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**THE ROLE OF COOPERATION IN THE DEVELOPMENT
OF INTER-KOREAN RELATIONS, 1972-2007**

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Introduction

The division of the Korean peninsula can be considered as a regional variation of the broader global context that has characterized the post-Second World War period, with the affirmation of the US and Soviet spheres of influence and the crystallization of the Cold War system. Moreover, the Korean War (1950-1953), that came a few years after the formal division of the peninsula (1948), is considered as one of the first peripheral clashes between the two superpowers that characterized the bipolar world until 1989.

This fundamental role at the regional level, inside the global arena, has led many analysts to investigate the case thoroughly and develop different theories on the division of the Korean peninsula and on the possibility to resolve this open question.

In many respects, the history of Korea over the last seventy years can be regarded as that of a “victim” of the international structure of the Cold War. Without the intervention of the superpowers, in fact, the division would have been unlikely to materialize and likewise the war; this systemic perspective based on the international context seems to be so dominant in driving the following historical development of the peninsula. This does not mean, however, that during the period following 1953 the politics of two states have been directed respectively from Moscow/Beijing and Washington, rather, already during the ‘60s, the affiliation with the guidelines of the two blocks, in terms of ideology and development model, was much diluted if not totally separated, as in the case of the indigenous model of “developmental state” put in place by the authoritarian regime of Park Chung-hee in South Korea.

The area where the influence of the “Cold War system” had its stronger impact was that of international relations and security policies, characterized by approaches of containment and confrontation, typical of the logic of the two superpowers. This approach, almost unique case in the whole world, in Korea survived the very end of the Cold War and the bipolar division of the world, after 1989.

The United States promoted a commitment to security based on strategic containment of China and the USSR – and their “forefront” in Pyongyang – and on the protection of the allies: South Korea and Japan. In the context of power relations and alliances that came out of the Second World War, the weight of such an approach would have been therefore ineluctable for the leadership of the government in Seoul. Even at the end of the Cold War the long roots of this approach will push the US State Department to hardly tolerate, when

not openly oppose, the various attempts of paradigm shift towards a new approach in inter-Korean relations, no longer based on containment but on engagement.

Since the beginning of the '70s it began to emerge the possibility of a new approach based on peaceful coexistence, with the possibility of establishing forms of cooperation in various fields. The first efforts in this direction were very mild and mostly related to changes in the international environment, in particular the *détente* between the two blocs and the Sino-American rapprochement, and to tactical adjustments of the national policy, rather than a long-term strategy that has as its ultimate goal in reunification. Over the years, this approach has been consolidated, in particular after key events, such as the democratization in South Korea in 1987 or the end of the Cold War, with the fall of the Soviet Union in the early '90s; these changes opened new opportunities to set a more cooperative relationship with long-term goals. In this perspective, the real watershed has been represented by the election of the first progressive president in South Korea, that led to the apex of this new policy of *constructive engagement*, along with that of his successor, with the clear aim of attaining a situation peaceful coexistence between the two countries, pre-requisite for a long process that could have led to the reunification of the peninsula.

Although most of the studies on the relations between the two Koreas focus on security issues, particularly the confrontation, military confrontation and tensions that have marked the seventy years of division of the peninsula, the prospect of inter-Korean cooperation can be considered an interesting lens to analyze the development of relations across the 38th parallel. The development of cooperation is in fact all the more essential as you are in a situation of conflict and rivalry. It can be considered as an effective and useful for exiting a state of this type and move towards a goal of reconciliation. In the Korean case this is even more important because the long-term goal of regimes and governments that have taken place in both states Koreans was, and still is, that of the reunification.

As previously mentioned the division of the peninsula is the result of the defeat of Japan - a colonizing power foreign - at the end of World War II and the following rivalry which materialized between the US and the USSR. For these reasons, it has no intrinsic motivation and internal that can be sought in history, in culture or in the Korean population. The next seventy years of division, the Korean War of 1950-53, and the strong ideological and military confrontation between the two blocs have helped to freeze it and make it even deeper; to the point of creating a kind of deadlock from which it seems

impossible to find a constructive way out - I mean as constructive a way which did not involve a regional military conflict, inter-Korean or inside one of the two countries.

Despite this background bleak, over the decades have been conducted various experiments and various long-term projects in inter-Korean cooperation. If the division and the War until the 70s we can not really speak of relations between the two countries from 1972 onwards however the dialogue has always been present, although, for some periods, in a very ephemeral. The signing of the Joint Statement of 1972, although it may seem today as a purely formal exercise and no real practical consequence, has marked a turning point in relations between the two Koreas. For the first time, in fact, Pyongyang and Seoul begun discussions constructive dialogue and cooperative aimed to establish some key points in the management of mutual relations and to accept the *fait accompli* on the peninsula that there were two separate state entities, which had to find a *modus vivendi* to co-exist. This time ago then appeared the term "coexistence", which, although it may seem very far from that of "reunification", does provide a fundamental improvement. Do not forget that only 19 years before the two countries were involved in the Korean War and who were still formally at war - as indeed they still are today. For these reasons, the time horizon selected to analyze the development of inter-Korean cooperation begins with 1972.

The next few years, although at first glance it may seem that the process of rapprochement has been interrupted, in reality the dialogue continues. The Joint Declaration in fact give way to a series of meetings between representatives of the two countries to address some of the outstanding issues - first and military aspects of security, along with humanitarian issues caused by the division of the peninsula and the Korean War, as the meetings of separated families or the exchange of prisoners of war, even after economic and cultural aspects - and not so bury the results achieved on July 4, 1972.

In this climate of ups and downs you then reach the second crucial point for the Korean peninsula, the end of the Cold War. This epochal event had led many scholars and observers of the region to advocate a collapse of North Korea - as had happened to the socialist regimes of Eastern Europe - and a unification by absorption, as had happened in Germany. In fact, as we shall see later, the North Korean regime showed great resilience to adverse external events and managed, despite enormous difficulties, to survive this wave of global change. However, a change in the system of this magnitude could not have result also on inter-Korean relations. The end of the bipolar had, in fact, released many new possibilities for the actors who were previously linked to the two opposing blocs. In

this new context, the South Korean government is promoting a new approach to North Korea - but also to China and the Soviet Union / Russia - which will go under the label of Nordpolitik. This new approach will be strongly marked by a desire for dialogue and cooperation and will lead to fundamental results in this field. The peak will be reached with the signing of the so-called Basic Agreement - signed in 1991 and in force since 1992 - but the whole process of negotiation which will lead to such a result is one of the leading examples of political cooperation between the two Koreas.

This new emphasis on a constructive management of relations between the two Koreas will not be interrupted even before the outbreak of the crisis linked to the North Korean nuclear program, and will find its maximum effect with the election of President Kim Dae-jung as president of South Korea in 1997. By this date will inaugurate a period of 10 years - President Kim will be followed by the election of Roh Moo-hyun, who will continue the efforts of his predecessor - in which the engagement, dialogue and the construction of mutual trust become the official policy of South Korea against the North. During the "progressive decade" we will be achieved the greatest results in terms of political, economic, cultural and humanitarian. For these reasons, 1997 can be considered as the third crucial point in the development of inter-Korean relations. Unlike the previous two, however, in this case the propulsive thrust to the change comes from within the panorama of the inter-Korean relations, by its primary actors, and not by stresses and changes coming from the environment and from its international balance of power . The new approach inaugurated by President Kim Dae-jung - the so-called "*Sunshine Policy*" - and the positive response of the North Korean regime will launch this new cycle of cooperation on the peninsula. Nevertheless, the weight of international actors can not be totally ignored; In fact, as we shall see, if at first the US administration led by President Clinton will line up in favour of the "Sunshine Policy", with the election of George W. Bush and the so-called "war on terrorism" American opposition to a more conciliatory approach with North Korea will create many problems in the process of cooperation between the two Koreas.

The time horizon selected for this analysis is that of 2007 and, specifically, when in December 2007 the presidential election in South Korea lead to the election of conservative President Lee Myung-bak. the new president decides for a halt to the process of rapprochement with North Korea and most of the projects of inter-Korean cooperation, connecting the box to the resolution of the North Korean nuclear issue, which from 2002 onwards had become increasingly urgent. This dual choice, in sharp contrast with the

previous ten years, will lead to a strong hardening of positions and a virtual suspension of dialogue and cooperation. Such suspension will then increasingly be deepened because of the events that are taking place during the presidency of Lee. The election of Lee also has a further consequence; if, in fact, before the intransigence of the US position it was mitigated by the conciliatory policy of South Korea and its role of "facilitated" dialogue with the new presidency conservative South Korea further strengthens the US position slightly inclined to dialogue.

The election of Lee Myung-bak is not the only example of interruption of the cooperative process between the two Koreas since 1972 forward. During the second half of the '70s and early '80s, in fact, the progress that had been made with the Joint Declaration are reduced to a minimum, and then take off again from the mid-80s. Similarly the years ranging from 1992 to 1997, in which the presidency of South Korea was elected Kim Young-sam, represent a step back from the process of the Basic Agreement. But even with Kim Dae-jung, the cooperation will be resumed and, building on the results achieved in the early 90s, further deepened. After 2007, however, not only is interrupted the path taken ten years earlier, but the voltage levels high systematically eliminate the results in terms of cooperation achieved earlier - with the crucial exception of the industrial park of Kaesong. In the current state of things then, cooperation between the two Koreas is in a state of almost total deadlock. For these reasons, 2007 was identified as the deadline for our analysis of the cooperation between the two Koreas.

After identifying the time horizon of research and the critical issues that will be analysed key is necessary to have a framework through which to analyse the relations of cooperation between the two Koreas. First, the areas in which this cooperation materializes are different, ranging from political and diplomatic cooperation in the economic, through the cultural and humanitarian. The first two are the main framework of inter-Korean cooperation. The first attempts in fact focus on the scope political - such as enshrining the basic principles of relations between the two countries (peace, independence, national unity) or provide for mechanisms to avoid military escalation - with humanitarian and cultural as a residual. With the progressive decade - in particular with the second five - the economy plays a central role, alongside politics, and is identified as a key area, not only for cooperation, but for a true path of national reconciliation. The creation of projects such as the joint Kaesong industrial park, are examples of a win-win strategy that is seen as a possible path to create a strong

convergence of interests which could, in turn, lead to deeper cooperation in the field political. During this evolution, the humanitarian and culture still exist, although in the second floor. The former involve mainly the issue of separated families and, in the second half of the 90s, the supply of food and agricultural assistance to the North. The sudden disappearance of the support of the Soviet Union and the outbreak of the famine of the 90s will make this vital assistance to Pyongyang and will also become an important tool in the hands of Seoul to influence the behaviour of North Korea. For these reasons, in the following chapters we will analyse all these different areas, with particular attention to cooperation in political-diplomatic-military and the economic.

North Korea and South are two sovereign states, inserted in the international community and, for this reason, we need to build a framework of analysis that will remake the theory of international relations. In this context, studies on cooperation are many, and our goal will be to identify what are the strategies that countries can implement to achieve this. As we have just seen, however, on inter-Korean relations insist different levels of analysis. First, cooperation between the two Koreas has always been strongly influenced by the global and regional context, which is also the primary cause of the very existence of these reports, as has caused the division of the peninsula. Then there is the actual level of inter-Korean relations, in which the two Koreas interact with each other, as primary actors of the report. Finally, we can add a further level of analysis, which refers to belonging common of the two Koreas to the Korean nation. As we will see in fact, for centuries the Korean Peninsula has been politically and culturally united; the division of 1945 is not based on any previous justification but only the consequences of the Japanese colonization and the dynamics of the Cold War. For this reason, despite the division the two countries have continued to maintain the same language, the same traditions, the same cultural identity, to the point that both defined themselves as the only legitimate political representative of the entire Korean population. This common historical, cultural and linguistic, creates a base from which one can not ignore the analysis of inter-Korean cooperation. As we shall see, in fact, one of the strategies through which you can get cooperative interaction is based precisely on the existence of a set of shared meanings that create an in-group in which both actors are inserted. To maintain the theoretical scheme all three of these levels will split the conditions that make the cooperation into three groups:

1. the *structural* conditions, which refer to the international context in which they act the two Koreas and the balance of power in force;

2. the *variable* conditions, which refer to the interactions between the two Koreas and how they can take action to get cooperation;
3. the *constructed* conditions, which refer to the existence of a background of common identity to which you can entrust to obtain a success of the cooperation.

This scheme, later will be applied to the main examples of cooperation that we will identify the time horizon of our analysis; in this way we will be able to analyse the causes, conditions and strategies that have characterized a particular interaction, as well as the results it has achieved, both in absolute terms and in comparison with what were the expectations of the actors at the beginning of process.

The first part of this work will then be devoted to the analysis of the theory of cooperation within the world of international relations. You will first be given a definition of cooperation, which will be used during all the work, and then will be analyzed the most common approach to the interactions between states in international relations, namely the rational choice. Later, we will outline the main strategies of cooperation which are found within the theoretical panorama of international relations, so that we can get to the construction of an inclusive paradigm, which may include - through the use of so-called analytic eclecticism - both strategies related the rational choice, the approaches of different types, with a particular attention to constructivist. The latter will in fact provide the theoretical basis to incorporate into our framework also the aspect of identity shared by the two Korean states. Proceeding in this way, then we will build a system of multilevel analysis that allows us to consider all 3 dimensions outlined above.

Within this analysis cooperation attention will be placed on two features that are part of these interactions: the time and trust. The time variable is indeed crucial to quantify the chances of success of cooperation, both because its sustainability is linked to its long-term, both because of the importance that is given to the future interactions of the two actors is one of the keys to success cooperation. Moreover, despite the trust is not necessary for cooperation among states, it becomes a key variable when cooperation is meant to be stable, long-term and aimed at a specific purpose, such as the resolution of a strategic rivalry like that between the two Koreas.

Having dealt with the theory and elaborate a scheme that takes into account the specific characteristics of the inter-Korean relations and give us the opportunity to analyze all the different levels, the second part will be devoted to the reconstruction historical policy on

the Korean Peninsula took the horizon under consideration. The first part will deal with the one that will define the "Korean National Tragedy" from the beginning of Japanese colonization (formally net 1,910) at the end of the Korean War (1953). It is in this time that is consumed before the loss of independence and the subsequent loss of national unity for the Korean population - founding characteristic of inter-Korean relations. Subsequently will be addressed and analyzed the three historical ruptures that we identified earlier - Rapprochement of 1972, the end of the Cold War presidencies progressive in South Korea - with a particular focus on the perspective of the history of international relations, which, as we have seen , they have had a decisive influence on the development of the Korean Peninsula.

Finally, the third and the fourth chapter will be devoted to the analysis of real inter-Korean cooperation. After outlining the theoretical tool and the historical and political context, the third chapter will focus on the major events of political cooperation between the two Koreas. The key points will be the Joint Declaration of 1972, the Basic Agreement of 1992 and the inter-Korean summit in 2000 - with the joint declaration signed on the inside; of course for each of these three examples we will not only analyze the last step, but the whole process of dialogue and negotiation that led to that outcome. Also in the third chapter will prey also examines the efforts of political and diplomatic cooperation carried out by the South Korean President Roh Moo-hyun, who has focused his policies more towards cooperation in the economic field, with a focus on the second international summit Korean 2007 and the role that South Korea played within the multilateral framework of the Six Party Talks, created to solve the nuclear issue of North Korea.

The fourth chapter will be dedicated to economic cooperation, cultural and humanitarian. The first will have a greater weight, both for the variety of projects and interactions implemented, both for the role that economic cooperation can play in key policy towards national reconciliation. With this perspective will be given great importance especially to the inter-Korean policies of Presidents progressives, 1997-2007, which will give the maximum impetus to this type of interaction, hitherto virtually absent. An event of great importance, which will be given ample space, consists of the joint industrial park in Kaesong, which is an example of successful cooperation and long-term, but also a possible example for future developments of rapprochement, not only in statement.

The goal that we propose in this way is to have a clear political-historical reconstruction of the development of inter-Korean relations that could form the basis for a multilevel analysis and understanding of the inter-Korean cooperation. To do this we doteremo also

of a theoretical tool that is able to address the complexity of this phenomenon and its different levels of analysis. If, in fact, the cooperation represents a small proportion of inter-Korean relations, dominated for long periods of tension, military confrontation and clash, but it is also a practical way to achieve a rapprochement and a shift of strategic rivalry, with the aim a process of national reconciliation.

First Chapter

The evolution and development of cooperation among States

The development of cooperative relations can not be considered one of the main features of the history and evolution of relations between North Korea and South Korea. Since the tragic birth of two separate states, in fact, conflict, confrontation, tension and rivalry have been the key features of this relationship. The trauma of Japanese colonization has been followed by the division of the peninsula, due to the onset of the global bipolar order. In a short time that, the intention of the winning powers, a temporary division before the national reunification and the recovery of independence for the Korean population, became a *status quo* that has lasted until today. In addition, the Korean War, which lasted from 1950 to 1953, added a further trauma to this already complicated situation. This negative event contributed decisively to freeze the situation that was created from 1945 to 1950, and even further exacerbate the conflict between the two Korean states. From this point onward, the governments of North and South Korea presented themselves, respectively, as the only legitimate representatives of the Korean nation, and considered each other as the main enemy.

Such a tense situation logically left little room for cooperation. However, since the '70s, a series of changes in the global arena made possible the beginning of a process of rapprochement, which continued especially during the 90s, thanks to a new impetus that came from the end of the Cold War and the bipolar balance of power. This path reached its highest expression in the late '90s and early 2000s, when two consecutive South Korean progressive administrations have implemented a change of approach compared to the past, focusing on cooperation and dialogue with the North, rather than containment and confrontation.

This process of rapprochement has brought with it the development in practice of cooperative interactions between the two Koreas, which, in turn, have led to positive results regarding the level of tension on the peninsula, the volume of exchanges and contacts, the process of national reconciliation.

For these reasons, it is essential to carry out a preliminary analysis on the nature of cooperation in international relations and in the relations between states. Most of the

studies in this regard have focused on the role that cooperation can assume in this context, the probability that it will occur or not, its relationship with the fundamental characteristics of the international system. Less attention has been given to cooperation strategies, to the concrete possibility that states, with a clear will to achieve such a result, may have to make sure that a cooperative interaction reaches a successful end. Indeed, there are a number of conditions on which the actors can act to increase significantly the possibility to cooperate productively.

The goal of this chapter will be to examine the various theoretical approaches that have addressed the issue of cooperation, in order to elaborate, from them, a comprehensive framework that can be applied to the case of inter-Korean relations, which, as we will see at the end of the chapter, can be considered as an example with peculiar and almost unique characteristics.

1.1 The creation of cooperative relations

The dilemma of how to deal with other individuals in a social context has intrigued people for a very long time. Usually, every single people create a scale of values, placing at the apex its own needs and the needs of those belonging to its affective and social around. Inside this scale of values, a further distinction, again based on relevance, is created. In this case, at the top are placed the most important needs for the individual and its own. In these contexts, every individual has an incentive to be selfish and give little or no importance to the needs of the others who are not part of their affective or social around. In a situation of this kind it seems to be little or no room for cooperative interactions.

