

# Rethinking the Need for Unification

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CHAPTER 1

# WHY A UNITED KOREA?

Sixty-seven years have elapsed since the Korean Peninsula was divided into South and North Korea. The passing years have brought many changes. Time has not only brought a shift in thinking among the stakeholders, it has also changed public awareness of and the environment for unification. In 2011, almost 90% of the South Korean population was born after the division. Younger people rely mainly on books or classroom lessons to learn about Korean life before division. They have never been to the North, much less, had contact with North Koreans. There is a lack of real knowledge about North Korean society, and the long-held belief that South Koreans and North Koreans are one people is weakening. In fact, some college students identify themselves more with their peers in Japan or the U.S. than with students in the North<sup>1</sup>. Indeed, it is the Americans and the Japanese with whom they share a common interest in music, books and online games.

The newly emerging key stakeholders also have mixed feelings about unification. Respondents readily say “yes” when asked if unification is really necessary. However, according to several in-depth surveys, more than 80% support postponing unification, preferring to maintain the status quo rather than to experience the turmoil associated with it.

Any discussion on the merits of unification must include

1. Lee Sang-woo, “Unification education: the past, today, and the future,” Seminar commemorating the launch of the 7<sup>th</sup> cohort of unification education officials council in Jeju Special Self-Governing Province, “Recent inter-Korean relations and directions of unification education” (May 13, 2010)



the thinking and the behavior of North Korea, the other party to unification. The North is considered a failed state. For over half a century, it has continued to pose a threat to South Korea and is now even brandishing nuclear weapons. After the death of Kim Jong-il at the end of 2011, Kim Jong-un succeeded his father as the new leader, a move that demonstrates the feudalism that still defines the North Korean regime. Manifesting the same cruelty as the previous regime, the North sank the warship Cheonan and bombarded a civilian residential area on South Korea's Yeonpyeong Island. These incidents not only prompted renewed attention to national security, but also affected how the South Korean populace feels about unification. The manner in which the North Korean leadership runs the country will determine its future. As long as it adheres to a hereditary regime, promotes a nuclear program, maintains a closed economy and abandons its people to poverty, it will be difficult for the ruling elite to maintain its regime. Thus, the North Korean regime is at a crossroads: whether to maintain the status quo or choose to reform<sup>2)</sup>.

Given the changed thinking of stakeholders and the shifts in public awareness and the unification environment, how can we answer the question of why a united Korea is necessary?

2. Park Myung-rim, "Where is North Korea headed for? Moving beyond the vicious circle of hereditary power succession, nuclear development, poverty, and closure," presentation at a symposium for the Korea Forum organized by the Unification Culture Research Institute of the JoongAng Daily (March 28, 2011)

Existing arguments for unification underline the need for a separated nation to be reunited (theory of single nation, single state), the need for separated families to be reunited, the need for South-North cooperation (mutually complementary nature of South and North Korea), or claim that unification overrides all other values. However, some have questioned the power of these arguments to persuade newly emerging unification stakeholders to accept that unification is necessary despite the huge costs and the confusion it would entail. For this reason, existing unification arguments, which are formed based on the perspective of the nation or of the people as a whole, must now be restructured to allow for more rational thinking from the perspective of the individual.

In light of changes in the unification environment, now is the time to revisit the question of “Why a united Korea?” This question constitutes the most fundamental element of our unification policy and unification education. Emotional appeal for unification and humanitarian outcries for separated families (or North Korean people living in dire conditions) no longer hold. Rather, an argument highlighting the practical merits of a united Korea is more in order: one that specifies real and tangible benefits for individuals. It also calls for a clear explanation of the unification costs (supported by objective data) compared to the costs of division.





# GERMANY AFTER UNIFICATION

1. Benefits of German Unification
2. Implications for Korean Unification

# 1

## Benefits of German Unification

A recent survey revealed that the Korean public has become less concerned about unification. A number of factors were pointed out to explain this phenomenon. They include the limitations of the normative approach to unification, the lack of objective understanding on North Korea, the rapid changes of the trans-ideological era of the 21<sup>st</sup> century, the focus of both schools and society at large on studying for entrance exams at the expense of other knowledge, the lack of interest and understanding on the part of school teachers, and insufficient support for unification education<sup>31</sup>. Also important is the misunderstanding of the aftermath of German unification and accepting at face value the many reports alluding to post-unification discord and its negative effects.

Twenty years have passed since East and West Germany were joined together, but there is still a widespread negative perception about German unification, which can be explained

3. Ministry of Unification, "Report on a survey of teenagers' unification awareness" (September 28, 2009); Oh Chung-suk, "Proposal to revitalize unification education for future generations," Gomggam Korea (May 4, 2010)

as follows:

First, the huge costs of unification, massive unemployment, and internal discord (especially discrimination against East Germans) have sparked pessimism about the outcome of German unification.

Second, media reports that focused on the side effects of unification produced a negative view of German unification<sup>4</sup>.

Third, the standard by which German unification was analyzed resulted in a distorted appraisal. According to former German Chancellor Gerhard Schröder, a negative assessment of German unification is the result of measuring with the wrong tool. Rather than directly comparing eastern Germany with western Germany, it is more appropriate to compare eastern Germany with other Eastern European countries that have undergone a regime change or to look at eastern Germany holistically, comparing its “before and after” unification. This type of comparison would reveal that the eastern German example has been very successful<sup>5</sup>.

Having worked out the challenges of the initial period of unification, Germany is now enjoying renewed economic

4. Han Un-suk, “20 years of German unification: its outcome and limitations,” *Yeoksa Damron*, Vol. 54 (2009)

5. Ralph M. Wrobel, “The Benefits of German Unification: A Review after 20 Years,” Seminar “20 years of German unification and Korea’s unification readiness” hosted by the Korea Institute for National Unification (October 2010)

power. The German experience shows that, while unification may be burdensome in the short term given the costs, its benefits are much more pronounced in the longer term. It also offers the lesson that we can minimize the costs and maximize the benefits of unification by optimizing unification readiness. This warrants a more in-depth look at the benefits of Germany's twenty years of unification, which have largely been overlooked.

### 1) Economic benefits

The post-unification disparity in economic power between the two Germanys after unification has been the main reason for doubting its success. Some argue that unification benefits have failed to be spread equally, with eastern Germany still accounting for only a small proportion of total GDP (accounting for 11.1% in 1991 and 15.1% in 2008). In terms of other economic indicators, the proportion for the former East Germany is only in the range of 12% to 15%.

As shown in Table 1, East Germany was lagging behind West Germany in many respects before unification, a fact that necessitates a more careful comparison of the outcome of German unification. Considering the key indicators of East and West Germany at the time of unification, it would be erroneous to view eastern Germany's lower level of GDP or other less favorable macroeconomic indicators too critically.



Some indicators do not warrant a gloomy view of progress in former East Germany. Though disparities in indicators still exist, the gap has narrowed over the years. In some indicators, eastern Germany has shown higher growth rates than western Germany. Table 2 shows that the GDP of former West Germany rose 160%, from 1.36 trillion euros in 1991 to 2.11 trillion euros in 2008. On the other hand, the GDP in former East Germany rose 220%, from 170.6 billion euros in 1991 to 377.1 billion euros in 2008. More notable is the progress of GDP per capita in former East Germany, which grew 240%, from 9,442 euros in 1991 to 22,840 euros in 2008. During the same period, GDP per capita grew only 146% in former West Germany, from 22,030 euros in 1991 to 32,231 euros in 2008. Thus, East Germany grew almost two times more than West Germany in terms of GDP per capita.

**Table 1** Key indicators of East and West Germany at the time of unification (1989)

Classification	West Germany	East Germany	East as a percentage of West
Population (in thousands)	62,063	16,614	26.8
Land area (km <sup>2</sup> )	248,252	108,588	43.7
Population density (persons/km <sup>2</sup> )	250	153	61.2
Employed persons (in tens of thousands)	2,774.2	888.6	32.0
GDP per capita (in dollars)	19,283	5,840	30.3

Source: Son Ki-ung, "20 years of German unification: overview and lessons" (Seoul: Institute for Unification Education of the Ministry of Unification, 2010)

**Table 2** Comparison of key economic indicators between East and West Germany

Indicators	Unit	Former West Germany		Former East Germany		East as a percentage of West		East as a percentage of Germany	
		1991	2008	1991	2008	1991	2008	1991	2008
Gross Domestic Product (GDP)	Billions euro	1,364.0	2,114.9	170.6	377.1			11.1	15.1
Resident population	Thousands	61,914	65,618	18,071	16,509			22.6	20.1
Unemployed persons	Thousands	1,594	2,145	1,023	1,123			39.1	34.4
GDP per capita	Euro	22,030	32,231	9,442	22,840	42.9	70.9		
Workers' wage	Billions euro	723.5	1,036.6	121.5	141.8			14.4	12.0
Facility investment per capita	Euro	4,800	5,400	3,300	4,100	69	76		

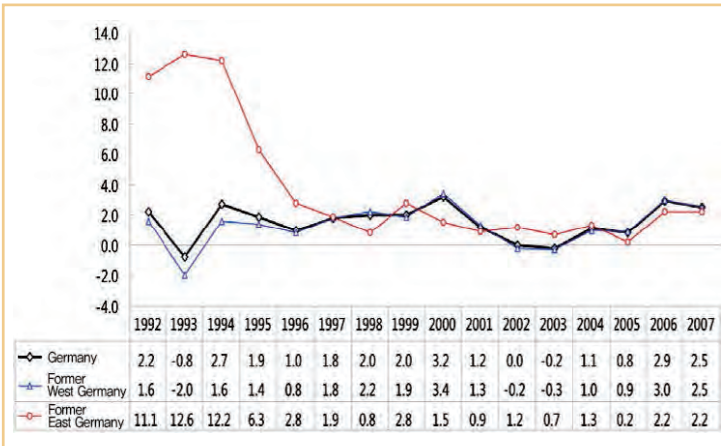
Source: Korea Export-Import Bank, Germany White Paper (2009)

The GDP per capita of the former East Germany, which was only 42.9% of West Germany's, had reached 70.9% by 2008. Compared with other Eastern European countries undergoing a transitional change, the former East Germany has shown a markedly higher growth rate in GDP per capita. In 1995, 2000, and 2008, the area recorded the highest GDP per capita growth rate along with Slovenia and the Czech Republic<sup>61</sup>. The region's share of facility investment per capita also continues to grow, rising from 69% in 1991 to 76% in 2008. These statistics indicate that the discrepancy in economic power between the eastern and western German regions, once considered severe, is gradually narrowing.

After unification and until the mid-1990s, a massive amount of investment, whose cost was borne by western Germany, went into the reconstruction of the eastern regions. Figure 1 shows that between 1992 and 1993, the real economic growth rate of regions in eastern Germany was between 11% and 12%, while that in western Germany was considerably lower: between minus 2% to 2%. After this period, however, the economic growth rate of the two regions converged, stabilizing since the end of the 1990s.

6. Ralph M. Wrobel, "The Benefits of German Unification: A Review after 20 Years," p. 9.

**Figure 1** Real economic growth rate in Germany after unification, 1992-2007



Source: Son Ki-ung, "20 years of German unification: overview and lessons"  
 (Seoul: Institute for Unification Education of the Ministry of Unification, 2010)

While closing the economic gap still presents some challenges, the discrepancy has narrowed thanks to massive investment in the eastern regions, which, by some indicators, has reached almost 70% to 80% the level of western Germany. In this sense, German unification has significantly contributed to the reconstruction of eastern Germany and the revitalization of its economy, and likewise, has energized the entire German economy.

It must also be noted that German unification not only helped rebuild the economy of eastern Germany but also had a positive impact on the economy of western Germany. Investment into eastern Germany by public and private

entities from the west during the post-unification boom of the early 1990s was enough to offset the economic recession that swept through Europe during that period. With the exception of the minus growth rate in 1993, the huge amount of products and goods that eastern Germany brought in from western Germany helped the German economy grow at a fast pace, independent of external business cycles. The return in investments made by western Germany in eastern Germany is another factor that helped revitalize the economy in the western region. Given that most businesses in western Germany took part in the process of reconstructing eastern Germany, the *Aufbau Ost* program, or Buildup in the East, has continued to drive the economy in the west over the last twenty years<sup>7)</sup>.

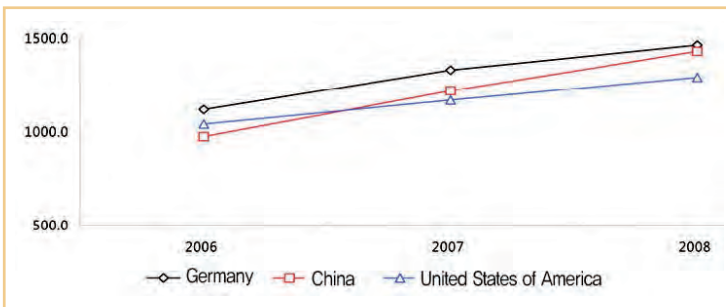
Despite the massive financial drain in the process of rebuilding eastern Germany, the German economy continues to grow more robust. As a result, the country has enjoyed a more powerful position within the European Union, rising to become the strongest country economically and a key player in the union. According to OECD statistics, Germany continued to post the highest GDP level of all EU nations from the year it was unified until 2008. In 2008, Germany's GDP was 2.91 trillion dollars, far surpassing the GDP of the U.K. (2.18 trillion dollars), France (2.12 trillion dollars), and

7. Ralph M. Wrobel, "The Benefits of German Unification: A Review after 20 Years," p. 11

Italy (1.87 trillion dollars)<sup>8)</sup>.

