

POLITICS & ECONOMY

Beijing's economic clout
angers region's voters

page 32

BUSINESS

Malaysia's 94-year-old 'sugar king' has
strong China ties and Mahathir's ear

page 16

NIKKEI

asia.nikkei.com

ASIAN REVIEW

June 11-17, 2018

IMAGINING
A UNIFIED
KOREA



U.S.: US\$6 / Japan: ¥600 (including tax) / Euro: EUR6 / U.K.: £4 / Australia: A\$8 / Bangladesh: TK480 / Brunei: B\$9 / Cambodia: US\$6 / Canada: C\$9 / China: RMB50 / Hong Kong: HK\$50 / India: Rs200 / Indonesia: Rp72000 / Korea: W7500 / Macau: HK\$50 / Malaysia: RM20 / Mongolia: US\$6 / Myanmar: US\$6 / Nepal: NR470 / New Zealand: NZ\$9 / Pakistan: Rs600 / Philippines: P280 / Singapore: S\$9 / Sri Lanka: Rs800 / Switzerland: CHF10 / Taiwan: NT\$200 / Thailand: B210 / Turkey: TL16 / UAE: AED27 / Vietnam: US\$6
ISSN: 2188-1413

ERASING THE 38TH



It is 2060, decades after South and North Korea made history by agreeing to unify. The process has been long and difficult, but the Korean Peninsula is now home to the world's 10th-largest economy, with a gross domestic product of \$5.5 trillion – eclipsing South Korea's \$1.4 trillion in 2013. The KTX bullet train, which served only the residents of South Korea when it was built in 2004, now criss-crosses Eurasia, linking Seoul with Paris. Unifying two vastly different nations – one a technology and manufacturing powerhouse, the other an isolated dictatorship with a history of famine – has been expensive, costing trillions of dollars. But it is starting to pay off: The economic benefits of integrating the two countries now outweigh those costs by three times.

This, at least, is the hopeful vision of Korea's future on display at the Unification Tower museum, which sits near the Demilitarized Zone that has divided North and South at the 38th parallel since 1953. And while this vision remains little more than a fantasy, the thawing relations between the two countries since Kim Jong Un's New Year 2018 address – in which he said he hoped that North Korea could participate in the Pyeongchang Winter Olympics – has renewed hopes that the two countries could unite peacefully. A sense of cautious optimism broke out ahead of the Singapore summit between Kim Jong Un and Donald Trump planned for June 12.

Koreans have been here before. “We have gone through this upbeat, fantastic societal mood over unification many times,” says Cheon Seong Whun, a former security adviser to the South Korean president. “When I was an elementary school student in the mid-1970s, the North Korean delegation drove through downtown Seoul and we waved flags and greeted them with flowers. The upbeat mood didn't last – the promises were broken in less than a year.”

But even Cheon and other hardened observers say they believe the peninsula will be unified eventually. In this spirit, the *Nikkei Asian Review* asked experts from around the world to imagine a unified Korea. How much would it cost? What would happen to Kim Jong Un? How long would unification take? And finally – what are the prospects for peace?

Based on interviews with: Stephen Jen and Joana Freire, analysts at Eurizon SLJ Capital; Bruce Jones, vice president and director of the foreign policy program at the Brookings Institution; Hideya Kurata at Japan's National Defense Academy; Ji-Young Lee, assistant professor of international relations at American University; Kathryn Weathersby, a historian at Korea University in Seoul; Cheon Seong Whun, former security strategy adviser to the president of South Korea and visiting research fellow at Asan Institute for Policy Studies in Seoul; Bong Young-shik, North Korea expert at Yonsei University in Seoul.





FROM TWO COUNTRIES TO ONE

Integrating the two populations would be even more complicated than reuniting East and West Germany after the Berlin Wall fell in 1989. What has to happen to make it a success?

Before the Berlin Wall fell, the two Germanys kept up basic exchanges and cooperation between the two populations. They knew a lot about each other. They had some foundation.

