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EXERCISE/EXERCICE NEW HORIZONS

TITLE/TITRE

The Reunification of Korea ; The Nuclear Factor

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INTRODUCTION

Within the international community one of the most crucial contemporary issues related to the Korean peninsula is undoubtedly North Korea's nuclear weapons program and its potential consequences for Asian regional stability. This issue now is clearly critical in the region and needless to say there should be strict measures taken for the denuclearization of the Korean peninsula. Accordingly both Koreas deem its impact on inter-Korean reconciliation efforts crucial to ensuing Korean reunification, and it is the cornerstone of regional peace and stability and the overall dynamic security environment in East-Asia.

This paper will review geo-political issues historically in the region as well as the ramifications of the North Korean nuclear program. Over the past year, a number of historical happenings, such as the North Korea nuclear weapon's testing program, have highlighted the geo-political importance of the Korean peninsula and its surrounding regions. Six states - both Koreas, US, Japan, China, Russia - have been deeply involved in its history. Discussion between the two Koreas has been undertaken in an attempt to reach an agreement on unification and by so doing reduce the level of tension in the area. I have done research on the Korean reunification scenarios and the subsequent reunification costs.¹ Given the German case in 1990², the seeming plausibility of the

¹ Charles Wolf, Jr. & Kamil Akramov, "North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification" (National Defense Research Institute published 2005 by the RAND corporation, US), 22

² The fall of the Berlin wall on November 9 1989, following by German unification on 3 Oct 1990 available from http://www.germanculture.com.ua/library/facts/bl_reunification_aftermath.htm

prospect of Korean reunification and estimates of its costs has been derived accordingly. The issue of re-unification is one of the most significant and crucial issues facing both South and North Korea. In addition, this paper illustrates what the way ahead to establishing “a peace system” in the Korean peninsular should be. The road to “the success of a peaceful reunification” seems to be very hard, but with the proper approach on both sides, should through hard work and dedication on the part of both the North and South and their respective allies, be achievable. Concurrently, it will conclude by discussing the evolving Korean reunification issues.

NORTH KOREAN NUCLEAR WEAPON PROGRAM

After the death of Chairman Kim Il Sung in North Korea on 8 July 1994, his son, Kim Jong Il, emerged as the new leader. Negotiations on the eruption of the NK nuclear crisis³ carried on with lengthy drafting sessions during that time. These discussions culminated with the signing, in Geneva, of the Agreement Framework on 21 October 1994, keeping NK under the Nuclear Non-Proliferation Treaty (NPT) as a treaty member, allowing International Atomic Energy Agency (IAEA) inspection at the expense of providing light-water reactors to replace the NK’s graphite-moderated reactors⁴.

Internet accessed on March 8, 2007

³ Dr John Chipman and Dr Gary Samore “North Korea’s Weapons Programs a Net Assessment” (The International Institute for Strategic Studies, January 2004, London), 8

⁴ Ibid., 10

However, the implementation of the agreement soon ran into problems. During 1995-97, NK continued to sell No-dong missiles to Iran, which was linked to broad security issues involving the US and neighboring states. NK 's launch of another new missile called Taepo-dong in August 1998 highlighted concerns that NK was attempting to develop long-range missiles that could threaten the US as well as South Korea and Japan. Though satellite intelligence, Washington had detected preparations for the missile launch and strongly warned Pyongyang not to proceed, but to no avail.

After the historic summit in Pyongyang⁵ between NK Chairman Kim and South Korea (SK) President Kim Dae Jung in June 2000, little progress to reconciliation on the Korean Peninsula was made. The terrorist attacks of 11 September 2001 further complicated prospects for US-NK negotiations. In Washington, the attacks galvanized fears of a new threat posed by the combination of international terrorism and the proliferation of weapons of mass destruction (WMD), focused on the first instance on “rogue regimes” which support terrorism and pursue WMD. NK was included in the “axis of evil” pronounced by Bush. The “axis of evil” speech also created alarm in SK, which feared that US hostility towards NK would increase tensions on the peninsula. An alarming sequence of events has further isolated NK from the international community⁶.

