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# Policy Forum 07-088: The 2007 Inter-Korean Summit and Its Implications for Northeast Asia



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By Su-hoon Lee and Dean J. Ouellette

CONTENTS

[I. Introduction](#)

[II. Article by Su-hoon Lee and Dean J. Ouellette](#)

[III. Citations](#)

[IV. Nautilus invites your responses](#)

## I. Introduction

Su-hoon Lee, Chairman of the South Korean Presidential Committee on Northeast Asian Cooperation

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Initiative, and Professor at Kyungnam University, and Dean J. Ouellette, a researcher with the Institute for Far Eastern Studies in Seoul, Korea and assistant editor of *Asian Perspective*, write, "Much is already being done on both sides to implement the comprehensive and concrete steps agreed to at the 2007 October summit... All this will help overcome the South-North division on the Korean peninsula and lay a foundation for a broader regional integration in Northeast Asia. Dismantlement of the cold-war structure in this part of the world is much over due. Building the bridges to overcome the past and help the region construct its future cooperatively must be supported with genuine and tangible efforts. With time, progress is made inevitably."

This essay will be published in *Korea Policy Review*, 2007, December issue.

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## **II. Article by Su-hoon Lee and Dean J. Ouellette**

- "The 2007 Inter-Korean Summit and Its Implications for Northeast Asia"

By Su-hoon Lee and Dean J. Ouellette

Although fostering cooperation and integration in Northeast Asia was not on the agenda nor mentioned in the eight-point agreement signed by the leaders of the two Koreas at the October 2007 inter-Korean summit, the outcome of this most recent meeting of the two heads of state has large implications on the region. For not until détente characterizes inter-Korean relations can the fluid regional order transform itself into one of peace and integration. With the conclusion of the summit, that time seems to have come.

As indicated by the October 4th "Declaration on the Advancement of South-North Korean Relations, Peace, and Prosperity" (hereinafter "the 2007 declaration"), the desire of the two Koreas to reduce tensions and increase diplomatic, commercial, and cultural contact has become the reality on both sides of the divided peninsula. In a substantial way, the advancement of relations, peace, and prosperity between North and South Korea is a most favorable auspice for the region and the integrative processes that it must accelerate to enhance regional security and peace.

### *Committed to Denuclearization*

Since 2000, progress in inter-Korean cooperation has advanced steadily. However, the recent South-North summitry was made possible to a greater extent by the evolution of the North Korean nuclear issue. In 2002, allegations and controversy over North Korea's possession of a program to enrich uranium for nuclear weapons, and the North's subsequent withdrawal from the Nuclear Non-Proliferation Treaty led to turbulence in the regional security environment and a second nuclear crisis on the peninsula. The six-party negotiation framework, the Six-Party Talks, which was formed in 2003 to deal with the security concerns created by the issue, did make progress, but came to a critical juncture in October 2006 when North Korea conducted a nuclear test. Soon after, international sanctions ensued. But a decision was also made, especially by the United States, to commit to diplomacy to resolve the impasse. This generated enough positive momentum to resume talks. Talks in February 2007 culminated in the signing of a detailed "action plan" for all parties to move the peninsular denuclearization efforts forward, including by means of five issue-specific Working Groups. The subsequent constructive bilateral consultations and coordination helped build confidence among the actors, and in particular helped repair bones of contention (i.e., the Banco Delta Asia issue) that obstructed further progress from being made. The six-party process has since moved steadily in a positive direction. Essentially, this mutual commitment to serious negotiations

and their subsequent achievements allowed for an inter-Korean summit to be contemplated.

While the 2007 South-North summit was heralded as a substantial achievement for the promotion of inter-Korean relations and establishment of a peace regime on the Korean peninsula, it also complemented the six-party denuclearization agenda by affording North Korea another formal opportunity to affirm its commitment to denuclearization. Although the nuclear issue was not a major part of President Roh Moo-hyun and Chairman Kim Jong-il's dialogue, North Korea did agree in the October 4th declaration "to work together [with South Korea] to implement smoothly the September 19, 2005 Joint Statement and the February 13, 2007 Agreement achieved at the Six-Party Talks."<sup>(1)</sup> This goes in step with what it signed into agreement at the October 3rd six-party meeting, which is to disclose the extent of its nuclear program and disable its main reactor, reprocessing plant, and nuclear fuel rod fabrication facility at Yongbyon by the end of 2007.<sup>(2)</sup> In effect, this indicates that Pyongyang is very aware that expanding inter-Korean economic relations through South Korean investment in the North, as well as putting an enduring peace framework in place, is based on its own commitment to resolving the nuclear issue.

