall form a north-south military sub-committee within the framework of the full-dressed talks in one month after the effectuation of this agreement and discuss concrete measures for the implementation and observance of the agreement on nonaggression and the removal of military confrontation.

3. North-South Cooperation and Exchange

Article 15. The north and the south shall effect economic cooperation and exchange, such as joint development of resources and the exchange of goods in the form of exchange within the nation and joint investment for the coordinated and balanced development of the national economy and for the promotion of the well-being of the whole nation.

Article 16. The north and the south shall effect cooperation and exchange in various fields, such as science, technology, education, literature and art, public health, sports, environment and mass media including newspapers, radio, TV and publications.

Article 17. The north and the south shall effect free travels and contacts between members of the nation.

Article 18. The north and the south shall effect free correspondence, travels, meetings and visits between the separated families and relatives and their reunion based on their free will and take measures regarding other problems awaiting humanitarian solution.

Article 19. The north and the south shall connect severed railways and roads and open sea and air routes.

Article 20. The north and the south shall install and connect the facilities necessary for the exchange of post and telecommunication and ensure secrecy in this sphere of exchange.

Article 21. The north and the south shall cooperate with each other in economic, cultural and many other fields in the international arena and jointly conduct external activities.

Article 22. For the implementation of the agreement on effecting cooperation and exchange in various fields, such as economy and culture, the north and the south shall form a north-south joint economic cooperation and exchange committee and other departmental joint committees within three months after the effectuation of this agreement.

Article 23. In order to discuss concrete measures for the implementation and observance of the agreement on cooperation and exchange between the north and the south, the two parts shall establish a north-south cooperation and exchange subcommittee within the framework of the full-dressed talks in one month after the effectuation of the agreement.

4. Amendments and Effectuation

Article 24. This agreement can be amended and supplemented by mutual consent.

Article 25. This agreement shall become effective as from the date when the north and the south exchange its text after they go through necessary formalities.

Yon Hyong Muk, Premier, D PRK Administration Council, Head of the north side's chief delegate of the delegation to the N-S high-level talks.

Chong Won Sik, Prime Minister, ROK Chief delegate of the south side's delegation to the S-N high-level talks

Appendix: 3

NORTH-SOUTH JOINT DECLARATION

NORTH-SOUTH JOINT DECLARATION, JUNE 15, 2000

True to the noble will of all the fellow countrymen for the peaceful reunification of the country, Chairman Kim Jong Il of the National Defense Commission of the Democratic People Republic of Korea:

1. The North and the South agreed to solve the question of the country's reunification independently by the concerted efforts of the Korean nation responsible for it.
2. The North and the South, recognizing that a proposal for federation of lower stage advanced by the North side and a proposal for confederation put forth by the South side for the reunification of the country have elements in common, agreed to work for the reunification in this direction in the future.
3. The North and the South agreed to settle humanitarian issues, including exchange of visiting groups of separated families and relatives and the issue of unconverted long-term prisoners, as early as possible on the occasion of August 15 this year.
4. The North and the South agreed to promote the balanced development of the national economy through economic cooperation and build mutual confidence by activating cooperation and exchanges in all fields, social, cultural, sports, public health, environmental and so on.
5. The North and the South agreed to hold dialogues between the authorities as soon as possible to implement the above-mentioned agreed points in the near future.

President Kim Dae Jung cordially invited Chairman Kim Jong Il of the DPRK National Defense Commission to visit Seoul and Chairman Kim Jong Il agreed to visit Seoul at an appropriate time in the future.

June 15, 2000

Kim Jong Il, Chairman, National Defense Commission, DPRK

Kim Dae Jung, President, Republic of Korea

Appendix: 4

Inter-Korean Talks by Area:

Classification	Dialogue
Political (19)	<ul style="list-style-type: none"> . Summit (1) . Ministerial talks (14) . Working-level contact for ministerial talks (1) . Special envoys' talks (3)
Military (27)	<ul style="list-style-type: none"> . Defense ministers' talks (1) . General-level military talks (2) . Working-level contact for general-level military talks (1) . Working-level military talks (9) . Chief delegates' contact for working-level military talks (1) . Working-level contact on military communication (1) . Working-level contact on communication line connection for the Donghae Line (2) . Working-level military contact (10)
Economic (47)	<ul style="list-style-type: none"> . Meetings of the Inter-Korean Economic Cooperation Promotion Committee (9) . Working-level consultative meetings (4) and working-level contact (9) on inter-Korean road and railroad reconnection . Working-level consultative meeting (1) and working-level contact (1) on the construction of the Gaeseong Industrial Complex . Government-level talks on Mt. Geumgang tourism (2) . Working-level contact on economic cooperation (2) . Working-level consultative meetings on flooding prevention in the Imjin River basin (3) . Working-level consultative meeting on electrical cooperation (1) . Working-level consultative meetings (4) and working-level contact (1) on an institutional framework for inter-Korean economic cooperation . Working-level contact on joint survey of Imnam Dam (1) . Working-level contact on inter-Korean cooperation in maritime transportation (4) . Working-level consultative meeting on origin certification (1) . Working-level consultative meetings on clearing settlement (3) . Inter-bank contact for clearing settlement transactions (3)
Humanitarian/ Athletic (18)	<ul style="list-style-type: none"> . Red Cross talks (5) . Working-level Red Cross contact (4) . Meetings of the Mt. Geumgang Reunion Center Construction Promotion Group (3) . Closed contact on construction of the Mt. Geumgang reunion center (2) . Working-level contact on North Korea's participation in the Busan Asian Games (2) . Working-level contact for North Korea's participation in the Daegu Summer Universiade (1) . Working-level talks for rescue activities regarding the Ryongcheon disaster (1)

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