In June 2002, the skirmish of both NK and SK at West Sea heightened the readiness posture on the Korean peninsula and the military tension prevailed for some

⁵ *Ibid.*, 15

⁶ Duk-ho Moon, Consul, Korean Consulate General in NY, “North Korea’s Nuclear Weapons Program: Verification Priorities and New Challenges”, (Korean General Consulate, Republic of Korea, December 2003), 5

time. In December 2002, NK refused the “freeze of nuclear” pursuant to the Agreed Framework (AF) and expelled the International Atomic Energy Agency (IAEA) inspectors from the country, complaining that the US had produced no evidence of its flaws. In a dangerous incident on 1 March 2003, four of NK’s fighter aircraft harassed a US RC-135 reconnaissance plane over international waters. In response, the US deployed 24 long-range bombers to Guam and some F-117A stealth aircraft to SK⁷. After NK’s withdrawal from the NPT in January 2003, the first round of six-party talks revealed in August 2003, the many differing views of the six participants⁸ – both Koreas, US, Japan, China, Russia – on how to end the NK nuclear program. To be sure, it was the initial, but very important step in how to deal with the embarrassing political stalemate among the six countries.

Notwithstanding many of the concerns and international society’s efforts toward “denuclearization”, NK launched a nuclear test in 2006. I would argue that NK’s political brinksmanship came at a very critical time. NK was becoming increasingly isolated from the rest of the world community. Its economy and social structure were under considerable strain. Many refugees fled to SK and China. Many North Koreans suffered from lack of food and supplies, caused in the most part by the large amounts of North Korean resources being directed toward the military, under “the military-first regime” supported Kim Jung Il’s military elites. NK officially indicated that they had conducted a

⁷ Dr John Chipman and Dr Gary Samore “North Korea’s Weapons Programs a Net Assessment” (The International Institute for Strategic Studies, January 2004, London), 20

⁸ Duk-ho Moon, Consul, Korean Consulate General in NY, “North Korea’s Nuclear Weapons Program: Verification Priorities and New Challenges”, (Korean General Consulate, Republic of Korea, December 2003), 15

test of a nuclear weapon on 9 October 2006 at 10:35AM (local time) near Punggye-ri, North Hamkyung Province. A nonsensical “clarification statement” was issued by the NK Foreign Ministry declaring its intention to conduct a nuclear test and broadcast by its news agency:

“Stirring time when all the people of the country are making a great leap forward in the building of a great prosperous powerful socialist nation⁹.”

It was, needless to say, of gravest concern to South Korea because of the challenge such a test constitutes to the Treaty on the Non-Proliferation (NPT) of Nuclear Weapons and to international efforts aimed at strengthening the global regime for the non-proliferation of nuclear weapons, because of the danger that it posed to peace and stability in the region and beyond. It can be said that any proliferation of nuclear, chemical and biological weapons, as well as their means of delivery, constitutes a threat to the international community.

The UN passed its Security Council Resolution (UNSCR) 1718¹⁰, expressing “profound concern” that the test claimed by NK has generated increased tension in the region and beyond, and determining therefore that there is a “clear threat” to international peace and security.¹¹ The NK nuclear test is a matter of deep and serious concern to South Korea. This event also re-emphasized the urgent need to establish a legally binding

⁹ NK central news agency in October, 2006: available from http://www.nti.org/e_research/profiles/NK/Nuclear/index.html ; Internet accessed 10 March 2007

¹⁰ The UN passed its Security Council Resolution (UNSCR) 1718 dated on 14 October, 2006, available from <http://www.un.org/apps/news/infocusRel.asp?infocusID=69&Body=Korea&Body1=democratic> : Internet accessed 12 Mar. 2007

¹¹ United Nation Security Council Resolution (UNSCR) 1718; taking Art 41, United Nation Chapter VII. 14 October 2006.

universal ban on nuclear testing through the entry-into-force of the comprehensive nuclear test ban treaty. It also underscores the importance of finding a negotiated solution to the current situation. The UN nuclear watch dog should be ready to encourage NK to ensure that all its nuclear activities are exclusively for peaceful purposes.

Ensuring the non-proliferation of nuclear power in North Korea is of number one priority for the South Korean government. NK's misjudgment in employing nuclear power is to blame for the South's concern in order to protect peace and stability in the region and beyond against the NK nuclear threat.