### *Shifting Its Policy Weight behind Seoul*

To some extent, this commitment to denuclearization has largely been expressed in the unexpected concessions North Korea evidently made to expand economic cooperation with the South. Within the October 2007 declaration are concrete proposals that establish a new model for inter-Korean economic cooperation, which has up until now been dominated by less than satisfactory processing-on-commission trade. South Korea now looks to move from cooperation in trade to investing in the North, to the benefit of both Koreas. This investment and expansion of economic cooperation is something North Korea desperately needs as it shifts to economic-oriented policies from security-oriented ones to integrate into the capitalist world system, a strategic move the Kim regime must make for its own survival.<sup>(3)</sup> Of course, this strategic shift can only be verified once the North has undertaken more robust reform of its economy. Nevertheless, integration into the global economy is inevitable, and the 2007 declaration would seem to reinforce the idea that this is the strategic choice North Korea has made.

In making this decision to emphasize economic development, Pyongyang also seems to have shifted its policy weight toward Seoul to build a partnership. While articles 1 and 2 of the 2007 declaration could be anticipated, the fact that North Korea would consent to the remaining contents is unprecedented. Indeed, many concessions appear to have been made by North Korea.

What made Pyongyang suddenly agree to such a deal? Has Kim Jong-il come to the conclusion that Seoul is the most viable option for his regime's survival? Does he realize how a united Korea would improve the nation's leverage in affairs with its neighbors?

From the agreement that was signed, it may very well be so. The agreement to "upgrade the status of the existing Inter-Korean Economic Cooperation Promotion Committee to a Joint Committee for Inter-Korean Economic Cooperation to be headed by deputy prime minister-level officials" is definitely positive and shows the priority that Pyongyang has placed on improving the institutional arrangements and communication that will be needed to foster and expand economic relations.

In addition, the two leaders agreed to have the "highest authorities" of the two Koreas "meet frequently for the advancement of relations."<sup>(4)</sup> This includes inter-Korean prime ministers' and defense ministers' talks, to be held shortly in November 2007 in Seoul and Pyongyang, respectively.<sup>(5)</sup> This would suggest that Pyongyang intends to do more, not less, official business with Seoul.

### *Waning Traditional Framework of Bilateral Relations*

What also seems to be evident following the summit is that the longstanding framework of bilateral relations between North Korea and its antagonists seems to have disappeared. In the past, warming of ROK-DPRK relations led to uneasiness in ROK-U.S. relations. This no longer seems to be the case, as improvement in inter-Korean relations appears alongside a vast improvement in the U.S.-DPRK and Japan-DPRK relationships (although to a much lesser extent in the latter case).(6) This of course needs to be analyzed to see whether it is a temporary or lasting phenomenon.

Regardless, the improved inter-Korean relationship seems to be better for other bilateral relationships in Northeast Asia. And this is crucial, since the lack of progress in other bilateral relationships adds to the uncertainty in the regional order, which was another factor which contributed to President Roh's decision to hold the 2007 summit.

In fact, President Roh is acutely aware of the link between peace on the peninsula and the building of peace and common prosperity in the region. If the significant possibilities outlined in the October 4th declaration are brought to fruition, other actors in the region may begin to embrace more seriously the logic of interdependence and work toward integration.

### *Regional Integration and an Assertive Role for Korea*

An identifiable trend toward integration exists in Northeast Asia, but it is manifestly unoriented and uncertain. Despite growing economic linkages that have intricately woven the economies of China, Korea, and Japan together, political maneuvering in the region reveals the persistence of a cold-war geopolitics and subsequent politics played out by key actors that perpetuate the fluidity in the regional order. A climate of anxiety and mistrust persists. History, memory, and national myths obstruct improvement from being made in bilateral relations(7) and multilateral cooperation. Nationalism ignites at the slightest indiscretion and is culpably exploited for political purposes. National humiliation is revisited time and time again as actors fail to cooperatively reconcile with the past. The unacknowledged competition for regional hegemony is also quite obvious, as China is rising, U.S. influence is waning, and Japan is apprehensive about losing its competitive edge.

Yet the one positive force Northeast Asia does hold is the strong desire of North and South Korea for détente. And it is this desire that must move the region as a whole toward stable peace and integration.

In fact, the two leaders shared their opinions on this very fluid regional order at the summit. President Roh Moo-hyun himself mentioned on two occasions during his dinner speech the importance of Northeast Asian cooperation and integration and of the assertive role that needs to be played by the two Koreas.

Both leaders recognize the potential threats that the current regional geopolitics imposes on the two Koreas, and both realize that the South and North need to deal with them through joint efforts. More importantly, they also clearly see the opportunities that the dynamic Northeast Asia offers, and how Korea can leverage its position.(8)

For Korea, the opportunities include the restoring of the peninsula's historical role as a "bridge" between China and Japan.(9) To restore Korea to this role means both the North and South must reconcile their differences and learn to cooperate. If the two Koreas unite, they can respond to this fluid and dynamic situation, and push integration further. President Roh emphasized that the Korean peninsula will have to play an assertive, positive role in the future to move every actor in a positive direction.

