



The 20th Anniversary of June 15th South-North Joint Declaration – Implications and Possible Measures to Improve Inter-Korean Relationship Inter-Korean Economic Cooperation and Co-prosperity

Dr. CHOI Eun-joo
*Research Fellow,
The Sejong Institute
(ejo707@sejong.org)*

This year marks the 20th anniversary of the June 15th South-North Joint Declaration. For the first time since the division of the Korean Peninsula, leaders of the two countries met and exchanged ideas. This declaration became an important milestone toward reconciliation, peace and co-prosperity between the two Koreas. With its content, it also became a fundamental prototype for other joint declarations to be devised later. Two decades have passed and inter-Korean relations, which the public looked forward to improvement, have come to a standstill. In this context, I would like to discuss some effect and implications of the June 15th South-North Joint Declaration in inter-Korean economic cooperation.

The Sunshine Policy proposed by the Kim Dae-jung administration, established in 1998, can be summarized into three major goals and six initiatives. The three goals are as follows: (1) no armed provocation by the North will be tolerated; (2) the South will not attempt to absorb the North in any way; (3) the South will actively seek cooperation and promote reconciliation. The six initiatives include: (1) simultaneous promotion of security and cooperation; (2) prioritization of peaceful co-existence and mutual cooperation; (3) increase in levels of interaction and dialogue; (4) pursuit of mutual interests between the two Koreas; (5) securing of international support under the principle and guidance of the two governments; (6) transparency as well as the promotion of North Korean policy in unhasty manner. Through these initiatives, the South Korean government acknowledged the fact of division of the Peninsula and at the same time endeavored to overcome such reality.

The biggest achievement of the June 15th South-North Joint Declaration is that it bore actual and fruitful results. The declaration states that the two Koreas should aim to build trust through promoting inter-Korean economic exchange, and thus pursue the balanced development of the nation's economy. Building mutual trust is not just

a mere declarative slogan; rather, it is a tangible goal to target through expanding the scope of interconnected activities. Accordingly, while continuing the existing cooperation projects, numerous economic projects were newly initiated, such as the inter-Korean railway and road-connection project, the Mount Kumgang tourism project and the Kaesong Industrial Complex project. Aside from one-time event or support, exchange of people and goods were carried out with persistency.

As a result, the inter-Korean trade increased nearly 14-fold from \$195 million in 1994 to \$2.71 billion in 2015. The inter-Korean railway and road-connection project was one of the North-South economic cooperation projects, and, at the same time, was the infrastructure project that disclosed the potential of South Korea to enlarge its scope of economic activities to the northern areas. Moreover, a stable economic relationship brought additional, non-economic effects such as the promotion of peace on the Korean Peninsula and the elimination of animosity between the two Koreas. It was expected that economic cooperation projects in the future could lead to a virtuous cycle in which mutual interests can be expanded and measures to promote reconciliation and peace are sought.

Meanwhile, there were limitations. Inter-Korean economic cooperation did bring out positive results both qualitatively and quantitatively. However, it accounted for just a small portion of the South Korean economy as a whole. In 2015 when the volume of inter-Korean trade was at the highest, it only accounted for 0.28 percent of South Korea's total amount of foreign trade. In terms of time series, the growth rate was apparent. But the absolute level was low, and the actual achievement was insignificant compared to the overall goals set by the two Koreas. However, it is still difficult to assess whether the inter-Korean economic cooperation succeeded or not, as the growth potential of individual projects had been stalled by non-economic factors. For instance, the Kaesong Industrial Complex project which had three-stage development plan failed to complete even its first phase as it was suspended in 2016.

In response to the sinking of Cheonan, the ROK Navy corvette, in 2010, all additional investment projects came to a halt, and only the Kaesong Industrial Complex maintained its operation at the status quo level. In 2013, Kaesong Industrial Complex suspended its operation for six months due to North Korea's nuclear tests and long-range missile launch. In August of the same year, the two Koreas agreed to restart the operation at Kaesong and stipulated that "the two sides guarantee normal operation under any circumstances." In February 2016, when North Korea pushed forward its 4th nuclear test and missile launch, President Park decided to shutdown the Industrial Complex as it was likely that workers' wages could be used to support the development of nuclear armament. Thus, the economic cooperation between the two Koreas ultimately suspended.

Since then, the environment surrounding the inter-Korean economic cooperation project significantly changed. Primarily, North Korea's successive nuclear tests and intensified international sanction effectively blocked the country's foreign economic relations. As a result, North Korea is currently carrying out minimal amount of trade with items that do not violate sanctions.

In 2018, North Korea officially announced that it would cease conducting any new armament tests including nuclear weapons, missiles, and ICBM (Intercontinental Ballistic Missiles), and instead focus on economic development. Prior to this statement, North Korea had carefully chosen economic development zones throughout its country, which guaranteed open economic activities of companies overseas. While being wary of the economic impact from capitalist states, the government took exceptional care in choosing its economic site and in improving relevant laws and institutional instruments with the hope to bear fruitful economic results. Such effort was a significant departure from the past, in which political variables were considered as priority instead of economic interests.

Given these changes, the future inter-Korean economic cooperation needs innovative ideas and concepts. It is necessary to seek effective ways that not only utilize North Korea's low-wage labor forces, but also expand cooperation in core industries, including technology, which would become the new growth engine in the future. Furthermore, the two countries can promote stable economic cooperation and common prosperity together by devising regional economic projects to be implemented within the economic bloc of Northeast Asia. Namely, South Korea can create a new momentum to grow through enlarging the scope of its economic activities, while North Korea can seek to develop its economy in the context of expanded external economic relations.

A progress to improve inter-Korean relations, which began with PyeongChang 2018 Olympics, led to the Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula (Panmunjom Declaration) in April, and to the Pyongyang Joint Declaration in September of the same year. In particular, the Panmunjom Declaration was an important stepping stone in transferring the armistice to a peace regime as it contained the two leaders' agreement in transforming the DMZ (Demilitarized Zone) into a peace zone. Moreover, the Pyeongyang Joint Declaration contained a proposal of building the west coast joint special economic zone and the east coast joint special tourism zone in addition to other inter-Korean economic cooperation projects.

As of 2020 however, inter-Korean economic cooperation projects have yet to resume. Even projects that were agreed upon by the leaders of the two Koreas have not been implemented. Rather, the current situation seems to raise concern that the past two years' progress of resolving hostility and distrust between the two Koreas could be

reversed. To overcome the current situation, the South Korean government, with a strong will to execute the principles stipulated in the declaration, needs to propose a series of concrete cooperative methods that can be implemented despite the UN sanctions against North Korea. As the COVID-19 (coronavirus disease 2019) continues to spread across the globe, economic cooperation is yet to resume. Nonetheless, humanitarian projects need to be initiated in order to ensure the lives and safety of members of the two Koreas.

What the June 15th South-North Joint Declaration brought about are not just the results of follow-up projects. What is more important is the experience itself, in which the party concerned put effort to make agreements through discussion and persuasion. In the past, despite the ongoing inter-Korean economic cooperation projects, military clashes had occurred. At the time, the South Korean government immediately responded with a firm security posture, but it did not suspend the projects. In fact, the government actively supported economic projects in order to ease the hostile relationship with the North, while firmly dealing with security problems that arose due to the reality of military confrontation. The task left to the South Korean government is to find ways that go beyond the mere adaptation of the given environment. ❖

※ Translator's note: This is a summarized unofficial translation of the original paper which was written in Korean. All references should be made to the original paper.

※ This article is written based on the author's personal opinions and does not reflect the views of the Sejong Institute.