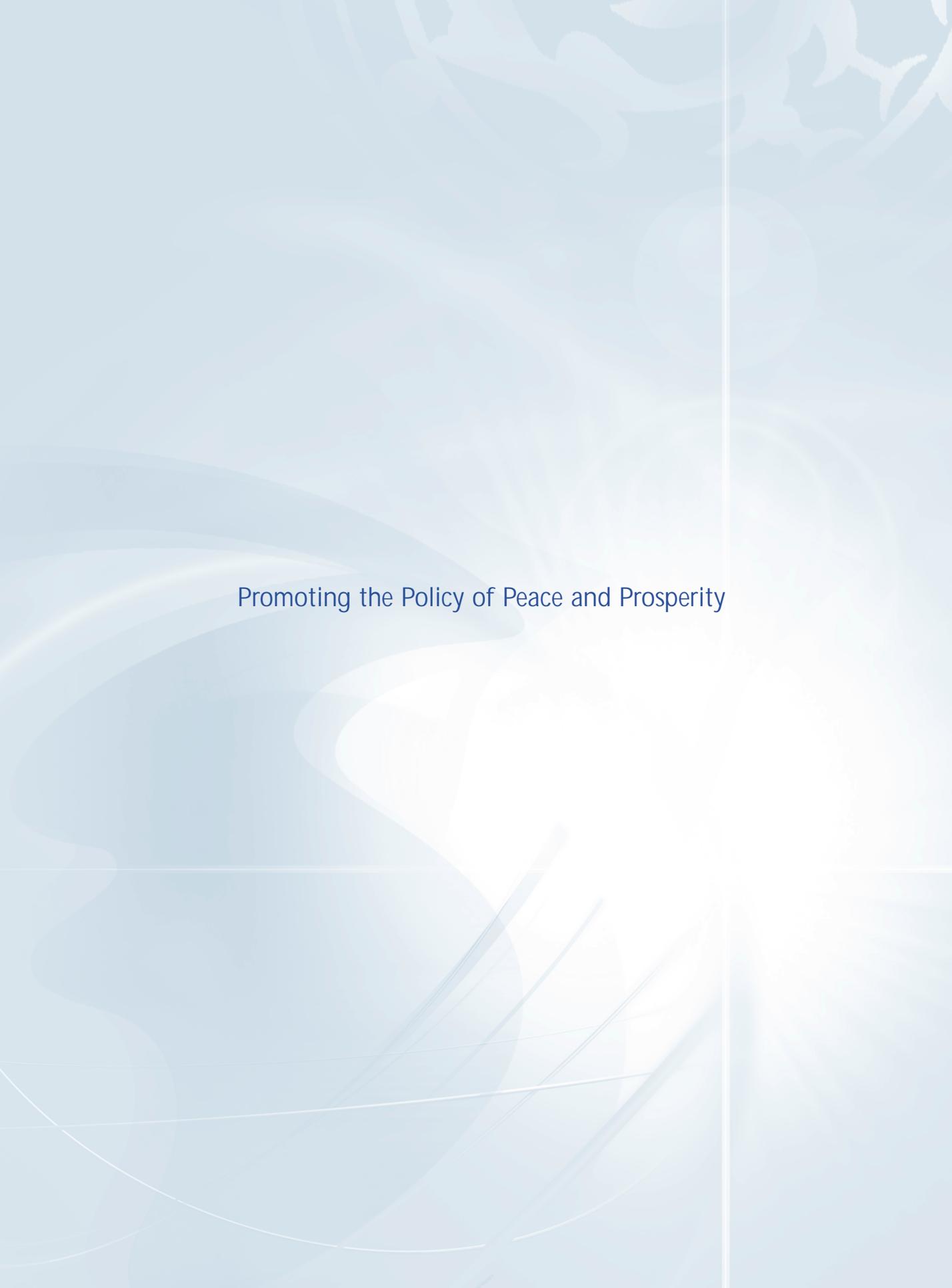


# Chapter 1

## Promoting the Policy of Peace and Prosperity

- I. Brief History of Unification Policies
- II. The Policy of Peace and Prosperity
- III. Accomplishments

The background features a light blue and white color scheme. A faint, stylized map of the Philippines is visible in the upper right quadrant. A large, bright sunburst or starburst graphic is positioned in the lower right, radiating light across the page. The overall aesthetic is clean and professional.

