



## Online Series

2017. 05. 08. | CO 18-19

# Evaluation & Future Prospects of 2018 Inter-Korean Summit : Inter-Korean Economic Cooperation

Hong, Jea Hwan  
(Research Fellow, North Korean Research Division)

There arrived the rising tide of new opportunity for inter-Korean economic cooperation as leaders of the two Koreas reached an agreement on the implementation of inter-Korean economic cooperation at the 2018 Inter-Korean Summit. However, fully promoting inter-Korean economic cooperation seems difficult at this moment since tough sanctions against North Korea still remain in place. The two Korea' s economic cooperation could be carried out with an approval from the UN Security Council Sanctions Committee, though in a limited scope, as denuclearization issues are entering a new phase. To that end, it is necessary to discover and implement feasible inter-Korean cooperation projects in the short-term. The economic cooperation project should be carefully approached in a close coordination with the international community in order to utilize the newly given opportunity.

The prevailing view was that inter-Korean economic cooperation would not be one of the main agendas of the 2018 Inter-Korea Summit, since the Summit was expected to solely focus on the core agenda regarding denuclearization and establishment of a peace regime. What supported this view was an intensified level of sanctions that were highly likely to limit the possibility of any economic cooperation.

Contrary to such prospect, however, “the Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula” (hereinafter referred to as “the Panmunjom Declaration”), released right after the Summit, included clauses related to inter-Korean economic cooperation. This has brought about high expectation and interest on inter-Korean economic cooperation. And the government and private sectors have started to promptly prepare for joint-economic projects. There arrived the rising tide of new opportunity for inter-Korean economic cooperation.

### **Agreement on Initiating Project for the Establishment of Transportation Infrastructure**

During the Summit, leaders of the two Koreas consented to “actively engage in execution of projects agreed on the 2007 October 4 Declaration.” To that end, based on agreements of inter-Korean summit in 2007 between President Roh Moo-hyun and Chairman Kim Jong-il, the economic cooperation will be promoted centering on: expansion of infrastructure and development of resources; installation of Special Zone of Peace and Cooperation in the West Sea; completion of the 1<sup>st</sup> phase of the Kaesong Industrial Complex to develop its 2<sup>nd</sup> phase and institutional improvement; repair and common use of the Kaesong-Shinuiju railroad and Kaesong-Shinuiju highway; and construction of a shipbuilding cooperation complex at Anbyeon-Nampo and further cooperation in areas of agriculture, health, and environment.

One of the most notable part of the Panmunjom Declaration is where it mentions, “As a first step, the two sides agreed to adopt practical steps towards

the connection and modernization of the railways and roads on the eastern transportation corridor as well as between Seoul and Sinuiju for their utilization,” of all the projects that were agreed on the 2007 October 4 Declaration. Why were projects on the modernization and connection of railroads and highways set as a priority? There are two main reasons: firstly, the establishment of transportation infrastructure is one of the most basic and urgent tasks in resuming economic cooperation; and secondly, they are the most feasible projects of all given that the sanctions are currently imposed on the North. Connecting the Donghae line highways would only require a road construction of the Gangneung-Jejin section without violating the sanctions. Strictly speaking, modernization and connection of Gyeongui line railroad and highways are subject to current sanctions. However, compared to others, those projects can be promoted and realized to flexibly circumvent the sanctions. The Resolution 2375 dictates that a joint project could be launched once authorized by the UN Security Council Sanctions Committee on North Korea (herein after referred to as “the Sanctions Committee”). It also clearly indicates that the Sanctions Committee will favorably evaluate non-commercial, public infrastructure projects with more forward-looking approach. Therefore, one could assume that the Sanctions Committee would be likely to favorably authorize the connection and modernization projects for Gyeongui line highway and railroads.

Meanwhile, though not included in the Panmunjom Declaration, it is worth mentioning the President Moon Jae-in statement that he “hopes to see South-North Korea’s joint investigation project carry out for the implementation of inter-Korean economic cooperation and the 2007 October 4 Declaration at a joint liaison office in Kaesong,” which will be installed in the near future. There was no mentioning of specific contents on such project. However, diverse discussions are expected to be made on inter-Korean economic projects, such as how to select the detailed projects for inter-Korean economic cooperation, and how to improve the institutions for actively promoting the economic cooperation, and how to review the existing equipment investments.

