



## Online Series

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# 2018 Inter-Korean Summit and New Economic Map Initiative for the Korean Peninsula

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New Economic Map Initiative for the Korean Peninsula aims to create a new growth engine for the South Korean economy. This Initiative consists of two pillars — the formation of a single market and the establishment of three major economic cooperation belts. It can be evaluated that the two Koreas are now off to start economic cooperation for co-prosperity through the April summit. However, economic cooperation is expected to be difficult for the time being as international sanctions on North Korea still remain strongly enforced. To that end, the two Koreas seem to start a consultation for a joint investigation and research on measures for cooperation. In this process, a focus should be paid to projects that promote changes in North Korea and induce international cooperation while properly combining the demands of the South Korean economy with those of the North Korean economy.

### Inter-Korean Summit and Economic Cooperation

The Panmunjom Declaration announced on April 27 describes the economic exchange and cooperation in following articles and paragraphs:

Article 1 stipulates “South and North Korea will reconnect the blood relations of the people and bring forward the future of co-prosperity and unification led by Korean...”; Paragraph 6 states “South and North Korea agreed to actively implement the projects previously agreed in the 2007 October 4 Declaration...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.” Such agreements indicate that the two sides are determined to promote economic cooperation based on existing agreements when conditions are met in the future.

North Korea held the Plenary Session of the Korean Workers’ Party Central Committee on April 21 right before the 2018 Inter-Korean Summit. In the Plenary Session, it declared a completion of existing two-track policy of economic development and the state nuclear force and proposed a new strategic line of socialist-style economic development. At the same time, the North stressed that the party should put economic projects first among all of its national projects and tap into country’s human, physical, and technological potential to the full extent for national economic development. However, Kim Jong-un reportedly did not mention the inter-Korean economic cooperation issue during the summit meeting with President Moon.

### **Meaning and Characteristics of the New Economic Map Initiative for the Korean Peninsula**

The New Economic Map Initiative for the Korean Peninsula (hereinafter referred to as “the Initiative”) was crafted against the backdrop that it is necessary to overcome the low-growth trend of the South Korean economy through inter-Korean economic cooperation and create a new growth engine. In other words, the main goal of the Initiative is to find a new driving force in the South Korean economy.

Second, the Initiative is ultimately aimed at economic unification. This

Initiative lays out a vision to realize de facto unification by integrating the two Koreas into one economic bloc to form a thriving economic community.

Third, the Initiative recognizes that the North Korean economy needs a proper level of growth and development so that the South Korean economy can continue to grow through inter-Korean economic cooperation.

Fourth, the Initiative specifies the will to open a new era of northern economic bloc so that the economy on the Korean Peninsula can continue to expand into its northern part by linking inter-Korean economic cooperation with that of neighboring countries.

### **Summary of New Economic Map Initiative for the Korean Peninsula**

The Initiative consists of two pillars — the formation of a single market and the establishment of three economic cooperation belts. A single market indicates that the two Koreas will utilize market areas and functions to boost economic cooperation and eventually integrate the two markets into one. The formation of one single market largely has four following meanings. First is to create an environment, in which South Korean companies can freely and safely engage in business activities in the North Korean market. Second is to connect and integrate the economic bloc of the Korean Peninsula into one single market. Third is to seek economic community to improve the quality of economic life for both South and North Korean people. Fourth is to integrate markets of the two Koreas into that of Northeast Asia. In order to integrate the two Koreas into one single market, the government should first establish an environment, in which companies can interact with, invest in, and cooperate with North Korea. Autonomous labor management should be put into practice, including the resolution of three issues of passing, communications, and customs. The North's poor industry infrastructure should also be improved.

The project to create three economic cooperation belts aims to build a physical foundation and network for inter-Korean economic cooperation. Three economic cooperation belts specified in the Initiative consists of the Pan Yellow Sea

Economic Cooperation Belt, Pan East Sea Economic Cooperation Belt, and DMZ Peace Belt.

The Pan Yellow Sea Economic Cooperation Belt specifies a plan to make the following economic blocs as a North Korean hub for cooperation: Kaesong-Haeju economic bloc; Pyongyang-Nampo economic bloc; and Sinuiju economic bloc. It aims to connect and expand the local economy in the West Sea with economic blocs in Seoul and Pyongyang. It also sets out to expand industrial cooperation and routes of transportation and logistics into the Chinese mainland. The Pan East Sea Economic Cooperation Belt aims to build a hub for cooperation in the following economic blocs: Rason-Chongjin economic bloc; Wonsan-Hamheung economic bloc; and Dancheon economic bloc. It also describes a plan to establish a tourism belt linking Sokcho-Gangneung area with Wonsan. Moreover, it aims to expand tourism-energy-resources networks of the East Sea into the Russian Far East region. DMZ Peace Belt was designed for both Koreas to peacefully utilize the DMZ and areas surrounding the Civilian Control Line. It is a plan to turn those areas into a zone of ecology, peace, and tourism, intended to show the importance and possibility of peace while preserving their ecological and environmental value.

### **Tasks for Implementing the New Economic Map Initiative for the Korean Peninsula**

Through the April summit, the two Koreas are now off to start economic cooperation for co-prosperity. Various measures should be discussed based on the 2007 October 4 Declaration to resume projects that had been agreed upon and pursued, but halted by the two Koreas. However, economic cooperation is expected to be difficult for the time being as international sanctions on North Korea still remain strongly enforced.

The South Korean government is likely to seek measures to promote inter-Korean cooperation with a focus on projects that are not subject to sanctions. To that end, a discussion on inter-Korean economic cooperation projects should

be held through the implementation of the 2007 October 4 Declaration and a joint investigation and research on the execution of inter-Korean economic cooperation projects. In this process, a focus should be paid to projects that promote changes in North Korea and induce international cooperation while properly combining the demands of the South Korean economy with those of the North Korean economy. What is most important is to create institutional foundations so that South Korean companies are able to pursue investment cooperation projects in North Korea without restrictions. In this regard, it is necessary to primarily review how to strengthen an autonomy in hiring and managing North Korean workers. In addition, there is a need to establish a system, through which: a priority of various cooperation projects can be set; and adjustment, coordination, and support between different projects can be implemented. ©KINU 2018

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