



South Korea's Blueprint for Economic Cooperation with the DPRK

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South Korea's Blueprint for Economic Cooperation with the DPRK

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I. Introduction

The Institute of Far Eastern Studies at Kyungnam University released this report on the status of markets in the DPRK. The report states: "However, as North Koreans gradually become more quality-conscious, Chinese-made goods will lose market strength, especially as better quality imports -- such as those from South Korea, which are imported on a limited basis -- begin to raise the awareness of North Koreans."

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II. Report by the Institute of Far Eastern Studies

- "South Korea's Blueprint for Economic Cooperation with the DPRK"
by the Institute of Far Eastern Studies

As a joint agreement founded on the goal of resolving the North Korean nuclear issues has been adopted, in South Korea, the spotlight will now largely shine on South Korea's plans for developing inter-Korean economic cooperation.

This is because the ROK government has been looking into, with resolution of the DPRK nuclear issue as a prerequisite, a comprehensive economic cooperation plan. In reference to the agreement reached at the six-party talks, President Roh Moo Hyun said at a September 20th cabinet meeting, "if you look at this from the perspective that the main objective is resolving the inter-Korean issue, then you see why and how the DPRK nuclear issue needs to be resolved," and, "it is necessary to adopt a comprehensive plan that can aid North Korean economic development." President Roh specifically stressed the importance of long-term energy, distribution, and communications infrastructure, as well as the imperative of having a structured plan for cooperation. It follows that in preparation for a resolution to the nuclear issue, the government has proposed a concrete policy of reexamining the previous plan for comprehensive economic cooperation.

According to a high-ranking ROK government official, "the overall imperative is sketchy, but an outline has been adopted and we have progressed to the middle stage? now there are concrete, actual facts, and there needs to be a plan to have them reinvestigated." More complicated than untangling the intricate nuclear issue is explaining the need for an economic cooperation scheme that can alter the environment to the point where an agreement can be reached. Because of this, the government is focusing in the short term on the expansion and development of current projects through inter-Korean channels -- such as the Committee for the Promotion of Economic Cooperation and the Committee on Agricultural Cooperation -- while at the same time preparing a policy for comprehensive cooperation for the mid-term. Here it is necessary to grasp the North's need; but rather than simply give assistance, long-term development cooperation in the name of reunification is in order.

Specifically, the employment of the basic premise of give and take can be seen in the agreements made concerning light industry and mining cooperation at the 10th inter-Korean economic conference held last July. It is only through this type of fundamental principle that the two Koreas can develop a "win-win" situation that can guarantee stability and longevity of cooperative projects. Even after a project is set in motion, careful step-by-step examinations of inter-Korean relations, six-party talks, and many other variables, must continue.

It is widely felt that the ROK government will propose, under the auspices of this basic guideline, a comprehensive plan for economic cooperation that will center on energy, distribution, and communication. These factor into the infrastructure of most enterprises. Energy and distribution networks are necessary for North Korea's economic reforms. The distribution issue corresponds with the needs of South Korean enterprises as well. Currently, roads have been connected along the Kyunghui and Donghae railways, and the rail lines are on schedule to be completed within the year. Through these projects and the modernization of North Korea's rail network, the Trans-Korean Railroad can be linked with the Trans-Siberian Railroad, which would lower shipping costs of European-bound exports from the region, and boost the peninsula's chances of becoming a distribution hub.

Regarding energy, the South's offer of 2 million kW of electricity and the agreement to discuss the provision of a light water reactor (LWR) to North Korea "at an appropriate time" are likely to see

results. This, along with the seven new mobilization projects the government was looking into prior to the rise of the nuclear issue, together provides a rough sketch of the blueprint for comprehensive economic cooperation. The seven new mobilization projects include energy cooperation, railway modernization, tours to Baekdu Mountain, modernization of Nampo Harbor, reforestation projects, inter-Korean cooperative agricultural projects, and cooperation on joint river-management projects. Of these, there is already discussion regarding on-site work for Baekdu Mountain tourism and joint agricultural projects. In addition, distribution cooperation for Nampo Harbor modernization has already taken shape.

Moreover, work in the Kaesong Industrial Complex continues. According to one government official, "As the first stage of development [of the complex] is complete, we can move directly into the construction of stage two," as combined development of both stages one and two is being promoted (stage one is 3.3 million sq meters; stage two 8.3 million sq meters with a 3.3- million-sq-meter "support city"; and stage three 18.2 million sq meters with a 6.6-million-sq-meter "support city"). Completion of stage one is scheduled for 2007, while stage-two construction will run from 2006 to 2009, and stage-three from 2008 until 2012. Currently, land in stage-one construction is being divided into 165,300-sq-meter plots, although this may change as stage one and two develop. The idea of having mid-sized enterprise consortiums operating independently on 330,600-sq-meter plots is also under consideration.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: bscott@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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Nautilus Institute

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

nautilus@nautilus.org