

South Korea's Sunshine Policy

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Good afternoon, ladies and gentlemen. I am very honored to give a speech today here at the Asia Society.

Before I talk about my country's Sunshine Policy, let me briefly mention both the current state of South Korean economy and that of the US-South Korean relations.

The South Korean economy is fundamentally sound, although it is still confronting difficulties. I will deal with this issue a little later. Insofar as the state of the Republic of Korea and the US relations is concerned, it is impossible for me to emphasize how exemplar our bilateral relations and alliance have been for the last half century. It doesn't mean that we don't have outstanding issues. What I mean is that, as closest allies, both countries have matured and developed together to the level where problems can be resolved amicably and satisfactorily. No issues between our two countries are insurmountable, irreconcilable or irresolvable.

Back to the main focus of today's topic, the two major goals that President Kim Dae-jung, the first Nobel Peace Prize recipient of the new century and new millennium, set out to achieve during his tenure, are rather straightforward. Externally, he wants to remove the last vestige of the Cold War from the Korean peninsula by implementing the Sunshine Policy, which I will address in the second half of my speech. Internally, he is determined to make Korean society and its economy vibrant and competitive in the increasingly IT (intelligence technology)-oriented global market. In realizing the domestic goal, President Kim and South Korean government confront many obstacles. Let me simply list those obstacles and constraints. To successfully achieving four-sector reforms -- financial, labor, corporate and public - there are five constraints. They are societal, political, bureaucratic, psychological and time constraints.

Simply put, the societal constraints stem from the deeply and widely entrenched establishment, more than 30 years old.

The political constraints rise mainly from the fact that when the first opposition-turned government of Kim Dae-jung was launched, it was from the outset a minority government. The present opposition party, the Grand National Party, still retains the plurality status at the National Assembly.

The bureaucratic constraint is not unique to the Korean situation only but rather a universal phenomenon. The bureaucracy is, by nature, conservative and reluctant and even resistant to any fundamental changes and/or reform. The irony here is the fact that the bureaucracy is not only one of the four-sectors which need to be restructured and reformed, but it is also the very government machinery or instrument which must implement those reforms and restructuring

The psychological constraints are peculiar to the Korean public mood, sentiments and even culture. All the predecessors of President Kim Dae-jung - former presidents Chun Doo Hwan, Roh Tae Woo or Kim Yong Sam - invariably advocated similar reforms and restructuring during the initial phase of their administrations but in the end all failed to deliver such promises. As a result, not only the general public but also the deeply entrenched old establishment is skeptical about Kim Dae-jung's reform drive as well. Old establishment expects that like his predecessors, Kim Dae-jung will be trapped in the same path, and that he, too, will fail in the end.

Finally, there are time constraints. The Korean presidency is a five-year term and the Kim Dae-jung government's term has less than 3 years remaining. The lame-duck phenomenon creates tremendous strains and limitations on the successful completion of reform.

Despite these obstacles, President Kim Dae-jung's reform and restructuring drive will and must succeed for five reasons.

First, President Kim Dae-jung is determined to complete the reforms and restructuring by the end of next February. His leadership, vision and conviction will make a fundamental difference. Unlike his predecessors, he rose to his present position after a long, arduous, and torturous life and political struggle. He has endured, among other things, narrow escape from a death squad and assassination attempts, a death sentence, abduction, an alleged charge of treason, more than five years of imprisonment, frequent house arrests, several years of voluntary and involuntary foreign exiles, and even charges of being a communist by successive authoritarian military regimes from Park Chung Hee, to the time of his own ascendancy to the presidency. There is no question that he and South Korean government face a Herculean task in overcoming those five overlapping and mutually reinforcing roadblocks. But he will prevail in the end because he has overcome all kinds of adversities and afflictions throughout his life and political career. His record speaks for itself. His tenacious and indefatigable personality can be seen from his loss in the first bid for the presidency in 1971 to his victory in the fourth attempts at presidency in 1997, stretching over 27 years. In a nutshell, his rather pertinacious personality, unprecedented personal life, political career and background provide him with a unique qualification to effect reform.