Promoting the Policy of Peace and Prosperity

# *Promoting the Policy of Peace and Prosperity*

The Roh Moo-hyun Administration introduced the Policy of Peace and Prosperity upon its inauguration in February 2003. The policy seeks to build upon the accomplishments of past administrations. The unification policies of past administrations took into account international circumstances, inter-Korean relations and public opinion of the time. Since the 1980s, the running theme of unification policies has been reconciliation and cooperation between North and South Korea.

## I. Brief History of Unification Policies

### 1. Unification Policies of Previous Administrations

The Rhee Seungman Administration, which was the first government of the Republic of Korea (1948-1960), declared that the Republic of Korea was the sole legitimate government on the Korean Peninsula and emphasized that North Korea must join the Republic of Korea by holding free elections in accordance with the resolution passed by the United Nations General Assembly. Immediately following the Korean War, President Rhee called for the unification of the Peninsula by advancing into North Korea. The next administration headed by Chang Myon (1960-61) was opposed to unification by a northward advance. Instead, the Chang Administration proposed general elections, held simultaneously in North and South Korea under UN supervision, as the basis for national unification.

Inter-Korean relations faced new opportunities as the process of East-West detente proceeded in the 1970s. In his congratulatory speech on the 25th anniversary of National Liberation Day on August 15, 1970, President Park Chung-hee revealed plans for a peaceful unification. Subsequently, on August 12, 1971, the South Korean Red Cross proposed talks with the North Korean Red Cross. When the North Korean Red Cross accepted the proposal, the two Koreas were able to open an inter-Korean dialogue – beginning with humanitarian issues – for the first time since the country's division 26 years earlier. On July 4, 1972, the two Koreas simultaneously announced in Seoul and Pyongyang the July 4 Joint Communiqué, the first-ever written agreement between the two Koreas. Through the communiqué, three principles for national unification were declared: autonomy, peace, and solidarity of the Korean nation.

During the late 1980s, as the Cold War was finally coming to an end, inter-Korean relations faced a critical turning point. In 1988, the Roh Tae-woo Administration (1988-93) announced on July 7 that it would assist North Korea in coming out of isolation, induce

the opening of the North Korean regime in order to establish peace on the Korean Peninsula. On September 11, 1989, President Roh announced the National Community Unification Formula that featured a South-North confederation as a transition stage prior to unification and in August 1990, the Roh Administration enacted the Inter-Korean Exchanges and Cooperation Act.

Helped by these efforts, the first high-level inter-Korean talks were held in Seoul in September 1990. At the sixth round of talks in February 1992 in Pyongyang, the Agreement on Reconciliation, Non-Aggression and Exchange and Cooperation (often referred to as the Basic Agreement), the Joint Declaration on the Denuclearization of the Korean Peninsula and the Agreement on Creation and Operation of Joint Commissions came into effect.

The Kim Dae-jung Administration (1998-2003) promoted a policy of reconciliation and cooperation toward North Korea, which recognized North Korea as a partner for seeking coexistence and co-prosperity. At the same time, President Kim Dae-jung declared that there would be no tolerance of armed provocations by the North. He also rejected unification through unilateral absorption and instead actively promoted reconciliation and cooperation as principles to improve inter-Korean relations. Instead of hastily seeking a *de jure* unification, the objective was to realize a *de facto* unification in which people of North and South Korea can freely travel between the two sides to expand understanding and achieve reintegration through vitalization of exchanges and cooperation while maintaining a firm security posture. As a result of consistent promotion of such policy, the two Koreas held the first Inter-Korean Summit Meeting in June 2000 and adopted the Joint Declaration. Following the summit meeting, various inter-Korean talks have been held and meaningful progress in inter-Korean relations has been made including expanding exchanges of people and goods and reuniting separated families.