GEO-POLITICAL REVIEW: Modern Korean history (1904-1953)

Among the possible conflict regions which are potential threats to world peace and order, the Korean peninsula has become a very complicated geo-political area, because four major power states – US, Japan, China and Russia - have been closely involved in numerous events happening on the peninsula. Historical actions which have been taking place over the last century reflect its on-going importance on the world's geo-political stage. The Japanese victory in the Russo-Japanese war¹² of 1904 - 05 gave her control over Korea. Japan forcefully annexed Korea on August 25, 1910, and Japan's continued imperialism in East-Asia between the two World Wars and its annexation of the Korean peninsula gave it a solid strategic bridgehead from which to launch further imperial expansion when it went to war with China in Manchuria (1931). The whole

¹² Kim Dong – Kyun, “The Korean War and Modern History”, (Sese Publication, Seoul, January 2006), 24

region has been the scene of political complexities and bloody conflicts from the beginning of the twentieth century until the present day.

Another historically significant event came about after Japan surrendered in August 1945. The resulting division of Korea at the end of World War II into two separate countries proved to be the basis for the conflict which has plagued the area for the last sixty years. It was planned by the two major powers, the US and Russia in August 1945, and has resulted in the severing of a nation, its peoples, economy and harmonious relations between families and governments. Who wanted the division of nation? Certainly not the majority of the Korean population. Why did it happen? Because it was a pre-emptive measure by the Soviet Union to forestall any advance by the Allied forces, but most particularly the USA, into an area considered to be of strategic importance to the USSR. After the Japanese surrender, the Russian military on 12 August 1945¹³ moved quickly to capture the city of Pyongyang before the Americans could do so. The US was embarrassed by Russia's early movement and its quick occupation of Korean territory. In the US, Col Charles Bone-steel¹⁴ proposed to the Secretary of State that a line be drawn across the peninsula at the 38th parallel, and that the country be ruled jointly by the two foreign nations, thus ending Korea's 35 year rule by the Japanese occupiers. This proposal was opposed by nearly all Koreans, however the US and Russia agreed to temporarily occupy the country as a trusteeship with the zone of control demarcated

¹³ *Ibid.*, 36

¹⁴ Rho Bung-Chun, "The Korean War", (MunMu Publication, Seoul, ROK, Aug 2005), 46

along the 38th parallel.¹⁵ The purpose of this trusteeship was to establish a Korean provisional government which would become "free and independent in due course." Though elections were scheduled, the two superpowers backed different leaders – Kim Il Sung (NK), Lee Syun Man (SK) - and two states were effectively and separately established, each of which claimed sovereignty over the whole Korean peninsula (1948).

In addition, the Korean War (1950-1953) deepened the gap between both sides- NK in alliance with China and Russia, SK with the US and Japan. The three year war devastated the peninsula and resulted in hundreds of thousands of military and civilian casualties. With the UN's acceptance of a Korean armistice, a cease-fire was established on July 27, 1953, by which time the front line was back around the proximity of the 38th parallel, and so a Demilitarized Zone (DMZ) was established around it, still defended to this day by NK on one side and SK on the other. The DMZ runs north of the parallel towards the east, and to the south as it travels west. No peace treaty has been signed to date.

The modern history of Korea illustrates how much the geo-political situation has impacted on the two nations that share the Korean peninsula. Now let us look at the evolving military trends. What is going on in the region surrounding Korea? The current status of military strength on and around the Korean peninsula is shown on the following table.

¹⁵ The parallel 38° north is an imaginary circle of latitude that is 38 degrees north of the Earth's equatorial plane. The 38th parallel north has been especially important in the recent history of Korea

< TABLE 1: STATUS OF MILITARY STRENGTH IN THE REGION >

Division	South Korea	North Korea	China	Japan	Russia
Troops	680,000	1.17 million	2.35million	238,000	1.2 million
Tanks	2,300	3,700	7,180	1,000	21,870
Ships	160	750	744	136 (4 AEGIS)	718 (1 Aircraft)
Submarines	10	30	69 (1 strategic)	16	53 (13strategic)
Fighter/Bomber aircraft	530	830	1,880	363 (203 F-15s)	1,500