Secondly, South Korea must adopt and implement President Kim's reform and restructuring program. From a Keynesian economy to a Schumpeterian economy, from industrial, post-industrial economy to IT-oriented e-economy, and from old economy to new economy, the global economy is experiencing a paradigm shift in the making.

Like the global economy, the Korean economy, too, must drastically and dramatically transform itself into a new economy. The Korean Chaebols, for example, have been the main engine and primary locomotive for the rapid industrialization of war-torn and deeply rooted agrarian society in the 50's to the 80's. But this old paradigm has become anachronistic and is unfit for the e-economy, e-industry, and e-business. Democratic governance, labor flexibility, transparency, separation of ownership from management, market rules and accountability are the name of the game of the new economy.

What my government tries to do is exactly this -- that is, to adjust Korean economy to keep abreast with the rapidly transforming global economic market. The four-sector reforms that President Kim Dae-jung and South Korea are trying to accomplish are, to repeat, not against, but consistent with, the global trend and the universally accepted standards of business practice and economic policy. This is another crucial reason why our reform drive will prevail and succeed.

Thirdly, closely related to the second reason is the fact that the international business, financial community and institutions are in virtual unanimity that the Korean economy at this juncture needs such reforms and restructuring in order to remain viable and vibrant in this newly globalized world market.

Fourthly, across-the-board economic reforms have brought about a speedy economic recovery as well as significant changes in the way the Korean economy operates.

Usable foreign reserves increased to \$93.3 billion as of November 30th this year, which is the fifth largest in the world, from a mere \$3.7 billion at the end of 1997 when Korea was hit by the Asian financial crisis.

The exchange rate has stabilized at around 1,200 won to the dollar since it shot up to 1,900 won to the dollar at the end of 1997.

In 1999, the Korean economy grew by 10.7% compared to a contraction of 5.8% in 1998. According to the OECD report released last month, the Korean economy is expected to grow by 8.9% and 5.6%~5.9% for this year and next year, respectively, despite high oil prices, price decrease in DRAMs (one of Korea's major export items), and the signs of slowdown in the Asian and world economies.

Although lingering problems surrounding the remaining tasks of financial and corporate restructuring threaten to compromise these strong macro-economic performances, the market-based economic structure has been strengthened and corporate management is becoming increasingly transparent and accountable.

Finally, and most importantly, there is a strong commitment by the Korean people who have endured enormous pains of changes and stood firmly behind economic reform drive.

Recent strikes of medical doctors, bank employees, public corporation workers and farmers indicate how formidable a task it is to preserve a national consensus to reform and restructuring.

However, Koreans are keenly aware that if they backtrack or decelerate the reform process now, we will lose the hard-won momentum to join the ranks of advanced economies.

Even the business community and labor community share the sense of urgency in pushing the reform programs forward.

Let me now focus on the North Korea agenda or the Sunshine policy.

Upon assuming the presidency, Kim launched the Sunshine Policy, known officially as the Policy of Reconciliation and Cooperation toward North Korea. This policy is fundamentally different from all the previous policies of South Korea in several important ways.

First, the Sunshine Policy responds to North Korea's economic and humanitarian needs, rather than its strengths on military and ideological fronts. Specifically, it seeks to help North Korea, with its chronic food, energy, and hard currency shortages due to its inherent systemic defects.

The North Korean economy continues to suffer from systemic and chronic difficulties. It has registered negative economic growth for nine consecutive years from 1990 to 1998. In 1999, it grew by about 6.2% by our estimate, but its GDP still remained at around 75% of that in 1989.

Partly due to repeated flood damage and droughts, its crop harvest this year is expected to suffer another 5-6% decrease over last year's. At the request of North Korea, the South Korean government provided 600,000 tons of food grain and 300,000 tons of fertilizer this year.

In 2000, World Food Program(WFP) has provided nearly 200,000 metric tons of food aid, worth almost \$80,000,000, to North Korea. Japan accounts for 100,000 tons and the United States 60,000 tons.

WFP's most recent report (issued on November 17) on North Korea's food situation also predicts that the difficulty will continue in the year 2001. North Korea will need 1,870,000 tons of food from outside to meet its total food requirement of 4,790,000 tons in 2001.

Second, the Sunshine Policy consists of two tracks - - dialogue and deterrence. The Kim Dae-jung government's North Korea policy pursues a carrot policy firmly based on a stick, not simply a carrot-or-stick policy.