A context with these characteristics has been defined as “State of Nature”¹. Following Hobbesian approach, the main feature in the “State of Nature” is egoism. Individuals compete with each other to maximize their own interests, regardless the needs of the other actors involved in their social context. On that basis, the only way to achieve cooperation is the presence of a central authority that can impose its power over individuals in the

¹ The “State of Nature” is a hypothetical concept, particularly used in moral and political philosophy, to denote the conditions of people living before the creation of societies and social structures. Among the most important philosophers who used this concept, even with opposite characteristics, there are: Thomas Hobbes, Baruch Spinoza, John Locke, Montesquieu, Jean-Jacques Rousseau.

social context. This central authority is identified with a strong government that imposes rules and laws to emerge from the “State of Nature”².

Even if we consider the “State of Nature” situation from a less pessimistic point of view, the development of cooperative relationships seems to be difficult to achieve. In fact, as clearly described in Jean-Jacque Rousseau’s “Stag Hunt” example³, the consent of all the actors and the equal interest in the project are not sufficient to ensure that cooperation takes place⁴. The individuals will always have an incentive to “catch the hare”, get enough food for himself and let his fellows starve. A relationship based on cooperation, thus, requires the presence of incentives that can ensure – or at least make it as likely as possible – that the other actor(s) will fulfil its commitment.

A further problem that concerns cooperation is related to time. Most of cooperative relations raise the issue of ‘future time actions’. In fact, if we cannot know with certainty what will be the behaviour of all actors throughout the entire interaction; at the very moment in which we have to decide how to act we cannot know, without doubts, if all the individuals involved will respect the commitments or if someone will decide to defect. This dilemma is the so-called “shadow of the future”⁵ and introduces the importance of information and communication among the actors for the successful outcome of the cooperative interaction.

These considerations about interactions among individuals can provide useful lessons also for bigger contexts. In particular, quite often relations among States have been compared to relations among individuals. All the theorists of social contract, being Hobbes, Spinoza, Locke, Rousseau or Kant, created an analogy between States and individuals in a “State of Nature”. The main reason lies in the fact that, just like States, people in that situation coexist without a central authority that can impose its will over every individual. This consideration has been widely accepted and revived by many neo-realist scholars, starting from Kenneth Waltz⁶.

² Hobbes, Thomas [1651] 1958, *Leviathan*, Bobbs-Merrill, Indianapolis.

³ The ‘Stag Hunt’ story was described for the first time by Jean-Jacque Rousseau in *A discourse on inequality*. The scenario presents two hunters who can either jointly hunt a stag or individually hunt a hare.

⁴ Waltz, Kenneth N. 1954, *Man, the State and War*, Columbia University Press. New York.

⁵ Shubik, Martin 1970, ‘Game Theory, Behavior, and the Paradox of Prisoner’s Dilemma: Three Solutions’, *Journal of Conflict Resolution*, Vol. 14, pp. 181-94.

⁶ Waltz, Kenneth N. 1959, *Man, the state and war*.

The idea of anthropomorphizing the State and relations among States has been accepted and pursued by other school of thought. The constructivist approach, for example, recognizes the state as a collective actor to which can be attributed characteristics of individual actors, such as identity, interests, and intentions⁷.

Which are the reasons why an individual should refrain from satisfying its own essential needs to collaborate with other individuals and achieve greater collective gains later? Who or what ensures that all the other people will do the same? Under such circumstances it is convenient to cooperate rather than exploit the work of other individuals? How such circumstances, that can assure cooperation from other actors, can be created? All these questions are crucial to understand how to create cooperative relations among individuals. And among States.

1.1.1 Definition of Cooperation

In spite of – or perhaps thanks to – the pessimistic context presented before, cooperation among states has become a subject of great interests for political scientists and scholars of international relations. The first step to start analysing international cooperation must be the identification of the main object of study. A widely accepted definition for international cooperation comes from the work of Robert Keohane:

“intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination”⁸

The central point of the definition lies in the last sentence. Cooperation implies the active process of negotiation between the parties, called “policy coordination”. Using the definition given by Charles E. Lindblom, policy coordination takes place when the two parties decide to adjust their policies in such a way to reduce, or even avoid, any negative

⁷ Wendt, Alexander 1999, *Social Theory of International Politics*, Cambridge University Press, Cambridge.

⁸ Keohane, Robert O. 1984, *After Hegemony: cooperation and discord in the world political economy*, Princeton University Press, Princeton, pp. 51-52.

consequence for the other⁹. At the starting point, from which the interaction begins, the goals of the two parties don't need to be the same. The process of policy coordination serves precisely for this scope. Even if the interests do not coincide, the States can negotiate their policies in order to avoid, or at least reduce, the negative outcomes for the other.

The lack of coincidence of interests and goals between actors is a key feature for cooperation. A situation of perfect coincidence implies that there is no need for coordination between the two sides, since the policies of one automatically facilitate the achievement of the goals of the other. This is true even in a situation characterized by selfishness, in which the behaviour of an actor does not take into account the other. These kinds of situations are characterized by harmony and cooperation is unnecessary¹⁰.

Distinguish cooperation from harmony gives the possibility to identify the two main characteristics of a cooperative interaction: action and mutual gains. The first one implies that there must be an effort to reduce the distance that separates the goals of one actor from the goals of the other, a process of negotiation and adjustment of the policy to reach a situation of mutual gains. From this perspective cooperation is not the simple absence of conflict, rather it comes directly from situations of conflict and it can be considered as a strategy to react and overcome these kinds of situations. The opposite of conflict is not cooperation but harmony, and where harmony reigns cooperation does not take place.

Inactivity is in sharp contrast to cooperation, but also unilateral behaviour, in which the actors do not take into account the interests and goals of the others, but pursue only their own. More broadly, we can consider discord as the main opposite to cooperation. Discord can take place in two different ways. After recognizing the differences in goals and interests between the two parties – and leaving the 'world of harmony' – if no attempts to adjust the policies to each other's objectives are made, thus the result is discord. Both actors continue to pursue policies aimed at achieving self-interest goals, considering the other responsible for any damage or constraints. In this way, conflict is not overcome but is intended to increase.

The second situation in which discord drives the relations between States occurs when the policy adjustment takes place but encounter resistance. The efforts to induce the

⁹ Lindblom, Charles E. 1965, *The intelligence of democracy*, The Free Press, New York.

¹⁰ Keohane, Robert O. 1984, *After Hegemony*.

counterpart to change its policy, in order to be more compatible, fail and policy conflict remains.

Creating cooperation can be, thus, considered as a strategy that, starting from a situation of conflict, tries to find an effective and proactive way to solve the conflict and meet the interests and needs of both parties involved.

1.1.2 Cooperation and Rational Choice Theory

Most of the studies dealing with cooperation among states find its rationale in the concept of maximization of gains. Every party that intervenes in the interaction is willing to take full advantage of every relation, therefore it will choose to cooperate if and only that choice grants it the most benefits. When studying cooperation the most important and most debated approach is based on the theory of rational choice, a framework for understanding and modelling social and economic behaviour. The concept of rationality must be interpreted as “wanting more rather than less of a good”. More specifically, an individual – or a state, as in this case – acts as if balancing costs against benefits to arrive at action that maximizes personal advantage¹¹; thus rationality is seen as a property of patterns of choices, rather than of individual choices. According to the rational choice theory, then, actors will develop strategies to make decisions in such a way to maximize their gains, in relations to costs.

The most classic example of these strategies of decision-making is the so-called *game theory* - also called *interactive decision theory*. Specifically, it is "the study of mathematical models of conflict and cooperation between intelligent rational decision-makers"¹². In practice, it is the effort to reduce to a mathematical model - usually expressed through a matrix - the interaction between the actors, including: the number of players, the information and the actions that each one has available at any given time and the payoff to which each player's decision leads. The second step consists in looking at the possible results and finding the equilibrium situations, a stable situation in which each actor maximizes its own benefit and from which, therefore, has no incentive to deviate.

¹¹ Friedman, Milton 1953, *Essays in positive economics*, University of Chicago Press, Chicago.

¹² Myerson, Roger B. 1991, *Game theory: analysis of conflict*, Harvard University Press, Cambridge.

From its birth, with the work of the mathematician John von Neumann in the mid-40s¹³, game theory had an enormous development and application to a vast number of different fields. Besides disciplines related to mathematical and economic spheres, game theory has been widely used in the study of political science and international relations.

A common classification divides these games into zero-sum and non-zero-sum games. In zero-sum games the total benefit to all players in the game, for every combination of strategies, always adds to zero, a player benefits only at the expense of others. By contrast, non-zero-sum games work under the assumption that pure conflict is dropped from the game and the players face outcomes where they can both lose or both win, where coordination and cooperation emerge as alternatives to pure conflict. In principal, most real world situations in both economic and political fields are of a non-zero-sum nature.

Although game theory has often been employed as a theoretical tool for international relations, it has been criticized on the basis that the theory generally requires more information than it provides answers. Who are the relevant actors? Which are the rules and the payoff structures? Is the game a one-shot or a repeated game? Furthermore, game theory can't incorporate all of the available information, for example: the historical framework of the game environment and the dynamics of the foreign policy making process. Similarly, some critics argued if game theory can be relevantly applied to complex phenomena, such as international relations, without incorporating psychological and cognitive elements. Deborah Welch Larson, for example, points out that simple game models omit many of the processes that are. In fact, critical factors in international relations, such as: the images of the opponent, double standards or the significance of reciprocity¹⁴.

In addition, game theory is often criticized for assumptions made on the rationality of decision makers. According to Joshua Goldstein and John Freeman, "rationality implies some objective criterion of self-interest which guides actors choices. But there may be no objective criterion that defines the interests of a nation, in which various sub-units pull and tug toward conflicting goals"¹⁵.

¹³ Von Neumann, John and Morgenstern, Oskar 1944, *Theory of games and economic behavior*, Princeton University Press, Princeton.

¹⁴ Larson Welch, Debora 1988, 'The psychology of reciprocity in international relations', *Negotiation Journal*, Vol. 4, No. 3, pp. 281-301.

¹⁵ Goldstein Joshua S. and Freeman John R. 1990, *Three-Way Street: Strategic Reciprocity in World Politics*, University of Chicago Press, Chicago, p. 12.

Game theory, as all the theories, indeed is hindered by shortcomings when applied to pragmatic cases in international relations. However, in general, game theory has been widely applied to international politics as metaphor, analogy, or model rather than as a theory¹⁶.

In studying world politics, especially the emergence of cooperative interactions between states, game theory has been - and still is - essential to many scholars that start from the premise that the international system is anarchic, since there is no central authority that can impose its will on the states. If the decision of how to interact is left, almost freely, to the decision of the single actors, there must be an incentive toward cooperation to make it possible, otherwise the shadow of egoism and defection will never be eliminated. Given the characteristic of rationality - as defined above - that these scholars attribute to states, this incentive can be found in maximizing the benefits, through the model of decision-making created by game theory. The two main school of thoughts that based their analysis of cooperation between states on game theory, though reaching opposite conclusions, are: (neo)realism and neo-liberalism.

According to realism¹⁷ - which over time has taken a considerable number of different interpretations - international relations are based on four propositions¹⁸, which govern its development and strongly characterize the possibilities:

1. The international system is anarchic, there is no central authority that has the power to impose their will on states. This situation of anarchy puts states in a state of constant danger and uncertainty about their survival and the behaviour of the other actors, so the international system is characterized by constant antagonism;

¹⁶ Snidal, Duncan 1985, 'The game of international politics', *World Politics*, Vol. 38, No. 1, pp. 25-57

¹⁷ Major realist works include: Carr, Edward H. 1964, *The Twenty Years Crisis, 1919-1939: An Introduction to the Study of International Relations*, Harper Torchbooks, London and New York; Morgenthau, Hans J. 1985, *Politics Among Nations: The Struggle for Power and Peace*, 6th ed., McGraw-Hill, New York; Aron, Raymond 1966, *International Relations: A Theory of Peace and War*, Doubleday & Company, Garden City, N.Y.; Waltz, Kenneth N. 1954, *Man, the State and War*, Columbia University Press. New York.; Waltz, Kenneth N. 1979, *Theory of International Politics*, McGraw-Hill, New York; Gilpin, Robert 1981, *War and Change in World Politics* Cambridge University Press, Cambridge; Mearsheimer, John J. 2001, *The Tragedy of Great Power Politics*, W. W. Norton & Company, New York.

¹⁸ Donnelly, Jack 2008, 'The Ethics of Realism', in Christian Reus-Smit, Duncan Snidal (eds.), *The Oxford Handbook of International Relations*, Oxford University Press, Oxford.

2. The most important actors in the international system are the states;
3. The states are considered rational and unitary actors, aimed at maximizing their own interests;
4. The fundamental concern of the states is their survival, which is why they try to maximize their - military - strength and deal, almost exclusively, with issues related to power and security.

As a corollary to these last two assumptions, there is then a further central point consisting that the so-called *security dilemma*¹⁹. In this situation, the efforts made by a country to increase its own security, regardless of the real intentions, lead to increased insecurity of the other actors, who perceive such measures as potentially threatening²⁰. In fact, because of the lack of clear and certain information about the intentions of the parties, the actions that a state put in place to increase its security - such as acquiring new systems of weapons or increasing the defence budget - will be considered as potentially expansionist moves by opponents, that will respond increasing its military equipment and thus triggering a dangerous spiral.

Given his understanding of anarchy, realism says that individual well-being is not the fundamental interests of States; survival is their main interest. Raymond Aron, for example, suggested that “politics, insofar as it concerns relations among states, seems to signify – in both ideal and objective terms – simply the survival of states confronting the potential threat created by the existence of other states”²¹ and Robert Gilpin notes that individuals and groups can seek truth, beauty and justice, but “all these more noble goals will be lost unless one makes provision for one's security in the power struggle among group”²².

Driven by this interest in survival, the states are very sensitive to any erosion of their relative power, which is the ultimate basis for their security and independence in an international anarchic system. Thus, realists believe that the main objective of the states, in any relationship, is not to achieve the highest possible gain or profit. Instead, the fundamental objective is to prevent others from making progress in their relative

¹⁹ The term was originally coined by John H. Herz in 1951, in the book *Political Realism and Political Idealism*.

²⁰ Jervis, Robert 1978, ‘Cooperation under the Security Dilemma’, *World Politics*, Vol. 30, No. 2, pp. 167-174.

²¹ Aron, Raymond 1966, *Peace and War*, p. 6.

²² Gilpin, Robert 1984, ‘The Richness of the Tradition of Political Realism’, *International Organization*, Vol. 38, No. 2, p. 304.

capabilities²³. For example, Carr suggested that “the most serious wars are fought in order to make one's own country militarily stronger or, more often, to prevent another from becoming militarily stronger”²⁴. Along the same lines, for Gilpin the international system “stimulates, and may compel, a state to increase its power; at the least, it necessitates that the prudent state prevent relative increases in the power of competitor states”²⁵. Indeed, states may also increase their absolute capacity, if doing so prevents others from getting even greater gains. This is because, as suggested by Waltz, “the first concern of the states is not to maximize the power, but to maintain their position in the system”²⁶.

States seek to avoid increases in other's relative capabilities. As a result, the actors estimate their performance in any relationship in terms of the others' performance. Thus, the states are positional, not atomistic, in character. Most significantly, positionality may affect the willingness of states to cooperate. They fear that their counterparties may obtain relatively higher gains and, therefore, will surge ahead in relative capabilities²⁷.

State positionality, then, creates a “relative gains problem” for cooperation. That is, a state refuses to join, leaves, or greatly limits its commitment to a cooperative relationship if it considers that the counterparts achieve, or are able to achieve, relatively higher gains. The actor will avoid cooperation, although participation was providing it, or would have provided it, with large absolute gains. In addition, a state concerned about the relative gains may refuse to cooperate, even if it is convinced that the partners will be able to keep their commitments to a joint agreement. In fact, if a state believes that a proposed agreement would provide all parts absolute gains, but would also generate favouring relative gains, the greater certainty that the partners would adhere to the terms of the arrangement will only accentuate his concerns. Thus, a state concerned for relative gains could respond to a greater certainty that the partners would have keep their promises with a lower rather than a higher willingness to cooperate.

Faced with both problems – cheating and relative gains – states seek to ensure that partners respect their promises and that the interaction produces “balanced” achievements of gains. According to realists, the balance and fairness of gains distributions maintains pre-existent balance of capabilities. According to Hans Morgenthau, states offer their

²³ Grieco, Joseph M. 1988, ‘Anarchy and the limits of cooperation: a realist critique to the newest liberal institutionalism’, *International Organization*, Vol. 42, No. 3, pp. 485-507.

²⁴ Carr, Edward H. 1964, *The Twenty Years Crisis*, p. 111.

²⁵ Gilpin, Robert 1981, *War and Change*, pp. 87-88.

²⁶ Waltz, Kenneth N. 1979, *Theory of International Politics*, p. 126.

²⁷ Grieco, Joseph M. 1988, ‘Anarchy and the limits of cooperation’.

partners “concessions”, in return, they expect to receive approximately equal “compensation”²⁸.

Moreover, the relevance that realists give to the uncertainty for the future, in close connection with the supreme goal of survival, constitutes an additional challenge for cooperation. A cooperative interaction may in fact bring such high gains to the counterpart to make it a tough opponent to face in the future, stronger than what it would have been if the cooperation never took place. The decision on whether or not to cooperate, together with the uncertainty towards the future, can become a matter of survival for realists.

A system with these characteristics leaves little room for cooperation, seen as a residual component of relations between states, dominated, instead, by confrontation and competition. Besides the risk of being cheated, cooperation is always linked to the position of a state in the system.

The major challenge to realist views – also on cooperation – was the emergence of liberalism and especially, liberal institutionalism. This new wave of challenges started in the 1940s and the early 1950s when liberal institutionalists sought to refute the realist understanding of world politics – namely the previous four propositions. First, they rejected realism's proposition about the centrality of states. According to the “functionalist integration theory”²⁹, the key new actors in world politics were specialized international agencies and their technical experts, for neo-functionalists: labour unions, political parties, trade associations, and supranational bureaucracies. Another major contribution to liberalism in international relations has been the so-called “(complex) interdependence theory”³⁰, emerged from the early ‘70s; for the interdependence liberals the new protagonists of international relations, besides the states, were multinational and transnational organizations and corporations. The second critic countered the realist view that states are unitary or rational agents. Functionalists, for example, argued that authority was becoming decentralized within modern states and that a similar process was underway

²⁸ Morgenthau, Hans J. 1985, *Politics Among Nations*.

²⁹ For functionalist works see: Mitrany, David 1966, *A Working Peace System*, Quadrangle Books, Chicago; Mitrany, David 1976, *The Functional Theory of Politics*, St. Martin's Press, New York; Sewell, James Patrick 1966, *Functionalism and World Politics: A Study on United Nations Programs Financing Economic Development*, Princeton University Press, New Jersey; Haas, Ernst B. 1964, *Beyond Nation-State: Functionalism and International Organization*, Stanford University Press, Stanford.

³⁰ For complex interdependence see: Keohane, Robert O. and Nye, Joseph S. 1977, *Power and Interdependence*, Little, Brown, Boston.

internationally. According to interdependence theorists, states and international relations were increasingly characterized by “multiple channels of access”, which gradually weakened the grip on foreign policy held by central decision-makers. Third, liberals argued that states were becoming less concerned about power and security. The costs of war were becoming increasingly high, due to the development of nuclear weapons and the mobilization of national population. Furthermore, the growing economic inter-dependence left the states more dependent – and therefore more vulnerable – from each other for the achievement of goals that were increasingly essential (economic growth, social stability, full employment, etc...). Finally, liberal institutionalists rejected realist view that states are fundamentally unwilling to cooperate, that cooperation is residual in analysing relations among states, finding instead that states increasingly viewed one another not as enemies, but instead as partners needed to secure greater comfort and well-being for their home publics.