Germany also enjoys rising international status as the fifth-largest economy in the world. According to the World Bank, Germany was the third-largest economy in terms of GDP in 2005 and 2006, after the U.S. and Japan. In 2007 and 2008, it moved down a notch to fourth place due to the rise of China<sup>9)</sup>. However, its standing as the world's fifth-largest economy is still unshakable. Expansion of its domestic market size and rise as an economic power owes much to unification, which added 18 million consumers in eastern Germany and a concomitant increase in economic output.

**Figure 2** Amount of export of the world's three major export countries (in billions of US dollars)



Source: World Trade Organization (WTO), "International Trade Statistics" (2007, 2008, 2009).

8. OECD, OECD Factbook 2010: Economic, Environmental and Social Statistics (2010)

9. World Bank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

Germany is also leading the global economy in terms of exports. The WTO data in Figure 2 above shows that, for the period 2006-2008, the country was the largest exporter in the world, surpassing China and the U.S., an outcome that would not have been possible if not for German unification.

## 2) Political benefits

The most important benefit for a united Germany is the full recovery of its sovereignty in international relations<sup>10</sup> following the conclusion in February 1990 of the Treaty on the Final Settlement With Respect to Germany (or the Two Plus Four Agreement) between the Federal Republic of Germany and the German Democratic Republic (the titular “Two”), and the Four Powers that occupied Germany at the end of World War II in Europe (France, the Soviet Union, the United Kingdom, and the United States of America). In that treaty, the Four Powers renounced all rights they had held, allowing Germany to become fully sovereign. Accordingly, Germany agreed to limit its combined armed forces to a certain level, while reaffirming its intention to make the country a permanent nuclear-weapon-free zone by renouncing the manufacture, possession of, and control over weapons of mass destruction and to fully comply with the Nuclear Non-

10. Ralph M. Wrobel, “The Benefits of German Unification: A Review after 20 Years,” pp. 3-4.

Proliferation Treaty.

Following unification, Germany contributed to achieving European integration and creating the European Union, which had been a long-held dream in Europe. In the decades following the Second World War, the European continent was divided between East and West. The two sides finally came together after German unification, and the continent was able to establish permanent peace. German unification also helped create synergistic effects through the dauntless efforts toward economic integration of Europe and the establishment of a single market and a single currency arrangement. Today, the Eurozone is the world's second-largest economic zone, accounting for 27% of the world's foreign exchange reserves<sup>11</sup>.

After unification, Germany gained diplomatic confidence and became a prominent voice in international affairs. The country's influence has continued to expand thanks to its sovereignty and renewed national status. Germany is also active in the international community for development assistance. It is a major ODA (official development assistance) provider together with the U.S., the U.K., France, and Japan. It should be noted that Japan, which, along with the U.S., was the second-largest ODA provider, reduced the size of its ODA compared to what it gave in the 2000s, yet during the same

11. Seo Jae-jin, "Unification vision and tasks for unification education in schools," Key-note lecture at a seminar entitled "Tasks for renewing unification education in schools and ways to revitalize education" for the Jeju region (September 17, 2010), p. 8



period, Germany continued to increase its ODA contributions. For the years 2007 and 2008, the country was the world's second-largest ODA provider, after the U.S.

Germany is also the most populous of EU member states, far surpassing France and the U.K. The population of EU member states matters considerably as the 2007 Treaty of Lisbon provides that the apportionment of seats within the European Parliament is based on the population of each member state. As a result, Germany secured the greatest number of seats in the European Parliament, enabling it to exert increased political influence within the EU. Moving beyond advancements in the EU, the country is now seeking to expand its influence in the United Nations. With its political sovereignty fully recovered and international importance bolstered, Germany is now seeking permanent membership on the UN Security Council.

Thanks to unification, Germany has full political sovereignty and a stronger influence within the EU and the UN. Moreover, it has stepped up its contribution diplomacy by providing ODA and sending troops overseas. Although the political and diplomatic benefits of unification are less tangible than economic ones, a united Germany is now actively pursuing its national interests in the international community.

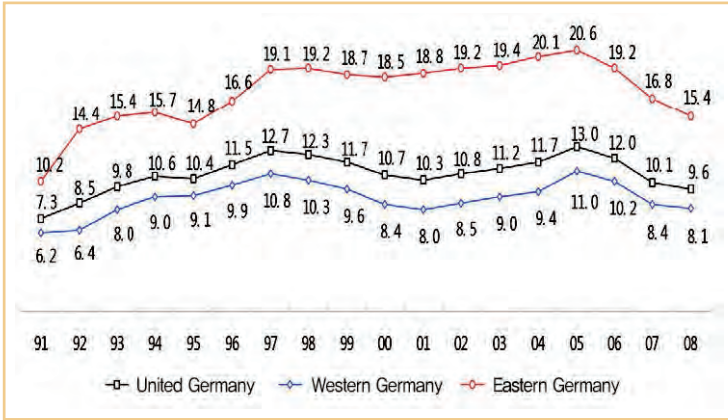
### 3) Social benefits

Contrary to concerns about German unification, substantial economic, political and social benefits continue to expand. These benefits are evenly enjoyed by residents of western and eastern Germany, and are major drivers of growth in the political, economic, social, and cultural spheres.

Residents of eastern Germany had previously suffered under a painfully high unemployment rate, as shown by social indicators. However, as in Figure 3, the peak rate of unemployment in eastern Germany, in the 20-percent range from the late 1990s to 2006, has gradually fallen.

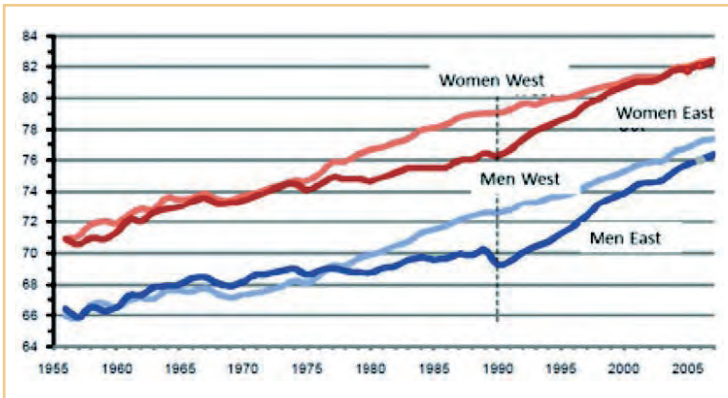
The gap in life expectancy figures between East and West has nearly closed in the years following unification. Figure 4 shows that life expectancy levels in East and West Germany had similar levels in the early years of division, but starting in the 1970s, West Germany began to register longer life expectancies. Following German unification, however, East German industrial plants that posed a potential threat to health were either shut down or retrofitted to meet eco-friendly specifications. As a result, eastern Germany has seen life expectancy rise to levels similar to the West.

**Figure 3** Unemployment rate after German unification



Source: Son Ki-ung, "20 years of German unification: overview and lessons" (Seoul: Institute for Unification Education of the Ministry of Unification, 2010)

**Figure 4** Life expectancy in Germany



Source: Halle Institute for Economic Research (IWH); Wrobel (2010)

After unification, Germany was able to overcome the conflicts and confrontation caused by division and move forward for a future-oriented development of a united country.

There are no more walls dividing the country, no more barbed wire fences, and no armed soldiers standing guard. Today, all German people are guaranteed both human and civil rights. Young people enjoy ever greater intellectual and material opportunities, and most of all, the freedom to determine their own destinies<sup>12]</sup>.

Not all conflicts have completely disappeared since the Wall was torn down. A psychological wall still stands between the Osis (citizens of former East Germany) and the Wesis (citizens of former West Germany), which can be characterized as the Wessi's derision of the Osis and the isolation felt by Osis. Another aspect of the new society is the Ostalgie phenomenon, characterized by a feeling of nostalgia for the former lifestyle of East Germany, when the state provided everything, including lifetime employment. These social conflicts can be resolved, however, through state, community, and individual efforts. Though the social benefits of unification are slower to materialize than other benefits, the hope is that future benefits will be reaped over time.

12. Jurgen Aretz, "Pre-conditions, process, and prospects of German unification," presentation at Seminar "Looking forward to Korean unification based on 20 years of German unification experience: politics of continuation, change, and integration" co-hosted by Konrad-Adenauer-Stiftung and The Peace Foundation (June 23, 2009), p. 20

## Implications for Korean Unification

# 2

In the twenty years since the birth of the Federal Republic of Germany, Korea has taken great interest in the German unification experience, particularly in the positive outcomes the country has achieved. Some have argued that reports about negative outcomes were distorted because they focused mainly on short-term unification costs and internal discord. Much research is underway to clarify misunderstandings about the after-effects.

Two decades later, rising interest in the German unification has resulted in a reassessment of the benefits. The German experience, which had helped foster a negative view of unification among Korean people, has recently been cast in a new and positive light. This change in perception came about because people began to shift their focus to other aspects of German unification.

In the past, attention was on the massive unification costs during the initial period, as well as the challenges of integrating two different state systems and managing social

discord, all precipitating the view that the German unification was a failed model. South Koreans' aversion to unification stemmed from concerns about the financial burden as well as negative after-effects. Twenty years later, however, the focus of attention has shifted to the more positive aspects of German unification, namely the economic rise of the country, its enhanced national brand value, the successful regime transition of eastern Germany, and the integration and improved security environment of Europe.

The shifting perception among South Koreans, from negative to positive, has many implications, including the need to revisit the process of German unification, compare costs and benefits, raise public awareness, and build readiness for Korea's own unification. Even more important is to understand what must be done to emulate Germany's success, rather than to focus on the negative aspects of the German experience.

The unification of Germany is not just about benefits, nor is it only about costs. Rather, both are part of the unification equation. The question is how to minimize the costs and maximize the benefits. Three important lessons can be drawn from the German experience. First, we must realize that unification without readiness will result in much greater costs. Second, we must remember that Germany's unification costs were, in the long run, offset by its benefits, which have continued to multiply over time. And third, building

unification readiness is important in order to maximize the benefits. These three implications are logically connected, and ultimately underscore the importance of building unification readiness.

Undertaking unification without the planning and groundwork is bound to result in a massive financial outlay. Certainly, no one expected German unification to happen when it did. It was an unanticipated event that was triggered by a change in the suzerain state of socialism that was the Soviet Union. In fact, the plan of the West German government had been for slow unification over the long term. It was believed that integration of the two regimes of East and West would proceed in phases, parallel with the adjustment of their social and economic conditions. However, the need for immediate unification after the collapse of the Wall put an end to the original plan.

Sudden and unexpected unification caught the West German government unaware and without the funds necessary to finance the process. Subsequently, it made some misjudgments—including conversion of the East German Ostmark into West German D-marks at par, which severely impacted the German economy. In the early 1990s, financing the costs of unification without so much as a plan turned out to be a tremendous burden for the government and the people of West Germany. The costly responsibility of unification cut into West Germany's economy, and as a result, the country

registered a negative growth rate. This unanticipated and unprepared unification only enlarged the scope of unification costs and the public burden.

However, the German experience clearly shows that unification has brought more benefits than costs for the people. One has offset the other and, over the long term, evidence of numerous benefits has emerged. In terms of macroeconomic indicators, United Germany leads the world, and politically, it is now a fully sovereign state. In its role as a leading EU nation and an increasingly influential presence at the United Nations, it has begun to raise its voice independently on many key issues of international importance. Finally, the rebuilding of eastern Germany is moving along rapidly.

There is no denying that unification has entailed a huge burden for the German people in the short term. However, from a longer-term perspective, the creation of a united Germany has, and will continue to, bring benefits. For example, Germany no longer pays for the costs of division. In fact, countless new benefits have materialized, and Germany is moving beyond internal integration and economic reconstruction to emerge as a superpower. Looking back over the twenty-year process reveals that German unification has indeed been a success, despite the misjudgments and errors of the initial period<sup>13</sup>.

13. Ralph M. Wrobel, "The Benefits of German Unification: A Review after 20 Years," p. 16; Jurgen Aretz, "Pre-conditions, process, and prospects of German unification," p. 20.



The German experience underscores the necessity for Korea to build readiness in the event of sudden unification so as to maximize its benefits.