## 2. The National Community Unification Formula

The heart of this unification formula is to gradually build a single national community in three stages, starting with reconciliation and cooperation, followed by confederation and, finally, unification.

In the reconciliation and cooperation phase, the two Koreas would mutually recognize and respect each other, maintain peace amid division and work to overcome hostility and mistrust through exchanges and cooperation in the social, cultural and economic fields.

In the confederation stage, a peace mechanism would be installed, a common livelihood in the social, cultural and economic realms would be fostered, and institutional mechanisms such as inter-Korean summit meetings would be put in place while each side maintains

sovereignty over foreign affairs. Also, at this stage, military confidence would be built to firmly establish peace on the Korean Peninsula.

In the final unification stage, the two Koreas would build upon the common livelihood to fully integrate the two sides into a single political system where one nation of people under one state is realized. At this stage, parliamentarians from both sides would pass a unified constitution under which democratic general elections would be held to form a unified national assembly, a unified government, and a unified nation.

In short, to form a unified nation, the National Community Unification Formula focuses on the middle stage of South-North confederation to build “one nation, one state, one system, and one government” through a gradual process of achieving reintegration and a national community.

## II. The Policy of Peace and Prosperity

### 1. Background and Concepts

The Policy of Peace and Prosperity is a comprehensive, long-term national development strategy initiated by the Roh Moo-hyun Administration. It seeks to foster peace on the Korean Peninsula and achieve mutual prosperity between South and North Korea in order to build the Korean Peninsula as an economic hub of Northeast Asia. To this end, the policy focuses on a peaceful resolution of the security issues on the Peninsula, starting with the North Korean nuclear issue; and in the long run, it seeks to build a permanent peace regime and inter-Korean economic community while seeking to create a cooperative regime for peace and prosperity in Northeast Asia.

*In order to bring about a genuine era of Northeast Asia, a peace regime must first be institutionalized on the Korean Peninsula. It certainly is most unfortunate that the Peninsula still remains the last legacy of the Cold War of the 20th century. In the 21st century, we have to change the Peninsula into a land that sends out messages of peace to the world. It has to be reborn as Northeast Asia's gateway to peace that connects the Eurasian continent with the Pacific Ocean. We have to bring the day when passengers will be able to buy a train ticket in Busan and travel all the way to Paris in the heart of Europe via Pyongyang, Shinuiju, China, Mongolia and Russia.*

From President Roh Moo-hyun's Inaugural Address, February 25, 2003, Seoul

The Policy of Peace and Prosperity was initiated for several reasons. First, the national pride and self-confidence have increased over the years through economic development and democratization. The economic growth during the 1960s and 1970s, democratization in the 1980s, globalization and development of information technology in the 1990s, recovery from the foreign exchange crisis in the late 1990s, and the successful holding of the 2002 World Cup have all contributed to increasing the national strength and confidence of the Korean people. Such increases in national status and public confidence expanded the role that South Korea can play in bringing an era of peace and prosperity to Northeast Asia and made the promotion of the Policy of Peace and Prosperity possible.

Second, the accomplishments of the previous administration's policies toward North Korea have created an opportunity to take inter-Korean relations to the next level. Since the inter-Korean summit meeting in June 2000, reconciliation and cooperation between the two Koreas have increased; and accordingly, an interest in economic cooperation in the Northeast Asian region has also increased among neighboring nations. In particular, as a result of the promotion of inter-Korean railroad and road reconnection, discussions on the inter-Korean railway's connection to the Trans Korean Railway, Trans Siberian Railway and Trans Chinese Railway as well as interest in regional energy cooperation have increased among the nations of the region. Also, although limited in scope, North Korea is promoting a pragmatic policy to expand its special economic zones and to implement economic reform measures. Thus, it is necessary to assist North Korea to continue such efforts so that it can change and develop in a stable manner.