But the real challenge to realism, in terms of cooperation theory, came from the so-called neo-liberalism or neo-liberal institutionalism³¹. The main feature of this new approach, emerged from the second half of the Seventies, was its acceptance of some of the key assumptions of realists. In contrast to earlier versions of liberal institutionalism, the newest one accepts realist arguments that states are the major actors in world affairs and are unitary and rational agents. It also accepts realist relevance given to anarchy to explain state motives and actions³². Unlike realists, however, neoliberals argue that the possibility of cooperation in the international system are much more frequent. Neoliberals argue that realism is wrong to discount the possibilities for international cooperation and the capacities of international institutions. They claim that, contrary to realism and in accordance with traditional liberal views, institutions can help states in working together. Thus, neoliberals argue, the prospects for international cooperation are better than what realism allows. The interactions, in fact, are not always a zero-sum game, but also positive

³¹ Major neoliberal works: Axelrod, Robert 1984, *The Evolution of Cooperation* Basic Books, New York; Axelrod Robert and Keohane, Robert O. 1985, ‘Achieving Cooperation Under Anarchy: Strategies and Institutions’, *World Politics*, Vol. 38, pp, 226-54; Keohane, Robert O. 1984, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, Princeton; Lipson, Charles 1984, ‘International Cooperation in Economic and Security Affairs’, *World Politics*, Vol. 37, pp, 1-23; Stein, Arthur 1983, ‘Coordination and Collaboration: Regimes in an Anarchic World’, in Krasner, Stephen D. (ed.), *International Regimes*, Cornell University Press, Ithaca: N.Y., pp, 115-40.

³² Axelrod, Robert and Keohane, Robert O. 1985, ‘Achieving cooperation under anarchy’.

sum games where the goal for every actor is to maximize its own benefit, regardless of the result obtained by the counterpart³³. Neo-liberals in fact posit that states seek to maximize their individual absolute gains and are indifferent to the relative gains achieved by others. Cheating is seen as the greatest hindrance to cooperation among egoistic states, but international institutions can help states overcome this obstacle. Thus, conditional cooperation among states may evolve in the face of international anarchy and selfish interests³⁴.

Among the various ways to foster cooperation – such as: strategies of reciprocity, extended time horizons and reduced verification and sanctioning costs – neo-liberals place great emphasis on another factor: international institutions. In particular, neo-liberals argue that institutions reduce verification costs, create iterativeness and make it easier to punish cheaters. In the opinion of Arthur Stein, “regimes in the international arena are also created to deal with the collective suboptimality that can emerge from individual behaviour”; In other words, if we consider states like single individuals that compose the society, then international institutions are compared to the creation of a “state” to resolve collective actions problems inside the society³⁵.

As Keohane suggests “in general, regimes make it more sensible to cooperate by lowering the likelihood of being double-crossed”³⁶. Hegemonic power may be necessary to establish cooperation among states, neoliberals argue, but it may endure after hegemony with the aid of institutions. As Keohane concludes, “When we think about cooperation after hegemony, we need to think about institutions”³⁷.

International institutions, whether in the form of regimes, laws, treaties, or organizations, help provide these necessary conditions for cooperation. By having rules about what constitutes a violation of a relationship, institutions help increase the confidence of each state that it will not be exploited and that its own cooperative move will be reciprocated. By establishing formal mechanisms of surveillance, institutions enable states to see what other states are doing, again enhancing confidence that a defection will be seen and a cooperative action will be followed by the same. By creating rules and procedures for surveillance and sanction, all parties can have greater confidence that violations will be

³³ Lipson, Charles 1984, ‘International Cooperation in Economic and Security Affairs’.

³⁴ Nye, Joseph S. 1988, ‘Neorealism and Neoliberalism’, *World Politics*, Vol. 40, No. 2, pp. 235-251.

³⁵ Stein, Arthur 1983, ‘Coordination and collaboration’, p. 123.

³⁶ Keohane, Robert O. 1984 *After Hegemony*, p. 97.

³⁷ *Ibidem*, p. 246.

punished. By formalizing these relationships, institutions help reduce each state's discount rate for future gains while increasing each state's expectation that the relationship will continue into the future.

In essence, neoliberals do not deny the anarchic nature of the international system, but argue that there is a need to emphasize the varieties of cooperative behaviour within a decentralized system. Neo-liberal thinkers often employ game theory to explain why states do or do not cooperate and their approach tends to emphasize the possibility of mutual wins, where similar interests can be arranged and compromised for joint benefit. Although states may be liable to defect without a central authority monitoring the accommodations, countervailing forces often exist, forces that cause states to keep their promises and to resolve the prisoner's dilemma.

Notable advances in neoliberal claims, with regards to cooperation, were made by Robert Axelrod³⁸. The experiments made by Axelrod served as the cornerstone for the following neoliberal literature about cooperation between states.

Recognizing that “there is no common government to enforce rules, and by the standards of domestic society, international institutions are weak”³⁹, Axelrod developed an approach to cooperation that could bypass the theoretical reluctance on the attainability of cooperation. States in anarchy are often entangled in situations of mixed interests, a condition often referred to as non-zero-sum and can be described by the prisoner's dilemma⁴⁰. The model chosen by Axelrod to represent the interactions is the prisoner's dilemma itself, in particular the iterated prisoner's dilemma, in which players do not know which will be their last interaction. The methodology used by Axelrod was to ask several players to elaborate different strategies (ranging from very simple to extremely complex) and, through a computer tournament, see which was the winning strategy in an iterated prisoner's dilemma game.

Despite this game has a dominant strategy – to defect – when it is repeated indefinitely, the winning strategy emerged from the computer tournament is the so-called “Tit for Tat”.

³⁸ Axelrod, Robert 1984, *The evolution of cooperation*, Basic Books, New York.

³⁹ *Ibidem*, p. 4.

⁴⁰ The Prisoner's Dilemma game was invented in 1950 by Merrill Flood and Melvin Dresher and then formalized by Albert W. Tucker shortly thereafter. In this game there are two players, each one with two choices: cooperate or defect. Each must make its choice without knowing what the other will do. According to the payoffs in the game defection yields a higher payoff than cooperation, but if both defect both do worse than if both cooperated.

This strategy, one of the less complex, starts with a cooperative choice and then does what the other player did on the previous move. The characteristics that guarantee the victory to the strategy of “Tit for Tat” are basically four:

1. **Nice** – it is never the first to defect;
2. **Retaliating** – the response to defection is immediate and deters from repeating it;
3. **Forgiving** – gives the possibility to recover the collaboration after a defection;
4. **Clear** - is easily recognizable and predictable.

With the computer tournament Axelrod showed how cooperative behaviours might emerge without other attributes, usually regarded as fundamental. For example, the “Live and let live” system adopted by French and German soldier on the Western Front of the First World War shows how cooperation might be the more rational way of interaction in a state of total lack of friendship and can develop even between antagonists⁴¹. The analysis of cooperation in biological systems adds that, under certain circumstances, it is not even necessary that the actors are able to appreciate the consequences of cooperation⁴².

While foresight and friendship are not necessary for the development of a cooperative interaction, they can be helpful. In this sense, Axelrod draws some useful conclusions from his experiments, a sort of ‘best practices’ to make cooperation more likely.

The first recommendation deals with envy. Unless a player does not seek the destruction of the opponent – unlikely event in a cooperative relation – it is not a zero-sum game, so there’s no need to set a strategy to beat the other but a decision rule that allows the greatest possible gain for us. We should not be envious of the success of the other party. From this proposition becomes crystal clear the main difference between *neoliberal* and *(neo-)realist* scholars about cooperation. For Axelrod, in fact, it is not relevant what the other actor gains from the interaction, the only consideration that matters is if we maximize our benefit. The focus is on the absolute gain and not on the relative gain. Conversely, realists put the emphasis on the fundamental goal of states to prevent others from achieving advances in their relative capabilities. Hence, the most important consideration in every interaction is the concept of state positionality, that can inhibit any willingness toward cooperation.

⁴¹ Axelrod, Robert 1984, *The evolution of cooperation*.

⁴² *Ibidem*.

The second suggestion asserts that it is not good to be the first to defect, because this choice is convenient only when future time is not relevant, so in a single shot game or if the *weight* we give to future interactions is extremely low. In this case, Axelrod introduces the fundamental concept of the *shadow of the future*. The importance of future time actions for cooperation is clearly illustrated by Axelrod's experiments. In fact, in a single shot Prisoner's Dilemma game the actors have a dominant strategy to defect; it's only with the introduction of "future" that cooperation becomes the rational choice and "Tit for Tat" strategy becomes the winning strategy. During the computer tournament, the Prisoner's Dilemma was iterated and the players didn't know in how many interactions they would incur with each counterpart. So, no one could exploit a defection on the last move – for which they would not have paid any sanction.

The third recommendation emphasizes the relevance of reciprocity, both for cooperation as for defection. The concept of reciprocity is key for a sustainable and long-term cooperation. It will be central also for the creation of trust-based relationship between states.

The last one says that being too clever is not a good choice. Although it may seem counterintuitive, it actually stresses again the importance of future time for cooperation. In fact, if the goal is reaching cooperation predictability becomes an advantage and too complicated strategies might not be understood by the counterpart and, thus, not be predictable.

Despite cooperation can be a rational choice – if not the most rational – also spontaneously, without any action by the actors, there are ways to change the conditions on the ground and make it more attracting. In other words, if an actor has the will to reach specific cooperative interaction, it may adopt certain behaviours to make it more likely. In the analysis of Axelrod, obviously, these methods are always connected to the rationality of the choice of the actors.

As seen above, in the rational choice analysis of cooperation a great importance is given to the variable w , the weight that an actor gives to future interactions compared to the present. In addition, the probability to meet again the same actor in the future and re-interact with it plays a decisive role. The first method to promote cooperation is, therefore, to amplify the importance of the future.

If w is very low and there is little possibility that the interaction will take place again in the future, or if the future interaction is poorly valued compared to the immediate benefits of a possible defection, then cooperation will probably fail.

To change the situation, the actors can make interactions more durable and more frequent, in order to increase the value given to future interactions. Actors can organize interactions that restrict the presence of other players, or they may concentrate the interactions in space, or they can decompose the issues to create a greater number of possible interactions. Decomposing interactions promotes the stability of cooperation and reduces the immediate gains of cheating compared to the future gains of a sustained long-term cooperation. All of these strategies can be – and have been – implemented practically in relations between States.

A second way of promoting cooperation deals directly to the losses and gains of an interaction. In fact, assuming that we are trapped inside a Prisoner's Dilemma situation, the best thing to do to avoid the dominant strategy of short-term defection is to transform the interaction so that it is no longer a Prisoner's Dilemma. Changing the payoff structure can be an excellent way to break the deadlock. For example, what the state structures do within them, through laws and prison, is precisely to get out of Prisoner's Dilemmas and make sure that the individuals who make up the national community do not take advantage of the situation. Changing the payoff structure should not thus be so drastic to get out from the framework of the Prisoner's Dilemma. In fact, it is enough to change them so that the incentives for future cooperation in the long-term outweigh the incentive for immediate defection.

Although it may sound moralistic, a further method to promote the development of cooperation is teaching altruism and reciprocity. While in the first case the application to a society such as the international community is difficult, regarding the concept of reciprocity things are different.

The core of "Tit for Tat" winning strategy is precisely in reciprocity. After starting with a conciliatory gesture, in fact, Axelrod's experiments tell us that to reciprocate every move of our opponent is the winning strategy. In this way, cooperation is supported and defection punished. Strategies based upon reciprocity can teach all the actors in the community how to interact with each other and that trying to be less than cooperative will be punished – and, therefore, it will be not profitable. The other's reciprocity helps to

police the entire community by punishing who tries to exploit cooperation; this decreases the number of uncooperative individuals and the probability to have to interact with them in the future.

The last way that can foster cooperation and make it more likely concerns the improvement of recognition abilities. The ability to recognize the other's behaviour through previous interactions and to recall its main features, as well as to become recognizable in the same way by the others, are key features for a long lasting cooperation. The problem of the inability to recognize the identity, the will, the actions of the other players are particularly relevant in the relations among States. Very often it is the lack of information and the inability to obtain credible and verifiable information that affect relations between States. Furthermore, frequently the actions taken by one State can be misinterpreted from the others. As in the case of the *Security Dilemma*, in fact, many of the means by which a state seeks to increase its security tend to decrease the level of security of others. A defensive move is hence perceived as a threat for others⁴³. As John Mearsheimer said: “Uncertainty about the intentions of other States is unavoidable, which means that States can never be sure that other states do not have offensive intentions”⁴⁴. Uncertainty becomes a crucial point for relations between States and, thus, for the development of cooperation between States.

Despite the work of Axelrod focuses on the development of cooperation at the general level and in a spontaneous way, the conclusions of his experiments can be applied also in contexts characterized by the presence of social structures. These structures contribute to the formation of the interactions and to the development of cooperation. In particular, if we focus on cooperation among states, even if we accept the proposition that anarchy dominates the international system – like realists and neo-liberal – the presence of international institutions – broadly defined as “recognized patterns of practice around which expectations converge”⁴⁵ – with the characteristics identified by Axelrod as

⁴³ Jervis, Robert 1985, ‘From balance to concert: a study in international cooperation’, *World Politics*, Vol. 38, No. 1, pp. 58-79.

⁴⁴ Mearsheimer, John 2001, *The tragedy of great power politics*, W.W. Norton & Company, New York.

⁴⁵ Young, Oran 1982, ‘Regime Dynamics: The Rise and Fall of International Regimes’, *International Organization*, Vol. 36, No. 2, pp. 277-298.

facilitators towards cooperation, plays an crucial role in creating and fostering stable and long lasting relations based on cooperation⁴⁶.

The approach to cooperation based on rational choice theory was also the subject of much criticism. In particular, the importance that is given to game theory and the reduction of international relations to mechanistic payoff matrix appeared to many scholars far away from describing the reality of relations among states. Many efforts have been made to introduce the greatest possible number of variables within the decision-making systems, to try to make them as close as possible to reality, however, the results have been to create very complicated, but not so satisfactory, structures.

Moreover, the rationality of the actors, in making their decisions, has been questioned many times. The rational choice theory presupposes that each actor performs the choice that will ensure it greater benefits, based on its interest. But when the main actor is a complex organization, such as a state, it becomes very complicated to decide which choice is the best one, according to a rational national interest which consists of many variables, such as: special interest groups and sub-groups, characteristics of leadership, domestic variables, social and economic interests, etc...

Despite the great relevance of these criticisms, the model of rational choice – used more as a model or an analogy rather than as a real theory – becomes crucial in the study of cooperation, and not only for the huge preponderance that it has been having in the development of such studies. The recommendations that come from the approaches based on this theory – especially from the neo-liberal – may give some fundamental indications to identify which are the strategies that states can use as tools towards the achievement of a positive cooperative interaction.

1.1.3 Strategies of cooperation

After defining what cooperation is – and is not – the following step consists in outlining the different forms in which cooperation can be translated into practice. Scholars interested in inter-state cooperation have established several different criteria to categorize

⁴⁶ Axelrod, Robert and Keohane, Robert O. 1985, 'Achieving Cooperation under Anarchy'.

the strategies implemented by states to create and develop cooperative interactions, focusing on different relevant feature that intervene in relations of this kind.

The division proposed by Oran Young in 1989 is based on the level of initiative that each party assumes to start the cooperation. A cooperative interaction, in fact, is always characterized by the presence of one or more actors. Therefore, we can divide the different cooperation strategies into three groups, depending on how many, and which are, the actors who take the initiative and lead the process.

Basically, following Young, we can identify three different cooperation strategies, based on which actor takes the leading role⁴⁷. Cooperation can emerge tacitly, without explicit communication or an explicit agreement; in this case none of the actors guide the cooperative interaction, but it emerges spontaneously because it turns out to be, rationally, the most profitable choice. The core assumption of spontaneous cooperation lies in the idea that, under certain circumstances, cooperation emerges because, in a rational choice framework, it is the most profitable way of interaction between the actors. There is not a communicative process through which the two actors agree to cooperate. Rather, it is a calculation of costs and benefits by which the actors realize the fact that the cooperative interaction is the one that produces more benefits for all. As Axelrod's work clearly explains, using his framework of analysis, based on iterated prisoner's dilemma game, cooperative interactions can emerge also without an explicit and conscious action aimed at its achievement.

Cooperation can also be negotiated through a bargaining process in which both actors take the leading role. This appears to be the most common type of cooperation and it is easier to identify than is tacit cooperation, since in the latter the counterfactual is difficult to establish. The prominent works of Robert Keohane and Kenneth Oye on inter-state cooperation and international institutions, for example, focuses precisely on negotiated cooperation.

Finally, cooperation can be imposed. It may seem counterintuitive but if the stronger part, while imposing an adjustment of policy to the weaker side, agrees to adjust its own policy, to better meet the interests and goals of its counterpart, then cooperation takes place⁴⁸. Following the definition given before if there is a mutual adjustment of policies and if there are gains for both the actors – even if the distribution of gains is highly unequal – the

⁴⁷ This distinction is based on: Young, Oran 1989, *International Cooperation: building regimes for natural resources and the environment*, Cornell University Press, Ithaca.

⁴⁸ Gowa, Joanne 1986, 'Anarchy, Egoism, and Third Images: The Evolution of Cooperation and International Relations', in *International Organization*, Vol. 40, No. 1, pp. 167-186.

interactions can be considered as cooperative. The definition itself says nothing about how the distribution of mutual gains from cooperation will be distributed.

Despite the enormous importance of having clearly defined what constitutes a cooperative interaction and what is not and of dividing the cooperative interactions in different categories, based on the role that each actor plays, this says little about the most important question: under which conditions cooperation is likely to occur?

Following the distinction created by Helen Milner different strategies to create the conditions for cooperation can be identified⁴⁹. These strategies can be implemented in different conditions, depending on the degree of involvement of each actor in the interaction.

The first strategy comes directly from the distinction previously made between realism and neo-liberal approaches to cooperation; in particular, it is related to the dichotomy between relative gains and absolute gains. Despite the huge difference in the possibility of realization of cooperation between states that this distinction has, there is a common point for both. Indeed, following the work of one of the leading theorists realists cooperation, Joseph Grieco, for the realization of cooperative interaction is necessary that the gains are, for both parties, balanced or equitable⁵⁰. This means that the distribution of benefits has to maintain the balance between the capabilities of the states that existed before the cooperation. In this way, there arises the problem of relative gains but it has an absolute gain for both parties, and for the system as a whole. This notion of balanced exchange sounds very similar to Axelrod's strategy of Tit for Tat or to the concept of reciprocity introduced by Keohane⁵¹. In fact, combining the neo-liberal pursuit of absolute gains with reciprocity what results is very close to the realist assumption that states focus on relative gains to achieve cooperation. Saying, as the idea of reciprocity implies, that the absolute gains received from cooperation must be roughly equivalent is to say that states must not achieve relative gains over one another at the end of the interaction. So the first strategy that can be used to increase the chances of cooperation is to create an interaction after which the gains will be balanced and equitable for all parties involved, so as to reduce the risk of betrayal and the fear of strengthening disproportionately the counterparts.

⁴⁹ Milner, Helen 1992, 'International Theory of Cooperation among Nations: Strengths and Weaknesses', *World Politics*, Vol. 44, No. 3, pp. 466-496.

⁵⁰ Grieco, Joseph 1988, 'Anarchy and the limits of cooperation'.