# COSTS AND BENEFITS OF UNIFICATION

1. Understanding the Costs of Unification
2. Unification is Less Costly than Division
3. Unification Benefits Outweigh Unification Costs
4. Building Unification Readiness to Minimize Costs

# 1

## Understanding the Costs of Unification

Perception of unification varies depending on how one looks at the post-unification effects. Those who believe that the positive aspects of unification will offset any negative impacts tend to agree that unification is necessary, and at the same time, hope to maximize the favorable outcomes. On the other hand, those who are more concerned with the negative aspects argue that unification should proceed gradually to mitigate the shock of sudden changes<sup>14)</sup>. The controversy over cost is the main reason for the two opposing views. The pro-unification camp insists that cost is not that worrisome, considering the present cost of division and the future benefits of unification. On the other hand, those opposed focus on the sudden demand for a massive outlay to fund unification, which would be borne by the people. In short, they believe that unprepared unification would be disastrous for both South and North Korea.

14. Park Jong-chul et al., "Ways to build a comprehensive system for public consensus on unification: institutional innovation and value," National Research Council for Economics, Humanities and Social Sciences, Joint Research Series 05-09-03 (Seoul: Korea Institute for National Unification, 2005), pp. 172-173

The troubling news of Germany's enormous financial burden following its sudden reunification by absorption caused significant pessimism among a majority of Koreans, who became less enthusiastic about the prospect of their own unification. Their confusion and uncertainty was exacerbated by cost estimates released by a number of institutes and researchers who applied data from the German experience to the Korean case. However, researchers used conceptually different measures of costs, and consequently, estimates varied dramatically, from as low as 300 billion dollars to as high as 3 trillion dollars, causing even greater confusion.

The misunderstanding about unification costs is due either to a failure to compare the costs against the benefits of unification versus division, or an underestimation of its importance. It is based on a narrow logic and an ungrounded assumption that unification must necessarily entail a huge financial burden, a view that has led to indifference, aversion or downright defiance of unification.

It has been pointed out that most research devoted to prospective cost estimation neglects the benefits of unification while placing too much emphasis on the cost. It is important to consider the pitfalls of overestimating the importance of cost. First, estimating the costs without considering the benefits would naturally produce skewed results. It is apparent especially in this case, owing to the tendency to use total cost in computing the estimate. However, the estimate should be

based on net cost, which would also include the benefits. In other words, the value of the total benefit is subtracted from the value of the total cost. Here, the general view is that total benefits will far exceed the total costs. A balanced assessment of both costs and benefits of unification and a holistic approach to unification cost research is necessary to ensure that the value of unification is assessed objectively<sup>15</sup>. In that way, the public can grasp all of the facts surrounding the issue, and thus, make an educated decision.

The other reason unification estimates are overblown is because they include private investment. Private investments are made on a voluntary basis with expectations of future returns, and since they are not directly associated with the financial burden borne by the people, they can just as well be excluded from the cost. It is more realistic to analyze the costs of unification using the government's fiscal burden only. For example, what really mattered economically for Germany was the fiscal burden borne by the German federal government.

Those who argue that unification should be avoided, postponed or opposed altogether are generally focused on costs. However, at least in the short term, a united Korea would see its unification costs partially offset by the termination of costs needed to sustain a divided country,

15. Yoo Byung-kyu, Hong Sun-jik, Choi Sung-kun, "The benefits of unification outweigh the costs: estimation of unification costs and benefits and their implications," *Economics Weekly*, Vol. 422 [Hyundai Research Institute, 2010], p. 1

which the public bore without question. Considering the various unification benefits that would emerge in the mid- to long-term, one cannot argue that the cost of unification is too great. In other words, a united Korea will no longer pay for the costs of division (a financial burden South Korea shouldered for more than 60 years and a burden that the country would have to keep paying for if not united), and instead, will reap the various benefits that unification and integration bring in the mid- to long-term.

Considering the upside of elimination of the financial outlay needed to maintain a divided country and the many post-unification benefits, unification must be approached from the perspective of benefit rather than cost. This shift in view is the first step in alleviating the negative bias against unification. A cost-benefit analysis of a divided Korea compared to a cost-benefit analysis under unification would offer a more balanced understanding of the pros and cons of unification and allay the fears of those who are opposed solely based on financial reasons.

# 2

## Unification is Less Costly than Division

If the burdensome cost of unification is one reason for the negative perception of unification, it stands to reason that people will change their perception when they realize that the present and future cost of maintaining a prolonged state of division is probably even greater. With unification, the astronomical costs of managing division will be nullified, and, in turn, the equivalent amount in money saved will turn into unification benefits. Even before considering what benefits unification will bring in the mid- to long-term, a comparison of the cost of division and that of unification is enough to show that unification is beneficial.

The price we pay for division can be divided into emotional and sociopolitical costs. Sociopolitical costs include massive military spending, outlays for security infrastructure, polarized thinking, and the legacy of the Cold War. Emotional costs of division include the fear of war between South and North Korea, the pain of separated families, ideological obsessions and internalized regime competition, and inner constraints that prevent Koreans from building national excellence. Although



the public understands the emotional cost of division, they tend to be unconcerned about the financial outlays for it. It may be that over the past 60-odd years, people have come to take it for granted. In other words, they have internalized any ideas about the costs of division and don't seriously consider how much has been spent so far, or how much more will be spent in the future.

Expenses will continue to mount as long as South-North division persists. On the other hand, paying for unification will be a one-time disbursement over a relatively short time. In addition, while the funds to support division can never be recouped, those for unification are an investment.

Defense expenditures, which constitute the lion's share of division costs, include the defense budget and defense personnel. In 2008, South Korea's defense spending accounted for 2.5% of its GDP. This amounts to 28 billion dollars, the tenth-largest defense budget in the world. North Korea spends more than 20% of its GDP, but due to its limited economy, it amounts to around 5 billion dollars. Thus, the combined defense spending of the two Koreas is 33 billion dollars, the ninth largest in the world. In a united Korea, this huge defense expenditure could be used for non-military purposes and to support growth. In a word, money that could have funded Korea's societal growth is being lost every year to defense spending.

In addition to the defense budgetary costs, a huge number of human resources are needed for the military. Assuming that a united Korea would have a military force of 400,000 members, South Korea's share would be 270,000 people in proportion to its population. This would mean an average savings of 4 to 5 trillion won a year in defense spending cuts and military personnel reductions alone<sup>16</sup>. Of the annual spending of 23 billion dollars on military personnel in Korea, South Korea can save more than 4 billion dollars in fiscal spending to use for its domestic economy. The money saved by scaling down the military force from 2 million to 300,000 or 400,000, would be enough to build five Seoul-Sinuiju highways every year<sup>17</sup>.

In fact, the benefits arising from cuts in defense spending and a scaled down military force represent only a part of the many tangible and intangible benefits of unification. But the direct economic benefit resulting from cuts in defense spending is, by itself, so extraordinary that it cannot be overlooked. Given the much higher financial burden of North Korea for maintaining its army, any cuts in military spending or reductions in military personnel will have a major effect on prices, growth rate, international balance of payments, interest rates, and

16. Cho Dong-ho, "The economic costs and benefits of unification," Symposium "Costs of division and unification costs" co-hosted by the Korea Institute for National Unification and the Korea Development Institute, symposium booklet (June 6, 1997), p. 99

17. Yonhap News, May 4, 2010

other aspects of the economy for both South and North Korea, according to research focused on the costs of division.

Researchers usually measure the costs of division based on military expenses. In a paper submitted to the National Assembly in 2007, Professor Sin Chang-min of Chung-Ang University measured the cost of unification as 4.65% of GDP<sup>18</sup>. South Korea's GDP was around 830 billion dollars in 2009, so using his calculation, unification costs would be approximately 38.6 billion dollars (or 44.76 trillion won). Assuming that South Korea spends around 3% of its GDP for national defense and that the defense spending of a united Korea would be reduced to 1% of GDP, a 2%p savings would be achieved in military spending through unification. After unification, South Korea's military personnel would be scaled down from 690,000 to 100,000 and the remaining 590,000 would join the industrial workforce, thus diverting 2.65% of GDP to industry.

In his analysis, Professor Chung Gap-young of Yonsei University states that South and North Korea together spend at least 5.95% in terms of South Korean GNP<sup>19</sup>. This data represents the sum of South Korea's defense spending (3.47%), North Korea's defense spending converted in terms of South Korea's GNP (1.12%), and the opportunity cost of maintaining

18. Sin Chang-min, "Costs and benefits of unification," the National Assembly Budget Settlement Special Committee (August 31, 2007)

19. Chung Ku-hyun and Chung Gap-young, "The earlier the unification, the lesser the costs: unification costs versus division costs," [Donghwa Research Institute, 1997].

an army of 600,000 personnel in South Korea (1.36%). On the other hand, Professor Cho Dong-ho of Ewha University assessed the cumulative cost of division in 1997 to be 175 trillion won<sup>20</sup>. As such, experts come up with different results. The South Korean government has not computed division costs since the end of the 1990s. However, since it mainly involves defense spending, most division costs will likely disappear when the two Koreas are unified. In sum, the nullification of division costs is a short-term unification benefit that will alleviate the post-unification financial burden.

Division costs also include hefty allocations to the diplomatic sector to compete for diplomatic advantage over North Korea on the international stage. In addition to defense spending and diplomatic spending, the costs of division also include funding programs on ideology and on unification education, the cost of maintaining North Korea-related research institutes, and the government's fixed administrative costs for pursuing North Korea and unification policy. But that is not all. The division of the Korean Peninsula limits access to North Korea's abundant mineral resources. In addition, North Korea, which could otherwise provide a passageway to Manchuria, Siberia and other parts of the Eurasian continent, poses a geographical barrier and a significant opportunity cost.

20. Cho Dong-ho, "The economic costs and benefits of unification"

In addition to tangible costs, division also takes an immeasurable intangible toll, i.e. the psychological pain of separated families, the constant threat of war, exhaustive political strife, social conflicts and opposition, and constraints on freedom of thought. While neither clearly visible nor economically measurable, these costs are inherent in the society. South Korea is already paying an astronomical amount of money to manage the present state of division, the cost of which not only includes direct tangible costs, but also opportunity costs and intangible social costs.

Clearly, unification would be far less costly than managing the division. While the outlays will continue for as long as the country is divided, those for unification are a one-time cost and an investment. Unification will put an end to abnormalities and the expense of a divided nation. Money no longer needed to fund division will be used to provide benefits, and that makes unification even more necessary.

# 3

## Unification Benefits Outweigh Unification Costs

First, a comparison of the costs and benefits of unification requires the assumption that unification costs are not exhaustive, i.e., lost once they have been used, but are constructive and productive costs spent to build unity and reinforce the foundation of a united Korea. Indeed, the unification of South and North Korea involves the rebuilding of a new state through the integration of disparate regimes and ideologies, entailing not only economic costs but social ones as well.

Second, unification costs are a lifeline for rescuing our North Korean brethren from appalling conditions, including human rights abuses and unimaginable poverty. Poverty affects everyone, but the most pitiful are the children. There is a growing number of kotjebi, or homeless children, in the North who have no access to even the minimum amount of food, clothing, and shelter. Thus, unification funds will rescue our North Korean neighbors from the world's worst human rights abuses and poverty and give them a new life.

Third, unification costs for the North are not consumable expenditures, but investments to rebuild North Korea's underdeveloped regions. One such investment would be for developing the energy infrastructure in North Korea, where there is an appalling shortage of power that not only makes normal operation of plants and industry impossible, but severely restricts electrical usage during the night. In fact, in NASA satellite images of the Korean peninsula at night, North Korea seems to be completely blacked out. This is in stark contrast to the illuminated image of South Korea. Production efficiency is a thing of the past in a country so impoverished that economic recovery would be almost impossible to achieve on its own. The only way to get North Korea back on its feet is through unification and by investing unification funds to help its economy recover.

Fourth, unification costs will help to build a prosperous future for both Koreas. A large part of the costs will be investments to build production facilities, develop the economy in the North, and combine the North's large potential deposits of minerals and labor force with South Korea's capital and development capacity. Intended to create strong synergies by combining the resources of South and North Korea, the investments will make way for new jobs and higher income for both South and North Korean people.

In summary, unification costs are not exhaustive: they are productive costs for building unity, lifeline costs to help North

Korean brethren escape their state of poverty and hunger, reconstruction costs to rebuild an otherwise irrecoverable North Korean economy, and investment costs to ensure that both South and North Korean people can live prosperously. For these reasons alone, unification offers potentially huge benefits regardless of the costs.

Unification would make certain expenditures irrelevant, not only spending for military and national security, which are both necessities in the present environment, but also the political, social, and cultural costs needed to maintain division. Not only would unification mean elimination of division costs from the budget, but it would realize economies of scale through South-North economic integration, and increased complementarity in industry and production factors. In addition, unification would also bring a number of other immeasurable non-economic merits, such as resolution of the issue of separated families, heightened status on the international stage, and dissolution of the threat of war.

Furthermore, the costs themselves generate advantages. Spending unification funds will help spur development of industries in the North, raise the income of North Korean residents, and increase their purchasing power to buy products made in the South. A revitalized economy will lead to higher levels of tax income in North Korea and increase the size of available financial resources which, in turn, will relieve the South of at least part of its unification cost burden. It is also



possible that the benefits of unification will manifest themselves in various less predictable forms. Considering these factors, unification will not only offset the costs of division but it can reap considerably larger benefits compared to the cost payouts, even by the simplest comparison of costs and benefits.