Here in Korea the two societies are entirely disconnected, to the extent that we don't have the same vocabulary. We use a lot of English that they cannot understand.

[After unification] North Korea should remain a special district where they can sustain their ordinary lives for quite a long period of time. We have to gradually transform their society. This would be a Korean version of the Marshall Plan. It is a tremendous job that

Lopsided GDPs

(in purchasing power parity)

\$40 billion
(2015)



North Korea

\$2.02 trillion
(2017)

South Korea

Source: CIA World Factbook

will take decades. **Cheon Seong Whun**, former security strategy adviser to the president of South Korea and visiting research fellow at Asan Institute for Policy Studies in Seoul

North Koreans will have to be treated in ways that respect their fears, their concerns and their anger. It's seldom they are treated with respect, but that's what has to happen. They have valid concerns for their own survival. They don't want to be the next Iraq or Libya -- or the next Romania or East Germany.

As we engage with North Korea, it can't just be 'We're rich, you're poor and we're going to help you out.' It has to be some kind of genuine partnership where we recognize the intellectual resources they have. There are people [in North Korea] who take pride in what they do ... and we need to respect that.

There are examples of backlash based on this kind of problem. The Putin phenomenon in Russia is a backlash from ... attempts to integrate Russia into a system created by the West, which didn't work.

We have to think about what would happen to North Korean factory managers. Would Samsung hire them? What about the people teaching at North Korean universities? Will South Korean universities hire them? North Koreans have good reason to fear what would happen to them, except maybe the people at the very bottom of society. Those concerns have to be addressed. **Kathryn Weathersby**, a historian at Korea University in Seoul

North Korean defectors in South Korea remind us that unification should not be done rapidly. We have more than 30,000 defectors in South Korea and not all are necessarily happy with their lives here.

Once they are relocated they have to do everything themselves. It's up to their ability to stand alone -- that's life in a democratic society. But in North Korea with their culture of a communist society, they're used to their basic needs coming from the government. They're not used to a competitive society.

We have programs that provide them with benefits and jobs and some educational programs. NGOs help take care of their family and children. But it's like they dropped from heaven.

There is also discrimination -- I have to acknowledge this. They have North Korean accents, so we know immediately that they are either from North Korea or from the Chinese border. **Cheon Seong Whun**

THE KIM CONUNDRUM

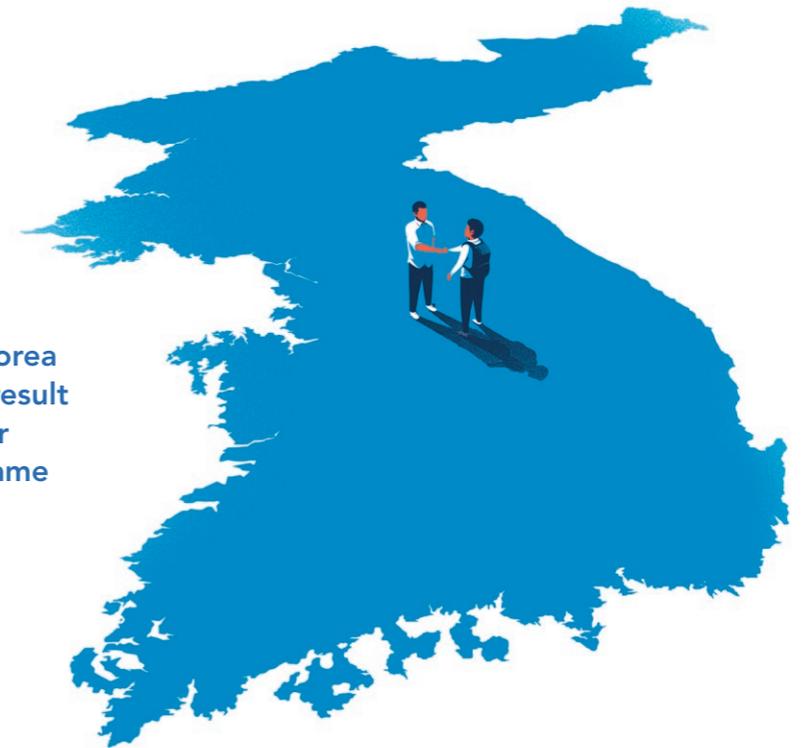
While the recent outreach from North Korea appears impromptu, it was actually the result of a long-term plan initiated shortly after Kim Jong Un took office. If unification came about, what should happen to Kim and the people who aided the regime?