⁵¹ Keohane, Robert O. 1986, 'Reciprocity in International Relations', *International Organization*, Vol. 40, No. 1, pp. 1-27.

A second strategy deals with the number of the actors involved in the issue of the cooperation. The hypothesis is that “the prospects for cooperation diminish as the number of players increases”⁵². This concept has been introduced and discussed by Kenneth Oye in his volume *Cooperation under Anarchy*. Oye argues that with large numbers of actors the probability of defection increases and also the feasibility of sanctioning the defection is reduced. A high number of actors, in fact, creates serious problems for collective action by states. Following this argument the ideal number of players in an interaction seems to be two – as reinforced by an extensive use of two-person games as models for these interactions. Actually, the relationship between the possibilities of cooperation and the number of actors is more controversial than it might seem. For example, with a high number of partners is easier to distribute gains in such a way that there are fewer risks of excessive relative gains for one of the parties. In addition, any losses caused by the lack of cooperation of one of the actors might be distributed among a larger number of partners, in order to be more tolerable and to socialize the costs, as well as it would be possible to form coalitions of states against possible defectors. Finally, even if many actors are involved in an interaction, it can be divided into more restricted situations, addressing more limited issues and with a small numbers of partners at once⁵³.

Although the relationship between the number of actors and the possibility of cooperation is not yet fully clarified, we can still posit that a reduction in the number of partners can help the success of the cooperative interaction, as it makes defections more controllable – and possibly sanctionable; it also gives the opportunity to create a structure of payoffs as favourable as possible for the small number of actors involved among which share – and balance – the gains. Finally, with few actors it becomes more manageable the problem of information – and lack of certain information – and communication among the partners.

One of the most important aspects of cooperation has to do with the actors’ expectations about the future. Their willingness to cooperate, in fact, is influenced by whether or not they believe they will continue to interact indefinitely. As Axelrod clearly showed with his experiments, in a prisoner’s dilemma situation every actor has a dominant strategy to

⁵² Oye, Kenneth 1986, *Cooperation under Anarchy*, Princeton University Press, Princeton, p. 18.

⁵³ Snidal, Duncan 1991, ‘Relative Gains and the Pattern of International Cooperation’, *American Political Science Review*, Vol. 85, No. 3, pp. 701-726.

defect; things change when iteration is introduced⁵⁴. The repetition of the interaction makes the cooperative outcome more likely because, over time, the value of continued cooperation starts to outweigh the benefits of a one-time-defection. This situation depends, obviously, on the weight that each actor give to future interactions, on the rate at which each player discounts anticipated gains: the more strongly future is discounted, the less likely is cooperation.

This framework introduces two crucial variables for cooperative interactions: what conditions generate iteration and the discount rate that induces cooperation. The last one can be considered as the inverse of the variable w (weight) introduced by Axelrod. Both these variables are difficult to estimate accurately. What is certain though is that the actors can act in such a way to change them and make the chances of cooperation more or less likely⁵⁵. Like the number of players, the degree of iteration and the discount rate may be alterable and may depend on the perceptions and expectations of decision makers. These circumstances make subjective evaluations very important. If the goal of one of the actors involved is to build a stable and long lasting cooperative relation, then it has to intervene on the perception of the *shadow of the future* of the counterpart.

For example, one of the actors can subdivide the cooperative process in many single interactions with an increasing value of the potential gains for the parties involved; in this way it will create an incentive to remain engaged in view of future higher benefits. In the same way, increasing costs in case of defection can be imposed as the parties advance in the cooperative process to make cheating increasingly difficult and costly. The available tools for the states to act on the iteration are manifold: gains, costs, structure of payoff, importance of the addressed issues, etc... Future time actions are so crucial in cooperation that modify the importance of future interactions is one of the most powerful tools that can be used.

A further strategy to foster cooperation centres on the role of international regimes, which can be defined as sets of norms, principles, rules or decision-making procedures around which actors' expectations converge⁵⁶. But international regimes are not just a collection of elements which occur simultaneously and cause the phenomenon. They are social institutions and their analysis is directly tied to the study of institutions in general; social

⁵⁴ Axelrod, Robert 1984, *The Evolution of Cooperation*.

⁵⁵ Axelrod Robert 1981, 'The emergence of cooperation among egoists', *American Political Science Review*, Vol. 75, No. 2, pp. 306-318.

⁵⁶ Krasner, Stephen D. 1983, *International Regimes*, Cornell University Press, Ithaca.

institutions are recognized practices consisting of easily identifiable roles, coupled with collections of rules or conventions governing the relations among the occupants of these roles⁵⁷. According to the neo-liberal perspective, regimes are the main instrument to realize inter-state cooperation. Regimes, they say, facilitate cooperation through the functions they perform for states. First of all, they mitigate the effects of international anarchy by aiding in the decentralized enforcement of agreements. The focus is on the role regimes play in solving the problem of defection, the problem of cheating – considered as the main obstacle for cooperation. Regimes are seen as improving each side's information about the behaviour of the others, especially about the likelihood of their cheating and actual compliance to the agreement. Furthermore, they change the pattern of transactions costs of cooperating by reducing the incentive to violate regime principles. Hence, regimes reduce states' uncertainty and their fears that others will defect and, in turn, their propensity to do the same⁵⁸.

Even this argument has been the subject of various criticism. Some scholars noted that the very existence of an international regime indicates the existence of a series of decisions, taken by the states, towards cooperation. The process of formation of the international regime requires an earlier bargaining process to cooperate and a distribution of power surrounding it that strongly influences the regime itself. Another harsh critic to this cooperation strategy has to do with the distribution of power, seen as underlying regimes and as the main responsible for changes in them. Given their concerns about relative positions, states are likely to disagree about the amount of information they will release to others and about the principles that define the regime. These principles are crucial because they determine how the regime imposes costs and benefits on different actions; both this issues and the provision of information are highly political issues and thus highly influenced by the distribution of power in the system and in the process that leads to the creation of the regime⁵⁹. Given these circumstances, it may seem that international regimes can't help in explaining how the tacit or explicit bargaining begins and develops and the relevance of the distribution of power may indicate that the distribution of relative

⁵⁷ Young, Oran 1986, 'International Regimes: Toward a New Theory of Institutions', *World Politics*, Vol. 39, No. 1, pp. 104-122.

⁵⁸ Keohane, Robert O. 1984, *After Hegemony*.

⁵⁹ Hasenclever, Andreas, Mayer, Peter and Rittberger, Volker 2000, 'Integrating Theories of International Regimes', *Review of International Studies*, Vol. 26, No. 1, pp. 3-33.

gains in the interaction will hardly be “balanced” and “equitable”. Actually, if an established regime in one issue aids in the negotiation of cooperation in another, then the hypothesis of the international regimes creation as a strategy towards cooperation may have a broader significance.

A further strategy of promoting cooperation among states leaves aside the rational choice approach and the basic pre-requisite of neo-liberals and realists, by enhancing the role of “epistemic communities” in advancing cooperation. Such a community is a “professional group that believes in the same cause-and-effect relationships, truth tests to accept them, and shares common values; its members share a common understanding of a problem and its solution”⁶⁰. The role of an epistemic community might seem similar to that of a regime; one difference between the two lies in the type of information provided by each one. Both types can reduce uncertainty, but whereas a regime gathers data on the preferences and compliance of other members, an epistemic community furnishes particular information that coordinate states’ expectations and advances negotiations and promote cooperation⁶¹. Besides having strong affinities with the regime argument, the concept of epistemic community can be easily accosted to the constructivist theory and its non-rationalist approach to cooperation. In neo-liberal and realist approaches the structure of the interaction, as well as actors’ identities and interests are exogenous to interaction, so they do not change but are stated before the interaction takes place. The analysis focuses on the choice that each actor makes, so it is a behavioural analysis. A constructivist analysis instead focuses on how expectations, produced by behaviour, affect identities and interests. In other words, the process in which players learn how to interact with each other – and how to cooperate – through the iteration of the interaction is at the same time a process of reconstruction of interests in terms of shared commitments to social norms and the construction of new shared identities among actors⁶². A constructivist analysis is cognitive rather than behavioural since it treats the elements that form the structure of the interaction – and identities and interests – as endogenous to and instantiated by interaction itself. The evolution of cooperation transforms the identities and the vital interests of the

⁶⁰ Haas, Peter 1990, *Saving the Mediterranean*, Columbia University Press, New York City, p. 55.

⁶¹ Adler, Emanuel 1992, ‘The Emergence of Cooperation: National Epistemic Communities and the International Evolution of the Idea of Nuclear Arms Control’, *International Organization*, Vol. 46, No. 1, pp. 101-145.

⁶² Wendt, Alexander 1992, ‘Anarchy is what States make of it: the social construction of power politics’, *International Organization*, Vol. 46, No. 2, pp. 391-425.

actors, in a process that goes further from the mere rationalist distribution of gains and can reach the point of creating new shared identities among the actors and strongly reinforce the persistence of cooperative interactions⁶³.

The strategy of epistemic communities and the constructivist interpretation of cooperation share also a major problem. Both, in fact, seek to explain the extensiveness, the durability and the consequences of cooperation rather than its initiation. The development of cooperation into the creation of new, shared identities and interests among states is crucial for sustaining cooperation over time. The persistence of regimes, for example, past the point that the powers involved have an apparent interest in sustaining it, is one of the most puzzling issues for neo-liberals; a constructivist answer in which institutions have gone beyond the strategic game-playing self-regarding units, posited by neo-liberals, and have developed an understanding of each other as partners in some common enterprise, even if apparent underlying power and interests have shifted, might be the a more comprehensive explanation⁶⁴.

However, this does not tell us much about the conditions under which the cooperative interaction might appear in the first place and about the strategies that a state might implement to reach this objective. The existence of prior international regimes involving the actors can be a facilitating condition for the emergence of an epistemic community. Sitting down to negotiate an agreement among friends (as opposed to adversaries or unknowns) affects a state's willingness to start with a cooperative move. Perhaps, it would no longer understand its interests as the unilateral exploitation of the other state; instead it might see itself as a partner in pursuit of some value other than narrow strategic interest.

The greatest contribution that such approaches can provide to find the conditions of the development of cooperation might be in the analysis of the internal processes of the interaction's structure, which should not be considered as exogenous and immutable but as an active part – and therefore changeable – of the interaction itself. In addition, the analysis of the creation of epistemic communities and shared interests and identities among the actors might represent a fundamental key interpretation for a stable and long-term cooperation.

⁶³ Hopf, Ted 1998, 'The Promise of Constructivism in International Relations Theory', *International Security*, Vol. 23, No. 1, pp. 171-200.

⁶⁴ Wendt, Alexander 1994, 'Collective Identity Formation and the International State', *The American Political Science Review*, Vol. 88, No. 2, pp. 384-396.

A final strategy that can contribute to promote cooperation suggests that imbalances of power, in particular in the form of hierarchies, are conducive to cooperation. This argument resembles the theory of hegemonic stability. The differences in balance of power and influence give to the stronger actors a greater role in organizing the system and the possibility to shape the interactions among actors in the preferred way. This kind of cooperation is closer to the third variety we previously define, namely the imposed cooperation. The asymmetries of power contribute to the achievement of a cooperative solution of an interaction because the stronger states are able to provide benefits to the others to induce cooperation, as the benign version of the hegemonic stability theory suggest.

This approach to cooperation has several similarities with the so called “hegemonic stability theory”⁶⁵. As Robert Gilpin expressed it: “the *Pax Britannica* and *Pax Americana*, like the *Pax Romana*, ensured an international system of relative peace and security. Great Britain and the United States created and enforce the rules of a liberal international economic order”⁶⁶. The central proposition of the theory states that order in world politics is typically created by a single dominant power and that the maintenance of that order requires continued hegemony⁶⁷. This implies that, according to this approach, cooperation also depends on the presence of a hegemon in the global system.

Following the assumptions of hegemonic stability theory, we can define hegemony in world politics as the preponderance of material resources owned by one single power; this preponderance – not only in military power but also in economic and commercial terms – must be enough to enforce the preferred rules of the hegemon over the system. The concept of hegemony implies also another aspect that distinguish it from mere dominance; using the Marxian contribution to the debate given by the thoughts of Antonio Gramsci, hegemony express the unity of objective material forces and ethico-political ideas, through an ideology incorporating compromise or consensus between dominant and subordinate groups⁶⁸. The value of this twofold conception of hegemony is that it helps to understand the willingness of the partners of the hegemon to defer to the leadership; deference is needed to establish a structure of the system that can ensure the enforcement of the

⁶⁵ For more on hegemonic stability theory see: Kindelberger, Charles B. 1973, *The World in Depression, 1929-1939*, University of California Press, Berkeley.

⁶⁶ Gilpin, Robert 1981, *War and Change in World Politics*, p. 144.

⁶⁷ Kindelberger, Charles B. 1973, *The World in Depression*.

⁶⁸ Cox, Robert W. 1977, ‘Labor and Hegemony’, *International Organization*, Vol. 31, No. 3, pp. 385-424.

hegemon's preferred rules; it might be too expensive, and even counterproductive to achieve this goal by force. This second conception of hegemony gives the possibility to establish the legitimacy of the dominance and thus to create an international regime with its own characteristics.

Hegemonic power and the international regimes established under the hegemon combine to facilitate cooperation. The hegemon, in fact, has a strong incentive to maintain the stability of the system that was created under its guide and that ensures the protection of its vital interests. For this reason it will coerce the actors in the system towards cooperation and stability. The presence of an hegemon reduces transaction costs, with providing fundamental public goods to the system, and uncertainty – and thus the risk of cheating – since each actor can deal with the hegemon and expect it to ensure consistency for the whole system. The formation of international regimes can ensure legitimacy for the standards of behaviour which govern the system⁶⁹.

If the first fundamental proposition of the theory of hegemonic stability can be regarded as correct, the second is more controversial. In fact, as Keohane clearly explains, reducing the possibility of cooperation among states to the presence of a hegemon might be too simplistic. Although we must recognize the role of facilitator of cooperation to the presence of a hegemon, it cannot be considered as a prerequisite to the implementation of cooperation. As previously described, there are several different strategies that an actor can put in place to achieve the goal. Furthermore, the very creation of an international regime by the hegemon can be the foundation for a sustained cooperation after the decline of the hegemonic power. Multilateral institutions, for example, can provide some of the sense of certainty and confidence that a hegemon formerly furnished. The expectations, transaction costs and uncertainty that so deeply influence cooperative interactions can be affected by international regimes. International institutions change rational calculations of interest, facilitate mutually advantageous bargains and increase credible information among the actors. It also emphasizes the greater convenience of maintaining existing regimes rather than creating new ones⁷⁰.

All the strategies discussed above can be implemented by states to create favourable conditions for the development of cooperation. Moreover, many of them are not mutually exclusive but they can be used simultaneously, in different moments during the same

⁶⁹ Keohane, Robert O. 1984, *After Hegemony*.

⁷⁰ *Ibidem*.

interactions, or even they can create the conditions to bring out the possibility of implementing new strategies. Thus it becomes possible to try to encompass these various strategies within a single approach – which we define comprehensive – that can be later used to analyse the structure, development and results of the interactions between the states.

But before developing this paradigm of cooperation is essential to address two crucial issues in any cooperative relationship and, in particular, in the relations where the goal of the actors is to achieve a sustainable and long lasting cooperation: the problems of time and trust in cooperative relations.

1.2 Time and Cooperation

In the analysis of the development of cooperation among states a prominent role should be recognized to the variable of time. The influence that time has on cooperation and on the possibilities of cooperation to occur is enormous. In fact, most of main problems previously highlighted in the analysis of interactions between states and cooperation strategies are related to the issue of time.

As seen above, the main problem that afflicts states in their decision to cooperate or not is the risk of cheating (exploit the cooperation of the counterpart through defection) and the issue of potential gains. Both are strictly linked to the problem of uncertainty in the international system because of the lack of a central authority that imposes its will on the actors. A major cause of this uncertainty is precisely the time variable.

First, in real situations it is very difficult that the exchange, which constitutes the basis of cooperative interactions, occurs in a simultaneously. Very often there is a time lag between the actions of the parties involved. And this time lag creates a window of opportunity to cheat and exploit such cooperation without having to pay any cost. Precisely the existence of this possibility strongly contributes to the creation of that uncertainty that makes cooperation among states so difficult to achieve. Several of the strategies listed before have to do with this problem. The creation of international regimes, for example, is primarily intended to reduce the uncertainty of the behaviours of the counterpart and raise the costs for a possible defection, in order to limit the problems created by the time lag. Similarly, the presence of a hegemon plays the same role – with

its authoritative power over the system – and also the presence of an epistemic community.

If we address the main concern of realists about cooperation – that is the problem of relative gains – it also has its roots in the problem of future time situations. In fact, since uncertainty dominates the international system, according to the realist perspective, besides the risk of being cheated there is also the risk that a partner will achieve disproportionate gains from cooperation and, thus strengthened, might someday be a more dangerous enemy than if they had never worked together. For neoliberal theory, the problem of cooperation in anarchy is that states may fail to achieve it and the worst possible outcome is a lost opportunity. For realists, cooperation implies these dangers plus the much greater risk, for some states, that cooperation might someday in the future result in a loss of security or, even, the loss of independence⁷¹.

But this is not the only way in which time influences cooperation. In fact, if it is true that the time gap creates uncertainty and that this uncertainty is one of the main obstacles to the realization of cooperation, it is also true that time – seen as a long-term perspective – can be a fundamental facilitator of cooperation. In the previous part, we already introduced the concept of the “shadow of the future”, that can also be included in the game theory model as the variable w – meaning the *weight* of possible future interaction on the current one⁷².

As we previously saw, the iteration of the interaction is crucial for the success of cooperation, otherwise, in many cases, the actors will always have an incentive to take advantage of the situation and defect. The shadow of the future is closely related to iteration, because simply, iteration implies a shadow of the future. The shadow of the future can only be lengthened when there is a strong prospect for continued interaction. Generally, the future is less important than the present, in other words, the payoff of the next move always counts less than the payoff of the current move. First, players tend to value payoffs less as the time of their obtainment recedes into the future. Second, there is always some chance that the players will never meet again. When players value future payoffs relative to the present, the likelihood that they will defect today lessens. Due to this logic, there is the need to enlarge the shadow of the future in order to promote

⁷¹ Grieco, Joseph M. 1988, ‘Anarchy and the limits of cooperation’, p. 502.

⁷² Axelrod, Robert 1984, *The Evolution of Cooperation*.

cooperation. If the future is important relative to the present, it is also important for the stability of cooperation.

From this perspective, enlarging the shadow of the future can improve the chances to achieve cooperation. According to Axelrod, there are two ways to enlarge the shadow: by making the interactions more durable and by making them more frequent⁷³. Making small moves rather than a few large moves, and thereby increasing the shadow of the future, can make reciprocity more effective.

The issue of time in cooperation – and the shadow of the future – introduces a further aspect that can't be left out. The iteration of interactions or, at least, the prospect of new future interactions between the parties plays a crucial role to achieve cooperation. But how does future time intervene in the long term perspective of cooperation? In other words, what happens if the will of the actors – or at least of one of the actors – it's not to simply achieve cooperation during a set of interactions but rather to achieve a long term goal that implies a long progression of cooperative interactions? Enlarging the shadow of the future can be seen as a sort of “strategy” for achieving cooperation, but it can also be considered as a structural characteristic of the relation between the actors. For example, if two states share a common border we might expect that, due to this simple geopolitical condition, they have high chances of interacting many times in the future. The same process might be recognizable if two states share a common interest on a specific geopolitical area or on a specific issue (ensuring the supply of resources or maintain vital routes of trade and communication free). This proximity – not only in geographical terms – makes almost inevitable the presence of a shadow of the future.