- Source: IISS, Military Balance, 2003-2004 / Defense of Japan, 2005

Strategic Studies, KRIS (Korea Research Institute for Strategy), 2006

In addition, the major power states noted in Table 1 continue to pursue force modernization. China started with the mass-production of the indigenous J-10 and FC-1 aircraft in 2005, and continues the assembly production of Russian SU-27s and the acquisition of SU-30s. China has been steadily increasing its military expenditures for more than a decade declaring that 2007 military expenditures will amount to \$44.94 billion, an increase of 17.8 percent¹⁶. Further, Japan launched two military reconnaissance satellites in 2003, and is expected to introduce into service two additional 7000 ton-class AEGIS ships in 2007 and two additional 13,500 ton-class escort vessels in 2010, as well as four airborne tankers in 2010. Also, Russia is expected to construct a

¹⁶ Edward Cody, "China plans sharp rise in military spending", (Washington Post, March 5, 2007) ; available from http://www.boston.com/news/world/asia/articles/2007/03/05/china_plans_sharp_rise_in_military_spending/; internet accessed 12 March 2007

new strategic submarine, develop SU-35 fighters, and additionally to deploy next generation strategic missiles (TOPOL-M)¹⁷.

Currently, I would argue that the four major power states with interest in the area would like to further pursue peace and stability on the Korean peninsula. The US and Japan have been cooperating on the easing of the NK nuclear issue in parallel, clearly taking into consideration the regional strategic security environment and the rapid military buildup in China. It would appear that while China has made no commitment not to use force to prevent Taiwan's permanent separation from the mainland¹⁸, however its present and near future priorities are focused on the buildup of a robust social and economic structure within China itself. Thus it would seem that it may have little time or inclination to provide significant military and/or economic support to North Korea. Russia doesn't want to be involved in any conflict in the region, so may be expected to try to enhance trade and diplomatic relations with both Japan and SK. With the support of the major powers in the region it may be that the time is ripe for the writing of a reunification scenario for the two Koreas.

¹⁷ Defense Reform Committee, Ministry of National Defense, ROK, "Defense Reform 2020: The way ahead (Dae-han Planning Printing Co. Dec 8, 2005), 13

¹⁸ Paul H.B. Godwin, "Strategic Study; China's Increasing Naval Power-Implications for Northeast Asia", (Korea Research Institute for Strategy, Nov 30, 2006) 43 ; available from <http://www.kris.or.kr>

THREE REUNIFICATION SCENARIOS

There were some significant events that occurred on the Korean peninsula over the past few years, which seemed to lead to the relaxation of military tension. The death of NK's strongest dictator Kim Il Sung in July 1994 was the first. South Korea was watching NK closely to see what would happen and expected the dramatic collapse of NK's military-first regime and leadership. However, contrary to expectations, there were no crucial changes and the leadership of the country passed smoothly to his son Kim Jung Il. The successful succession was principally the result of the military supreme commanders' strong allegiance to one leader, because they recognized that the collapse of the regime might well lead to their loss of power, perks and influence. The next dramatic event took place for the first time since the division of Korea; two presidents meeting in Pyung-Yang, the NK capital, in June, 2000. They agreed to try to ease military tensions and to reunite families who had been separated by the imposition of the border of the 38th parallel. Additionally, they promised to meet again, this time in Seoul SK, in order to pursue further dialog aimed at reducing tension. However this meeting never took place due to an increase in tension brought about by the nuclear issue and the skirmish at sea in 2002.

The political prospects for Korean reunification and for the unraveling of the NK system have fluctuated continuously over the past dozen years. In prior years, when serious consideration was given to the possibility that the regime might collapse and reunification might be implemented, observers were surprised when this did not occur.

Currently, when relatively little attention is focused on possible reunification, we might be surprised once again – but this time in the reverse direction. The possibility of reunification might become relevant and timely as well as unexpected. Several scenarios are briefly sketched below to illustrate some plausible circumstances under which the NK regime might be replaced or absorbed, and reunification of the Korean peninsula accomplished. The scenarios provide a backdrop for estimating a range of costs which reunification would require. Cost estimates will be discussed later in this paper.

*Scenario A: Unification through system evolution and integration*¹⁹. NK might adopt the implementation of China’s remarkably successful economic model at an accelerated pace; liberalizing the economic system, opening trade and capital transactions, decreasing direct control over every aspect of the economy. Under these circumstances, the economic system in NK would become more compatible with that in SK. The process could be likened to the experience of China and Taiwan. In fact, not only have the economies of the mainland and of Taiwan expanded their trade and investment transactions several-fold in recent years, but the structures of the two economies are becoming more compatible, although certainly not identical.