Kim Jong Un wants to make a big deal. He doesn't want to be a leader who spends 40 years as the dictator of a poor country. He doesn't want to live like his father.

But he doesn't want to end up like [former Libyan leader Moammar] Gadhafi, either. Gadhafi was not killed by foreign military intervention, but by people inside his own country. Kim Jong Un has killed so many officials in the military or politics who criticized his policies on nuclear weapons and ballistic missiles, who said to him, "People are starving so why are you spending money on nuclear weapons?" He purged them and executed them as enemies of the state. If he's going to change and revise his policy [by giving up the weapons] then he will be the target of the same criticisms. His authority would be greatly undermined.

He's not like Deng Xiaoping, who could criticize Mao because he was not responsible for the Cultural Revolution. Kim Jong Un will have to do this double talk, because he was responsible. **Bong Young-shik**, a North Korea expert at Yonsei University in Seoul

North Korea had a deliberate long-term plan to reach today's point. After Kim Jong Un was sworn in in 2012 he proclaimed a parallel policy: On one hand, he would seek nuclear capability and on the other he would pursue economic development.



But the nuclear goals would come first. After he proclaimed the nuclear weapons program a success, he reached out to the South in his New Year's address.

We took the bait. The South Korean government immediately welcomed the offer, proposed to have the joint Olympic women's hockey team, and we began the whole process.

So this was not an impromptu proposal. They must have prepared this sequence of events for a long time: How to go out to the world once we have a nuclear state. **Cheon Seong Whun**



North Korean leader Kim Jong-un, left, and South Korean President Moon Jae-in embrace during their summit on April 27.

Another fear for people in North Korea is: What sort of legal trouble are the people who administered prison camps or developed the ballistic weapons program going to be in? As long as they fear they are going to be charged with crimes, they are going to want to make sure their system is independent.

The North Korean system has been in place for a long time -- it was the only system they could participate in. It's similar to apartheid in South Africa.

When it ended and a black government came in, what was to be done with the Afrikaners? The Truth and Reconciliation Commission led the way. The premise has to be to find justice but in a way that restores relationships.

Regarding Kim, is he going to be hauled off to the International Criminal Court in the Hague? If so, he has a lot of motivation to fend that off. **Kathryn Weathersby**

A POWERHOUSE AND A POORHOUSE

A denuclearized but economically failing North Korea would not result in lasting peace. What would it take to bring North Korea's economy into the 21st Century?

Our back-of-the-envelope calculation puts the price tag of unification at \$2 trillion over 10 years, based on the experience of the unification of the two Germanys. Since 1989, the transfers from the former West Germany to the former East Germany have totaled more than 1.7 trillion euros (\$2 trillion). And the relative size [difference between] North and South Korea is meaningfully larger than that between East and West Germany. Given the far more underdeveloped and agrarian nature of North Korea, compared to an already industrial East Germany, it would cost a lot more money to build up North Korea to a level that permits sustained peace. Much of the industrial base in Germany that supported the war efforts during the 1940s was located in the former East Germany. The industrial 'culture' has never disappeared in East Germany, even if it had

A REGION REORDERED

A unified Korea would reshape the politics of Asia. Would it mark the end of U.S. military dominance in the Pacific, strengthening China's hand? How would other U.S. allies in the region, such as Japan, react?