Things get even more complicated if the dyad of actors who interact is in a state of “strategic rivalry”. The main features of this kind of relation is that the states regard each other as competitive and as threatening. To view other states as competitive they have to be roughly in the same capabilities league; to be perceived as threatening one of the two countries – or both – must have done physical harm to the other in the past, or project some probability of doing such harm in the present or future⁷⁴. If these two characteristics are applicable to a dyad, than it can be considered a strategic rivalry. The problem with

⁷³ *Ibidem*.

⁷⁴ Rasler, Karen, Thompson, William R. and Ganguly, Sumit 2013, *How rivalries end*, University of Pennsylvania Press, Philadelphia.

these relations is that the situation is unstable and can degenerate into overt enmity or even real conflicts.

In these cases, cooperation can be considered not only as a way of conducting interactions with the counterpart, but also as a real strategy toward the resolution of the rivalry or, at least, toward the reduction of the chances of degeneration into conflicts.

A key factor in reaching the goal of a long-term cooperation, aimed at a specific goal, is the presence of mutual trust between the actors involved.

1.3 Trust and Cooperation

The previous examination on creating cooperative interactions highlighted a key point in the analysis of cooperation among states. Most of the strategies listed, in fact, focused on the installation of cooperation among actors that, in the moment in which they start the relation, find themselves in a state of hostility, enmity or, at least, mutual suspicion. Following the realist perspective, the vast majority of relations among states have such features. Given the premises postulated by the four basic propositions of the theory, the international system is characterized by a constant threat to national security, against which the decision makers of each state must cope.

Even the neo-liberal perspective focuses on the study of cooperation among actors mutually suspicious. In fact, by accepting some of the realists' structural conditions, they aim to show that, although in a hostile environment, states have good chances to choose cooperation rather than defection. For example, the emphasis in all of Axelrod's work on the emergence of cooperation between selfish actors and on the spontaneity of cooperative relationships, which are established because they represent the solution that provides more gains to the parties, even in lack of coordination or communication. Similarly, the emphasis that is placed on the fundamental role of the institutions, in particular international regimes, which dominates the neo-liberal approach from Keohane's work onward, shows how coping with uncertainty and risk of cheating is the main priority in the study of cooperation.

Among all these cases a common feature can be highlighted: the lack of trust between the considered actors. The focus of much of the study of international cooperation has been to

theorize a mode of development of such interactions in contexts dominated by mutual suspicion and hostility. Nonetheless mutual trust can be considered as a key facilitator in the creation of cooperative relationships and, above all, in the preservation of long term cooperation. Trust, in fact, plays an important role in eliminating the uncertainty present in the international system – at least for specific relations between states – which severely limits the cooperation. It also makes available a greater extent of more credible information between the actors. Finally, it contributes to limit the real and potential costs (from transaction costs to the costs of sanctions in case of defection) of the interactions between the actors.

For this reason it is essential to analyse the concept of trust between states: define it, study the strategies of creation and operation, examine its effect on interactions and cooperation.

1.3.1 Definition of Trust

The study of the concept of trust in social science is not an easy task. The volume of theories on this apparently simple concept can be intimidating to say the least. Nevertheless, a close analysis of this vast literature offers the chance to outline at least three common features present in all the main theories of trust: risk, interdependence and positive expectations⁷⁵.

Every relationship based on trust implies a risk. This risk comes directly from the uncertainty about the actions that the other actor will take, as a reaction to our own behaviour. If one actor could know precisely and without question, how their counterpart would react, then no trust would be needed. The insecurity that comes from uncertainty is a pre-requisite for trust that, in this sense, can be considered as a strategy to overcome insecurity and danger⁷⁶. Similarly, if the interests of the two actors involved in the relationship coincides, then trust is no longer necessary. If both actors want to achieve the same goal, it is certain that both will act harmoniously towards the mutually desirable result. When uncertainty disappears, trust disappears as well, because we no longer need a strategy to overcome risk if we know how our counterpart will act.

⁷⁵ Lane, Christel 1998, 'Theories and issues in the study of trust', in Lane, Christel and Bachmann, Reinhard eds., *Trust within and between organizations*, Oxford University Press, New York, pp. 1-30.

⁷⁶ Simmel, George 1978, *The philosophy of money*, Routledge and Kegan Paul, London.

Second, for the realization of a relationship based on trust, a certain degree of interdependence must exist between the actors. The trustworthiness of our counterpart becomes relevant only if the realization of our activities depends on the actions the cooperation of the other actor⁷⁷. Obviously, trust is not the only basis for a relationship. There are several other functional equivalents to trust, meaning there are a variety of tools to overcome the risk problem that lies in the unpredictable behaviour of the counterpart. The most common – probably more common than trust itself – is power⁷⁸. In an asymmetric relationship in which one actor can exploit a higher degree of relative power, it can also force the weaker side to act according to the interests of the stronger party. In this way, the uncertainty of the behaviour is overcome and so is the risk that trust implies. This situation of dependence, without any real choice for the weaker party, is typical of a zero-sum game situation, based on an asymmetry of power between the parties. Obviously, a situation of this kind has nothing to do with trust. If we take into consideration the global system and the relations among states, the relevance of power as a functional equivalent to trust becomes crystal clear. On the other hand, interdependence means that there is no asymmetry of power between the parties, or that this asymmetry is not a strong enough factor to give one actor the power to impose his will on the other. In this case, power cannot work as a functional equivalent of trust to overcome risk and uncertainty. The vital interests of both parties must be taken into account during the relationship so as to reach a positive-sum game in which both parties can take a win from the table⁷⁹.

The third pre-requisite for a trust relationship has to do with the expectations each party holds regarding the behaviour of the other. Given the impossibility of completely overcoming risk, both parties must believe that the other will not try to take advantage of this uncertainty. In every situation of this kind there is always the risk of exploitation, the risk of one party pretending to act in a trustworthy way and then betraying the good will

⁷⁷ Dasgupta, Partha 1988, 'Trust as a commodity', in Gambetta, Diego, ed., *Trust: making and breaking cooperative relations*, Basil Blackwell, Oxford.

⁷⁸ Luhmann, Niklas 1979, *Trust and Power*, John Wiley, Chichester.

⁷⁹ Ostrom, Elinor 2003. 'Toward a behavioral theory linking trust, reciprocity and reputation', in Ostrom, Elinor and Walker, James, eds., *Trust and Reciprocity*, Russel Sage Foundation, New York.

of the other for their own gain⁸⁰. For example, if the actors find themselves in a situation with Prisoner's Dilemma payoffs (the actors have a dominant strategy to defect regardless of the behaviour of the other), the risk of exploitation is very high⁸¹. Thus, to avoid this kind of dilemma it is necessary to elaborate strategies in order to reduce this risk of exploitation and foster a common understanding between the parties that both, given the existence of risk but also of interdependence, will not try to take advantage of the good will of the other. So for a good result, in terms of trust, the actors should have positive expectations about the future behaviour of the counterpart. "Trust is based on an individual's theory as to how another person will perform on some future occasion"⁸², as David Good puts it. Following this path we can arrive at giving the most simple and general definition of trust: "Trust is a bet about the future contingent actions of other"⁸³. Placing trust in someone else we act as if we knew the future, we anticipate the future behaviour of the counterpart⁸⁴.

But the anticipatory belief is not sufficient for the creation of a relation based on trust; the actors must also face the future actively and take the risk, by committing themselves to action with, at least partly, uncertain and uncontrollable consequences⁸⁵.

According to Seligman, we can also make a further differentiation between three different types of trust, that will be useful in the analysis of this concept in international relations: abstract, functional and personal, based on the entities involved and the quality of their relationship. Abstract trust is used to describe a relation between an individual or group and a system or principle, like the trust in democracy. Functional trust describes a purely functional relation between individuals. Personal trust refers to a quality in personal relationships that exceeds pure functionality and exhibits a stronger bond between individuals⁸⁶.

⁸⁰ Lane, Christel. *Op. cit.*

⁸¹ Snyder, Glenn H. 1971 "Prisoner's Dilemma" and "Chicken" models in international politics', *International Studies Quarterly*, Vol. 15, No. 1, pp. 66-103.

⁸² Good, David 1988, 'Individuals, interpersonal relations, and trust', Gambetta, Diego ed., *Trust: Making and Breaking cooperative relations*, Basil Blackwell, Oxford, p. 33.

⁸³ Sztompka, Piotr 1999, *Trust: a sociological theory*, Cambridge University Press, Cambridge, p. 25.

⁸⁴ Luhmann, Niklas 1979, *Trust and Power*.

⁸⁵ Sztompka, Piotr 1999, *Trust: a sociological theory*.

⁸⁶ Seligman, Adam B. 1997, *The problem of trust*, Princeton University Press, Princeton.

Expectations about the future behaviour of the counterpart, especially in social contexts, are not given *a priori*, but are constructed by endogenous and exogenous variable and the experience made with previous interactions. Strategies aiming at fostering a common understanding between the parties and reducing the risks are at the core of the analysis of trust-based relations, especially in the field of international relations. The international community is a *sui generis* case among the various social units created by mankind. Following the assumption of a large part of theorist in international relations – realist and neo-liberals above all, as we previously saw – among states there is no central superior authority that can implement norms and rules, also with the use of force, when necessary. Furthermore, there is no shared identity among members of this society and no sense of a common good that goes beyond the interest of the individual. Rather, every single member tries to achieve its own goals and maximize its own interests, without giving too much attention to the effects that this pursuit has on the interests of others. In this sense, the international community is a *selfish community*. And the main instrument to overcoming uncertainty between members is power. If this is the case, why talk about trust? How can trust play a role in a community like this? Why not rely only on power?

Well, clearly the previous description of the international community is too simplistic. Although it is undeniable that States commonly act to maximize their own interests, often the interests of one actor encapsulates the interests of another⁸⁷. This means that, even if the two interests do not perfectly coincide, the interest of the truster is contained in that of the trustee, which considers it inline with their own interests. The encapsulated-interest account of trust is not about bald, unarticulated expectations, but rather about the belief that the counterpart has relevant motivations to act in a certain way, taking deliberately into account my interests because they are mine and also part of its own interests⁸⁸. In a case like this, the two actors can cooperate in a positive-sum game, based on trust.

This perspective on trust has a strong rational basis. In fact, if an actor always trusts everyone or act basing on generalized expectations, it doesn't meaningfully trust anyone. The expectations about the future behaviour of the counterpart should be grounded in

⁸⁷ Hardin, Russell 1993, 'The street-level epistemology of trust', *Politics and Society*, Vol. 21, No. 4, pp. 505-529.

⁸⁸ Hardin, Russell 2004, *Trust and Trustworthiness*, Russel Sage Foundation, New York.

strong rational assessments, and the encapsulated-interest perspective gives precisely this basis⁸⁹.

There are also other conceptions of trust, which lack this rational foundation. For example, some scholars focus on the moral dimension of trust and on the moral commitment to be trustworthy⁹⁰. If one actor believes that the counterpart has such a commitment, it can easily cooperate with confidence that the other will fulfil the expectations. Unfortunately, as we noted in the analysis of cooperation among states, realistically we cannot assume that such a moral commitment is inherent in the structure of the international system.

Another conception of trust is connected to the dispositional accounts of trustworthiness and trust⁹¹. From this perspective trust and trustworthiness are considered as inherent characteristics of certain actors, thus they are wholly non-relational. Trust is not related to specific social contexts and specific actors with specific interests and preferences but is a general feature that some actors have toward any counterpart on any possible issue at stake in the interaction. As in the previous case, given the previous characteristics of the international system, we cannot suppose that, in relations among states, such a general disposition toward trust exists.

Although in the domain of international relations is realistically very difficult to resort to the last two conceptions of trust, we will try to integrate to the encapsulated-interest approach more facets of the concept of trust, attempting to show that it cannot be reduced to a purely rational calculation of costs and benefits.

1.3.2 Trust and International Relations

After defining what trust means in social science, we can try to apply this concept to a very peculiar realm in social sciences, that of international relations. Trust has been poorly considered over time by international relations scholars and, when it happened, it was just put in close relation to the study of cooperation and the rational choice theory. Even in this case, it was not treated as a central variable because, as Axelrod's work pointed out, trust is not necessary for the emergence of cooperation.

⁸⁹ *Ibidem*.

⁹⁰ Becker, Lawrence C. 1996, 'Trust as Noncognitive Security about Motives', *Ethics*, Vol. 107, No. 1, pp. 43-46.

⁹¹ Yamagishi, Toshio and Yamagishi, Midori 1994, 'Trust and Commitment in United States and Japan', *Motivation and Emotion*, Vol. 18, No. 2, pp. 129-166.

Rationalist accounts consider trust in a very narrow conception, basically related to the instruments provided by the rational choice theory. The actors rationally react to external preferences with a calculation of costs and benefits, based on information about incentives, objectives and preferences. Trust simply describes successful cooperative behaviour and can be derived from the combination of preference structures, incentives and objectives and connected to the systemic context and concomitant role expectations of the actors – that are interchangeable – involved⁹².

Recently, however, scholars in international relations have recognized trust as a central element in the political sphere and also started to criticize the poverty of purely rationalist accounts of trust. They have realized that a reduction of individual actors to rational egoists guided by external factors, derived from a precise conception of international anarchy, not only misses the complexity of decision-making but also ignores the interpersonal nature of trust relationships⁹³. Trust is one of the so-called “social emotions” – emotions that requires the representation of the mental state of other people – and for this reason has a number of facets that go beyond a simple rationalistic representation. Even if we refer to complex organizations, such as states, we cannot simply rely on purely rationalistic perspective, completely ignoring the social, relational and cognitive components of this concept. Trust involves both rational reasons and an “emotional base”⁹⁴: without the first part it would be “blind faith” towards anyone in any situation; without the second one it would be simply calculated risk, it would be a consequence of incentives in which the need of trust and the opportunity to trust would be eliminated⁹⁵.

In the last years, several scholars of international relations recognized the importance of trust and of a broader concept of trust that goes beyond a rational theory approach. Nicholas Wheeler and Ken Booth, in their work on the Security Dilemma, highlighted the fundamental relevance of the human factor in trust relationship – even if the conceptualization of this variable is not clear – and try to place themselves halfway between a rationalist and a psychological approach⁹⁶. Brian Rathbun, drawing from the

⁹² Hollis, Martin 1998, *Trust within Reason*, Cambridge University Press, Cambridge.

⁹³ Michel, Torsten 2012, ‘Time to get emotional: Phronetic reflections on the concept of trust in International Relations’, *European Journal of International Relations*, Vol. 19, No. 4, pp. 869-890.

⁹⁴ Lewis, David J. and Weigert, Andrew 1985, ‘Trust as a Social Reality’, *Social Forces*, Vol. 43, No. 4, pp. 967-985.

⁹⁵ Mercer, Jonathan 2005, ‘Rationality and Psychology in International Politics’, *International Organization*, Vol. 59, No. 1, pp. 77-106.

⁹⁶ Booth, Ken and Wheeler, Nicholas J. 2008, *The Security Dilemma: fear, cooperation and trust in world politics*, Palgrave Macmillan, Basingstoke.

sociological theory of Eric Uslaner on “generalized trust” of “moral trust”⁹⁷, takes a more assertive way and interprets trust as a specific attribute of some actors who have a higher propensity to trust other actors, regardless of the situation⁹⁸. In this case, trust is considered as dispositional, as a fix characteristic of certain actors. The main weakness of this approach is assuming trust as an independent variable that some actors have and others have not, strongly limiting the range of actions and the possibilities in cooperative interactions. Deborah Welch Larson, in her studies on (mis-)trust, proposes a framework that put together rational choice, domestic factors and psychological factors as different sources of mistrust – and conversely trust⁹⁹.

All these innovative approaches can be very useful to develop a framework for trust-building that takes into account both the aspects related to the rational choice theory as those related to the emotional side of trust. However, to understand how trust is involved in the formation and sustenance of international cooperation, we need to analyse what are the strategies that the actors – in this case the states – can take in their specific context – in this case the international relations system – to create mutual trust.

1.3.3 Strategies of Trust-building

Every relationship not based only on power asymmetries provides the ground for the flourishing of trust-based relations in world politics. They also represent the reason why trust has a strong rational foundation. A positive-sum game, in which the interests of both parties are taken into account, lead to a higher level of welfare for both parties and for the system as a whole. In the same way, being part of a community that shares norms and identities reduce, almost entirely, risk and uncertainty.

First of all, a characteristic of trusting relationship is that trust is generally a three party relation: the actor 1 trusts actor 2 to do a specific thing in a specific context (3)¹⁰⁰. If we reject the non-rational approaches previously described – the moral and dispositional

⁹⁷ Uslaner, Eric 2002, *The Moral Foundations of Trust*, Cambridge University Press, Cambridge.

⁹⁸ Rathbun, Brian C. 2012, *Trust in International Cooperation: international security institutions, domestic politics and American multilateralism*, Cambridge University Press, New York.

⁹⁹ Welch Larons, Deborah 1997, ‘Trust and Missed Opportunities in International Relations’, *Political Psychology*, Vol. 18, No. 3, pp. 701-734.

¹⁰⁰ Hardin, Russell 2004, *Trust and Trustworthiness*, p. 9.

conceptions of trust – then we must always pay attention to the context in which the interaction takes place. The context – or the structure – consists in what is at stake in the interaction and in the external and internal variables that intervene during the interaction. Because of this changing structure, we can't trust another actor in absolute terms, but we always have to refer to the context in which the interaction takes place. If the actors find themselves in a context without a central superior authority that can impose its will over the actors, just like the international relations realm, this structure dependency of trust is even more important.

If we consider the distinction made by Seligman of three different kinds of trust, we will focus on functional trust, that is the only type that can emerge between complex organizations such as states, but also on personal trust. In fact, as we previously stated we will try to integrate in our framework of analysis also elements from the psychological approach to trust and trust-building; we will try to evaluate the role that personal relationships between individuals and also personal characteristics play in the development of trust relationships. Finally, we will make also reference to the third kind of trust, the so-called abstract trust; the role of abstract political concepts – such as democracy – as well as ideology may in fact have an influence on the development of relations of mutual trust.

The strategies for building trust among States, even in a selfish community, are several. Mainly, we can consider three different paths towards trust-based relations, referring directly to the three main theories of international relations (realism, neo-liberalism, constructivism) to which we referred in the analysis of cooperation between states: incremental learning, institutions-based trust and identity-based trust¹⁰¹. After that, we will consider also the influence that domestic variables and dynamics of every single state have on the creation of mutual trust among states.