Under these circumstances, some form of political federalism between NK and SK might be envisaged, including closer contacts between the two military establishments, joint training and military exercise between them, and denuclearization of NK. To be sure, developments along these lines would take several years to emerge.

¹⁹ Charles Wolf, Jr. & Kamil Akramov, “North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification” (National Defense Research Institute published 2005 by the RAND corporation, US), 22

Moreover, they would probably ensue only under the most favorable and perhaps less plausible circumstances. Some recent evidence, while mildly encouraging, is still far less than would make this scenario appear probable.

*Scenario B: Unification through Collapse and Absorption*²⁰. The NK regime has shown extraordinary capacity to withstand severe internal economic adversity. In large part this capacity has been due to the regime's dexterity and effectiveness, and other sources of support from outside sources. These resources have been deployed to maintain and strengthen the regime's centralized political control notwithstanding the presumptively disruptive effects of famine, decimation of the NK populace, and any emergent signs of internal resistance. But what has been true in the past might not be repeatable in the future.

Were the NK economy to experience further severe setbacks, and were they to be accompanied by NK's inability to acquire sufficient external resources to sustain its large military establishment and its supporting defense industry, the ensuing situation might differ from that of the past. If the economic adversity was severe and external helps were limited, the regime might be unable to support its military assets and to maintain order and control in the separate region of NK. Divisions inside the regime might emerge within the party leadership, and the preeminence of Kim Jung Il might be compromised. If contacts and communication between the military establishments in the North and the South had previously occurred, such contacts might be expanded, leading to some form of comity and cooperation between both Koreas. With appropriate financial inducements,

²⁰ *Ibid.*, 23

this in turn might lead to the demilitarization and denuclearization of NK, and absorption of NK into SK. Of course, this trajectory is not the only one that might ensue following “collapse”. Instead, the ensuing circumstances might entail the emergence of regional warlords and conflict among them- circumstances that might then link with a scenario of unification through conflict.

*Scenario C: Unification through Conflict*²¹. Conflict between NK and SK might arise from any of several possible precipitating events: for example, NK’s invasion of SK based on a real or fancied provocation from SK; a NK interpretation of a provocation from the US as one in which SK is closely complicit; internal conflict with NK spilling over into SK; or by “preventive” intervention into NK from SK to forestall such a spillover or to forestall other possibly threatening circumstances in NK. In any of these circumstances, it is plausible that the US and China would cooperate-either tacitly or overtly- to end the conflict by having their respective military forces intervene to restore and preserve order and especially to prevent further escalation, particularly if some casualties had been incurred on both sides. It is also likely that the conflict would have inflicted considerable damage on SK capital stock, which would raise reconstruction costs in SK in addition to the direct capital costs of reunification.

If a conflict scenario were to include within it insurgency in NK, the burden of achieving sufficient security for reunification to proceed would be heavier, and the attendant costs would rise accordingly. We assume that the central government of such a reunified Korea would adopt institutions similar to, or congruent with those currently in place in SK. As part of a US-China cooperative agreement, these developments might

²¹ *Ibid.*, 24

plausibly be accompanied by conditional agreements to substantially reduce if not remove US forces from the Korean peninsula.

ESTIMATES OF REUNIFICATION COSTS

Before and after the fall of the Berlin wall on November 9 1989, both Germanys themselves played a vital part on the path to their unification on October 3 1990. The difficulty in overcoming the gap of a forty year division was expected. But they have tried to have unity between West and East and have struggled to overcome the separation. The chances for political cohesion led by its first female chancellor Angela Merkel, made its future surprisingly bright. One of the economic studies forecasts that Germany will be stable with the fourth biggest GDP of any country in the world at market exchange rates in the next decades²², reaching 6.5% of world total in 2020. (No#1 US, 27%, No#2 China 14%, No#3 Japan 10.7%)

The plausibility of Korean reunification estimates has been driven by the experience of Germany in the past decade. How much does it cost for Korean reunification?