Third, given that Korean Peninsula issues are increasingly becoming international issues, there was a need to expand the scope of the policy from inter-Korean relations to the entire Northeast Asian region. In particular, the North Korean nuclear issue, which has emerged as a serious security issue since October 2002, has shown anew that the establishment of peace on the Korean Peninsula is critical to the regional stability of Northeast Asia. In this regard, it is important to note that the former West Germany placed greater importance on international cooperation of stably managing the Cold War situation rather than its bilateral relations with East Germany.

Lastly, today, multilateral security cooperation and regionalism in the world economy is intensifying. As can be seen in the increasing role of multilateral cooperative bodies such as the Asia Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN) +3 (China, Japan and Korea) and ASEAN Regional Forum, there is a growing awareness of the need for regional cooperation in economic and security affairs.

## 2. Goals and Principles

### A. Goals

The Policy of Peace and Prosperity has two goals: 1) the promotion of peace on the Korean Peninsula, and 2) the pursuit of mutual prosperity for North and South Korea and contribution to prosperity in Northeast Asia.

The promotion of peace on the Korean Peninsula is to increase actual cooperation between the two Koreas upon resolving security issues, starting with the North Korean nuclear standoff, so that an unstable armistice regime can be transformed into a permanent peace regime through military confidence building. When a durable peace is established on the Korean Peninsula, the unlimited potential for growth inherent to the Peninsula could be realized; thus, a foundation could be laid for the Korean Peninsula to become an economic hub of Northeast Asia.

Pursuit of mutual prosperity can expand benefits for the two Koreas by vitalizing economic cooperation to achieve an inter-Korean economic community and can contribute to prosperity of nations in Northeast Asia. Considering the geopolitical features of the Korean Peninsula, when the inter-Korean economic community is established, the Peninsula can work to bridge the continental and oceanic economies.

### B. Principles

To accomplish these goals, the Policy of Peace and Prosperity has set four principles: 1) resolve disputes through dialogue; 2) seek mutual understanding and reciprocity; 3) promote international cooperation based on the principle of “parties directly concerned” 4) form policies reflecting the will of the people.

The first principle is to resolve all issues and disputes peacefully through dialogue. Tension and conflict have continued to exist on the Korean Peninsula due to the unstable armistice regime and the military standoff. The possibility of a military clash remains in the most militarized region of Northeast Asia. Considering these circumstances, any form of war that could destroy the Korean nation must be avoided, and the use of force can only be allowed as the last resort.

Second, the principle of mutual understanding and reciprocity involves not only South and North Korea, but also the neighboring nations in the Northeast Asian region. The region must overcome the hostile past of distrust and move toward reconciliation and cooperation based on mutual recognition and trust.

The third principle promotes international cooperation centered around the idea that issues must be dealt primarily by those parties that are directly involved in the issue. Since the issues of the Korean Peninsula are both concerns for South and North Korea as well as the international community, while the issues must be resolved by South and North Korea – parties directly concerned – it is also important to take the international community's interests into consideration to establish a more stable peace regime.

The fourth principle is aimed at forming policies that reflect the will of the people. Making policies based on the active participation of the people and bipartisanship, and pursuing them transparently under the legal and institutional frameworks will increase public support.

### 3. Action Plans

#### A. Peaceful Resolution of the North Korean Nuclear Issue

In order to promote the Policy of Peace and Prosperity, the North Korean nuclear issue must be resolved in a peaceful manner. The North Korean nuclear standoff directly concerns the lives of the 70 million Korean people, and it is a matter of priority when seeking to establish peace on the Korean Peninsula and progress in inter-Korean relations.