Incremental Learning

The approach to trust as a process of incremental learning between actors is based on the rational choice approach. As we previously described, this approach is shared in the same way between realists and neo-liberals. One of the central assumptions of incremental learning is that the motivation of states is variable and depends on what is at stake in the

¹⁰¹ Hoffman, Aaron M. 2006, *Building Trust: overcoming suspicion in international conflict*, State University of New York Press, Albany.

relationship¹⁰². From this perspective trust and suspicion are learned responses to the behaviour of other actors; that means applying information derived from past experiences to facilitate a positive outcome of the interaction¹⁰³. When deciding whether to trust or not a counterpart, according to incremental learning, the potential trustor reflect on their previous interaction with the potential trustee: the actors who proved to be trustworthy in the past will be trusted in the future, but the actors who proved to be unreliable should not be trusted, until new evidences come. If there are no previous interactions between the actors they can gather information from the interactions that each actor had with other counterparts in the past. This effort to build mutual trust step by step must start with small agreements on peripheral issues, for which the costs of cheating are low. As the evidence of trustworthiness of the parties grows, actors can gain more confidence and entrust their interests to the counterpart on increasingly significant issues¹⁰⁴. One of the most famous examples of the incremental learning approach is the “Graduate Reciprocation in Tension Reduction” (GRIT), proposed by Charles Osgood in the 1960s. It was precisely a step by step approach to move away from the “Spiral of Fear” between USA’s and USSR’s nuclear arsenals, based on the idea of a gradual reduction of tensions, starting from initial steps of small significance that, would accumulate their effects over time until the final achievement of a nuclear disarmament¹⁰⁵.

The analysis, therefore, focuses on interactions inside co-operative relations through which information about the other actor is obtained and knowledge built. Trust is created through a pattern of rational learning based on previous behaviour. The uncertainty – and the risk – inherent in every trust relationship is quelled through the introduction of variables that can be calculated, such as: potential losses and gains of the two parties, relative power, initial advantages and costs of a potential conflict. All these variables adhere to a minimum trust threshold that paves the way for a cooperative relationship¹⁰⁶. Such a scheme can create a sort of “Spiral of Trust” that leads to higher levels of mutual

¹⁰² Fisher, Roger 1964, ‘Fractionating Conflict’, in Fisher, Roger, ed., *International Conflict and Behavioral Science*, Basic Books, New York.

¹⁰³ Levy, Jack S. 1994, ‘Learning and Foreign Policy: Sweeping a Conceptual Minefield’, *International Organization*, Vol. 48, No. 2, pp. 279-312.

¹⁰⁴ Hoffman, Aaron M. 2006, *Building Trust*.

¹⁰⁵ Osgood, Charles E. 1962, *An Alternative to War or Surrender*, University of Illinois Press, Urbana.

¹⁰⁶ Kydd, Andrew 2005. *Trust and mistrust in international relations*, Princeton University Press, Princeton.

trust with every interaction and offers the possibility of addressing increasingly important issues.

The incremental learning approach is based on the necessity of a pre-existing cooperative relationship to offer the possibility of learning something about the counterparts; otherwise the suspicion that uncertainty implies remains. At least, a sufficient amount of credible information on the behaviour of the counterpart should be accessible from the observation of previous interactions with other actors; otherwise there are very few chances of reduce the risk and create positive expectations about the future behaviour. A different method that can be used to increase the credibility of the counterpart, in a framework based on rational choice, is to introduce a costly commitment in such a way as to increase the costs in case of defection. The use of this variable can be easily integrate in a game theory framework and intervene in determining the structure of the interaction – especially for what concerns preferences formation – raising the costs of defection and thus making cooperation more convenient and therefore more likely.

Moreover, a further limit to the incremental learning approach to trust deals with what is at stake in the interaction. As previously stated, a trust relationship is a three party interaction in which the context plays a fundamental role. For this reason, it is not certain that a “Spiral of Trust” will continue over time, when the issues at stake grow in import and the possibility for gains through exploitation also rise, accordingly¹⁰⁷. The willingness of the actors to give control over their interests to the counterpart wanes as the issues at stake increase in importance; conversely, as the stakes increase actors are more likely to focus on the dangers of a possible defection than on their counterpart record of reliability.

Despite these critical points, the incremental learning approach is capable to produce trust based relationship; actors can gather reliable information about each other and learn to trust one another. But when important issues are at stake, it doesn't guarantee that a “Spiral of Trust” can be achieved and last over time. For this reason, this approach can produce trust and cooperation on less important issues and can be profitably used to begin a process of trust building between actors that find themselves in a state of hostility. However, to create a stable and long lasting relationship based on trust it must be supported by other strategies.

¹⁰⁷ Hoffman, Aaron M. 2006, *Building Trust*.

Institutions

The second approach to trust emphasizes the importance of the context in which the interactions take place. The creation of institutions, aimed at reducing the risk that uncertainty implies, fosters mutual trust. The establishment of a set of rules and norms that prevents one actor from acting opportunistically and guards against exploitation of the partnership, creates a context in which trusting each other is less risky and, consequently, less costly¹⁰⁸. Actors with a history of rivalry hesitate to entrust their interests to one another because they fear that they may be unable to recover if the counterpart is cheating. Risk is one of the core assumptions of trust, so reducing risk dominates the logic of trust building among rivals.

The means in which this favourable environment can be built are numerous. The classic institutionalism approach focuses on three aspects: information, monitoring and sanctions. Following the assumptions of rational choice, the goal of reducing uncertainty is key to achieve trust. For this reason, institutions focus on creating mechanisms to share reliable information among the actors. In addition, the process of gathering information goes on during all the interactions, through a system of monitoring that ensure that every actor fulfil its commitment. Finally, the newly created institution must put in place a sanctioning mechanism, that impose costs on participants, to discourage possible free-riders or cheaters¹⁰⁹. This means the creation of invasive structures with the ability of gathering information on the actors involved, monitoring their behaviour during interactions and imposing high costs when actors do not fulfil their commitments, consequently betraying the trust based cooperation¹¹⁰.

A different perspective on institutions focuses on two different aspects. One of the main causes of distrust among states is the fear of exploitation, especially two different kind of exploitation: external and internal. The first one deals with the fear of being dominated – or even destroyed – by a rival in the global arena; the second one is the fear that establishing trusting relations will enable internal opposition to undermine the grip on power of the leadership through discredit campaigns. Both of these fears shorten time horizons of leaders, incentive to behave opportunistically and reduce the chances of

¹⁰⁸ Zucker, Lynne G. 1986, 'Production of Trust: Institutional sources of economic structure, 1840-1920', *Research in Organization Behavior*, Vol. 8, pp. 53-111.

¹⁰⁹ Wallander, Celeste A., Haftendorn, Helga and Keohane, Robert O. 1999, *Imperfect Unions: Security Institutions over Time and Space*, Oxford University Press, New York.

¹¹⁰ Oye, Kenneth A. 1985. 'Explaining cooperation under anarchy'.

creating trust¹¹¹. To avoid these risks, institutions should provide states with an “effective voice” in the decision making process of the institution and further grants them an amount of “breathing space” in the domestic context. These two features serve as a guarantee of survival for all parties, from both an external and internal risk. Giving actors an effective voice inside the institution provides the assurance that they will be able to affect the quality of collective decisions bearing on their long term interests¹¹². In addition, it might be a signal of the intentions of all the parties involved to employ restraint in dealing with each other, further fostering the creation of mutual trust. The risk of being exploited by internal opposition groups can be solved – or reduced – by providing actors with breathing space. Very often, in fact, leaders who try to change long-standing rivalries through mutual trust create opportunities at home to mobilize support against the government; to avoid this risks, institutions must guarantee to every actor the possibility to reduce sensitivity to the domestic political consequences of the accords. Every actor involved must take into account the vital interests of the others and every actor has some flexibility to balance external commitments and internal requests from public opinion¹¹³.

The insitutionalist approach, moving from a situation based on a fear of mistrust, faces the same problems of incremental learning. The higher the level of pre-existent mistrust, the more flexibility inside the institutions is required, the more likely the chance that, when matters a strained, States use the flexibility to withdraw from their previous commitments, after having benefited from cooperation¹¹⁴.

Identity

Just as realism and liberalism share some concepts regarding understandings of the international system, so the first two strategies of building trust can be unified under the same label of the rationalist approach¹¹⁵. The common feature they share is an emphasis posited on mistrust rather than trust. What drives the relationship is the fear of uncertainty that trust implies. These strategies are consequently characterized by the will to limit

¹¹¹ Majone, Giandomenico 1996, *Regulating Europe*, Routledge, New York.

¹¹² Hirschman, Albert O. 1970, *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations and States*, Harvar University Press, Cambridge.

¹¹³ Hoffman, Aaron M. 2006, *Building Trust*.

¹¹⁴ Rathbun, Brian C. 2012, *Trust in International Cooperation*.

¹¹⁵ *Ibidem*.

damages, acquire more information, monitor the other actor, and impose high costs to defection.

A second line of thought about the formation of trusting relationships suggests that they are a function of shared identity among potential co-operators. We can define identity as a set of norms that identity appropriate behaviour and a type of state one aspires to be or a group of states one aspires to belong to¹¹⁶. The Social Identity Theory creates a distinction between in-groups and out-groups¹¹⁷ and the perception of being part of one of these two categories leads to favouritism or discrimination, when the boundaries between groups are sharply drawn and immutable, when “it is impossible or at least very difficult for individuals to move from one group or another”¹¹⁸. Following this theory, states, like individuals, define and categorize themselves in terms of groups. The more they see themselves and others as members of well defined groups, the more likely they are to favor those they perceive as inside the group. Common group membership creates also a sense of obligation among members and this obligation inhibit the willingness to take advantage of gains that come at each other’s expense. In this way, the common belonging to the same group promotes the emergence of trust based relations. Actors sharing common meaning will be more prone to base their relations on trust, because they feel they are part of the same community¹¹⁹. In this kind of community survival is not at stake, so the actors can base their relationship on trust because the risk is minimal.

Just like the two approaches previously analysed, identity based trust building has strong limitations. The problem lies in the necessity for the community to be closed and difficult to access. Most of the time, they are negatively defined. The existence of an “other”, external to the community, defines the community itself. So, relations based on mutual trust are possible only among the members of the community, members that, in terms of international relations, are often pre-allied States. The creation of mutual trust between enemies, rivals and adversaries is automatically excluded¹²⁰.

¹¹⁶ Ruggie, John G. 1998, ‘What makes the world hang together? Neo-Utilitarianism and the Social Constructivist challenge’, *International Organization*, Vol. 52, No. 4, pp. 855-885.

¹¹⁷ Mercer, Jonathan 1995, ‘Anarchy and Identity’, *International Organization*, Vol. 49, No. 2, pp. 229-252.

¹¹⁸ Tajfel, Henri 1978, ‘Interindividual behavior and intergroup behavior’, in Tajfel, Henri, ed. *Differentiation between social groups: studies in the social psychology of inter-group relations*, Academic Press, London, pp. 27-60.

¹¹⁹ Hardy, Cynthia, Phillips, Nelson and Lawrence, Tom 1998, ‘Distinguishing Trust and Power in Interorganizational relations: Forms and Façades of Trust’, in Lane Christel and Bachmann Reinhard, eds., *Trust within and between organizations*, Oxford University Press, New York.

¹²⁰ Hoffman, Aaron M. 2006, *Building Trust*.

1.3.4 Comprehensive approach to trust in international relations

All these three different approaches highlight the fundamental characteristics of mutual trust and trace different paths useful in building trust-based relationships. At the same time, however, all of them are bound by limitations in its implementation. Incremental learning and Institution based trust, coming from the same roots of rational choice theory, tend to focus on distrust and to be more appropriate for “short term trust relationships”. In fact, they can be very useful for overcoming or limiting the initial risk, that is inherent to trust, but show major limitations for a “strategic trust”, that is functional for a long-term cooperation.

Identity based trust, instead, is difficult to begin because of the difficulty to be part of one of the in-groups.

Thankfully each of these approaches to trust can complement the others. One can lead to the emergence of another, depending on the different strategic situation and on the specific actors involved in the relationship. For example, a relationship based on trust between two actors that find themselves in a situation of hostility can start with incremental learning, based on secondary issues, with the aim to test the ground and create a minimum level of mutual trust. Then, as the record of reliability of the two parties increases, the cooperation can move to more relevant matters and, concurrently, it can be institutionalized, with the creation of *ad hoc* institutions aimed at making cooperation stronger, more durable and less influenced by domestic changes affecting each of the actors.

Finally, if the cooperation endures in the long term and the level of mutual trust continues to be fostered, shared meaning can be created and an identity-based trust emerges. In fact, after a long path of cooperation based on mutual trust, a new in-group, of which the two actors are part, can be created and trust can become a fundamental and structural attribute for the future interactions between the two actors.

In this way, we can delineate a comprehensive approach to trust that encompasses the three different strategies. It can be used to start a process of trust building between hostile actors and it can be sustainable in the long-term; this kind of trust can be a strong base for a strategic cooperative relationship.

1.4 A Comprehensive approach to Cooperation

With this new perspective on cooperation among states, we can try to delineate a comprehensive approach to the cooperation issue, taking the needed cues from the cooperative strategies previously analysed.

While doing this, however, we must keep in mind a further distinction in the final aim of a cooperation process. In fact, cooperation can be implemented to address a specific issue that characterizes a strategic rivalry and not to solve the rivalry itself and to reach a situation with lower levels of tension. For example, the cooperation between USA and USSR in terms of control and reduction of armaments – with particular emphasis on nuclear weapons – that took place from mid-60s and especially during the 1970s, was not aimed at solving rivalry and confrontation between the two actors involved, but only at addressing a specific and very dangerous issue. We can define this kind of cooperation as “tactical cooperation”, because of the limited range of its action and its goals. In this kind of situations, trust can be a facilitator of cooperation but is not so crucial; the incremental learning approach is the most suitable strategy for trust building, that can eventually evolve into an institution-based trust if the process of cooperation goes on. Similarly, the strategy of a balanced and equitable division of gains from the interaction can be considered as a very profitable cooperation strategy, as well as the limitation of the number of actors and the possible creation of international regimes. The main challenge in this case comes from the problem of future time actions. In fact, given the limitation in scope and means of the interactions, the shadow of the future might not be large enough to push the actors to keep on cooperating rather than cheat and exploit the immediate gains of defection.

On the other hand, we can define “strategic cooperation” a cooperation process that can last in the long run and lead to the resolution of the considered strategic rivalry. Furthermore, it is specifically designed to achieve that goal, with a long-term vision. Instead of focusing on specific issue, it broadly takes into account every aspect of the relation between the two actors and identifies the issues in which the implementation of cooperation can be easier and faster. In this case, the goal of the process is not that of limiting and controlling rivalry on specific matters, but rather of changing the very foundations of the relations and putting an end to the strategic rivalry.

With this perspective, trust plays a crucial role. As we previously seen, cooperation can emerge also in situations in which trust is completely absent, characterized by enmity and hostility, but, besides being a facilitator of cooperation, it can guarantee the long-term sustainability. If we follow the previous definition of trust as encapsulated-interest, even if the interests of the two actors don't coincide they must be both take into account and fulfilled – although not necessarily at the same level. This situation contributes decisively to stabilize and extend the prospect for a process of strategic cooperation, aimed at a specific goal.

The kind of cooperation that we will consider will be the one we defined as strategic, with the goal of solving a strategic rivalry. To analyse this kind of cooperation we will develop a comprehensive strategy for cooperation. Following the assumption given by Peter Katzenstein and Rudra Sil on the so-called “analytic eclecticism”¹²¹, our approach to cooperation will try to encompass the different approaches to cooperation that we previously analyse – namely realist, neo-liberal and constructivist – to create a comprehensive paradigm to fully develop the different strategies to positively reach a cooperative interaction.

If we go back to the definition of cooperation given at the beginning of the chapter, the most important parts are: the achievement of the objectives – at least in part – of the actors involved, and the coordination of policies. As seen before, the debate does not focus so much on what constitutes cooperation, but rather on the possibility that cooperation will be achieved and on the strategies towards it.

The realist perspective, with its emphasis on the uncertainty that leads to the risk of cheating and the problem of relative gains, leaves little room for cooperation, within an international system defined by the four realist propositions. Neo-liberals, instead, argue that, despite anarchy is a precondition of the relations among states, cooperation has greater chances to be realized. In fact, Axelrod's work shows precisely how actors can cooperate even in the absence of communication or mutual trust, only for the fact that it is the solution that brings greater benefits, thus reducing the importance of relative gains.

¹²¹ “We can define eclectic any approach that seeks to extricate, translate and selectively integrate analytic elements of theories or narratives that have been developed within separate paradigms but that address related aspects of substantive problems that have both scholarly and practical significance”. In Sil, Rudra and Katzenstein, Peter J. 2010, *Beyond Paradigms: Analytic Eclecticism in the study of World Politics*, Palgrave Macmillan, New York, p. 10.

If we take into account the different kinds of cooperation and cooperative strategies outlined before, we can trace the guidelines for a comprehensive analysis.

First of all, within a specific dyad that constitutes a strategic rivalry, some cooperative strategies are structural and cannot be easily changed by the actors. Among these we can definitely consider the strategy that provides a strong asymmetry of power – or even the presence of a hegemonic state in the system. This is, in fact, a condition of the specific situation that is taken into consideration. Similarly the number of actors who take part in the interaction is closely tied to the specific situation and, even more, to the objective of the cooperation itself. As previously mentioned, in fact, the concept of cooperation that we will use is that of strategic cooperation, directed to the achievement of a specific long-term goal between specific actors. For this reason, the number of actors will be defined by the context in which the interaction take place and by the states that have a specific interest on the situation.

Then, there are three strategies on which actors might intervene, to modify them and make cooperation most likely: the distribution of gains, the importance of the time variable and the creation of institutions. The problem of the position within the system after a cooperative interaction is critical. For realists is indeed one of the main obstacles to the success of such interactions. The concept of positionality permeates their whole analysis of cooperation and urges them to state that the improvement of one's position is counterproductive if the result is a greater improvement of the position of the other actor. Even for neo-liberals that issue is of paramount importance. In fact, Keohane's idea of reciprocity and the Tit for Tat strategy explained by Axelrod put an emphasis on a balanced and equitable distribution of gains inside the interaction. A strategy to which actors can commit themselves is therefore to carefully maintain balanced the gains of the interaction in order to make it attractive and, at the same time, to avoid any doubts about the will to exploit the situation by one of the actors.

Another key factor on which actors can work is the importance of future time actions on the present interactions. In fact, we highlighted how much the shadow of time is important to create and sustained cooperation. In this sense, the actors can resort to several different ways to make future weights more on present decisions. The splitting of an interaction in smaller ones, to spread on a longer time frame is one of these; as well as, to envisage the possibility of collaborating on issues of growing relevance that can ensure growing gains; until the perspective of a positive resolution of a strategic rivalry.

The third way through which actors can enhance the emergence of cooperation consists in the creation of international regimes. The presence of an institution, through which limit uncertainty and the risk of cheating, can help to foster cooperation, reducing the main obstacles. At the same time, the establishment of an international regime can participate in the success of cooperation in a broader sense. In fact, the existence of a regime that ties together some actors in a certain issue can be a crucial factor in the development of cooperation among the actors in other sectors; in fact, the cooperation between the parties gives the possibility to obtain credible information about the other one, thus reducing the uncertainty and the risks for a possible defection. For this reason, it can be useful, in some cases, to seek initial cooperative interactions in areas that are considered of lesser importance – and which imply lower costs in case of cheating – to use them in the future to obtain credible information and to build a record of reliability of the counterpart, in view of a possible subsequent cooperation in more sensitive issues.

Finally, states can rely on the constructivist concept of epistemic community for cooperation. In this case, they can actively pursue the creation of this in-group that bring together the actors involved. The main problem lies in the necessity of the presence of shared meanings – usually a shared identity – between the actors to build such a community. In fact, the previous strategies have their roots in the rationalist approach to cooperation; therefore, the only needed feature to implement such strategies consists in a shared interest, in the possibility that both parties achieve their objectives through cooperation. The epistemic community approach, instead, implies the presence of something more than a mere calculation of costs and benefits. As previously described when we analysed the different strategies of trust building, the boundaries between in-group and out-group are hard to cross; this is because their creation can not be based only on the existence of a common interest, but must be substantiated with the existence of common meanings between the parties, of a common identity, which can be based on many different factors, such as: a shared cultural backgrounds, a shared historical memory, or the sharing of some fundamental principles.

