



Peace and Security on the Korean Peninsula

An Address by

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a wider audience.*

I am very pleased to tell you that this year begins on an upbeat note for both my country and the United States. In Asia, 2002 is the year of the horse according to the lunar calendar. Under the spirit of a galloping horse, Korea is anticipating many exciting and important events this year. First of all, President Kim Dae-jung will have a summit with President George W. Bush next month, the third meeting between the two leaders in a year. We are hoping that this talk will not only strengthen the Republic of Korea-United States defense alliance, but also provide a new impetus to the current stalemate in South-North dialogue and U.S.-North Korean engagement.

In his New Year press conference, President Kim Dae-jung strongly emphasized the importance of co-hosting the 2002 World Cup Soccer Tournament with Japan, which will kick off with an opening ceremony in Seoul on May 31. This grand sports exhibition is an event of enormous political, economic, and cultural significance. In 1988, when South Korea became the second Asian nation to host the Olympic Games, the Korean people demonstrated to the world that they have overcome the poverty and ravages of the Korean War, and emerged as a vibrant new economy. This year, the Korean people will show the world once again that South Korea is an economically dynamic and politically democratic nation. More importantly, co-hosting the World Cup with Japan will provide an opportunity for both nations to work closely together to bury their unfortunate past and build a more prosperous and peaceful region.

We are also hosting the Asian Games from September 29 through October 14, in Pusan, the second largest city in South Korea and a major international trading port. These two gala occasions will uplift the spirits of the Korean people as well as all the freedom- and sports-loving people around the globe who have been saddened by the tragedies of 2001. The terrorist acts of September 11 were a crime against humanity, and the terrorists responsible are the enemies of humanity.

South Korea will have a local autonomy election on June 13 and the presidential election on December 19. These elections will reveal how deeply democracy has taken root in Korea.

Incidentally, the next year marks the 100th anniversary of Korean immigration to the United States. On January 13, 1903, 102 Koreans arrived in Hawaii. Almost a century later, Korean Americans now number about 2 million, and across the nation they are preparing for next year's centennial celebrations. Most appropriately, the centennial celebration committee is headquartered here in Hawaii. My government will offer its assistance to this momentous celebration in every way it can.

Now I would like to share with you what South Korea has accomplished in engaging North Korea and in implementing four sector reforms at home for the last four years under the leadership of President Kim Dae-jung.

Before doing so, however, let me talk about two sets of extreme contrasts existing on the Korean Peninsula today. The disparity between South Korea and North Korea is staggering. South Korea is now the world's 12th largest economy, and a member of the OECD, with a per capita income of approximately \$10,000 U.S. In contrast, North Korea has become one of the world's poorest nations, as well as the world's largest food aid recipient.

Within North Korea, the contrast between its military situation and economic condition is startling. While its economy is in shambles, North Korea's nuclear program, weapons of mass destruction including missile development, biological and chemical weapons, not to mention its conventional forces, are menacing. North Korea has the world's fifth largest military of which about 70% are deployed south of the Pyongyang-Wonsan line, facing South Korea.

Why is South Korea an economically competitive nation in the increasingly IT-oriented global economy, while North Korea remains a poverty-stricken, famine, and flood-prone state?

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After more than half a century, why has South Korea developed as an exemplary model of emerging nations — politically and economically — while North Korea is an economic basket case, and concurrently one of the most heavily militarized garrison states?

The Korean people in both halves, who still retain a high degree of homogeneity in culture, language, and religion, adopted two diametrically opposed political and economic systems after the division. More than half a century later, South Korea has succeeded in achieving a working democracy and market economy with a guarantee of basic human rights and freedom. Meanwhile, North Korea has yet to shed its totalitarian

political system with an autocratic leadership under a command economy. The South has upheld and constantly upgraded private property ownership and the free market enterprise system while the North continues to shun them.

In brief, the contrasts between South Korea and North Korea stem from their fundamentally different leadership types and policy choices, let alone basic regime and system differences. They are a dramatic demonstration of how such factors can influence the fate of a country and the well-being of its people. Ultimately, then, a country's regime and system, its leadership type, and the policy choices it makes are decisive in determining a nation's prosperity or poverty.

Interim Progress Report on the Sunshine Policy

The policy of reconciliation and cooperation with North Korea, more familiarly known as the Sunshine Policy, is quite different from all the previous policies of South Korea in several important ways.