In this respect, this administration seeks to resolve the nuclear issue while maintaining the following principles: 1) zero tolerance for the North's possession of nuclear weapons, 2) peaceful resolution through dialogue, and 3) an active role by South Korea on resolving the matter.

#### B. Establishment of a Peace Regime on the Korean Peninsula

The establishment of a peace regime on the Korean Peninsula entails the transition from the unstable armistice, which has defined the security order of the Peninsula for the past fifty years, to a state of peace, and an adoption of a peace agreement between North and South Korea with institutional assurances from the neighboring states.

For the establishment of a peace regime, it is important to normalize inter-Korean relations and continue to deepen cooperation to increase the substantial peace between the two Koreas. When mutual dependence increases through economic exchanges and cooperation, military tensions will be reduced accordingly. A good example of this is the

project to reconnect railroads and roads between the North and South – economic cooperation leading to cooperation in military and security areas, thereby, reducing military tension along the demilitarized zone.

Also, measures to reduce military tension need to be discussed between military authorities of the North and South, for example in the defense ministerial talks, so that they can be implemented gradually. Moreover, to foster international cooperation in building a peace regime on the Peninsula, efforts are needed to encourage security cooperation in Northeast Asia.

As inter-Korean cooperation deepens and military tensions ease to make the situation more favorable for peace on the Korean Peninsula, adopting a peace agreement between North and South Korea would be possible. The peace agreement should include comprehensive measures to prevent war and manage peace between the two Koreas.

### C. Promoting the Era of Northeast Asia

In the long term, the Policy of Peace and Prosperity seeks to build a South-North economic community while creating a framework to facilitate peace and prosperity in Northeast Asia. The idea is to develop the Peninsula as a center of peace and prosperity and have it contribute to regional stability and prosperity.

In the inter-Korean economic community, the two Koreas would maintain their separate economies, but work to gradually integrate the economies through expanding exchanges and cooperation. The limitations caused by differences in systems and ideologies are relatively low while the potentials for complementary relations are high in inter-Korean economic cooperation. This makes the creation of a community comparatively easy, and it can serve to facilitate promotion of communities in other areas.

Amid regionalism and the creation of economic blocs, there is an increased interest among the nations of Northeast Asia regarding the need for economic cooperation, and the notion that security cooperation among regional nations is important to continue economic development is also spreading. If cooperation in economic and security realms increases among countries in the region, it would provide a favorable international environment for not only economic growth of South Korea but also more stable progress in inter-Korean relations. In addition, if North Korea participates in such a process, more favorable conditions for assisting the North's opening up and development can be created.

### III. Accomplishments

The Roh Moo-hyun Administration has endeavored to realize the goals set forth in the Policy of Peace and Prosperity amid the rapidly changing security environment on the Korean Peninsula and the international security concerns like the North Korean nuclear standoff. The Roh Administration has defined the peaceful resolution of the North Korean nuclear issue through dialogue as its foremost task. The administration has concurrently sought to make progress in inter-Korean relations to bring about a more stable situation on the Korean Peninsula. It has also worked to strengthen cooperative relations between the two Koreas and to promote change in North Korea.

#### 1. Promoting a Peaceful Resolution of the North Korean Nuclear Issue

The North Korean nuclear issue that arose anew in October 2002 posed a direct threat to the security of South Korea while presenting a major challenge to the peace and stability of Northeast Asia.

Through the efforts of South Korea and related nations, three-way talks consisting of the United States, China and North Korea convened in April 2003, starting a multilateral process. Based on this meeting, the first round of the six-party talks was held four months later in Beijing. The talks consisted of the United States, China, Japan, Russia and South and North Korea. Subsequently, two rounds of six-party talks, as well as two rounds of working-group meetings, were held in February and June 2004.