This could be understood to mean working to prevent emergence of regional hegemonic competition and instead to push regional integration forward. This may include acting to mediate the rivalry between China and Japan, and more strongly promoting diverse cooperation projects among its neighbors to accelerate the process of integration.

### *Modeling Peace: The Maritime Peace Zone*

It would also mean the two Koreas should model peace-building efforts. This is one area where the summit succeeds. As a case in point, the 2007 declaration outlines an agreement to establish a "special peace and cooperation zone" in the West Sea to overcome the barriers of hostility and conflict that have plagued their adjoining waters for decades. Here the two Koreas plan to do much: create a "maritime peace zone" and "joint fishing zone"; establish a new special economic zone in the vicinity of Haeju while developing and upgrading its harbor for expanded utilization; ensure safe passage of civilian vessels via direct routes to Haeju; and pursue joint use of the Han River estuary. As one can readily see, this particular agreement represents a comprehensive approach encompassing the three key components of military confidence building measures, advancement of peace, and expansion of economic cooperation along the coast of the West Sea.

This idea of a "maritime peace zone" is not new. What is new is that it is no longer just an idea. Between any two antagonists, establishing a "peace zone" where a sense of community can be nurtured is the best way to mitigate and minimize conflict and allow for shared common interests to be mutually exploited. For the two Koreas, that will begin in the West Sea, where such "cooperation would be far preferable to the current conflict-prone situation in the peak crabbing season of a free-for-all with both North and South Korean naval vessels trying to control their own fishing boats while simultaneously guarding against attack."<sup>(10)</sup> This cooperation should go along way to preventing naval clashes like the ones of June 1999 and 2002, which proved most regrettable for both Koreas.

So what we have in the 2007 declaration is a broad, functional approach that seeks to reduce military tensions and promote peace via cooperative projects. This includes the addition of a special economic zone somewhat analogous to the Kaesong project, where initially a heavily armed area was transformed into a model case of opening and economic cooperation. If implemented, the agreements outlined in the 2007 declaration should speed up the "growth of positive and constructive common work and of common habits and interests" between the two Koreas, "decreasing the significance of artificial boundaries and barriers overlying them with a natural growth of common activities and administrative agencies." The challenge, of course, will be for South and North Korea to develop the bilateral arrangements essential to demonstrate that a habit of dialogue and working together can build common, and ultimately cooperative security.<sup>(11)</sup>

In the long run, such a zone may provide other regional actors with insight into how they themselves may transform their own "areas of dispute" into "zones of peace and cooperation," in particular in the disputed oil-and-gas-rich areas of the East China Sea.<sup>(12)</sup>

### *Expanding Economic Linkages*

This "peace zone" in the West Sea also marks a critical step toward improving regional economic networks and trade flows. As alluded to above, bringing peace to this area will allow for the restoration of the historical robust economic activity in Korea's middle-western regions and restoration of Korea's historical position as "bridge" between Northeast Asia's continental and maritime economies.<sup>(13)</sup> This in itself will generate forward momentum for integrative processes by greatly expanding the possibilities for linkage and cooperation in the region.

Reopening a direct civilian sea route from the South Korean coast to the North Korean port of Haeju is the first step to making this "bridge" or distribution hub a sure reality. But the reality will also need to include overcoming barriers on land by restoring the road and rail connections. Of course, the lingering security concerns and time-consuming infrastructure assessments and upgrades required on the roads and railway (i.e., the Gaeseong-Sinuiju railway and Gaeseong-Pyongyang expressway) means that the land connection will understandably take more time to develop.

Nonetheless, this overland connection will come, for it will be even more valuable than open waterways. Restoration of the Gyeongui Railway Line along Korea's west coast would connect the major, high density urban populations of the South and the new and well-equipped airport at Incheon with the expanding manufacturing and export facilities at Gaeseong, and open a transportation corridor that would ultimately connect Pusan to Paris via the trans-continental railways of China and Russia. This connection promises to be in place by the summer of 2008, as Roh and Kim agreed at the summit to "use the Gyeongui Railway Line for the first-ever joint Olympic cheering."<sup>(14)</sup> Once a fully functional transportation service is in place, it would open up the peninsula as the main corridor in the transportation market of the pan West Sea economic region.

The benefits to the two Koreas, the region, and even Europe, are quite obvious. The reconnection of this western route would establish a new model of inter-Korean cooperation, and transform regional economic distribution arrangements once the rail line is open. In this regard, the agreement in the 2007 declaration to open freight rail services between Munsan and Bongdong and complete significant institutional measures, as well as the agreement to discuss making repairs to the Gaeseong-Sinuiju railroad and the Gaeseong-Pyongyang expressway for joint use signal that Pyongyang is serious about economic development-although more will need to be done to improve the infrastructure and institutional arrangements to attract much needed foreign investment.