The approach that will be used in the analysis of our case will then comprehend these different aspects. Starting from assessing the structural conditions of the interactions, we will highlight which are the balance of power between the actors – in particular if there is an asymmetry of power that can influence the emergence of cooperation – how many

actors are involved and which are their domestic conditions, in terms of power dynamics, that can affect the interactions with other states.

Then we will test our comprehensive approach to cooperation. In other words, in the several cooperation processes that will be the object of the analysis, we will search for the different strategies that actors can put in place to achieve cooperation. The questions that will be addressed are: how the gains are shared among the actors? Are they balanced and equitable? Is the cooperation sustainable in the long term? What is the weight of future actions on the present interactions? Is the process of cooperation formalized in regimes and institutions? The created regimes favour a domino affect on other issues between the actors?

Finally, the attention will be given to the possible creation of a new epistemic community that connect the actors, beyond the mere interest and gains. This stage can be considered as the apex of the cooperation process, in which it should no longer be supported by material gains and benefits, but in which the actors recognize themselves as part of the same in-group and take into account, in addition to their own interest, the collective welfare of the epistemic community within which are inserted.

This division can then be synthesized by grouping the different conditions that give rise to different strategies for cooperation, in three separate groups. The first group, which can be defined as *structural* conditions, includes the characteristics of the context in which the interaction takes place; basically they are: how many actors participate in the interaction – in this case in the analysis we will also distinguish between primary and secondary actors, depending on their weight and their involvement – and how the existing balance of power is configured – not only among primary actors but, more generally, in the international context in which the interaction takes place. The *structural* conditions will be considered as a kind of “exogenous variable” in the relation, because they do not strictly depend on the willingness of the parties involved or they can not be modified, except in a very long period of time.

The second group includes instead the conditions on which the actors can influence in a more direct and immediate way, for a positive result of the cooperative interaction, but also to ensure that it becomes sustainable and profitable in the long run. This set can be defined as *variable* conditions and includes: the distribution of gains, the time aspect – including the frequency of interactions and the weight that is given to future interactions – and the process of institutionalization of interactions. Thanks to the possibility of intervening on these variables directly, they represent, in several situations, the best

opportunity for the actors to achieve a positive outcome in the cooperation. In addition, as seen in the previous paragraph, the second and third conditions are also very relevant in the process of creation of mutual trust between the parties.

In the third group, we can include the possibility of creating an epistemic community that brings together the actors, ensuring that they feel part of the same community and thus perceive the cooperation process as a positive result, not only for their own interests and gains but for the well-being of a community to which they belong. This last feature can be defined as a *constructed* condition, because it can be modified by the actors but as long as there are – or are created – common and shared meanings; this process therefore requires a true construction of a common substrate that combines the actors inside the same in-group. This condition also plays an essential role in building mutual trust between the parties.

Throughout the analysis of the process of cooperation great relevance will be given to the issues, already analysed, of time and trust. In particular, we will observe how much the cooperative processes will be sustainable in the long term and what role the prospect of future possible interactions will play. Moreover, following the comprehensive approach to trust outlined above, we will try to identify the use of the three different approaches to mutual trust building.

1.5 The Constructive Engagement Approach

After having analysed the main approaches for the creation of cooperative relations among states, and the different strategies that can be implemented to lay a trust-based foundation for cooperation, we can thus introduce a practical approach that can be used by states to overcome deep mutual suspicion and distrust. In particular, as we previously underlined, for states that find themselves in a situation of strategic rivalry, and hence are far away from meeting the pre-conditions of trust and cooperation, usually the most common ways of interaction are related to (military) confrontation, enmity and competition.

From this perspective, when one of the two actors aims at changing the behaviour of the counterparts it relies on the use of coercion and negative pressure¹²². Usually this pressure

¹²² Nincic, Miroslav 2011, *The Logic of Positive Engagement*, Cornell University Press, Ithaca, p. 3.

is made out of threats; threats that must be considered in a broad sense. In fact, beside the main coercive tool that can be used in the relations among states – that is the use of military force – there are also other means that might be inserted inside the same group. Negative pressure is a continuum that ranges from diplomatic criticism to military force, including steps in between, such as economic sanctions or subversive intervention. Diplomatic criticism can be public or not and it can vary substantially in relation to the practical conditions of the relationship between the actors. Also subversive intervention can be implemented in several different ways – and with wide degrees of secrecy – and it has the ultimate goal of changing the political leadership or the political system as a whole of one state to better meet the interests of the other.

The most common ways of translating into practice negative pressure are the use of military force and economic sanctions. The first one has at least two different aspects. The use of force can be intended as the mere use of military attacks to change the behaviour of a state, but also as the power of coercion that the threat of the use of military force has on the behaviour of the counterpart. In this regard, we can distinguish between *deterrence* and *compellence*. In the first case, the purpose is to affect the other side's calculation and convey the idea that the costs of an aggressive behaviour would be too high – and the chances of success too low – to make it worthwhile. The idea of compellence is, on the contrary, to use the power of coercive persuasion, assured by military capacity, to force the other side in doing something it otherwise would not do¹²³. Deterrence is used until the provocation occurs, while compellence starts once it has occurred.

Economic sanctions became, in recent years, the most used method of dealing with adversaries in the international arena, especially in situations in which wealthy nations are involved. The rationale lies in the assumption that economic problems that this kind of negative pressure cause can force the decision makers of the counterpart to abandon its behaviour and adapt its policies toward the interests and request of the states – or group of states – that imposed sanctions. The mechanisms that can bring to this change are basically two. First of all, the counterpart's government might be put under pressure within its society for the economic pain that sanctions impose on the population; if the leadership does not undertake that kind of policy re-orientation, the sanctions may lead to the removal of the recalcitrant government. The goal of those who impose sanctions is that domestic deprivations would push segment of the society to rise against their leaders and

¹²³ Art, Robert 1980, 'To what ends military power?', *International Security*, Vol. 4, No. 4, pp. 3-35.

replace them with a new group of decision makers whose international priorities are more acceptable by the international community – or the portion of the international community that imposed sanctions. In both cases the outcome is that baneful policies are abandoned as a result of economic pressure.

Despite the extensive use that have been made of economic sanctions, there is no consensus on their effectiveness in changing the policies of the counterpart. Many scholars¹²⁴ argue that this kind of negative pressure is ineffective, or, even, costly and counterproductive¹²⁵. Also the most important study regarding economic sanctions, *Economic Sanctions Reconsidered* by Hufbauer, Schott and Elliott¹²⁶, which examines 115 cases of economic sanctions from 1914 to 1990, reports a success only in 34% of the examined cases. In addition, several scholars have reconsidered this research results, further restricting the percentage of successful cases¹²⁷.

The straightforward reasoning that underlies the logic of economic sanctions – the greater the economic deprivation, the greater the suffering for the population, the higher the chances for a change of policy or regime – is, therefore, refuted by the largest part of the empirical evidences. The reasons behind the failure of economic sanctions are several. First of all, sanctions can lead to a sort of “rally effect” of a population around a government that can present itself as beleaguered by hostile foreigners; in addition, the target regime can present the internal opposition – if there is any – as connected to hostile foreigners, delegitimizing it and justifying a possible suppression of the dissent. It is also important to notice that usually economic sanctions tend to harm some segments of the society, that eventually might withdraw their support for the government, but, at the same time, they create new opportunities for economic gains – for example in the cases of black and grey markets, or smuggling activities – and new group of interest that might keep on supporting the regime. Finally, the effects of economic sanctions tend to decrease or disappear with the passing of time; in fact, very often the states that are target of sanctions,

¹²⁴ Among the main scholars that carried forward studies on economic sanctions and consider them as ineffective: Haas, Richard (‘Sanctioning madness’, *Foreign Affairs*, Vol. 76, No. 6, 1997, pp. 74-85), Gavin, Joseph G. (‘Economic Sanctions: foreign policy levers or signals’, *Policy Analysis*, No. 124, November 1989, pp. 1-12.), Fisk, Daniel W. (‘Economic Sanctions, the Cuba Embargo revisited’, in Chan, Steven and Drury, Cooper A., eds., *Sanctions as Economic Statecraft: Theory and Practice*, St. Martin’s Press, New York, 2000).

¹²⁵ Haas, Richard 1997, ‘Sanctioning madness’, *Foreign Affairs*, Vol. 76, No. 6, pp. 74-85.

¹²⁶ Hufbauer, Gary C., Schott, Jeffrey J. and Elliott, Kimberly Ann 1990, *Economic Sanctions Reconsidered*, Institute for International Economics, Washington D.C.

¹²⁷ Pape, Robert A. 1997, ‘Why Economic Sanctions do not work’, *International Security*, Vol. 22, No. 2, pp. 90-136.

after an initial phase of political and economic readjustment, in which the economic consequences of sanctions are very onerous, are able to adopt a new *modus operandi* that allows to withstand long periods of deprivation.

After having briefly analysed the main instruments of negative pressure, we can claim that often they are not viable options in trying to change the behaviour of the counterpart. The options that deal with the use of military force are very costly and increasingly less feasible in an international context that tends to condemn this kind of actions; at the same time, economic sanctions have repeatedly proven to be inefficient, if not even counterproductive.

In addition, all these methods of political re-orientation have nothing to do with policy coordination, that is one of the basis of the definition of cooperation. Even in cases in which such methods are successful, they tend not to create cooperation, but rather coercion, and even in cases in which there is a relationship of imposed cooperation, it hardly assumes the characteristics of a stable and long-term cooperative relation, based on the concept of mutual trust.

For these reasons, we can introduce a different method, instead of negative pressure, that can be used in the relations between dyads that find themselves in a state of rivalry, enmity or confrontation, and that can lead to the overcoming of mutual suspicion and distrust and to the emergence of profitable cooperative relations; this approach can be defined as *engagement*.

In theoretical perspective, the approach that we can define as *engagement* comes directly from the development of the theory of international relations related to the concept of *complex interdependence*, emerged in a comprehensive and consistent way since the mid-‘70s. According to the version given by Robert Keohane and Joseph Nye in their paramount work *Power and Interdependence*, the fundamental characteristics of complex interdependence are three¹²⁸:

1. The presence of multiple channels that connect the various actors in the world of international relations: inter-state relations (the most classic form of relationship between states), trans-governmental and trans-national, particularly the latter two

¹²⁸ Keohane, Robert O. and Nye, Joseph S. 1977, *Power and Interdependence* pp. 20-32.

can take several forms and involve a variety of actors (political, economic, social) that previously were almost excluded from the international relations arena;

2. The absence of a strict hierarchy in the issues that states have to face and the expansion of the number of issues to be included inside the foreign policy agenda of a government; issues related to economy, energy, environment, resources, that should be considered alongside the issues of security, that traditionally occupied the whole agenda¹²⁹;
3. The reduced role of military force, in a global system in which interdependence prevails and the use of force, or its threat, can not be the only way to interact in the international arena, in many cases indeed it is absolutely inappropriate and costly and its effects unpredictable.

The mechanism described above presents a representation of the *ideal-typical* paradigm of complex interdependence; not all situations on the international arena can be interpreted through these principles. Certainly, however, the introduction of the concept of complex interdependence gives the opportunity to introduce new assumption to analyse different situations and to seek new solutions to existing situations.

Specifically, starting from the new features introduced with the complex interdependence theory, new approaches were developed, focused on the need to commit and engage with the adversary; no longer a logic of deterrence and containment but a constructive idea of reciprocity in international relations¹³⁰. These approaches are defined as *constructive engagement* and can refer to all those cases in which positive incentives are used by one actor to influence the behaviour of the counterpart; in practice these methods can be distinguished for the means used: promises of rewards rather than threats of retaliation. Obviously, to achieve specific goals may be important to use a mixture of concessions and firmness, to maintain credibility with the opponent and do not show signs of weakness¹³¹.

The cases in which engagement has been implemented show that, despite the fact that the theoretical basis always remains the same, there are many differences in the practical implementation of these policies.

¹²⁹ Kissinger, Henry 1975, 'A new national partnership', *Department of State Bulletin*, February 17, p. 199.

¹³⁰ Keohane, Robert O. 1986, 'Reciprocity in International Relations'.

¹³¹ Schweller, Randall 1999, 'Managing the rise of great powers: history and theory', in Johnson, Alastair Iain and Ross, Robert, eds. *Engaging China: managing a rising power*, Routledge, London and New York, pp. 14-15.

An initial distinction that can be made is between *conditional* and *unconditional* engagement. In the first case the incentives that are envisaged are implemented only when a real change of political conduct from the opponent takes place, while in the second situation the incentives are not conditioned to logic of *quid pro quo*, but rather are used to deepen the ties between the two sides, creating a situation of interdependence that is conducive to change – preferably negotiated – in the political conduct of the opponent, in the long run; also this kind of engagement creates favourable conditions for the creation of a minimum level of mutual trust between the actors. Both approaches show significant strengths as well as weaknesses: the conditional engagement can indeed lead to important results in the short term and avoid any waste of resources, because nothing is given if first the actor does not get something in return. It is also true, however, that this approach puts in a political corner the opponent, by imposing an immediate change, forcing a situation, and thus might lead to a hardening of positions, a result contrary to the logic of constructive engagement. In other words, conditional engagement often does not provide the counterpart with what we previously described as “breathing space”, an amount of discretion to give the other player a margin to adapt their policies toward outside and make sure that this policy re-orientation does not have a destructive impact on domestic politics.

Similarly, the practice of unconditional engagement raised a lot of criticism about the actual tangible benefits that it should ensure; an approach that brings practical results only in the medium or long term is very often considered as a policy of unilateral concessions, that do not get concrete results for the state implements them¹³². In several occasions the approach of unconditional engagement has been treated like a policy of appeasement.

A further distinction in this theoretical framework can be drawn regarding the procedure for implementing incentives. As previously explained, the concept of complex interdependence, that constitutes the very foundation of the approaches, multiplies the issues on the foreign policy agenda, as well as the actors that play a role in the development of international relations. This new situation is reflected in the ability to leverage a wide range of incentives, as well as a wide spectrum of actors to put them into practice. It ranges from the traditional security scope to economics, passing through a wide variety of incentives at the political or diplomatic level (recognition of a state, access to specific international organizations). Similarly, they can be put into practice by

¹³² Govindasamy, Geetha 2005, ‘South Korea’s engagement of North Korea: policy considerations and challenges’, *Malaysian Civilisation Portal*, University of Malaya.

governments, but also by international organizations, non-governmental organizations even by private entities; such fragmentation is functional to the role that the administrations involved decide to interpret in certain situation, for example by providing the means and the opportunity for a third party to carry out constructive initiative toward the opponent but without being directly exposed in the foreground.

The economic incentives are probably the most used, because, in addition to raise the level of trust between the parties, they can also promote the development of conditions that affect the behaviour of the adversary. According to the vision of Keohane and Nye, economic interdependence that is created in this way might ensure new sources of influence on the counterpart¹³³. In particular, when one of the two actors possesses a share of economic power well above the other's – namely asymmetrical power – through a series of wisely used economic incentives one side can lead the other in entering a situation of dependency, and therefore enhancing the chances to influence its behaviour in foreign policy.

The landscape of the policies that can be implemented by following the dictates of the approach of engagement is therefore very broad: it goes from forms of conditioned incentives to others that, at first glance, are given for “free”, but actually have the possibility to stretch their effectiveness on long-term strategies. Also, in some cases the coordinated use of incentives and threats can play a significant role, insofar they do not undermine the cornerstone of the theoretical foundation, that is, the “positive” and “constructive” character of the approach. Finally, the distinction between the different leverages that a state decides to implement in the resolution of the dispute shows that the economic weapon present the double advantage to act as an incentive, just like all the other, and, at the same time, to create asymmetric interdependence, which is crucial in influencing the behaviour of the adversary.

Going into the specifics of the case in question, inter-Korean relations, we can apply the categories previously outlined to identify which are the key features that an approach based on constructive engagement should have in this case, notwithstanding that, also in this situation, its application has not been strict but has undergone changes and adjustments in the course of the years and of the different governments that tried to implement it.

¹³³ Keohane, Robert O. and Nye, Joseph S. 1977, *Power and Interdependence*.

1.6 Introducing Inter-Korean Cooperation

The situation of inter-Korean relations, at least until the early '70s, stood out for a certain degree of simplicity. The Korean War had finally froze a situation of division that was created by the American necessity to contain Soviet expansionism; at the same time it pointed out how the coveted liberation from Japanese colonialism had come thanks to the intervention of foreign powers, placing therefore a serious threat on the possibility of independence in foreign policy by the two new born Korean states¹³⁴. This subordination to the superpowers had serious repercussions also, and mainly, on inter-Korean relations and on any possible attempts at rapprochement, if not reunification. The victory of Mao Tse-tung and the Communist Party in the Chinese civil war (1949) further exacerbated the bipolar confrontation in Northeast Asia, turning the spotlight even more on the Korean Peninsula and its role in the global arena, dominated by the contrast between the two superpowers and their ideologies.

Surely, such an approach had a solid foundation in the recent past of the Korean War, but also in the several occasions that highlighted the aggressiveness of the North; between 1967 and 1968 there were several military provocations, culminating in the attempt to murder of South Korean president Park Chung-hee by a commando of special forces from across the border. In the same year, an American ship, the USS Pueblo, who crossed into international waters off North Korea, was seized and again the following year, a military US aircraft was shot down by Pyongyang's aviation¹³⁵.

The overall picture shows so clearly how the relations between the two Koreas were based on total hostility and lack of mutual trust. The ideal soil for a logic of confrontation and containment.

What becomes apparent is therefore a total lack of originality on the part of South Korean policy makers throughout the period of the Cold War with regard to relations with Pyongyang; flattened on Washington's position of containment, in some cases they were even more intransigent than Americans, when, in late '60s and early '70s, they kept on

¹³⁴ Cumings, Bruce 2005, *Korea's place in the sun*, W. W. Norton & Company, New York, pp. 185-186.

¹³⁵ The spy ship USS Pueblo was captured by North Korean navy on January 23, 1968, while in international waters off the port of Wonsan, where it was conducted; the crew was released only on December 23 of that year. The shooting down of EC-121 took place on April 15, 1969, by a North Korean MiG-17 over the East Sea 90 miles off the eastern coast, the 31 crew members were killed. For further information on the two crises see: Mobley, Richard A. 2003, *Flash point North Korea: The Pueblo and EC-121 crisis*, US Naval Institute Press, Annapolis.

insisting on the hard line, despite the US itself recommended a mild softening of positions to relieve tension, in line with the new Nixon's strategy of opening towards China. The idea that a different paradigm, based on some form of engagement could lead to concrete results in terms of peaceful coexistence, possibility of cooperation and future rapprochement was not considered as a serious viable option.

But from 1972 onward – and even more after the end of the Cold War – South Korean government began to implement new policies in relation to its northern counterpart. An approach no longer based on containment, confrontation, or rivalry characterized by high levels of tension, but on cooperation and on a kind of engagement that had as its primary objective the development of a conducive environment for negotiations and a minimum level of mutual trust, necessary for any development to unlock the situation.