²² The Economist, "The world in 2007: Who will be number one?" (Economic Journal, 2007, London) 63

Depending on varying assumptions and scenarios, these costs have been estimated as spanning a range between several hundred billion and several trillion dollars²³. This huge range reflects both a diversity of assumptions and the uncertain conditions inherent in any attempt at the re-unification of North and South Korea. Because the estimates of Korean reunification costs have been so high, all of the relevant states who would be affected by these costs – especially SK, but also US, China, Japan and international financial institutions – have been inclined toward an attitude of “let us wait and see.”²⁴ In the case of Germany for example, from 1991 through 2004, 1.4 trillion dollars of West Germany’s wealth was transferred to the East²⁵, representing about 5-6 percent of German’s cumulative GDP during this period. Apart from the uncertainties inherent in the various scenarios, some studies represent the estimates of Korean reunification costs ranging from 3.4 to 3.6 trillion dollars (Goldman-Sachs cost estimates)²⁶. In all cases however, pre-unification NK GDP ratio, Military Build-Down Saving, and institutional reform effectiveness are significant key variables.

Needless to say, it might appear that the costs of Korean reunification would impose even larger relative burdens than the German case. First of all, the population of NK at approximately 25 million is about half that of SK (49 million), while East Germany’s was only a quarter of West Germany’s. Moreover, NK’s per capita GDP is

²³ Charles Wolf, Jr. & Kamil Akramov, “North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification” (National Defense Research Institute published 2005 by the RAND corporation, US), 27

²⁴ *Ibid.*, 28

²⁵ *Ibid.*, 29

²⁶ *Ibid.*, 49; this estimate is resulted by Goldman-Sachs (www.globalsecurity.org/military/ops/korea-crisis-intor.html).

perhaps only one-tenth that of SK's – SK \$ 20,000 GDP per head²⁷, while per capita GDP in East Germany turned out in 1991 to be more than a quarter of West Germany's, - very different from the Korean comparison. These simple comparisons of the relative income and population disparities between SK and NK are larger than the corresponding comparisons in West and East Germany. It shows that the inference that can be drawn from the foregoing is that the probable costs associated with Korean reunification would be even greater than the costs actually experienced in the German case.

To be sure, we need to resolve the current difficulties and to some extent it seems that we may be moving in that direction, albeit very slowly. Several offsetting considerations lead to quite a different conclusion. If the process of Korean reunification is negotiated sensibly and managed carefully, the ensuing cost burden imposed on SK and its allies can be limited to a sum that is much less than that of the conventional estimates. The principal offsets include the resource savings and reallocations garnered by substantial military downsizing, as well as by prudently limiting the economic goals that reunification should seek. NK continues to support a huge military establishment of 1.1 million regular armed forces, and about four-times that number in its reserves, as well as a large defense industry that supports these forces and generates NK's principal exports. The economic burden that this imposes on the North's economy amounts to about 35% of the NK GDP. In East Germany on the other hand, the military consisted mainly of Soviet forces, largely representing a cost burden on the Soviet Union, not on East Germany itself.

²⁷ The Economist, "The world in 2007: Who will be number one?" (Economic Journal, 2007, London) 96

If and as progress toward Korean reunification occurs, substantial savings and reallocations of resources can be realized by a commensurate downsizing of the NK military establishment. Savings from this source could be much more than \$10 billion annually, providing downsizing of its military forces is an integral part of the reunification process. Accordingly, a reduction of SK military forces could be undertaken once North Korea had downsized its military establishment. In a unified Korea it would only be necessary to maintain sufficient armed forces to carry out the duties and responsibilities associated with having a border at the 54th, rather than at the 38th parallel as is now the case. Moreover, it would be quite unnecessary as well as unreasonable to seek to equalize per capita income levels between the two Koreas in any short period of time. If reasonable goals are established for Korean reunification at the outset of the process, its total capital costs should not exceed four or five times NK's estimated GDP.

The costs of Korean reunification are much more manageable and realistic than has usually been assumed. Exaggerated estimates of these costs should not be allowed to hinder or delay reunification.

ESTABLISHING A PEACE SYSTEM ON THE KOREAN PENINSULA

SK has been promoting peace and stability through the peaceful resolution of NK's current nuclear issues, and by building substantial cooperation and military confidence between the two Koreas. Based on the achievements to date in inter-Korea reconciliation and cooperation, we can promote the establishment of a "peace system" on

the peninsula in hopes of achieving a permanent state of peace between both countries. The prevention of war and perpetual peace should be institutionalized, creating the foundation for peaceful co-existence and joint prosperity. The following reviews two aspects- both economic cooperation and social or cultural exchanges to promote a peace system.