Another major feature of the 2007 declaration is the agreement to construct shipbuilding complexes at Nampo and Anbyon on North Korea's west and east coasts, respectively. As the South needs land to expand its shipbuilding facilities to become more globally competitive, the decision to build in Nampo demonstrates North Korea's willingness to assist the South while embracing cooperation to rebuild its own economy. The expanded and upgraded facilities (to be built by cheaper North Korean labor) and their joint use will extend the belt of Korea's shipbuilding industry and allow the country's shipbuilders to become more competitive internationally.

The expansion and improvements will also allow for the region to take advantage of the gains made by improving logistics and trade flows in the West Sea.

### *Moving Forward*

Much is already being done on both sides to implement the comprehensive and concrete steps agreed to at the 2007 October summit. At the time of this writing, officials from both Koreas are meeting in Gaeseong and Panmunjom to hold preparatory working-level talks to prepare for the prime ministers' and defense ministers' talks, respectively, to be held later this month, where concrete and direct ways to establish peace in the West Sea will be discussed further. And so far, North Korea is sticking to its denuclearization commitments, "entering a ground-breaking phase" as it starts to disable its core nuclear facilities.<sup>(15)</sup> All this will help overcome the South-North division on the Korean peninsula and lay a foundation for a broader regional integration in Northeast Asia.

Dismantlement of the cold-war structure in this part of the world is much over due. Building the bridges to overcome the past and help the region construct its future cooperatively must be supported with genuine and tangible efforts. With time, progress is made inevitably.

### III. Citations

- (1) Article 4, "Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity," October 4, 2007.
- (2) "North Korea to Disable Nuclear Reactor," NPR, October 3, 2007.
- (3) For a discussion on this, see Jae-Jean Suh, "North Korea's Strategic Decisions After the February 13 Agreement," Nautilus Policy Forum Online 07-030A, April 10, 2007.
- (4) Article 8, "Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity," October 4, 2007.
- (5) Articles 8 and 3, Ibid.
- (6) In the case of Japan and North Korea, understanding and flexibility will be needed on both sides to mitigate their deep mutual distrust and resolve their palpable differences. The mere fact that Japan and North Korea are conducting bilateral talks is an extremely encouraging development, for progress could not be made if the two countries were not talking. The Japanese foreign ministry as well has expressed Japan's intention to work "sincerely" within the Japan-North Korea Working Group. Nevertheless, North Korean leader Kim Jong-il will have to show more sincere efforts to resolve the issue of North Korea's past kidnapping of Japanese citizens, and newly-appointed Japanese prime minister Yasuo Fukuda and his administration will have to prove more adroit at handling domestic sentiments antagonistic to détente in order to build the relationship.
- (7) Yoshihide Soeya, Jianwei Wang, and David A. Welch, "A New Look at the U.S.-China-Japan Triangle: Toward Building a Stable Framework," *Asian Perspective* , vol. 27, No. 3 (Fall 2003), pp. 177-219.
- (8) Bruce Cumings, "The North-South Summit and the Future of East Asian Security and Political Economy," a paper presented at the World Knowledge Forum 2007 in Seoul, Korea, October 18, 2007; also see Immanuel Wallerstein, "Northeast Asia and the World-System," *The Korean Journal of Defense Analysis* , vol. 19, No. 3 (2007), pp. 7-25.
- (9) Ibid.
- (10) Jon M. Van Dyke, Mark J. Valencia, and Jenny Miller Garmendia, "The North/South Korea Boundary Dispute in the Yellow (West) Sea," *Marine Policy* , No. 27, 2003, pp. 143-58.
- (11) Ibid., pp. 154-55.
- (12) Competition between China and Japan for energy resources in the East Sea has heightened regional maritime security. Though both governments have opened bilateral consultations to ameliorate the situation, progress has been disappointing. Unfortunately, if this situation were to deteriorate further-and it might-it would bode a very negative future for Sino-Japanese relations overall. Thus, this maritime area, too, seems a likely place in which to establish a "peace zone" and "joint resource-sharing zone." For a discussion on Sino-Japanese oil-and-gas dispute in the East Sea, see Cai Penghong, "Energy and Security in the East China Sea," *The Korean Journal of Defense Analysis* , vol. 19, No. 3 (2007), pp. 57-75.
- (13) Cumings, "The North-South Summit."
- (14) As per Article 6 of the 2007 declaration, a "joint cheering squad" from both sides shall traverse

the overland route from Korea to China to cheer Korea's athletes participating in the 2008 Beijing Olympic Games next summer.

(15) "U.S. calls N.K. disablement 'ground-breaking' new phase," *Yonhap News* , November 7, 2007.

#### **IV. 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](mailto: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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