First, the Sunshine Policy responds to North Korea's economic and humanitarian needs and concerns. South Korea seeks to help North Korea, which is plagued by chronic food, energy, and hard currency shortages from its inherent system defects and policy failures.

Second, the Sunshine Policy consists of two tracks — diplomatic dialogue and deterrence. While maintaining a strong military posture based on a defense alliance with the United States, South Korea endeavors to create the environment in which North Korea can feel safe to open up and pursue reforms.

The central premise of this policy is that North Korea will not collapse any time soon, and that North Korea's transformation toward a market economy, as we have witnessed in China and Vietnam, not to mention Eastern Europe and Russia, is inevitable. The policy also presupposes that unless North Korea changes fundamentally, its bellicose doctrine and the threat it poses against the South and beyond will not change.

By engaging with each other, both Koreas would be able to achieve peace instead of war, reconciliation instead of confrontation, and cooperation instead of hostility. This, in turn, would help North Korea with its efforts to change, improve inter-Korean relations, and establish a foundation for peaceful unification.

Third, the Sunshine Policy focuses first on the tasks and problems that both sides can easily resolve and overcome, while setting aside intractable issues for future consideration and

resolution. It separates not only non-controversial from controversial problems, but civilian from government tasks, the short-term from the long-term agenda, and domestic from international issues. Even among government tasks, the policy differentiates security and military functions from those of other ministries and bureaus.

In previous administrations, dialogue and cooperation with North Korea stopped altogether when an "incident" broke out between the two Koreas. Such incidents or provocations have also occurred in the current government. For example, a North Korean navy vessel confronted the South Korean navy off the west coast in June 1999. This incident, however, did not stall the process of engaging North Korea. While responding firmly with appropriate counter measures against these acts of military provocation, the South Korean government continued programs for humanitarian assistance and those initiated by the private sector. By doing so, South Korea has kept the momentum of reconciliation alive.

Fourth, South Korea has encouraged our allies and friends to actively engage North Korea. As a result, North Korea has established diplomatic relations with 19 countries, including 13 of 15 European Union member states, for the last four years.

Finally, a fratricidal Korean War has left a deep-seated mutual mistrust and hostility between South and North Korea, which lingers after more than half a century. Worse still, North Korea is an autocratic garrison state, often oblivious to the changing world's political, economic, and security dynamics, with a leadership that is resistant to reform and reluctant to open to the outside world. In dealing with North Korea for more than 50 years, we have learned that inter-

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Korean dialogue will always confront rough sailing, tentative setbacks, and stalemates. One thing is self-evident, nevertheless. The inter-Korean peace process is not a question of trust or mistrust, but that of mutual interests and benefits. This is why the South Korean government is pursuing the Sunshine Policy with enormous patience and persistence. We believe that the building of mutual trust will only come slowly and bit by bit. This is another reason why my government will not relent until the inter-Korean peace process becomes irreversible and irrevocable.

Let me now briefly mention some notable progress achieved under the Sunshine Policy, highlighted by the historic South-North Summit between President Kim Dae-jung and North Korea's Kim Jong-Il in June 2000.

- Before 1998 no family reunions took place, except for once in 1985, which involved about 50 people. After the historic South-North summit last year, the government-organized family reunions started again. Since then, a total of over 3,600 people have met with their family members on three separate occasions.
- Six hundred separated family members exchanged letters with their relatives after 1998.

- Through family reunions and the exchange of letters from 1998 to September 2001, a total of 10,200 people located their family members.
- Excluding tourists, for a period of nine years from 1989-1997, there were 2,980 visitors between the two halves. But in the three years from 1998 through August 2001, a total of 23,427 people visited each other.
- Over 427,000 South Koreans have toured Mt. Kumkang from 1998 to the present.
- When the South-North inter-Korean trade started in 1989, the annual trade volume was \$18.7 million U.S. Last year, the trade volume reached \$425 million U.S.
- South Korea's humanitarian aid to the North stood at \$603 million U.S. dollars from 1995 through November 2001.
- Refugees and/or escapees from the North to South Korea totaled 1,944, of whom 607 settled in South Korea before 1989. There were 269 from 1990-1997, 1,068 from 1998 to November 2001.
- Korean Peninsula Energy Development Organization (KEDO). The total amount of money spent as of 2001 was 714.7 billion won. Out of the \$719 million U.S. spent thus far, South Korea contributed \$534 million U.S. to the project and Japan \$215 million U.S.