Through the three rounds of six-party talks, the parties agreed on important principles to resolve the North Korean nuclear issue: 1) denuclearization of the Korean Peninsula, 2) a peaceful resolution through dialogue, 3) a comprehensive resolution in stages. In the process of the talks, South Korea proposed a detailed plan to provide a basis for discussion among the parties involved and has actively engaged in diplomatic efforts to bring about substantial discussions and to narrow different views.

Along with this, South Korea has continued efforts to persuade North Korea through inter-Korean dialogue. Since the nuclear issue emerged in October 2002, during the seven rounds of inter-Korean ministerial talks that followed, South Korea relayed to North Korea the concerns of the South Korean people and the international community on the North Korean nuclear issue and continuously demanded a change in their attitude to achieve substantial progress on the issue.

In the mean time, from May to July 2003, President Roh Moo-hyun visited the United States,

Japan, and China to hold a series of summit meetings to clarify the principle of resolving the nuclear issue in a peaceful manner. At the ROK-US summit meeting on May 14, 2003, the two leaders prevented the escalation of military tension and the nuclear issue by agreeing to a compromise of pursuing the resolution of the nuclear issue by agreeing to a compromise of pursuing the resolution of the nuclear issue and improvements in inter-Korean relations at the same time. The meeting also helped to eliminate concerns about the deterioration of ROK-US relations surrounding the North Korean nuclear issue.

In the latter half of 2004, through a series of bilateral summit meetings among the five parties to the six-party talks from November 19-20 at the APEC meeting in Santiago, Chile, and the ROK-China-Japan trilateral summit at the ASEAN+3 meeting on November 29, an international consensus on the North Korean nuclear issue emerged. This consensus includes: 1) zero tolerance for nuclear weapons development by North Korea, 2) a peaceful resolution of the North Korean nuclear issue, 3) the need for North Korea to make a strategic decision, and 4) the need for an early resumption of the six-party talks. In particular, during the ROK-US summit meeting at APEC, the two sides agreed to treat the North Korean nuclear issue as a matter of top priority and reaffirmed that the issue would be resolved peacefully and diplomatically within the framework of the six-party talks.

The South Korean government will continue its active role to intensify cooperation with the United States and Japan as well as China and Russia while seeking progress in the six-party talks through inter-Korean talks.

## 2. Building a Foundation for Peace on the Korean Peninsula

At the time of its inauguration, the Roh Moo-hyun Administration stated its position to promote in earnest the establishment of peace on the Korean Peninsula through the Policy of Peace and Prosperity. Through inter-Korean exchanges and cooperation in various fields, the area along the military demarcation line, which has long served as a symbol of division and confrontation, is undergoing changes to become a place where inter-Korean exchanges and cooperation are taking place on a daily basis.

In the military field, an area which North Korea has been passive about, important progress has been made. At the 13th Inter-Korean Ministerial Talks on February 6, 2004, the two sides agreed that in order to stably develop inter-Korean relations, there needs to be a serious discussion of military tension reduction and confidence building. To this end, the two sides agreed to hold military talks separate from the working-level military talks that convene to provide military assurances for inter-Korean exchanges and cooperation. Accordingly, two rounds of Inter-Korean General-level Military Talks on May 26 and June 3-4 were held, and the two sides adopted the Agreement on the Prevention of Accidental Naval Clashes in the West

Sea, and the Cessation of Propaganda Activities in the Military Demarcation Line Areas. This was the first time, since the division of the Korean Peninsula, that South and North Korea agreed on a set of measures to reduce military tensions and build confidence. This agreement has great significance for fostering a foundation for peace on the Peninsula.

### 3. Progress in Inter-Korean Relations and Changes in North Korea

Since the inauguration of the Roh Moo-hyun administration, there has been an increase in inter-Korean dialogue and exchanges of people and goods. Inter-Korean talks have been held on 56 occasions from the beginning of the Roh Administration to the end of 2004, and 44 agreements have been reached. The scope of inter-Korean dialogue has become diverse and the contents of the talks have become more detailed and specialized to make the dialogue more substantial in nature.