While maintaining a strong defense posture based on military alliance with the United States, South Korea endeavors to create an environment in which North Korea can feel safe to open up and pursue reforms.

The central premise of this policy is that North Korea will not collapse any time soon, and that North Korea's transformation toward a market economy is inevitable, as we have witnessed in China and Vietnam, not to mention Eastern Europe and Russia. It also presupposes that unless North Korea changes fundamentally, its bellicose doctrine and the threat it poses against the South will not change.

By visiting each other and exchanging views, both Koreas would be able to achieve peace instead of war, reconciliation instead of confrontation, and cooperation instead of hostility. This, in turn, would help North Korea with its efforts to change, improve inter-Korean relations, and establish a foundation for peaceful unification.

Third, the Sunshine Policy focuses first on the tasks and problems that both sides can easily resolve and overcome, while setting aside intractable issues for future consideration and

resolution. It separates not only non-controversial from controversial problems, but civilian from governmental tasks, the short-term from the long-term agenda, and the domestic from the international issues. Even among government tasks, the policy differentiates security and military functions from those of other ministries and bureaus.

The Sunshine Policy also promotes peace and mutual prosperity instead of inciting mutual enmity and conflict. In previous administrations, dialogue and cooperation with North Korea stopped altogether when an 'incident' broke out between the two Koreas. Such incidents or provocations have also occurred in the current Kim Dae-jung administration. A North Korean submarine infiltrated into the territorial waters of the South in 1998, and the North Korean navy vessels confronted the South Korean navy off the west coast in June 1999. However, these incidents did not stall the process of engaging North Korea. While responding firmly with appropriate counter-measures against these acts of military provocation, the South Korean government let programs for humanitarian assistance and those initiated by the private sector continue. By doing so, South Korea has kept the momentum of reconciliation alive. The Sisyphean dilemma, which has stood in the way of inter-Korean reconciliation for more than five decades, is now over.

Fourth, it encourages our allies and friends to actively engage North Korea. Since the inauguration of the Kim Dae-jung government, North Korea has established diplomatic relations with several countries -- South Africa(98/8/10), Brunei(99/1/7), Italy(00/1/4), Australia(00/5/8), and the Philippines(00/7/12). During the Asian European Summit Meeting(ASEM) held in Seoul in October this year, Germany, the United Kingdom, Spain and the Netherlands expressed, either openly or indirectly, their intention to establish diplomatic relations with North Korea. Canada and New Zealand are also talking with Pyongyang about normalizing relations.

As a result of this fundamentally different policy of the Kim Dae-jung administration, there have been many changes in the inter-Korean relations during the last couple of years. For example;

- 1 More than 290,000 South Koreans toured Mt. Kumgang, one of the beautiful mountains in North Korea.

- 2 Contacts and exchanges have increased. More than 11,000 South Koreans visited the North. (This is about 4 times the number of visitors for 9 years before engagement policy began.)

The Korean people can draw lessons, not only from the German experience of Ostpolitik, but also from the European integration process. Just as the EU began as the European Coal and Steel Community in the early 1950's, the two Koreas can first try to build a national economic community and, as their economic inter-dependence deepens, they can then proceed toward the ultimate goal of political unification.

For the past 50 years, South Korea's policy toward the North under the previous administrations was by and large a negative and passive policy of 'peace-keeping' tantamount to maintaining the status quo. But President Kim is utilizing the current favorable international

environment, and South Korea's relative strength vis-a-vis North Korea to pursue a policy of positive and active 'peace-making'.

Some people allege that South Korea is too optimistic about the prospect of North Korea's change and too naïve in believing that North Korea can be trusted. The fact is that the Kim Dae-jung government and the South Korean people are cautiously optimistic. We the South Korean people want to encourage North Korea to change since it has no better alternative. We trust only our good will supported by solid deterrence, which will soften the deeply rooted mutual mistrust bit by bit. We also believe that building up mutual confidence between both sides is the key to achieving peace and unification.