The Tasks Ahead

From 1995 to November 2001, 25 South-North economic cooperation projects were approved. These are some of the key South-North projects which need implementation:

- Reconnecting the Seoul-Sinui-ju railroad, along with the construction of the Munsan-Kaesung highway.
- Implementing four legal inter-Korean trade and investment frameworks, namely, an agreement of settling trade in U.S. dollars; an agreement of

investment protection; an agreement for arbitration in commercial disputes; and an agreement to prevent double taxation.

- Launching joint flood control works on the Imjin River.
- Resuming the reunion of separated families through mutual visitation programs and building a permanent meeting venue for the separated family members.

Domestic Reforms and Restructuring

Let me now briefly talk about the positive results stemming from the Korean government's relentless reform drive.

A proper and meaningful evaluation of Korea is possible only in juxtaposition with other relevant nations. From this perspective, the South Korean economy has fared relatively well in comparison to other Asian neighbors and those around the world. The global economic recession of last year notwithstanding, South Korea had nearly 3% GDP growth and 3.7% unemployment after the peak of 6.8% in 1998. In 2000, South Korea's total trade volume was \$332.7 billion U.S., with a surplus of \$12 billion

U.S. Last year the total trade amount decreased considerably to an estimated \$291.7 billion U.S. amid the worldwide economic downturn, with a trade surplus of \$9.5 billion U.S.

Above all, while a critical shortage of foreign reserves contributed to the 1997-98 financial crisis, South Korea now has the world's fifth largest foreign reserves after Japan, China, Hong Kong, and Taiwan. As of December last year, its foreign reserves are \$100.4 billion U.S. South Korea has evolved from a debtor to a creditor nation. In 2000, foreign direct investment was \$15.7 billion U.S., more than twice that of 1997

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at \$ 7 billion U.S. As of last November, it was estimated at \$12.7 billion U.S.

The South Korean economy has achieved remarkable overall financial and monetary stability. Consumer price is stabilized at 2 to 4%, the exchange rate stands at 1200 to 1300 *won* per U.S. dollar and the single-digit interest rate ranges from 6 to 9%. This is, in fact, unprecedented because the South

Korean economy suffered from a chronic double-digit interest rate all these years until the current government implemented a reform and restructuring drive.

All in all, the South Korean economy in comparison with those of other nations is relatively sound and healthy, although its continuous future economic expansion depends largely upon the health and vitality of the world economy.

Concluding Remarks

One of the most crucial lessons we have learned from dealing with North Korea for more than 50 years is that an engagement policy is the most viable option for reconciliation and, ultimately, reunification. The engagement policy is not only good for both Koreas, but is beneficial for interested parties throughout the region and the world. The Sunshine Policy has reduced tension on the Korean peninsula for the past four years, and the tension level is at an all-time low. Therefore, any mishap to trigger tension on the Korean Peninsula would be harmful and disruptive not only to South and North Korea, but to the United States, Japan, China, Russia, the European Union, as well as other countries.

In sum, no country wants to see another war or military flare-up on the Korean Peninsula. No country wants the development, export, and use of weapons of mass destruction, including nuclear weapons, missiles, biological and chemical weapons. No country wants an immediate demise of North Korea which would inevitably precipitate devastating consequences.

The South Korean government will press forward in the quest for peaceful reconciliation and cooperation between the two halves, ultimately leading to a reunion of the nation. The Korean people's endurance, patience, and persistence will continue until such a goal is realized. President Kim Dae-jung will maintain firm control in pursuing and achieving these goals until the very last moment of his presidency, true to his life-long track record of being an indefatigable and unswerving leader.

Beyond the instantaneous and fleeting popularity ratings, beyond the often misguided punditry and mass media sensationalism, and beyond the world's myopic bickering and backbiting, there will come a time when President Kim Dae-jung's untiring hard work will be fully appreciated. I am confident that, pending God's grace and final judgment, the historians' assessment of President Kim Dae-jung's accomplishments in domestic reforms and his pursuit of the Sunshine Policy towards North Korea will be far more objective and balanced.

From 1996 until his posting in Washington in July 2000, Ambassador Yang served as a member of the Korean National Assembly. Prior to that he was dean of academic affairs at the Graduate Institute of Peace Studies at Kyung Hee University in Seoul. He received a Ph.D. in political science from the University of Kentucky and a master's degree from the University of Hawaii on an East-West Center scholarship.

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