The most important reason for the South Korean people's less than whole-hearted acceptance of unification in recent years is the one-sided view on German unification and their misunderstanding of the unification costs. What they fail to see is that although the early years of unification were marked by social confusion and huge unification expenditures, German unification has turned out to be a blessing in disguise twenty years after.

In fact, some of the negative information about unification costs in Germany had been overstated. According to a report by the Federal Ministry of Transport, Building and Urban Affairs of Germany, the costs of unification for the period 1991-2003 totaled 1.28 trillion euros (for the period 1990-2005, 1.4 trillion euros). On average, this is about 100 billion euros a year, of which approximately half is social welfare expenditures. For the year 2003, exhaustive expenditures (62.8%) were twice as high as investment expenditures (37.2%). Still, Germany has come a long way since the Berlin Wall came down, as the GDP per capita of eastern Germany, which was only a third of West Germany's in 1989, has risen to 70% of western Germany in just 20 years.

With the exception of its military, united Germany regained a strong political and economic status on the world stage and emerged as a powerful country just like it was before it was divided. While it cannot be said that the negative aspects of unification were negligible, they were mostly short-term. Then, in the mid- to long-term, Germany began to enjoy remarkable economic, political, diplomatic, and social benefits, which will continue for as long as Germany exists.

Numerous scholars and institutes in South Korea have conducted their own methods of research in an attempt to analyze the costs of unification, but it has been practically impossible for them to come up with an accurate assessment. Estimates vary widely, ranging from as low as hundreds of billions of dollars to as high as hundreds of trillions. Moreover, most research either does not offer a balanced comparison of the costs and benefits or it is based on a proposed unification date that has already expired. Now is the time to raise public interest in and support for unification by correcting the problems of overstated unification cost estimates and considering the various unification benefits. This warrants a more balanced analysis of the costs and benefits of unification with a future-oriented perspective.

**Table 3** Estimate of unification costs and benefits  
(in hundreds of millions of dollars)

Target per capita income for North Korea		\$3,000 (10 yrs)	\$7,000 (15 yrs)	\$10,000 (18 yrs)
Unification costs (A)		1,570	4,710	7,065
Unification benefits (B)	Value added	836	2,509	3,764
	Reduced military spending	1,226	2,623	4,245
	Reduced national risk (lower borrowing costs)	135	230	341
	Subtotal	2,197	5,362	8,350
Net benefits of unification (B-A)		627	652	1,285

Source: Yoo Byung-kyu, Hong Sun-jik, Choi Sung-kun, "The benefits of unification outweigh the costs: estimation of unification costs and benefits and their implications," *Economics Weekly* 10-42, Vol. 422 (October 28, 2010)

In a recent analysis of the economic costs and benefits of unification, Hyundai Research Institute showed that the benefits of unification far outweigh its costs. Specifically, when a per capita income of 3,000 dollars is achieved for North Korea, the benefits would be 219.7 billion dollars, which exceed the 157 billion-dollar costs by 63 billion dollars. For target per capita incomes of 7,000 dollars and 10,000 dollars, the unification benefits are estimated to outweigh the costs by 65.2 billion dollars and 128.5 billion dollars, respectively (see Table 3). This shows that although unification will result in a short-term economic burden for South Korea, it will also reap significant rewards.

In short, unification not only entails costs but also benefits, and the benefits far surpass the costs. Also, unification outlays are not exhaustive expenditures, but rather, costs to rebuild the North Korean economy. They are investments for future income streams. Investments are not only recoverable but they also generate investment profits. Even leaving out investment profits, the spending on unification will be much less than the costs of division. And the benefits of unification will be much larger than the costs, likely generating great synergistic effects. After unification and as long as Korea exists, the benefits of unification will be practically infinite.

The cost burden of unification does not justify a negative view, nor should it cause a lack of commitment. Unification will not be a costly disaster. Instead, it presents various benefit opportunities for the South and North Korean people, especially as a growth engine in political, economic, and cultural fields. And even by itself, unification is a new growth engine and a future industry for Korea.

## Building Unification Readiness to Minimize Costs

Unfortunately, using the argument that unification benefits outweigh division costs will still not totally alleviate concerns about the cost of unification. For one thing, costs will be massive right after unification, while benefits will only materialize after an unforeseen period of time. This means that the current generation will bear the cost of unification, while future generations will reap most of the benefits. And because no one can predict the time lapse between sacrifice and reward, controversy will linger. Regardless of how much larger the benefits may be relative to costs, those who will experience unification are more likely to have a negative attitude towards unification because it is they who bear the excessive burden. Therefore, another key task will likely be to find ways to minimize the costs of unification.

Germany's massive unification spending came on the heels of a sudden and unexpected unification event that did not allow the country time to be prepared. Moreover, the German government's excessive optimism and inadequate resource allocations added to the soaring costs. In fact, since

no one had predicted German unification, there had been practically no preparations to fund it, which meant that for a short time, Germany had to deal with very challenging odds. The German experience offers Korea an important lesson: It needs a plan to establish unification funds before unification happens. The foundation must be laid despite a number of unknowns. Those include the size of the unification budget, which is bound to vary depending on the fundraising capacity, and also, the question of how the unification money will be raised.

Twenty years after unification, German scholars and officials who led unification efforts unanimously emphasize that Korea needs to build unification readiness. Indeed, if Korea consistently lays the groundwork for unification, which could happen at any time, the event may be more affordable. On the other hand, those who cite German unification as extremely costly, assuming that Korean unification will follow the German model, are only focusing on the negative.

Korean unification, just like Germany's, may happen suddenly. However, it could also be gradual, allowing for readiness and for gradual integration by sector. In June 2010, the Presidential Council on National Future and Vision released unification cost estimates under both scenarios. It reported that costs would be seven times higher with sudden unification than with the gradual scenario. Learning from the German experience to be prepared against any possible

challenge will enable Korea to achieve unification in a more sound way. Preparations will also include conducting systematic research on unification costs and integration methods, as well as on the level of integration so as to alleviate social discord and the financial burden.

While costs are unavoidable, they can be reduced by laying the groundwork for fundraising in advance to help mitigate post-unification shocks to the economy. For this, a detailed plan is needed, one based on public consensus. The German example offers several ideas on how they financed their efforts, including the solidarity surcharge or unification fund. Based on lessons from Germany, Korea can consider various methods, including cooperation with private and overseas sectors to choose the best fundraising strategies. If the public sees that the government has specific funding plans and there is indeed a need for more preparatory work, this could create a more positive public perception of, and consequently, greater support for unification. Wasteful and unnecessary spending also breeds negative perceptions. Therefore, more research and discussions are needed to control spending and minimize waste.





# RESTRUCTURING THE UNIFICATION ARGUMENT

1. Direction of the Unification Argument
2. Argument to Change the Public View on the Need for Unification

# 1

## Direction of the Unification Argument

### 1) Shift in perspective

The need to realize a united Korea provides the basis for pursuing unification policy. Unless the public thinks positively about unification and feels the need for it, not only will it be difficult to achieve unification, but the unification policy will also lack momentum. Only when policy is bolstered by strong capacity-building and public support will unification be an attainable goal and not just an ideal.

In the early period of division, there was no need to educate the public about why South and North Korea should be united. The country had just been split in two with barbed wire fences set up in between. Everyone believed that the country must be reunified someday even if they did not voice that belief. During the 67 years following division, life in South and North Korea changed significantly, and so did the general unification environment, including international politics. The meaning of unification, public opinion, and unification policy have changed accordingly. At this juncture,

over 90% of the South Korean population was born after the division, and as the reality of a divided state becomes more deeply embedded in Korean consciousness, increasing numbers of people now think of it as a given, seeing no immediate need for change.

Recent surveys point to dwindling unification awareness among the South Korean public in the post-Cold War period. Most Koreans today feel that unification is neither a current problem nor is it their concern. They simply regard it as an event that will happen sometime in the distant future. Dwindling public awareness signifies that unification is becoming unlikely. It also means that people lack a full understanding of why it is necessary.

To be convincing, arguments must have sufficient details to support them. Existing claims for unification, however, simply appeal to sentiments, and that is not enough to persuade the public, especially given the pervasive heterogeneity and hostility toward the North. More important, rather, is developing a line of logic that explains the necessity of unification from an individual perspective. To renew our unification argument, the following must be addressed.

First, the unification argument should consider both the micro and the macro aspects of unification. Existing arguments have largely addressed the issue of unification from the perspective of the nation or the public, failing to

approach it from the perspective of the individual. One reason why people say that unification should happen but harbor a feeling of rejection is because they feel alienated from the issue. In fact, unification has largely been explained in relation to Korean ethnicity or nationality, rather than how it will improve the happiness and lives of the people. A new unification argument would emphasize not only the humanitarian aspect of unification (resolution of issues of separated families) and the macro aspect (public and national prosperity), but also the various benefits it would bring at the micro-level, i.e., to individuals. In short, the new argument must underscore the fact that unification is not only a national or an ethnic concern, but also an individual interest.

Second, a pragmatic argument must accompany the normative claim. One of the most criticized aspects of past unification arguments is the normative claim, particularly, the nationalist view that a homogeneous ethnic group should exist as a country. In world history, there are only a few cases in which this view applies. In some instances, a homogeneous ethnic group has been split into several countries. Conversely, there are many instances where several ethnic groups came together to form a nation. Numerous sources point to the weakness of the ethnic group claim and question why unification should be a normative issue. However, it must be remembered that the South Korean people tend to manifest their nationalistic sentiments whenever the opportunity

arises, witness World Cup soccer matches, quarrels with Japan over Dokdo Island, and other historical disputes. Also, despite the small percentage of Koreans in the world, their nationalistic sentiment can still provide a strong impetus for unification. Although appealing to ethnicity and nationalism to support an unconditional normative claim may not be the optimal solution, it is important that heartfelt sentiments not be neglected. It is necessary, however, for stronger and more pragmatic arguments to complement the normative claims.

Third, a shift must be made from an emotional argument to a rational one. The emotional approach underpins unification as a national value of the highest priority and one that overrides all other conditions. However, unification has some major questions that cannot be resolved by emotional logic alone. The question of who unification is for, and how it will be achieved cannot be addressed emotionally. Also, will a united Korea pursue universal human values or another set of values leaning towards a specific regime? Will unification be achieved in a peaceful manner? Or will it be by force? The emotional argument that unification is the top priority and the highest value no matter what the process, method, or result, may lead to a negative outcome that is worse than the status quo. For these reasons, emotional appeal must be replaced with rational argument if the desired form of unification is to be achieved: one that ensures peace and prosperity for all.

To sum up, rather than unconditionally criticizing existing unification arguments, it is necessary to complement them with new, rational ones. This approach necessitates a shift in perspective: instead of emphasizing its exclusive superiority over existing ones, the new approach should rationally criticize past arguments to ensure that valid claims are kept and flawed ones replaced.

## 2) Basic logic structure

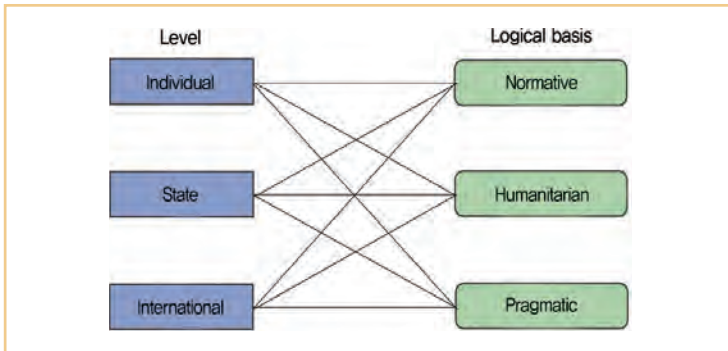
The Guidelines to Unification Education published by the Education Center for Unification states that the question of unification should be considered from normative, pragmatic, and humanitarian perspectives. It also suggests that education should enable the public to gain a comprehensive view of unification, i.e. how it affects them on a personal, national, and international level<sup>21</sup>. A renewal of the unification argument should be restructured according to this multi-dimensional perspective. The directions set forth in the Guidelines to Unification Education are analytically schematized as in Figure 5.

Researchers have proposed various ways to improve the unification argument. Some, for example, claim that in

21. Education Center for Unification of the Ministry of Unification, "2010 Guidelines to Unification Education" (2010)

order to shift the argument from normative to pragmatic, the perspective should be shifted from the national level to the individual level. More recent proposals suggest that a normative or national perspective should be replaced with a pragmatic and individual perspective. Such a proposal has been emphasized particularly regarding unification education for teenagers, given their changing sense of values and interests.

**Figure 5** Unification argument



The question of whether unification can be addressed only from an individual and pragmatic perspective warrants a careful examination, however. Indeed, unification should be addressed in such a way that it promotes the interests of individuals. And it is true that the public will more actively support unification if it brings individual benefits. However, this approach may be excessively individualistic or skewed

toward benefits only.