Inter-Korean visits have also expanded. The number of visitors for both sides was 13,877 in 2002 and 16,303 in 2003. In 2004 the number people crossing over the military demarcation line reached 26,534, surpassing the 20,000 mark for the first time.

Inter-Korean economic cooperation, with its three major economic cooperation projects as focal points, has been promoted steadily to the point where an institutional framework for operating the projects is taking hold. One year after the groundbreaking ceremony, the Gaeseong Industrial Complex project saw the completion of the groundwork of the pilot-stage area on June 30, 2004, and the first factory produced its first batch of metal pots on December 15, 2004. As for the inter-Korean railroad and road reconnection project, the construction for the road connections was completed in November 2004, and the railroad construction is on-going with the goal of completion in 2005. The Mt. Geumgang tours, which began overland tours in September 2003, have recorded a steady increase in the number of visitors.

The South Korean government has made every effort to help reunite families that have been separated for more than 50 years by the 38th Parallel. During the Roh Administration, four reunion visits of separated families were held and 3,767 people took part in the reunions. At the 5th Inter-Korean Red Cross Talks in November 2003, the two sides agreed that South Korea would construct and operate a reunion center for separated families at Mt. Geumgang, providing a basis for the expansion of the reunions.

To improve the humanitarian situation in North Korea, the South Korean government has annually assisted the North with fertilizer and food. In 2004, in particular, to help the North's rehabilitation efforts following the Yongcheon explosion, the South Korean government and private organizations provided the North with aid worth US\$57 million.

Since the North launched sweeping economic reforms in July 2002, many changes are taking place in North Korea in the economic, social and cultural areas. The North is making a transition to a society that values skills and achievements. To expand the supply and distribution of scarce materials, the North has been intensifying the role of the market and adopting elements of the market economy, such as providing incentives to factory workers and farmers. Both in social and cultural terms, market-oriented behavior is growing among the people of North Korea.

Although the possibility of North Korea temporarily adjusting the pace of reform and opening-up due to inflation, increase in the budget deficit and loosening of ideological commitment of its people does exist, it will be difficult to reverse the trend toward change. Even in the case of China and Vietnam, reform and opening up faced temporary setbacks due to negative side effects and unintended consequences, such as inflation and corruption, but the two nations fully engaged in their reforms through Deng Xiaoping's Southern tour of China in 1992, and "doi-moi" or reform policy in Vietnam after 1986. We evaluate the changes occurring in North Korea as being the result of a combination of the North's own efforts for regime survival and South Korea's consistent policy of reconciliation and cooperation.

#### 4. Building a Public Consensus on Policies toward North Korea

Having included the expansion of public participation as one of the guiding principles of the Policy of Peace and Prosperity, the Roh Moo-hyun Administration has endeavored to seek a public consensus and to win public support. First, the administration increased transparency in promoting its policy both internally and externally. It has sought to maintain transparency in policy decisions, policy implementation and contacts with North Korea, and to satisfy the people's right to know by implementing the policy in accordance with laws and regulations to increase public confidence in its policy moves.

Moreover, in order to increase understanding and cooperation from the political sphere, the administration has worked to improve the institutional capacity to cooperate with the National Assembly and political parties. The Administration has consulted with the National Assembly on key policy decisions, explaining and seeking advice from all of the major parties to forge a bipartisan consensus.

Also, the administration has surveyed a variety of opinions from the public in formulating and implementing its policy and has opened a channel of communication so as to expand opportunities for people to directly participate in the policy formulation. Through various committees and advisory bodies, the administration has expanded participation of experts from the private sector, and through events such as the Open Forum on Unification and the Dialogue with the Unification Minister, it has made two-way communication possible so that the voice of the people can be reflected in the policy making process. Thus, the Roh Administration has adopted the slogan of "Participatory Government."