## Prospects of Possible Limited Economic Cooperation

Will this Summit drastically speed up the process of inter-Korean economic cooperation? First of all, one should be mindful of the fact that tough sanctions against North Korea are still underway. Issues surrounding sanctions against North Korea should be resolved first in order to put economic cooperation forward. It requires consensus of the international community — especially from the U.S., which still maintains that it would not agree to lift the sanctions until North Korea takes actual steps for denuclearization. Therefore, one could estimate that it will take some time until sanctions against North Korea can be lifted and inter-Korean economic cooperation put on track.

In addition, it should be noted that there are rooms for possibly conducting economic cooperation projects without violating the current sanctions and expanding them in the future. As mentioned above, resolutions of the UN Security Council contain a provision to allow some exceptions when authorized by the Sanctions Committee. This, however, has never been put to use due to no progress made on North Korean nuclear issues.

Denuclearization issues are entering a new phase starting with the 2018 Inter-Korean Summit. And now we are witnessing a circumstance conducive to being able to fully utilize the Sanctions Committee. In addition, should the North Korea-U.S. summit slated for mid June bring satisfactory results, the Sanctions Committee will be more likely agree to make such projects an exception from the sanction targets.

Of course, considering the U.S. hard-line stance on North Korea, even with favorable results from the North Korea-U.S. Summit, there are only slim chances where sanctions will be lifted in a foreseeable future. Still, there is a chance that the Sanctions Committee can maintain a more flexible stance than that of the U.S., which in turn would increase the possibility of authorizing the exception. The Sanctions Committee is composed of 15 Member States from the UN Security Council. The exception is authorized upon the unanimous agreement of its Member States, among which the U.S. is the most unyielding. Therefore, economic

cooperation projects such as the connection and modernization of the Gyeongui line (railroads and highways), which do not violate the basic purpose of sanctions and can promote peace on the Korean Peninsula, can benefit from the approval procedure through the Sanctions Committee. Should such project be promoted that way, the two Korea's economic cooperation could be carried out in the near future, though in a limited scope.

### Tasks for Capitalizing Opportunity of Economic Cooperation

Various preparations should be made to utilize the newly given opportunity and to implement the economic cooperation in a way benefiting both Koreas. Following are some suggestions for such efforts.

First of all, it is necessary to discover and implement feasible inter-Korean cooperation projects in the short-term. Regarding inter-Korean economic cooperation, Moon Jae-in government has suggested 'New Economic Map for the Korean Peninsula' and has fleshed out this plan. This plan, however, consists mainly of large scale, medium and long-term tasks that could only be put to track once the sanctions against North Korea are eased or lifted. In order to continue the momentum of inter-Korean economic cooperation, it would be desirable to focus on launching projects that could be actualized within a short period, such as those mentioned in the 2007 October 4 Declaration (health · environment, etc.) while making thorough preparations for the 'New Economic Map for the Korean Peninsula.'

In addition, there is a need to consider the possibility of multilateral economic cooperation, which involves other countries in the region and the international community. The multilateral cooperation is desirable given that it would ensure the project's continuity regardless of changes in inter-Korean relations and enable securing the capital necessary during the process of economic cooperation. Inducing participation of other countries will not be a difficult task since the international community is always on the lookout for opportunities to take part in the development of North Korea.

Furthermore, it is vital to take a gradual approach, keeping a keen eye on the feasibility of projects while taking advantage of the opportunity for economic cooperation to its fullest potential. Increasing interest in economic cooperation with North Korea is a result of an expectation that it not only contributes to the progress of inter-Korean relations but it also helps to find a breakthrough in the face of the slow-growing tendency of South Korean economy. Still, this economic cooperation project should be carefully approached in a close coordination with the international community, since it is directly linked to denuclearization issues. The South Korean government expressed its cautious stance in a briefing provided immediately after the Summit stating that “We will maintain a close coordination with the U.S. and the international community so that this economic cooperation would not violate the sanctions imposed against North Korea.” Such stance should be maintained going forward. ©KINU 2018

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