It is both necessary and important to emphasize that a united Korea will enjoy strong competitiveness and offer enhanced public welfare. Also, those in favor of unification still highly favor the nationalistic and humanitarian aspects of unification. Without question, normative and humanitarian claims are still valid. However, the ideas must have enough substance and complexity to be specific and persuasive, rather than deliver abstract or normative propositions<sup>22)</sup>. In other words, any arguments in favor of unification must be supported by specific information, i.e. how it will positively benefit individuals, the nation, the people, Northeast Asia, and the world. This warrants a humanitarian concern for the North Korean people, the normative nature of unification, and a rational unification method<sup>23)</sup>.

Restructuring the unification argument requires that valid claims be preserved, their limitations addressed, and the various dimensions of unification considered. The normative and humanitarian claims, which are largely state-centered, can be preserved, while the pragmatic, individual aspects of unification must be further explored. To ensure that the

22. Oh Ki-sung, "Diagnosis of unification education in schools and directions for improvement," *The Journal of Peace Studies*, Vol. 9, No. 2 (2008), p. 176; Woo Pyung-kyun, "Ideas and tasks for unification education: a critical approach to concept and directions," *The Journal of Peace Studies*, Vol. 10, No. 1 (2009), p. 153

23. Lee Sang-woo, "Unification education: the past, today, and the future," p. 13



renewed argument is widely accepted by the public, it is important to explain the benefits of unification to individuals. Though claiming that unification will benefit the society and the state at large can draw public consensus even without mentioning the benefits it entails for individuals, it will not induce active public support in the unification process. The public will engage only after they have a firm belief that they own a stake in unification and that the benefits will easily convert to individual benefits.

Pragmatic claims must be backed with specific examples with which individuals can easily identify. For the most part, past arguments presented vague and abstract benefits such as strengthened national competitiveness and enhanced quality of life. By far, the most relevant pragmatic benefit for individuals is the economic effect. Economic outcomes will not only impact the macro-economy and the micro-economy, but the individual's economic situation as well. A prime example would be an expanded domestic market and access to the continent, which, in turn, will provide benefits such as diverse vocational choices and greater employment opportunities.

More objective data is needed to highlight the pragmatic aspect of unification and make the argument more persuasive. Unification must be explained from the perspective that it brings real and direct benefits to both the individual and the state. Of course, it is also necessary to explain in a balanced and objective

way the short-term burden and the long-term benefits. In other words, it must be emphasized that the costs and work required for unification will not just benefit North Korean people but it will bring real and direct benefits to those who have borne that cost, i.e., each and every person in South Korea. It must also be underlined that the unification costs are worth bearing and that all the necessary work after elimination of the structural constraints of a divided state go hand in hand with personal benefits. While unification expenditures are a sensitive issue, the public must be made aware that it is for our own benefit and not for others, and that they are unavoidable if we all want to live more prosperous lives.

We must now focus on developing pragmatic arguments for unification, which had hitherto been ignored, and support them with specific data and examples. It is important to demonstrate that the benefits of unification are multidimensional, affecting the politics, diplomacy, economy, national security, society, and culture. Finally, the enthusiastic, voluntary support of the public must be generated by demonstrating in specific ways how unification and its positive effects can benefit individuals.

# Argument to Change the Public View on the Need for Unification

## 1) Political and diplomatic argument

### (1) Heightened international status as a small but powerful nation

Throughout the 20th century, Korea's status has seen many changes. Under Japanese occupation and later, during the post-liberation administration of the U.S. military, South Korea was unable to exercise its rights or its status as an independent state. In 1948, the country formally became an autonomous state with the establishment of its own government. At the 46th U.N. General Assembly on September 18, 1991, South and North Korea became new members of the U.N. with separate seats. While it seems that progress has been made, the contradiction remains: the two Koreas are still labeled a divided country.

Just as Germany was East and West Germany while they were divided, Korea is still widely referred to as South Korea rather than the Republic of Korea. After unification, Germany established renewed international status as a united nation. On the other hand, Korea is still referred to as a divided country, a label that weakens its international status. Division is often

associated with insecurity, which was the case with Germany prior to unification and presently, with China and Taiwan, a case that is not much different.

Mutual hostility and military tensions between divided countries aggravate uncertainty and fear, and draws the attention of the international community, especially of powerful countries. Major military and diplomatic issues arising on the Korean Peninsula not only concern the peninsula itself, but also Northeast Asia and the world. A clear example is North Korea's nuclear development program. The six-party talks, which were designed to resolve the North's nuclear issue, involve South and North Korea, as well as the United States, Japan, China, and Russia. True, intervention by these powerful countries is aimed at securing peace, but that attention belies the fact that Korea is still under a foreign influence. In this sense, a divided Korea remains a minor power amidst other powerful countries and cannot be free from the image of an insecure nation.

Through unification, Korea will dispel its image as a divided country and enjoy heightened international prestige as it emerges as a united nation on the world stage. It will no longer be a minor power in Northeast Asia, but make a leap forward as an advanced country with renewed status. As a small but powerful country and a middle power, it will play a responsible and influential role in the international community.

## (2) Leader of peace and prosperity in Northeast Asia

Northeast Asia is one of the last regions in the world where vestiges of the Cold War remain. Tensions have a long history in Northeast Asia because the region has been the focal point of struggle among world powers, but also because of the continued confrontation between South Korea and North Korea. This stems mainly from the North's lingering Cold War legacy and its insistence on developing a nuclear program. The hope is that the unification of Korea will help dispel tensions and conflicts in the region.

The heightened conflicts arising from North Korea's continued acts of provocation have hindered the establishment of a peaceful order in Northeast Asia and has stalled discussions for building a community in the region. Korean division has created a confrontational structure between Korea-U.S.-Japan on one hand, and North Korea-China-Russia on the other. As long as military confrontation persists, close collaboration and community cooperation among nations will be unlikely. If Korea is united, however, it will not only bring joint prosperity for South and North Korea but also provide motivation for peace and cooperation in the Northeast Asian region. Moreover, by closing the book on the Cold War legacy, it will contribute to world peace as well.

A united Korea will be committed to denuclearization and work towards peace and prosperity in Northeast Asia. The

consequent absence of military confrontation will usher in a more peaceful environment. This could open the way for creating a huge regional bloc, heralding the birth of a powerful and useful community. The world will view a united Korea as making an important contribution to regional integration and peace in Northeast Asia, which in turn, will bolster its international status.

Twentieth-century Germany transformed itself from being a source of conflict in Europe and the world into becoming a guardian of world peace and security in the 21st century. In the same way, a united Korea will no longer be the center of contention in Northeast Asia. Rather, it will be a precursor of peace and prosperity in the region. And just as German unification led to the integration of the European continent and the birth of the European Union, a united Korea will surely set in motion a dialogue aimed at establishing a community in Northeast Asia.

## **2) Economic argument**

### **(1) Economy-of-scale effects**

One of the first economic benefits of a united Korea that comes to mind is the effect of economies of scale. Economies of scale are the cost advantages obtained due to size, with cost per unit of output generally decreasing with increased production

scale. Thus, increased scale yields higher profits. A united Korea will see its total land area expand from 99,000 square kilometers to 220,000 square kilometers, making a substantial leap from being among the 120 largest nations to being the 50<sup>th</sup> largest. With a post-unification population of 74 million (from 50 million pre-unification), Korea will move from 25<sup>th</sup> on the list of country populations to 18<sup>th</sup>. The advantage of more than double the land area and a significantly larger population will result in great economies of scale, enabling Korea's economic activities as well as their scope to expand correspondingly.

In general, powerful nations such as the U.S., China, and Russia have a large land mass. A country should be medium-sized at least in order to play a powerful role, equal to its size, on the world stage. Middle power countries such as the U.K., France, Germany, and Japan are all advanced countries. Countries such as Canada and Australia, which have huge expanses of land, are also middle power countries and also advanced nations working to expand their influence on the world stage.

Some countries that are not economically advanced have recently entered the world spotlight due to their vast land areas. A prime example is the four biggest emerging markets of Brazil, Russia, India, and China, which are collectively called the BRICs. These countries, which have recorded high economic growth since the 2000s, are commonly characterized by huge expanses of land, large populations, and abundant underground mineral deposits. Their combined population

is 2.7 billion, which accounts for far more than 40% of the world's population. Attracted by this huge market and strong labor force, advanced economies as well as other countries, are fiercely competing to occupy a place in the enormous BRICs market. Indeed, the four countries are expected to become the world's largest economic bloc by 2030.

According to New York University professor Nouriel Roubini, nicknamed Dr. Doom for his bearish economic views, the BRICs may well become the BRICKs, with the inclusion of Korea. He explains that South Korea has the potential to be an economic powerhouse thanks to its sophisticated, state-of-the-art technology and an innovative, dynamic, and skilled labor force. The only problem, he points out, is the confrontation between South and North Korea<sup>24)</sup>.

By expanding the domestic market, economy-of-scale effects will also help relieve Korea's excessive trade dependency. According to a report from the Ministry of Strategy and Finance on June 16, 2010, Korea's trade dependence was 82.4% in 2009, surpassing the 80% range for two consecutive years. This highlights Korea's extreme vulnerability to external variables such as the fiscal crisis in the Eurozone. In contrast, for the same year, the trade dependence of Japan, the U.S., and China was 22.3%, 18.7%, and 45.0%, respectively, indicating the unusual proportion of Korea's foreign trade compared to others.

24. Nouriel Roubini, Stephen Mihm, "Crisis Economics," translated by Huh Ik-jun (Seoul: Chunggrim Publishing, 2010), p. 466



## (2) Synergistic effects

By combining the economic capacity of South and North Korea, a united Korea will produce remarkable synergistic effects. South Korea's technological prowess and capital strength is already equivalent to those of advanced economies. In the field of information technology, Korea is recognized as the world's most advanced IT nation after realizing condensed growth. According to the WTO World Trade Report 2007, Korea exported 87billion 947million dollars' worth of IT products abroad in 2005, accounting for 6.1% of the world's combined IT export market. The country's five major export items in the last five years were semiconductors, mobile telecommunication terminals, displays, automobiles, and ships. As such, the main drivers of Korea's economic growth are found in key industries of the world economy, and Korea is competing fiercely to be the world's best in these fields.

Although North Korea lost its economic vitality long ago due to a prolonged economic recession, it nevertheless has a skilled and inexpensive labor force. The North is also home to expansive deposits of various minerals, making it a virtual treasure trove of underground resources. According to data of the Korea Resources Corporation as shown in Table 4 below, the potential value of North Korea's underground minerals is worth 6,983 trillion won, which is 24 times more than the 289 trillion won worth of mineral deposits in South Korea. However, the North is limited in its economic ability to take

full advantage of the abundant labor force or to mine its minerals. In fact, numerous constraints prevent the North from achieving economic growth. Given that South Korea is importing most of the natural resources it lacks from abroad, a united Korea will give the nation access to the North's extensive underground mineral wealth. .

The huge synergistic effects from combining the North's labor force and underground minerals with the South's technology and capital will be realized with unification. What makes this synergy possible is South Korea's experience in economic development. The South is an unprecedented example in the world, rising from the depths of poverty to achieve a strong economy and a democratic system. In terms of sharing its experience with other developing countries, Korea is considered a more appropriate example than advanced countries. Since 2004, the South Korean government has directed the Economic Development Knowledge Sharing Program (KSP) to transfer and share its successful experience with developing countries. For the period 2004-2009, the government carried out 134 projects in 15 countries. These projects contributed significantly to enhancing Korea's national brand value by creating an economic 'Korean Wave' in the target countries. This economic development experience will be a valuable foundation for developing the economy of North Korean regions after unification.

**Table 4** Key mineral resources in South and North Korea and their potential value

Mineral	Unit	Reserves		Potential value (KRW hundreds of millions)	
		North Korea	South Korea	North Korea	South Korea
Gold	ton	2,000.0	42.7	613,274	13,093
Silver	ton	5,000.0	1,349.8	19,124	5,162
Copper	th ton	2,900.0	51.0	92791	1,631
Lead	th ton	10,600.0	372.0	110,913	3,892
Zinc	th ton	21,100.0	557.9	260,680	6,892
Iron	bn ton	500.0	3.73	3,045,300	22,717
Tungsten trioxide	th ton	246.0	128.6	406	212
Molybdenum	th ton	54.0	24.2	16,669	7,470
Manganese	th ton	300.0	176.4	1,864	1,096
Nickel	th ton	36.0	-	4,290	-
Halcy Graphite	th ton	2,000.0	121.6	12,049	732
Limestone	bn ton	100.0	10.33	11,838,000	1,223,344
Kaolinite	th ton	2,000.0	110,773.4	349	19,336
Talcum	th ton	700.0	11,131.2	840	13,357
Huorite	th ton	500.0	477.0	1,256	1,198
Barite	th ton	2,100.0	842.1	3,415	1,369
Apatite	bn ton	0.15	-	388,326	-
Magnesite	bn ton	6.0	-	26,797,320	-
Anthracite coal	bn ton	4.50	1.36	5,194,350	1,569,848
Lignite	bn ton	16.0	-	21,434,720	-
Total				69,835,936	2,891,349

\* Reserves for South Korea are the sum of confirmed and estimated reserves.

North Korean data are potential reserves.