In its quest for autonomy and non-interference by outside powers, a unified Korea may decide to terminate the alliance with Washington, viewing American troops as the antithesis to Korean national identity and unity. Under this scenario, a unified Korea that takes a decidedly pro-China approach to its foreign and security policy can be a sign of post-U.S. primacy in Asia. *Ji-Young Lee, assistant professor of international relations at American University*

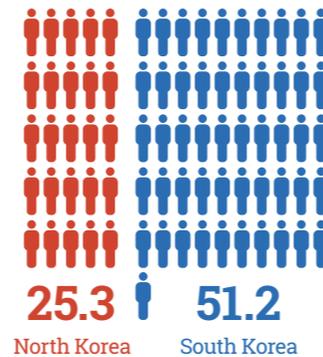
If unification came about peacefully, and a united Korea adopted what amounted to a neutral stance, it would likely result in the withdrawal of American troops from the South. But if unification came out of a crisis, it could arise from a situation that saw an increase in the American troop presence, at least temporarily. At first, any wise Korean leader post-unification would orient their country to strategic independence – keeping close relations but also some distance from Washington, and close relations but also some distance from Beijing. But if we could always count on wise leaders, the business of foreign policy would be a very different one from what it is.

If unification came out of negotiations in which the North had the upper hand, or China had the upper hand strategically, then we could see a Korea that was more aligned to Beijing.



Joint combat training between the U.S. and South Korea: Under certain scenarios, unification would mean the end of the Washington-Seoul alliance.

Population (in millions)



As of 2016 Source: World Bank

faded somewhat under communist rule. The North Koreans have a certain level of competence in engineering and physics, but to be a viable industrial entity you need transportation, a steady workforce and a reliable delivery system to feed the economy. Even if North Korea has military capability in one area, to be a viable economy you need a lot more than that. *Stephen Jen and Joana Freire, analysts at Eurizon SLJ Capital*

What does North Korea have going for it economically? It has natural resources and the people's desire to make their living standards better. The location of North Korea would allow transportation costs to be greatly cut. So the hardware is there, but the software is a problem. *Bong Young-shik*

That would constitute a substantial blow to America's strategic position in Asia, and would exacerbate the security dilemmas that China faces with all of its other neighbors, starting with Japan. As dangerous as the current tensions are with the North, we'd be foolish not to confront the possibility that progress towards peace on the peninsula could well end up being destabilizing for North Asian security relations as a whole. *Bruce Jones, vice president and director of the foreign policy program at the Brookings Institution*

The geopolitical location of a unified Korea will likely make Beijing and Tokyo pay a great deal of attention to the other's relationship with Korea -- particularly in the political and military realms. To my mind, Korean unification should incentivize Japan and China to work harder to improve their relations, while deepening Korea-Japan-China trilateral cooperation. *Ji-Young Lee*

As long as U.S. troops remain in Japan and the 7th Fleet is here in the Pacific, the U.S. military will be dominant in this region. A neutral Korea may provide the room for China to exert its influence, which will pose serious security threats to Northeast Asia. A unified Korea allied with the U.S. is the most desirable outcome for Japan. If Korea attempts to remain neutral after the national unification, it might be tempted to possess nuclear weapons since it would find itself surrounded by nuclear-armed states -- the U.S., Russia and China. If a unified Korea possessed nuclear weapons, there would be growing calls in Japan for nuclearization. *Hideya Kurata, Japan's National Defense Academy*

