


Policy Forum 05-56A: One Korea?

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By Charles Wolf Jr.

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I. Introduction

Charles Wolf Jr., a senior fellow at the RAND Corporation and Hoover Institution and the co-author of "North Korean Paradoxes", wrote: "How and exactly when unification may occur -- whether by system evolution or collapse, by internal dissidence, by fragmentation or by conflict -- is no less conjectural now than it was a decade earlier. At that time, such conjectures were rife, and we were surprised that none of the envisaged possibilities ensued. Now, when such conjectures are absent, and attention instead is pre-empted by North Korea's threatened or actual acquisition of nuclear

weapons, we may be surprised again -- but this time in a reverse direction."

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

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II. Essay by Charles Wolf Jr.

- One Korea?
by Charles Wolf Jr.

The demise of Kim Il Sung in 1994 after five decades of one-man rule in North Korea led many academic and policy wonks to conjecture that Korean reunification might ensue within a few years during the leadership transition from strongman father to untested and putatively weak son, Kim Jong Il. The plausible unification scenarios described at the time included regime "collapse," regional "fragmentation," or simply "absorption" of the precarious North Korean economy by the economic powerhouse that the South Korean "tiger" had by that time become. That none of these scenarios ensued in the following decade was a surprise.

Contemporaneous with these conjectures about Korean unification, the unification of another long-divided country, Germany, was under way. By 1995, five years into the reunification of East and West Germany, the economic burden imposed on the West German economy had already exceeded \$750 billion, more than 7% of its cumulative GDP during that period. Moreover, these costs have continued to accumulate, having by now reached a figure twice that amount.

In any event, the German experience occasioned consternation in South Korea for fear that unification with the North would entail a still larger and more debilitating relative cost burden than that borne by West Germany. The not-entirely-irrational basis for this fear was and remains that the population of North Korea is a larger fraction of South Korea's population, while North Korea's per capita income is a much smaller fraction of that of South Korea, compared to the corresponding German figures. North Korea's population is about one-half that of the South (22 million versus 47 million in the South), and its per capita income about 8% that of the South (perhaps \$760 versus \$10,000 in the South); by comparison, East Germany's population at the time of its unification with the Federal Republic was about one-quarter, and its per capita income about one-third, that of West Germany.

The flaw in reasoning from the German experience to the possible unification experience in Korea is that unification costs need not be driven, as they were in the German case, by a goal of equalizing per capita income between the unifying parts. There are many instances of unified countries that function with tolerable effectiveness notwithstanding large regional disparities in per capita income, not to mention sometimes deep political, social and cultural rifts as well. Examples include Indonesia's Christian Ambon and Muslim Java, Italy's prosperous Piedmont region and its relatively impoverished Mezzogiorno, the eastern and western parts of Ukraine, let alone California and, say, Mississippi in the United States.

Consequently, in considering the costs of possible Korean unification it is both more appropriate and more realistic to stipulate a rapid doubling of per capita income in the North as the target for unification, rather than what would be a less relevant goal of equalizing per capita income between North and South. Adopting a goal of doubling North Korean income, a recent RAND Corporation study places the capital costs of reunification of the Korean peninsula between \$50 billion and \$670

billion. Although these estimates are large and although they span a wide range, they are considerably lower than most prior estimates -- between one-third and one-fifth of the latter.

How and exactly when unification may occur -- whether by system evolution or collapse, by internal dissidence, by fragmentation or by conflict -- is no less conjectural now than it was a decade earlier. At that time, such conjectures were rife, and we were surprised that none of the envisaged possibilities ensued. Now, when such conjectures are absent, and attention instead is pre-empted by North Korea's threatened or actual acquisition of nuclear weapons, we may be surprised again -- but this time in a reverse direction.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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