Source: Korea Resources Corporation, "2009 Mineral Resources Reserves" (2009);

Korea Resources Corporation, "Status of mineral resources development in North Korea" (2008)

Some inter-Korean cooperation projects are based on synergy models with an eye to South-North integration. The Gaeseong Industrial Complex (GIC) is a win-win model of economic cooperation combining the capital and technology of South Korea with the labor force of the North. Others, such as inter-Korean IT projects, have also confirmed the possibility of a similar post-unification model in which Korea's advanced IT technology and capital would merge with the North's professional manpower in joint-venture projects. While not all South-North cooperation models have been successful, they can at least operate under stabilized inter-Korean relations as well as post-unification as potentially successful examples of cooperation.

### (3) Stronger national brand value and competitiveness

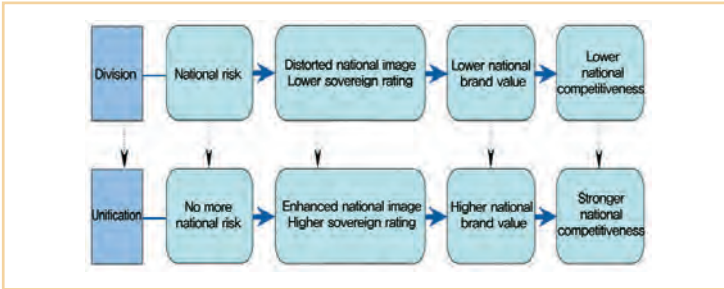
Not just a way to avoid warfare, unification holds far greater significance. In fact, unification that establishes peace on the peninsula would be a progressive solution to alleviate geopolitical risks, which would, in turn, enhance Korea's brand value considerably.

In 2010, international credit rating agencies like Moody's and Standard & Poor's began to consider the possibility of sudden change in North Korea as a key variable in evaluating the credit rating of South Korea. Their focus of interest is not on the collapse of North Korea itself, but in South Korea's

political, legal and financial readiness for unification. Their interest is specifically in how necessary funds will be raised, the capacity to bear the costs, and measures to minimize unification costs. The impacts that division and the resulting political unrest have on South Korea's sovereign credit rating is nothing new. In the past, Korea's stock market fluctuated and stock prices fell whenever tensions escalated in inter-Korean relations or U.S.-North Korea relations, raising concerns that the country's sovereign credit rating would fall.

Division also greatly affects national competitiveness in the competitive environment of globalization. As shown in Figure 6 below, the constant threat of war demands that the South Korean government dedicate personnel and also pay for the costs of division, a situation that has negatively affected Korea's national image abroad and caused its credit rating to fall. As a result, Korea's national brand value can plummet and national competitiveness weaken. Through unification, this cycle can be broken, for when the problems of division are resolved, Korea's distorted image and fluctuating credit rating will stabilize. As a consequence, the country's national brand value will rise to normal levels, enhancing national competitiveness.

**Figure 6** How division and unification affect national competitiveness



The post-unification alleviation of security concerns will considerably enhance Korea's brand value and national competitiveness, reducing country risk and boosting the credit rating for individual firms. Unification would eliminate the feeling of insecurity associated with the North's capricious behavior, thus enabling the country to attract more foreign capital with the assurance that investments would yield stable returns. With a renewed national image and a strong national development strategy, the country could more actively participate in the global economy.

The enhanced brand value of a united Korea will help create many more diverse business opportunities. Synergy effects will be created through economic integration of South and North Korea, and foreign investors who were once averse to geopolitical risks will put their money into the new nation. After unification, Korea might well achieve a second era of high economic growth. Economic optimism would mean that citizens could make vocational choices without having

to worry about unemployment. Moreover, they would enjoy a higher standard of living. And if this scenario develops as planned, Korea will join the ranks of advanced countries as a leading world economy.

### 3) Security argument

#### (1) Fundamental solution to threats of war

Today, the idea of security has taken on a more complex meaning: one that encompasses the new concept of human security. However, the traditional military threat is still the most pending security issue on the Korean Peninsula, and South and North Korea dedicate a massive amount of their military power and weaponry along the truce lines. In contrast to the peaceful, normal life in the rest of the country, the border areas must be ready for war at all times.

The border area is marked by tensions depending on the current status of inter-Korean or U.S.-North Korea relations. Inside the demilitarized zone, small-scale military clashes occur occasionally, while even greater hostilities flare up at sea. The Northern Limit Line (NLL) is usually peaceful, and only civilian fishing boats ply the waters. North Korean warships do occasionally violate the NLL, heightening tensions there. In short, the Korean Peninsula is plagued by military confrontations and the constant threat of war.

In addition to direct clashes between the militaries of South and North Korea, North Korea's ruthless nuclear and long-range missile development programs also contribute to national fears. The North's nuclear issue is the main threat to the peace on the Korean Peninsula and the security in Northeast Asia. The surrounding powers are keeping a close watch on the issue, as exemplified by the six-party talks involving South and North Korea, the United States, Japan, China, and Russia. This is an indication that North Korea's nuclear issue is not simply a problem concerning the Korean Peninsula and Northeast Asia, but a global issue. The same goes for North Korea's development of missiles. The missiles, coupled with their ever-increasing range, have put Japan and the U.S. on guard. North Korea's belligerent attitude in Northeast Asia not only raises tensions in inter-Korean relations but also leads to a military expansion in the region. While almost all regions in the world have established international regional organizations for cooperation, Northeast Asia is still wasting time managing the conflicts that occur due to the unpredictability of North Korea.

A united Korea is the ultimate solution not only to disputes along the borders and the NLL, but to the nuclear issue as well. Unification would fundamentally eradicate the possibility of war between South and North Korea and help establish peace on the peninsula, which in turn will lead to peace in Northeast Asia and trigger regional cooperation and



joint prosperity in the region.

## (2) Fundamental solution to North Korea's acts of terrorism against the South

Due to the state of division, South Korean people live in fear of terrorist acts by the North, which could kill large numbers of innocent people, instigate social turmoil, and trigger nationwide insecurity. Recently, concerns have arisen about cyber terrorism that could paralyze the IT networks of key social infrastructure and allow hackers access to both national and personal information.

North Korea's acts of terrorism against the South are legion. In the past, armed spies have infiltrated the South, intending to foment social unrest, destroy national facilities, and assassinate key figures. In a 1968 terrorist plot, North Korea sent a special unit to the South to assassinate the President at the Blue House. In several cases, innocent South Korean civilians have been killed. Most infamous of North Korea's terrorist acts against civilians was the bombing of Korean Air Flight 858 flying from Baghdad to Seoul in November 1987. The aircraft exploded over the Andaman Sea, killing all 115 people on board.

In October 1983, North Korea attempted to assassinate the South Korean President during his visit to Aung San Cemetery in Burma (now Myanmar). The bomb killed 17

South Korean cabinet members and government officials and injured 14 others.

Meanwhile, the area near the Northern Limit Line (NLL) has been the site of several clashes between the South and North Korean navies after instigations by the North. North Korea launched the First Battle of Yeonpyeong on June 15, 1999, the Second Battle of Yeonpyeong on June 29, 2002, and the Daecheong Battle on November 10, 2009. North Korean forces sank the South's warship Cheonan in March 2010, and in November of that year, bombarded Yeonpyeong Island. The sinking of the Cheonan killed 46 sailors as well as one during the rescue operation. The bombardment of Yeonpyeong Island, which was a blatant provocation because it targeted civilian areas and residents, killed two navy officers and two civilians.

In terms of the victims of North Korean terrorist activities, the costs of division are immeasurable. The fervent hope is that a united Korea will put an end to these acts once and for all. Regardless, however large the cost of unification, it cannot replace human lives.

More recently, North Korea's acts of terrorism shifted from the real world into cyber space. A number of cyber breaches occurring in South Korea were found to involve the North. The July 7, 2009 DDoS attacks by the North infected the hard drives of a hundred computers, destroying them and causing

severe confusion in cyber space. This type of North Korean cyber terrorism is occurring more frequently. Following the sinking of the Cheonan in March 2010, experts predicted that the next provocation from the North would be in the form of a cyber-attack, and this prediction turned out to be true. Indeed, in March 2011, North Korea targeted the South's Global Positioning System (GPS). In the midst of this all-out terrorism from the North in both real and cyber space, eight U.S. lawmakers submitted a bill to designate North Korea as a state sponsor of terrorism.

Although South Korea should remain vigilant against terrorist activities that can kill people in real space, it must be remembered that cyber terrorism is an equally destructive force. To illustrate, the movie *Die Hard 4.0* shows how a cyber-attack can bring down IT networks and almost all social infrastructure networks, causing crime and plunder and reducing the world to chaos.

Terrorism is the most inhumane because it targets innocent civilians. South Korea and the international community are well aware of the cruelty of North Korean terrorism because they have experienced it countless times. Only in a post-unification scenario can Korea end terrorism forever.

## 4) Social and cultural arguments

### (1) Homogenization and diversity

Unification will allow people from the South and the North to share the same ideology and political system. The way South and North Korean people think and their socio-cultural awareness, which developed separately and thus heterogeneously in the decades following division, will become more homogeneous. Social and cultural aspects, such as morals and customs, lifestyle, thoughts and behavior, and even language, will converge through the process of homogenization.

In fact, young people and members of the post-war generations that never had direct contact or exposure to North Korean people have no idea how heterogeneous South and North Korean societies and cultures have become. It would be apparent, however, if they should encounter a North Korean refugee. North Korean news that is broadcast on South Korean TV reveals how different the dialects of South and North Korea are in terms of vocabulary, diction, vernacular and meaning. South Korean quiz programs often include a category on North Korea with questions on North Korean vocabulary, which reveals just how different the two societies and cultures are.

The two Koreas also have remarkably divergent standards

of living, which is the main reason for the gap in quality of life. This is not a big surprise given the significant economic disparity between South and North Korea. A considerable difference is seen in popular culture, too. North Korean teenagers would find it difficult to understand IT technology that their South Korean peers enjoy, especially Internet surfing and online games, mobile or smart phones, and the constant flow of new IT devices. Adolescents, in particular, think and act differently even when there is only a two or three-year age difference. These findings therefore indicate that in a divided nation, the heterogeneity gap will continue to widen over time.

Unification will present opportunities for South and North Koreans to homogenize. At the same time, different cultures, dialects and customs will bring diversity to a united Korea. Social and cultural integration may require several generations to integrate to the level at which differences will be negligible. However long the process takes, a united Korea will have the effect of reducing further social and cultural heterogeneity, while strengthening a sense of solidarity of once dissimilar societies.

## (2) Break from embedded divisive rhetoric

While division's after-effects may be imperceptible, they still pervade the social and cultural fabric. Emotional pain

of separated families, ideological conflicts and even internal discord over inter-Korean relations and unification policy are so deeply embedded that the public doesn't even recognize or understand the causes. Regardless, these impacts are, without doubt, one of the major social costs of division.

A relationship of confrontation marked by antagonism and exclusivism developed between South and North Korea, causing the society to internalize a divisive rhetoric. A sense of confrontation and black-and-white fallacy has become embedded in the public mindset. This, in turn, causes the society to be closed and exclusive. Division has perpetuated and even intensified suspicion, thus draining the social capital of trust. Eventually, this lack of trust between South and North Korea resulted in deeply rooted distrust throughout the Korean society<sup>25)</sup>.

The after-effects of division, imperceptible as they may be, pervade South Korean society. For example, young, healthy Korean men must join the army when they reach a certain age whether they like it or not. Mandatory military service entails a huge cost. Division also aggravates differences in public opinion among South Koreans either supporting or opposing the government's North Korea policy. Considering the astronomical costs of division that Korea has borne, and

25. Kim Byung-ro, "21st century Unification Vision," 4th Unification Academy, Institute for Peace and Unification Studies of the Seoul National University, Lecture book (October 7, 2008), pp. 8-9

will continue to bear as long as the nation remains divided, the costs of unification compared to the costs of division seem incomparable.

### (3) Eclipse of South–South conflict and social integration

The term South-South conflict refers to disagreements, largely about North Korean policy, that arise among South Koreans. The progressive side prioritizes engagement, reconciliation, and cooperation, while conservatives promote universal human rights and democratization of North Korea through real change. South-South conflict is not limited to these political differences, however. Other forms of division underlie the discord: division between the political right and the political left, or between progressive and conservative powers, the preference for either growth or distribution in economic policy, and even the generational disunion between younger and older generations. By this account, the South’s North Korea policy mirrors various conflicts. It appears that South-South conflict is not just one of the many external North Korea variables affecting South Korean society, but the most important component of social integration<sup>26)</sup>.

South-South conflict has hindered a public consensus

26. Ko Seong-joon, Ko Gyeong-min, “Ways to build a system to promote North Korea policy in regional communities”; Cho Han-bum et al., “Ways to promote North Korea policy to the public” (Seoul: Korea Institute for National Unification, 2009)

on the North and the government's unification policy. Unification will clear these problems away and make way for a more democratic and pluralistic society. And when conflict disappears, it will enable reorientation of the political discourse through constructive dialogue and discussions<sup>27)</sup>.

Resolving the conflict over North Korea policy will herald a shift toward a new politics of integration, which will likely have great implications for a united Korea. And as this new chapter in Korean politics unfolds, it will allow the nation to focus its strength on economic development and social integration.