SK has the significant lead in forming an inter-Korean economic community. The partnership between both countries has evolved from one of confrontation and antagonism in the past to one that is more reconciliatory and cooperative. In particular, we have made remarkable accomplishments in terms of economic cooperation. The number of persons traveling across the borders reached 88,384 in 2005, a figure which exceeds that of the entire 60 year period following the division of the Korean peninsula in 1945. Similarly, the number of tourists visiting NK has surpassed one million. Furthermore, inter-Korean trade also grew rapidly, reaching US\$13billion in 2006, up 51.5% from the previous year. The following table demonstrates yearly trade amounts:

< TABLE 2: YEARLY TRADE AMOUNTS >

Year	Total *	Commercial Transaction *	Non-Commercial Transaction *
2005	69,727	57,497	12,230
2006	131,006	77,715	53,291

* Unit: thousand Dollars

* Source: <http://www.unikorea.go.kr/english/EUL/EUL0401R.jsp>, Ministry of Unification publication, ROK

The total amount of commercial transactions in 2006 was \$77,715 thousands, showing a 35.2% increase from the amount in 2005. Trade is mostly one-way, from south to north, rather than reciprocal, but it is true that this trade results in both the building up of the North's economy as well as fostering a spirit of economic cooperation²⁸.

Expanding social and cultural exchanges is vital to creating a mood of peace on the Korean Peninsula. The number of projects involving inter-Korean social and cultural cooperation significantly increased following the June 15, 2000 Joint Declaration. As of 2005, a total of 92 projects such as social forums, traditional folk festivals and sport competitions have been implemented. This figure represents a five-fold increase compared to the 10-year period leading up to the declaration. During this process, contacts were made in a variety of sectors, contributing to a general building of trust among the people of North and South Korea and to the overall development of inter-Korea relations. It is proven that its progress has been successful by the fact that both SK and NK authorities participate in each important anniversary ceremony. They also organized a number of new projects including the joint excavation of the remains of a historic patriot who fought for Korean independence during the 1930's Japanese occupation and the joint effort to compile a comprehensive Korean language dictionary.

Few believe that unification will occur in the foreseeable future. However, many advocate the need to make a road map in preparation for unification. It is necessary that

²⁸ The Ministry of Unification, "White Paper", (The Ministry of Unification Publication, Seoul, May, 2005), 37

the SK government endeavor to make a master plan for the unification of the country based on thorough and continuous research on every aspect of such an undertaking. Accordingly, we endeavor to support the concrete and positive expression of national desire and willingness to achieve unification. When the chance of unification comes, both the government and the people can play a leading role in carrying out the master plan under bipartisan and natural consensus, inspiring ourselves with the willingness to achieve it.

CONCLUSION

In the analysis of the possibility for Korean reunification, this paper has addressed the issue of the NK nuclear program, the geo-political aspects affecting re-unification and a short history of some important events that have occurred on the peninsula. It has also reviewed and discussed the prospects and costs associated with such an event. In addition, this paper has concluded with the way ahead to peace and stability on the Korean peninsula.

The Korean peninsula is geopolitically located in a very significant area in East Asia where both Koreas, the US, China, Japan, and Russia have exerted influence in order to enhance their own regional interests. Recently, NK's nuclear testing has threatened regional stability. Although unlikely in the immediate short term, the possibility of war on the peninsula cannot be discounted out of hand. Such a conflict has the potential to plunge the entire East Asia region into a military catastrophe which in turn would have a major negative impact not only on the two Koreas, but also on those

countries caught up in the conflagration. Indeed it is possible that such a war could disrupt peace, stability and economic growth on a world-wide scale. It would appear imperative therefore that any provocative intent by NK as regards its nuclear program must be curtailed by the international community, using whatever means necessary. In order to reduce tensions in the area we must pursue an agreement with North Korea which limits its nuclear influence. Once this has been accomplished and a regional peace plan has been put into place, action can be undertaken to pursue the goal of Korean re-unification. Such re-unification, although costly in financial terms, once successfully completed, would no doubt lead to significant economic benefits to the North and the overall improvement and long term stability to the entire Korean peninsula and beyond.

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