Above all, we must do away with our old defeatist attitude that entrapped us in the cocoon of the Cold War mentality. We should neither overestimate the threat of North Korea, which depends on a defensive survival strategy, nor underestimate the destructive capabilities it still possesses. In this context, it is worthy to note the following paragraph from Arthur M. Schlesinger, Jr.'s autobiography which describes the 40-year Soviet-American rivalry:

"Each undertook for what it honestly saw as defensive reasons actions that the other honestly saw as unacceptably threatening and requiring countermeasures. Each succumbed to the propensity to perceive local conflicts in global terms, political conflicts in moral terms and relative differences in absolute terms."

I must say that North and South Korea during those years were no different except perhaps for the fact that they were much more extreme both in mutual enmity and mistrust. Those days of mistaken escalation of mutual hostility are and must be a thing of the past even on the Korean peninsula. We are, of course, humbly reminded by Schlesinger's admonition that "people in the past did not really know why they were doing what they did leads to the conclusion that we do not really know why we are doing what we do today."

In the final, analysis, then, in all scheme of things, hindsight is always closer to perfection and truth than foresight. With this caveat in mind, let me recapitulate the key principles underlying the Sunshine Policy. They are functional separability, peace and mutual prosperity, flexible reciprocity, gradualism, and solidarity with allies.

This new policy has already resulted in the historic summit between President Kim Dae-jung and Chairman Kim Jong-Il who met in Pyongyang last June, the first government leaders to do so in the 55-year old Korean division. North Korea's attitude has changed substantially since last June. For example, North Korea returned South Korean fishing vessel which accidentally crossed into the North's territorial water, and North Korean (blue crab) fishing vessels no longer intrude into the South's waters off the west coast.

And projects for reconciliation and confidence-building continue. For example, visits by 200 separated family members (100 from each side) took place on August 15, the National Liberation Day. A second round of visits took place from November 30 to December 3. The Red Cross authorities of both sides will meet from December 13-15 to discuss further visits.

The dialogue at government level has entered a new dimension. Let me give you just one example. Talks are underway on reconnecting the 24km(15 miles) stretch - 12km each on both sides - of the Kyongui(Seoul-Shinuiju) railway through the DMZ and building a four-lane highway - 5.5km on the South and 12km on the North - running alongside it between Kaesong and Munsan.

Last September, defense ministers of the South and the North had a first-ever meeting in Chaeju Island. The two sides are now talking on the time and place for the second meeting. In the area of military confidence building, however, substantive progress has yet to be made. For now, South Korea is pursuing elementary measures for confidence building that will enhance transparency, such as installing South-North hot-line and exchange of information on troop movements, military drills and personnel exchanges.

In early October, North Korea's First Deputy Chairman of the National Defense Commission, Vice Marshall Jo Myong-rok, visited the United States. He held talks with the U.S. Secretary of State Madeleine Albright and Secretary of Defense William Cohen, and was greeted by President Clinton at the White House. This again was another unprecedented event in the rapidly unfolding North-South Korean and North Korean-US peace process. As a follow-up, Secretary Albright visited North Korea in late October and met with Chairman Kim Jong-Il for six hours. And President Clinton himself has not completely ruled out the possibility of visiting North Korea during his tenure if the conditions are right.

So the peace process not only between North and South Korea, but also between North Korea and the U.S. as well as North Korea and Japan are gaining momentum, triggered by President Kim's policy of reconciliation and cooperation toward North Korea, which has been undertaken in close consultation and coordination with the United States and Japan. At a closer look, however, considering the fact that the Korean Peninsula is the last remaining vestige of the Cold War and is the only divided nation among those partitioned in the wake of World War II, one can even assert that this process may have been too slow and stagnant until President Kim launched his new policy.

Let me now conclude my remarks by emphasizing two points.

First, domestically South Korea is still struggling with economic woes. Although it has overcome the initial financial crisis of 1997 created by the sudden depletion of foreign reserves, it has yet to achieve the four sector reforms. President Kim Dae-jung is unswervingly convinced that completion of the four sector reforms is the only way for the Korean economy to successfully keep abreast with the highly competitive world market.

Second, the inter-Korean peace process which is currently unfolding will surely encounter ups and downs, temporary stalemates and setbacks. However, with vision and determination, President Kim and the Korean people will succeed in removing the Cold War glacier from the Korean Peninsula, and pave the way for the eventual realization of national unity.

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