Seven decades of separation

- 1945** After WWII, Soviet Union and U.S. divide Korea at 38th parallel
- 1948** Syngman Rhee elected president in south, Soviet-backed Kim Il Sung becomes leader of north
- 1950** June 25: North Korea invades South, starting Korean War
- 1953** July 27: Armistice ends open hostilities, but no peace treaty signed
- 1970s** South Korea experiences rapid economic growth
- 1972** North, South Korea sign July 4 South-North Joint Communiqué on repairing ties, achieving unification
- 1985** North Korea joins Nuclear Non-Proliferation Treaty
- 1992** North, South Korea enact Inter-Korean Basic Agreement on bilateral relations, sign South-North Joint Declaration on the Denuclearization of the Korean Peninsula
- 1993** June 11: U.S., North Korea sign U.S.-DPRK Joint Statement, in which two sides promise to refrain from threats of force, support peaceful unification of two Koreas
- 1994** U.S., North Korea sign Agreed Framework on peaceful nuclear power development
- 1998** South Korean President Kim Dae-jung introduces Sunshine Policy aimed at improving relations with North
- 2000** First inter-Korean summit: Kim and North Korean leader Kim Jong Il issue June 15 North-South Joint Declaration
- 2003-06** Agreed Framework breaks down
- 2007** Second inter-Korean summit: South Korean President Roh Moo-hyun and Kim issue October 4 Declaration
- 2018** April 27: Third inter-Korean summit: South Korean President Moon Jae-in and North Korean leader Kim Jong Un issue Panmunjom Declaration
- 2018** May 26: Moon and Kim hold surprise meeting, discuss Kim's planned summit with U.S. President Donald Trump



THE PROSPECT FOR PEACE

Can two highly unusual leaders – Donald Trump and Kim Jong Un – lead the way to unification?

“We want to launch a gradual reconciliation, which will maybe take several decades. That is our ideal, our most optimistic scenario. The other extreme, the most pessimistic one, is the possibility the North Korean military will seek to unify South Korea by force. They did this in 1950.

Another general war on the Korean Peninsula would wipe out all this economic prosperity in the South. That’s the worst case scenario. As long as the regime sticks to its nuclear weapons program and capabilities, it is impossible to unify the Korean Peninsula. **Cheon Seong Whun**

We’ve been trying to do [negotiations with North Korea] for 20 years or so without much success by promising to help them economically but without addressing political fears and social fears. They’ve made it clear they are willing to forgo economic

U.S. President Donald Trump’s unconventional approach could provide a breakthrough in negotiations with North Korean leader Kim Jong Un.

assistance to guarantee their survival. The current initiatives are driven by Kim Jong Un’s desire to lift sanctions so he can improve the economy of the North. But over the long term, the value is on survival over economic benefit. So the economic situation can’t be separated from the political one. What the U.S. wants is creating a different dynamic here. The current American president is concerned only with enhancing his own stature, so he wants an agreement with North Korea so he can claim he is a great man. He knows nothing about Korea, cares nothing about Korea, but he is very concerned with his image. This creates certain possibilities, which [South Korea President Moon Jae-in] and Kim Jong Un have been exploiting. Moon did a great job of giving Trump credit, and Kim Jong Un can play into that, too. So on the one hand it may work for them to exploit [Trump], but on other hand he is prone to temper tantrums and has a short attention span, so he can quickly go in a different direction. That’s a pretty risky thing to risk the well-being of a region on. **Kathryn Weathersby**

“As long as the regime sticks to its nuclear weapons program and capabilities, it is impossible to unify the Korean Peninsula”

A unified Korea has to be made through a peaceful process and by the will of the Korean people. It should be based on three pillars: liberal democracy, a free market economy and a peninsula free of nuclear weapons. It’s a tall order. But if a summit between Trump and Kim Jong Un could

produce denuclearization, then the third pillar could be realized. And if, in return, the Trump administration promises U.S. support for economic assistance led by Japan, South Korea and China, then the second condition could be interpreted as having been met. What about the first pillar, democracy? It’s up to the Korean people to decide that through a constitutional process. So although it’s a tall order meeting these three conditions, it is not 100% impossible. It all depends on Kim Jong Un’s decision regarding his weapons and missiles. **Bong Young-shik**



South Korea’s “five policy tasks” for achieving unification

1 Encourage development and unification of the economy by resuming inter-Korean economic cooperation and pursuing a single market for two Koreas

2 Resolve inter-Korean issues through talks and regularize inter-Korean dialogue

3 Improve civil liberties and social rights of North Korean people, provide humanitarian assistance and foster economic development and cooperation

4 Improve inter-Korean relations through exchanges in various fields, both public and private

5 Build a national consensus on unification based on consultation with the National Assembly and communication with the people