27. Ko Seong-joon, Ko Gyeong-min, "Ways to build a system to promote North Korea policy in regional communities"







# VISION OF A UNITED KOREA

1. Political & Diplomatic Vision
2. Economic Vision
3. Security Vision
4. Social & Cultural Vision

# 1

## Political & Diplomatic Vision

### 1) Building a Second Nation and Leap Forward

With unification, the two regimes will be integrated into one, forming a single political, economic, social and cultural system. Unification will help establish the foundation for a Second Korea, from which the nation can advance into the 21st century. The notion of establishing a new Korea may seem inappropriate given that the country already exists. But in its long span of history, Korea has only been a divided nation for 65 years since the Korean Civil War. Unification will once again join the two nations together, creating a new nation, i.e., a Second Nation.

South Korea underwent dynamic changes from the mid-20th century and its phenomenal growth has been unparalleled. Despite being one of the world's poorest countries at the time it was established, South Korea successfully implemented seven five-year economic development plans during those years. In just half a century, the country grew to become the world's tenth largest economy

and the most highly democratized nation in Asia. South Korea turned from an aid recipient to a donor country and from a lesser power in the international order to a G20 country with a voice in international affairs.

Against a backdrop of exceptional growth, the one remaining task is unification, which would allow the South and North Korean people to live in harmony under one country and one system. Unification is equivalent to adding a new power source to an existing one. With two growth engines, a united Korea will reinforce its development competence to become an even more advanced nation.

Not only will a united Korea and the building of a Second Nation be a great source of pride and dignity for the people, the international community will join in celebrating the birth of a new united country. As in the unification of Germany, the building of a united Korea will result in a truly national community. The visions and aspirations of the South and North Korean people will power the nation forward toward becoming an advanced country.

## 2) Enhanced image and expanded activities on international stage

The division has led to a general misunderstanding among non-Koreans about Korea and its people; specifically, the

existence of South and North Korea has caused a confused perception of Koreans. North Korea is labeled a state supporting terrorism. Because of the negative image of North Korea, foreigners who are not well aware that Korea is divided often form a negative opinion about it without distinguishing South and North.

It is hoped that unification will remedy those misperceptions, and reveal Korea's positive aspirations. Not long ago, Germany also had to earn its credibility on the world stage. And now, after successfully achieving unification, it is openly seeking a permanent seat on the United Nations Security Council. In addition, Germany gained a reputation as a key problem solver of major issues—the global economic crisis and military conflicts. It also acts as an engine to drive European integration. In the same way, a united Korea will take the lead in promoting cooperation and friendship with its neighbors in Northeast Asia, thereby contributing to building a peaceful regime in the region.

With unification, attention will focus on the Korean Peninsula and promote a new image of Korea on the world stage. This, in turn, will encourage others to form a more positive view of the country and its people, and the Korean people will enjoy greater opportunity to act on the world stage.

### 3) Rise as the center of the BESETO Belt

The nations responsible for peace and prosperity in Northeast Asia are Korea, China, and Japan, with the capital and major city of each being Seoul, Beijing, and Tokyo, respectively. As global cities in Northeast Asia, a region which is emerging as the center of the global economy, the three cities are collectively called the BESETO Belt. With the Beijing-Tokyo flight time less than three hours and numerous cities with 200,000-plus populations, the region presents great growth potential. Most important is the geopolitical location of Seoul, and more generally, of Korea itself, which forms a strategic nexus between China and Japan. This means Korea can serve as the center of BESETO by expanding its logistics base and SOC facilities connecting China and Japan. Korea can then expand its role even further if it develops a transportation route that connects Europe and North America.

A united Korea will emerge as the center of the BESETO Belt and of Northeast Asia by establishing a supranational city network around BESETO. This will lay the foundation for a cooperative system in the region and a Northeast Asian community. For these reasons, a united Korea is all the more vital. It will dissolve confrontation and conflicts, mediate cooperation among nations, and play a central role in promoting peace and prosperity in the region.

#### 4) Improved living conditions and human rights for North Koreans

North Korea holds the dubious distinction as the country with the lowest human rights index. North Korean people live in destitute conditions without basic human needs. Human rights violations are rife, and the cruel execution of political dissidents is a clear example of violence in the pre-modern world.

Figure 7 is a NASA satellite image of the Korean Peninsula at night. In contrast to the brightly lit image of South Korea, North Korea is dark and completely invisible at night, except for the faintest of glimmers from the capital city, Pyongyang. This photo attests to the country's antiquated conditions with people living in darkness because of the shortage of power.

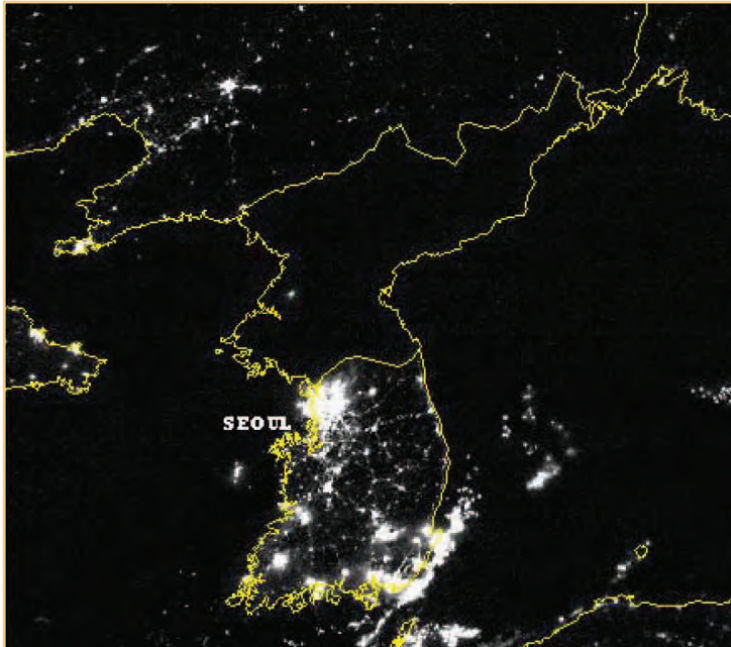
In September 2000, the leaders of 189 countries gathered at the Millennium Summit held at United Nations headquarters, adopting the Millennium Declaration for joint efforts to promote peace, human security, development, human rights, and basic freedom for humanity. North Korea, however, refused to acknowledge the Declaration, claiming that the international community's criticism of its human rights record was interference in its domestic affairs.

The fastest and most certain path to improving North Korea's destitute conditions and human rights issues is unification. A united Korea would incorporate North Korean



people into a free democratic system, raising their standard of living and establishing for them the same human rights that people in other nations enjoy.

**Figure 7** NASA night-time satellite photo of the Korean Peninsula



# 2 Economic Vision

## 1) Geo-economic advantage connecting land and sea

Because of its geographical location, the North totally blocks the South from the rest of Asia. This is but one negative impact of the division. The isolation engendered by the division has meant significant lost opportunities for the South Korean economy and society. Unification will open a new form of access to the continent. In this sense, a united Korea is even more significant than the integration of the South and North Korean markets.

A united Korea, with direct connection to the Pacific Ocean, China, Siberia, and Europe, will play a central role in the global economy. Indeed, the effects of unification are obvious in the areas of logistics and transport. Because it has been closed to the North since division, South Korea has used only trans-oceanic export routes that get shipments from Busan Port to Europe in about a month. In contrast, land transport

(through what is now part of North Korea) would take just 18 days via the trans-Siberian railroad. Besides time effectiveness, railways would bring transport cost down by up to 50% (See Table 5).

Connecting South and North Korea by land not only creates an integrated space but could also facilitate the creation of an economic zone with China, Russia, Mongolia, and Japan in Northeast Asia for enhanced regional exchange and cooperation. Clearly, unification will expand access to a huge market in the region.

**Table 5** Comparison of rail and maritime transport costs

(in dollars/ton)

Classification	Inter-Korean	Korea-China	Korea-Europe, Russia
Rail transport	15.1	27.0	38.2
Maritime transport	64.0	62.4	72.0

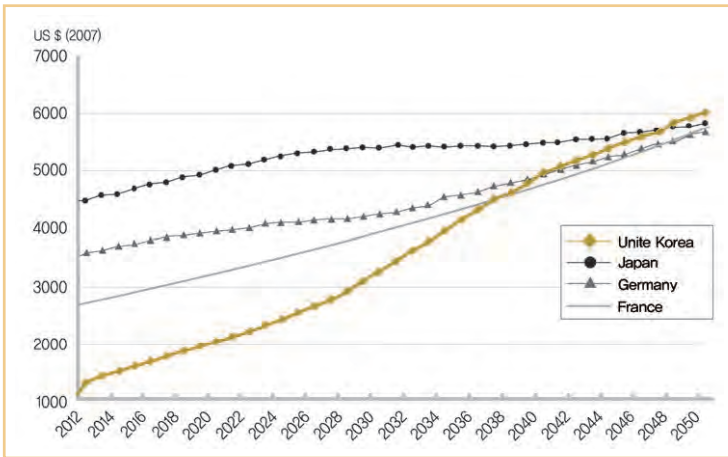
Source: Sung Nak-mun et al., "Study of demand for overland and railway transport connecting South and North Korea and cost analysis," Korea Transport Institute (2005)

## 2) Higher national income and quality of life

In a 2009 report entitled "A United Korea? Reassessing North Korea Risks," Goldman Sachs projected that the GDP of a united Korea could exceed that of France, Germany and Japan in 20 to 30 years. As shown in Figure 8, it also

projected that if Korea commences the integration process in 2013, the GDP of Korea could exceed those of Japan, Germany, and France by 2050. Goldman Sachs projection is based on an assumption that Korea follows the China/Hong Kong-style integration model, which allows two economic and political systems to coexist, rather than the most expensive German-style unification. If South and North Korea integrate their economies according to the China/Hong Kong-style model, and if the move is backed by appropriate policies, integration costs could be reduced to affordable levels.

**Figure 8** Economic status of a united Korea in 2050



Source: Goldman Sachs (GS Global ECS Research)

Though South Korea has achieved remarkable growth, it still has not entered the league of advanced nations.

Unification will serve as a barometer, demonstrating whether Korea can move beyond the ranks of a semi-developed country to a fully developed one. The higher total GDP of a united Korea as projected by Goldman Sachs would translate into higher per capita income. And with that higher income, along with increased economic potential, the people of a united Korea could enjoy as high a standard of living as those of other advanced nations.

### 3) From 'Korea Discount' to 'Korea Premium'

'Korea Discount' refers to the undervaluation of South Korea by international investors, as indicated by the sovereign credit rating and national brand value. Though South Korea is one of the world's ten-largest nations in terms of export and GDP, the country's sovereign credit rating and national brand value is comparatively low. On April 14, 2013, Moody's raised Korea's credit rating by a notch, from A2 to A1, the same level as for China, Israel, the Czech Republic, and Chile. In comparison, this is lower than the Aaa rating for the U.S., Canada, the U.K., Germany, France, and Singapore, and the Aa2 rating for Japan, Hong Kong, Kuwait, the United Arab Emirates, Portugal, and the Aa3 rating for Taiwan, Macau, and Saudi Arabia.

It is highly likely that the geopolitical risks presented by the North Korean regime are reflected in the Korea Discount, and

as long as Korea remains divided, geopolitical risks constitute an unavoidable variable. The fact that Korea's sovereign rating went up even after North Korea's sinking of the South Korean warship Cheonan, which revealed the harsh security reality of the Korean Peninsula, is indication of the robustness of the Korean economy. What is regretful, however, is that Korea's sovereign rating would have been on par with those of other advanced nations were it not for this risk factor.

In the 2009 Anholt-GMI Nation Brands Index, Korea ranked 31st of 50 countries. Korea was placed behind China (22nd), Singapore (24th), and India (26th) in Asia. Compared to the U.S., which took first place in the 2008 Index, Korea's rating means that the country receives 30% less than the U.S. when selling the same product in the world market. Improving the Korea Discount by just 10% would result in 13 billion dollars of additional operating profits for the three top businesses in Korea. The fact that South and North Korea are divided also results in South Korea's stock market trading at a 10% discount from its aggregate market value. Applying this discount effect to the 1,218 trillion won of the aggregate market value of South Korea's stock market on April 30, 2010 translates to a loss of 82 trillion won due to deteriorating inter-Korean relations.

A divided nation continuously exposed to military confrontation and frequent clashes is bound to be less attractive for investors who seek a stable return. However, unification will change how

the world views Korea, consequently raising its national status and brand value. By clearing away Korea's image as an insecure country, unification will be a new solution for bolstering its national competitiveness, which in turn will eliminate the Korea Discount effect and create a Korea Premium effect.

#### 4) Increased employment opportunities

Unification will provide the opportunity to deal with various issues of the Korean economy. For one, finding a solution to the unemployment problem will result in a revitalized economy.

Unification is expected to create new jobs in various fields. Most of the jobs taken by South Koreans are limited to the South, but when Korea is unified, new jobs will become available in North Korea. There will be a significant labor demand to develop North Korean regions. Additionally, a united Korea will have a direct connection to the continent, meaning countless new opportunities for employment abroad. Korea will also have access to many more regions that use the Korean language and the Hangeul alphabet.

It will take a considerable amount of infrastructure to bring North Korea up to the level of South Korea after unification. In addition to highways, railroads and industrial complexes, preliminary work and urban planning, as well as related

facilities will be needed. This massive project will require a huge blue-collar labor force from North Korea as well as South Korean white-collar personnel who are familiar with the South's system of operations.

Unification will also present an important opportunity to resolve the youth unemployment issue. Young people will feel less obliged to defer college graduation due to limited employment opportunities, or to spend a fortune traveling abroad for foreign language education to upgrade their resume with qualifications and experience. Additionally, more diverse jobs will become available as Korea will have free cross-continental access to China, Russia, and even Eastern Europe.



## Security Vision

### 1) Freedom from fears of war and terrorism

North Korea has continued to launch armed provocations and terrorist acts. Not only did it sink the Cheonan, a South Korean Navy warship, off Baengnyeong Island on March 26, 2010, it also bombarded Yeonpyeong Island in November of the same year. Particularly egregious was the bombing of Yeonpyeong Island, which targeted private homes and civilians and caused the evacuation of 95% of the 1,700 residents to Incheon. Adding to that, the residents of Baengnyeong Island and four other islands off the West Coast now suffer from severe anxiety and loss of their sense of normalcy because of the incident.

Even before the sinking of the Cheonan and the bombardment of Yeonpyeong Island, North Korea had committed armed provocations near the Northern Limit Line (NLL), which is situated in the waters off Yeonpyeong Island and Daecheong Island. The North's confrontations include the First Battle of Yeonpyeong on June 15, 1999 when it violated the NLL; the Second Battle of Yeonpyeong on June 29, 2002 during the height

of World Cup competition when North Korean vessels opened fire on the South Korean Navy's Chamsuri 357 craft; and finally, the Battle of Daecheong on November 10, 2009, after the North fired on a South Korean ship despite warnings to retreat from the NLL.

In addition to military confrontations, South Korea has been exposed to numerous threats of war and terrorism from North Korea. They include the Blue House Raid in January 1968; the terrorist bombing at Aung San Cemetery in Burma (Myanmar) in October 1983, intended to assassinate the South Korean President and his escorts; and the 1987 bombing of Korean Air flight 858.

North Korea's provocative terrorist acts have continued both during the Cold War and post-Cold War periods regardless of the state of inter-Korean relations, leaving South Korean society in a constant fear of war. It is time to prevent the possibility that South and North Korean brethren will once again take aim at each other. Regardless of the winner, an inter-Korean war would be a calamity for the Korean people. Unification will fundamentally resolve the situation, allowing the people to live peacefully, free from threats of all-out war. For the nation, unification entails a security interest, but for the people, it is much more personal—they would finally be liberated from their fear.

## 2) Driver of growth for individuals and the nation as a result of change in conscription laws

Under the current conscription system, all healthy Korean male who has attained a certain age must fulfill a period of mandatory military service. The Korean military also administers a recruitment system under which officers, noncommissioned officers, and other career military personnel serve in the army on a voluntary basis. Military duty in defense of the nation is the responsibility of every South Korean male. Given the insecure environment in which the nation faces military confrontation at all times, national defense is a responsibility of the highest priority, and because of that system, we and our families, our society, and the country continue to exist and thrive.

When the country is united, Koreans will not only be free from the fear of war, but there will be substantial changes to the military. Of course, national defense cannot be neglected even if the two Koreas are unified. But at least a united Korea will no longer require the massive financial and human resources needed in a divided state. Not only will the military spending be cut but the military service system will also be revamped. For example, it is likely that the period of military service will be shortened and the number of military personnel reduced to appropriate levels. In the longer term, when peace is established in a united Korea and in Northeast Asia, Korea's conscription will certainly be replaced with a

recruitment system.

The current length of service is about two years. However, if conscription is replaced with a recruitment system, young Korean men can spend that time completing their education or working. In this way, a significant human resource can be freed up to drive the development of the nation and society.

The possibility of change in the military service system bears special significance particularly for young Korean men and teenagers. As long as Korea remains divided, young males are bound by law to spend two of the best years of their lives in the military. Although it is the least they can do to ensure their people's peace and safety, unification may someday mitigate that obligation. A united Korea, in itself, would guarantee the same level of safety and peace, and at the same time, reduce the military cost burden. Correspondingly, people will have more time for self-development and the nation will gain a stronger driver of growth.

### **3) Diversion of savings in military spending to welfare use**

When the Koreas are united and massive military spending reduced, the savings can be used for education and welfare expenditures, leading to a better quality of life. Korean people, who have always considered high quality education as an

investment for the future, are often strapped with debts to survive fierce global competition and to pay for after-school academies. Too much competitiveness, whether in schools or the workplace, can marginalize large numbers of people and give rise to bankruptcy and indigence.

Any cuts in military spending can thus, be diverted to enhance the quality of public schools, reducing the burdensome need for private education. These cuts would also free up more money for state welfare programs for the less fortunate, raising the quality of life for people as a whole. In short, a united Korea will provide an improved environment for education and raise the quality of education in schools, while offering stronger social welfare programs that benefit everyone.

# 4

## Social & Cultural Vision

### 1) Realization of a Global United Korea

People associate unification with the merging of South and North Korea. Yet, Korean expats who settled abroad during Japanese colonial rule, North-South division, or even afterwards rarely have a place in that discussion. Unification heralds a new beginning, however, which requires a new national community, one that is inclusive of Korean expats living abroad. After all, unification is not a return to a state in the past. Rather, it involves the realization of a true global and united Korea where the South and North Korean people become one with their brethren abroad.

Unification will be an important opportunity to bring together fellow Koreans who are scattered throughout the world as a result of the Korean diaspora. History has shown that nationals with a cohesive bond become a strong commercial presence wherever they settle, for example, the Jewish, Indian, and Chinese people. In the same way that the annual World Korean Business Convention presents various

networking opportunities for Korean people living abroad, unification will boost opportunities for Koreans to assume an important role in world commerce and build a stronger Korean network. The combined strength of Koreans at home and abroad will provide the foundation to soar as a leading ethnic group worldwide.

## 2) Stronger academic competence through South-North fusion

With proper nurturing, academics in a united Korea will gain considerable synergy. In the field of science, for example, North Korea has focused more on basic science than on applied science, whereas applied science is much more popular in South Korea. Thus, a united Korea can advance in both disciplines through balanced academic growth and development.

Unification will result in heightened public interest in Korea's history, and provide opportunities to learn more about and preserve the history of Gando, Manchuria, Balhae, and Goguryeo. Korean teenagers will take school field trips to historical sites of Goguryeo and Goryeo that have been off-limits before.

Though the Cold War era has ended, South and North Korea still gather knowledge from regions that had or still

have very different ideologies. For example, a large number of South Korean students study in the U.S., Western Europe, or Japan. On the other hand, North Korean students mainly study in Russia, China, and Eastern Europe. Unification will result in a diversification of learning sources, improving the possibilities for research and providing access to more advanced knowledge. The synergies of interdisciplinary exchange between South and North Korea will help enhance the quality of education and human resources, moving the nation a step closer to having a Nobel laureate.

### 3) Stronger position in sports

A united Korea will help strengthen Korea's dominance in sports. Until now, South and North Korea have competed as separate teams, but when they are united, the country can perform at a much higher level. Considering that a mixed South-North Korean team performed better in world competition, a united Korea stands to consolidate its position in world sports.

Korea ranked seventh at the 2008 Summer Olympics in Beijing with 13 gold medals, ten silver medals, and nine bronze medals. North Korea ranked 33rd with two gold medals, one silver medal, and three bronze medals. Combining the medals of South and North Korea, Korea would surpass Australia (6th place with 14 golds, 15 silvers, and 17 bronzes) and be close to



Germany (5th place with 16 golds, 10 silvers, and 15 bronzes).

Korea will also see its ranking improve at the FIFA World Cup games. It was outstanding in the 2002 World Cup, taking fourth place, but in Germany in 2006, it took 17th place, and in South Africa in 2010, 15th place (North Korea took 32nd place). Winning fourth place in the world standings will be an achievable goal for a united Korea.

South Korea hosted the Seoul Summer Olympic Games in 1988 and the FIFA World Cup in 2002. In 2018, it will host the Winter Olympic Games in Pyeongchang. Korea's winter sports would certainly benefit if the two countries were unified. In North Korea, where the climate is more conducive to winter sports, interest can be revived in skiing and ice skating, among others. By promoting everyday winter activities to nurture future athletes, Korea will emerge as a mecca of winter sports in Northeast Asia and a strong presence in world competition.

#### 4) Additional routes for overseas travel

After unification, people in the South can travel freely to scenic areas and places of historic interest in the North, such as Pyongyang and Gaeseong which were once the capital cities of the ancient kingdoms of Goguryeo and Goryeo. They will marvel at the fabled mountains of Geumgangsan, Myohyangsan, and Baekdusan. Until now, South Korean people

have only heard about these sites or have seen them in pictures, television, or on computer monitors. Currently, if South Koreans want to see Mount Baekdusan, they must go by way of China, but when the country is unified, they can freely visit Baekdusan or other mountains, as well as other cultural and historical relics.

Today, South Koreans cannot travel abroad without taking a plane or a boat. Unification will open the way for travel by land to China, Russia, countries in Central Asia and even Europe. Crossing the vast continent by railway or driving a car toward the distant horizon has been, and still is, unimaginable. Travel to Europe, which is difficult due to the expense of air flights, will be much more affordable when accessible by land. Thus, unification will open the way to the continent, fostering peace on the Korean peninsula and prosperity for the people.





CHAPTER 6

# CONCLUSION

Engaging the public in the unification discussion and raising their awareness must begin from an earnest examination of why a united Korea is necessary. It also requires a clear idea of the future vision that unification will bring. These efforts, which will help reinforce the currently limited public awareness of unification, must go hand in hand with practical efforts to raise the public's will and capacity for it.

The various claims in favor of unification were not well organized, much less have they been supported by specific examples. The normative claims for unification rely on abstract ideas or ideology. This paper presents arguments to update our understanding of the need for unification and present a future vision of a united Korea, as presented in Table 6 below. The arguments, claims, and examples in this paper are not exhaustive. They only provide some suggestions on how to begin a new discussion. More efforts are needed to develop strong arguments, claims, and examples in favor of unification and future visions of a united Korea.

**Table 6** Argument for renewing unification awareness and future vision of a united Korea

Classification	Basis for renewed unification argument	Future vision of a united Korea
Politics and Diplomacy	<ul style="list-style-type: none"> <li>• Heightened international status as a small but powerful nation</li> <li>• Leader of peace and prosperity in Northeast Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Building a Second Nation and Leap Forward</li> <li>• Enhanced image and expanded activities on international stage</li> <li>• Rise as the center of the BESETO Belt</li> <li>• Improved living conditions and human rights of North Koreans</li> </ul>
Economy	<ul style="list-style-type: none"> <li>• Economy-of-scale effect</li> <li>• Synergistic effects</li> <li>• Stronger national brand value and competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Geo-economic advantage connecting land and sea</li> <li>• Higher national income and better quality of life</li> <li>• From 'Korea Discount' to 'Korea Premium'</li> <li>• Increased employment opportunities</li> </ul>
National security	<ul style="list-style-type: none"> <li>• Fundamental solution to threats of war</li> <li>• Fundamental solution to North Korea's acts of terrorism against the South</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom from fears of war and terrorism</li> <li>• Driver of growth for individuals and the nation as a result of change in conscription laws</li> <li>• Diversion of savings in military spending to welfare use</li> </ul>
Society and Culture	<ul style="list-style-type: none"> <li>• Homogenization and diversity</li> <li>• Break from embedded divisive rhetoric</li> <li>• Eclipse of South-South conflict and social integration</li> </ul>	<ul style="list-style-type: none"> <li>• Realization of a Global United Korea</li> <li>• Stronger academic competence through South-North fusion</li> <li>• Stronger position in sports</li> <li>• Additional routes for overseas travel</li> </ul>

A new way of looking at the necessity of unification must not be founded on an unconditional critique of existing

arguments. Rather, it must be based on a rational critique to modify and improve upon existing arguments and present a newly formulated one in favor of unification and a future vision of a united Korea. This argument must be addressed holistically, i.e. not just from a national perspective but from one that encompasses individual, national, and international interests.

However, it must be noted that there is more to unification than just individual interests or pragmatic benefits. It can be an opportunity to reinforce national competitiveness and enhance public welfare. A normative or humanitarian argument will continue to be effective as long as the new claim addresses the complexity and multiple implications of unification issues rather than depending on abstract assumptions. In short, unification must be explained through specific examples, highlighting the positive implications it has for individuals, the nation, the people, Northeast Asia and the world.

Sustained efforts are vital in order to reinvigorate public opinion. As long as the public harbors any doubts to the question of “why a united Korea,” unification will be implausible or, even if it is realized, it will be difficult to maintain optimism about the post-unification future. Thus, the first step in achieving this goal is changing the public’s view on uniting the two Koreas.







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