The beginning of the policies of cooperation and engagement on the Korean peninsula can be traced back to the early '70s, with the frail and somewhat opportunistic attempts of president Park Chung-hee. Subsequently, the push toward this approach by the first two governments post-democratization (in 1987 and 1992) has been much more determined and finally the fullest point has been reached by the two progressive administrations between 1997 and 2007. A large number of different administrations – authoritarian or democratic, conservative or progressive – that have been in charge over such a wide temporal arc logically have resulted in very different policies, even if in all of them we can identify different moments in which there is a clear will to find a form of cooperation with Pyongyang.

The variety of approaches of engagement that have been carried out by South Korean governments toward North Korea is therefore very wide. Nevertheless, we can highlight some features that are part of the more complete expression of what can be termed as *constructive engagement* – and that found its realization with the progressive administrations from 1997 to 2007. First of all, the choice has been that of an unconditional constructive engagement; hence the non-subordination of commitments to a logic of *quid pro quo*. The rationale of this approach lies in the goal of creating or deepening links and interrelationships between the two countries, to reach a minimum level of trust necessary to enter into any form of negotiation, as well as a network of interdependence. A different approach would have been hard to implement into practice also because of the rigidity of the North Korean system, which creates very strong resistance to immediate changes on specific sensitive issues from outside, because of the

risk of weakening the leadership internally. Furthermore, the choice of the South Korean government in those cases was that of a long-term strategy, in which the non-conditioning of incentives to the fulfilment of specific obligations by the counterpart was more functional. Regarding the coexistence of incentives and threats, the preference is definitely for the first ones, to avoid the risk of falling into the logic of containment theories and undermine the constructive character at the base of the theoretical approach.

Finally, as for the methods and the actors involved, we can highlight a multiplicity of different interventions. In principle, the choice of economic incentive appears to be the most fitting, to lower – and maintain low – the level of tension and to create space for the emergence of the asymmetric interdependence. The inter-Korean case is paradigmatic in this sense, given the abysmal difference of economic resources between the two actors and the possibility of exploitation by South Korea of the dependence that can be created by economic incentives. Obviously, further actions were required, both in the political and security aspects, but always in a secondary way compared to economic and scientific-cultural relations. This choice of starting from low profile interactions has been applied also regarding the actors who implemented such incentives. In the first stage, in fact, the action of international organizations, non-governmental organizations and even private entities were privileged¹³⁶, to give the government the opportunity not to expose itself immediately.

After outlining the approach through which analyse the inter-Korean dispute, it is essential to lay the research questions that this study aims to clarify. The main purpose is related to the analysis of the policies of cooperation that have been implemented during the course of inter-Korean relations. With this perspective, we will use the theoretical framework outlined in this chapter to analyse the main examples of inter-Korean political, economic and humanitarian cooperation over the years. The method will be of submitting each example of interaction to the three set of conditions previously outlined, that can lead to the different strategies of cooperation: the *systemic* conditions, the *variable* conditions and the *constructed* conditions. In this way, it will be possible to find the main reasons that led to a positive result in inter-Korean cooperation, a rare event in a situation seven decades long and dominated, for most of its duration, by conflict and confrontation. In addition, we

¹³⁶ In many cases, the large industrial conglomerates will become the providers of economic incentives; first and foremost the *Hyundai*, whose founder was of North Korean origin, in particular with its branch of *Hyundai Asan*.

will analyse the development of the negotiation process that led to cooperation, again using the framework previously constructed; finally, we will compare the results actually achieved with the targets that the parties had posed at the beginning of the interaction.

During this analysis, besides the development of cooperative processes, a great emphasis will be placed on two more aspects that can be considered crucial for inter-Korean relations. The first one is the just mentioned engagement approach – and in particular its *constructive* variant – that can be considered as a major mean for leaving a state of conflict and confrontation in a strategic rivalry dyad. Given the willingness of the actors to implement a re-orientation of their policy, to get out of this state, we saw in the previous paragraph that the systems of negative pressure, apart from being difficult to apply and uncertain regarding the results, are not functional for the creation of the basic features of cooperation, in particular policy coordination. For these reasons the use of an approach of engagement is more functional to achieve the result. With this perspective, the interactions that will be considered in the following pages will also be analysed in this light, with the purpose of researching approaches of engagement that the different administrations might have used.

The second feature on which we will focus our attention is the concept of mutual trust. As we previously noted, trust is one of the main characteristics of some cooperative relationships; in particular, it is of fundamental importance in trying to create a process of long-term strategic cooperation, to resolve a situation of chronic tension, such as that created by a strategic rivalry. Inter-Korean relations can be considered as a paradigmatic example in this respect and, therefore, the establishment of mutual trust between the parties will be one of the aspects – along with cooperation and engagement – that we will try to highlight during the analysis. The strategies to create mutual trust are varied and, in some cases, are comparable to those of the creation of cooperation. In particular, they can be traced back to some aspects of what we defined as *variable* conditions – the frequency of interactions and the institutionalization process – and, especially, *constructed* conditions. For this reason, the study of such characteristics, within the interactions between the two Koreas that will be taken into consideration, will be followed by an analysis of their role in the creation of mutual trust on the peninsula.

As well as analysing the efforts toward cooperation and the policies, based on different assumptions, we will also try to capture a picture of the results achieved in the inter-Korean dispute by the different pursued approaches. The perspective from which the analysis will be carried out will be that of trying to create a comparison among the

different processes of cooperation and of national reconciliation that have been implemented in the long path for a peaceful reunification of the peninsula.

The case of inter-Korean relations is an almost unique example in the world of international relations. In fact, it can be seen as a single nation that was divided at the end of the Second World War, largely for reasons related to the global balance of power among the winners of the conflict – the USA and USSR – that was in formation in the second half of the '40s. For these reasons, the two states that have been formed continued to maintain a strong common cultural connotation: ranging from the language to the historical memory, from the traditions to the food, to all the cultural aspects inherited from the previous centuries of Korean history. This situation has meant that in the development of inter-Korean relations we can highlight specific features that characterize these interactions and must be placed at the centre of the analysis.

First of all, we must identify several levels of analysis in these relations. On the one hand, in fact, we are in the presence of two sovereign states, part of the international community, which relate to each other like all the other sovereign states; in this sense, the terms, categories and patterns typical of international relations theory can be applied to the Korean case. On the other hand, however, we can highlight two further levels of influence in inter-Korean relations, one of higher order one of lower order.

The influence of external powers in the division of the peninsula continued in the subsequent years, and undermined the possibility that the two countries could relate independently, for all the duration of the Cold War. For this reason, to understand the development of inter-Korean cooperation, it is essential to introduce in the analysis a further level, in which to place the evolution – or immobility – of the relations and the balance of power between the powers in the region, and their consequences on the peninsula. Alongside this perspective, however, we cannot ignore the presence of a set of shared meanings that are constituted by the cultural and historical heritage of the Korean nation. For this reason, we must also include a lower level, compared to the relations between the two sovereign states of North and South, that includes the importance of common cultural characteristics and the sentiment of a common Korean national identity that might be present in the two leaderships and populations. The very idea that the goal of inter-Korean relations must be the national reunification implies the existence of this substrate and the importance it holds for an analysis of the cooperation between the two states.

For this reason, the creation of the theoretical framework previously presented gives us the opportunity to analyse inter-Korean relations at different levels. The *structural* conditions, in fact, focus on the external factors and the influence of the international system and the balance of power in inter-Korean relations; the *variable* conditions represent instead the direct intervention of the two countries in their interactions, and therefore the clearest form of inter-Korean relations; finally, the *constructed* conditions refer precisely to that set of common characteristics and identity of the two states, which influence the process and, therefore, must be included within the model of analysis of cooperation. Through this framework we can thus have a broad and comprehensive picture not only of the development of the cooperative relations between the two Koreas, but also of the causes that led them to become successful or not.

As previously stated, the policies implemented by South Korean presidents Kim Dae-jung and Roh Moo-hyun can be considered as an absolute innovation in managing the relations between the two Koreas. Nevertheless, their formulation and implementation is part of a process that was established more or less twenty five years before the beginning of the “Sunshine Policy” and that laid the first foundation in building a dialogue between Seoul and Pyongyang. It is therefore essential, before looking at the highest point on the approach of constructive engagement and cooperation, to retrace the early stages of cooperative interaction that, even though between ups and downs and in an discontinuous way, have moved away from the traditional framework of containment and started the new path of positive and constructive approaches.

But before starting the analysis of the relations of inter-Korean cooperation, based on the theoretical model designed in this chapter, it is essential to provide a historical reconstruction of the political relations between the two Koreas. For this reason, in the next chapter we will analyse the historical and political evolution on the peninsula, starting from what can be considered the Korean “Great National Tragedy”, which began in 1910, with the Japanese colonization, then continued with the division of the peninsula after the end of the Second World War and culminated with the fratricidal conflict of 1950-53. These historical events of paramount importance are the pre-conditions for the very existence of inter-Korean relations; in fact, these tragic experiences led to the division of the peninsula into two separate states, after centuries of Korean national unity and to the necessity of interactions between these two new actors.

Then, we will move on to take into consideration the various historical ruptures that made possible a change from the state of conflict, typical of inter-Korean relations, and created a space for the beginning of relations of cooperation and creation of mutual trust. With this perspective we will analyse the rapprochement of 1972, which culminated with the signing of the Joint Statement of July 4, and the end of the Cold War, which will create the conditions for the emergence of a period of cooperation – within the mark of the South Korean policy known as *Nordpolitik* – that will lead to the signing of the Basic Agreement, in December 1991. Finally, we will focus on the most important period in terms of inter-Korean cooperation, namely the progressive presidencies of Kim Dae-jung and Roh Moo-hyun (1997-2007).

Second Chapter

History of inter-Korean relations

The analysis of the history of inter-Korean relations implies, starting from its name, the need for a historical explanation. The same existence of inter-Korean relations, in fact, requires the presence of various state entities placed on the geographic region defined as the Korean Peninsula.

The development of political and social institutions on the Korean territories saw different phases. In some periods, a plurality of centres of power coexisted on the peninsula, but, from the tenth century onwards, the territory was characterized by the presence of a unitary state.

Throughout the first millennium the territories forming part of the peninsula, with the addition of some parts of the Chinese Manchuria, were divided between different state entities. Around the first century AD, in fact, there was the emergence of three main actors in the area: the kingdoms of Silla, Baekje and Goguryeo; which gave the name to the historical period known as the “Three Kingdoms” period. At the same time, there were also other entities on the territory of lesser importance, such as the Confederation of Kaya. Around 562 A.D. Kaya was annexed to the kingdom of Silla and, shortly after, respectively in 660 and 667 AD, the same fate happened to the kingdoms of Baekje and Goguryeo. After a decade of clashes with the Chinese Tang Dynasty, in 676 the Unified Silla kingdom was able to obtain the unification of all the territories south of the Taedong River, most of those that currently are part of the two Korean states¹.

Even at that time, however, a first division between North and South began to take shape. After about thirty years after the defeat of Goguryeo, in fact, on the northernmost territories of the old kingdom, was created a new state entity: the kingdom of Balhae. Founded by Dae Jo-yeong, the son of a Goguryeo general, the new kingdom proposed itself as a direct successor of the previous one.

The political and social decline that the Unified Silla began to suffer during the ninth century was the cause of the end of the period of the “states of North and South”. In 892, in fact, rebel troops led by General Kyon Hwon took control of the southwestern part of the peninsula, with the foundation of the kingdom of Hu-Baekje. A few years later, in 901, also in the northern part of Silla a new kingdom was formed with the name of T'aebong or

¹ Riotto, Maurizio 2005, *Storia della Corea: dalle origini ai giorni nostri*, Bompiani, Milano.

Hu-Goguryeo. The so-called period of “Late Three Kingdoms”, however, had very short life. In 918, in fact, the kingdom of T'aebong, shaken by a domestic transition of power, changed its name to Goryeo and, in the space of twenty years, conquered the other two rival kingdoms on the peninsula².

With the beginning of the Goryeo era the unification of the Korean peninsula can be considered complete. Although in 1392 on the same territory a new dynasty was established, which began the so-called Joseon period, until 1945 there were no further division of the territory.

Even during the period of Japanese colonization, the Korean peninsula, part of the Japanese empire for 35 years, suffered no cuts or territorial dismemberment of its territory.

It was therefore with the end of the Second World War and the collapse of the Japanese empire that Korea was divided for the first time in over a thousand years of history unity.

2.1 The “Korean National Tragedy”

2.1.1 The loss of independence

The events that led to the division of the Korean peninsula into two separate states along a border that, in broad terms, follows the 38° parallel, trace their origins several decades before the intervention of the Allied Forces in East Asia and the surrender of Japan, August 15, 1945. In fact, from the second half of the nineteenth century until the end of the Second World War, the Korean peninsula, though still united from a geopolitical point of view, gradually lost its independence. This characteristic will be a major cause of the arbitrary division which will emerge in 1945.

The reign of the Joseon Dynasty, which ruled over Korea since 1392, in the second half of the nineteenth century was already suffering from a major crisis. As happened to other important and ancient states of Northeast Asia, the nineteenth century marked a moment of great historical break with the past.

For centuries the Joseon kingdom had been almost totally closed to any kind of exchange or influence from the outside, to the point of earning the nickname "Hermit Kingdom".

² Riotto, Maurizio 2005, *Storia della Corea*.

After suffering a first Japanese invasion, between 1592 and 1597, by Admiral Toyotomi Hideyoshi, who wanted to use the peninsula as a launching pad for the conquest of Ming China, and two successive short Manchu invasions in 1627 and in 1636, the country had turned completely inward. The aim was, in fact, to limit as much as possible any contact with outside countries, except for China, whose the Joseon kingdom was a tributary state, and sporadic trade contacts with Japan³.

The events that led to the end of Korean isolation from the outside world followed, in general, what happened to its neighbours. The growing interest of the European colonial powers for new economic opportunities in Asia turned also toward the Korean peninsula, with the goal of breaking the isolation in which it was entrenched until the mid-nineteenth century. The first incident between the Joseon monarchy and the Western powers took place in 1866, with the French retaliation against the island of Kanghwa, after the killing of some Catholic missionaries by the government of Hŭngsŏn Taewŏn'gun, and the incident of the American merchant *General Sherman*, attacked and sunk after passing the limit of navigation allotted by Korean officials, which was followed by a US attack of retaliation (1871)⁴.

In the Korean version of “*Gunboat Diplomacy*” a East Asian dynamic of power was added to the picture. The Joseon kingdom, as mentioned, was a tributary state of China and, although it maintained an almost total independence, was considered under the Chinese sphere of influence. The events of the second half of the nineteenth century, however, changed unequivocally the balance of power in the region. The Chinese empire was shaken by a great crisis and weakness, following the defeats of the Opium Wars, the signing of the so-called Unequal Treaties and internal rebellions. At the same time Japan, after the opening to the West that followed the arrival of the American fleet of Commodore Matthew Perry in Tokyo Bay, had embarked on a process of modernization and industrialization, in order to close the huge economic and military gap with the European powers. This new course of Japanese politics was characterized by a new interest towards the acquisition of colonies and protectorates, in the same way in which this was carried out by European powers.

With these assumptions, one of the first targets to which Japan began to look with great interest was the Korean Peninsula. Now that the isolation in which the Joseon kingdom remained for long centuries was clearly unsustainable, Japanese efforts began to focus on

³ Oberdorfer, Dan 2001, *The Two Koreas*, Basic Books, New York, pp. 144-153.

⁴ Gale, James Scarth 1972, *History of the Korean People*, Royal Asiatic Society, Seoul, pp. 310-311.

the penetration of its influence in the country. The first opening treaty of the former “Hermit Kingdom” was signed with Tokyo on February 26, 1876. The “Friendship Treaty” between Korea and Japan (also known as the “Treaty of Kanghwa”), could not be considered equal, but it still included the formula of “sovereign country” with reference to Korea, thus giving the appearance of curbing Japanese expansionism⁵. Actually, its main function was of eliminating the traditional Chinese influence on the peninsula.

In 1882, as a defensive measure against its threatening neighbours, Korea signed a “Treaty of Amity, Commerce and Navigation” with the United States, the first one with a Western power. Later, Korea signed a treaty with Tsarist Russia, which had now realized the strategic importance of the peninsula. Between 1894 and 1895 Japan and China embarked on the so-called first Sino-Japanese War, which had as its main motivation the influence of the two powers over the Korean peninsula. The Japanese military supremacy in the conflict was decisive and led to the signing of the *Treaty of Shimonoseki* and the definitive affirmation of Japanese power in the region, at the expense of China. The treaty recognized the full and complete independence of Korea from China. Actually, it sanctioned the definitive removal of the peninsula from the sphere of influence of Beijing and its entrance into that of Tokyo.

In 1902, Japan strengthened its position by forming an alliance with Great Britain, which began to fear for Russian expansion in the East. In exchange for the British recognition of the Japanese “special interests” in Korea, Tokyo recognized English interests in China. Such moves alarmed Russia that decided to move its troops toward the peninsula, increasing tensions with Japan. To avoid confrontation, the Japanese proposed to the Russians to divide Korea into two zones of influence, whose boundary line would be the 38th parallel, the same that will be chose by the Americans at the end of World War II. Because of the refusal of Russia, Japan made a surprise attack to the Russian naval base in Port Arthur, in February 1904, initiating the Russo-Japanese War, that ended the independence of Korea. The conflict lasted until September 1905, with the overwhelming victory of Japan and the signing of the *Treaty of Portsmouth*; Russia withdrew its troops from Manchuria, while Japan secured its domination of Korea, which was informally annexed to Japan.

⁵ Seth, Michael J. 2010, *A concise history of Modern Korea: From the Late Nineteenth Century to the Present*, Rowman and Littlefield Publishers, Lanham, p. 13.

In July of the same year, the US Secretary of War, William Howard Taft, approved the Japanese rule of Korea by signing a secret agreement with the Minister of Foreign Affairs of Japan, Taro Katsura, which in turn assured the non-opposition to US domination of the Philippines. Britain, which renewed its alliance with Japan in 1905, tacitly approved the Japanese intentions over Korea⁶. Now Tokyo had all diplomatic means to dominate Korea, and in November it officially became a Japanese protectorate. Five years later, the Japanese government decided to annex the peninsula. This decision represents the first moment of the Korean national tragedy.

On 29 August, 1910, the Japanese government issued an edict in the name of the emperors of Japan and Korea, that established the merger of the two countries. Terauki Masatake was settled in Seoul as governor general and implemented some measures that did presage the worst for Koreans: meetings and political discussions were banned, strong censorship on the press, arrests of Koreans suspected of threatening the authorities⁷.

During the thirty-five years of Japanese colonization, the colonial government laid the foundation for the development of economic, political and cultural aspects of modern Korea, and tried to implement a process of assimilation of Koreans to the Japanese culture. In the first decade of the colonization, defined by Koreans as “the dark period”, the Japanese, through a brutal, highly centralized, direct and intensive colonization, tried to deconstruct the millennial Korean culture. The economic and strategic needs of Japan were the primary goals to dictate the course of economic and social development in Korea, and not the interests of the Korean people.

The political figure of the Governor General acquired a degree of authority that exceeded even that of the pre-colonial kings: he had the command of the military forces on the peninsula, controlled the police system, appointed most important officials, had extensive legislative and executive powers, became the largest landowner in the peninsula. The political repression was harsh and affected all the aspects of the country's cultural life. The colonial government even forbade Koreans to speak their language in public. Another thorny issue, which is still an open wound in the relations between the two countries, it was the practice of the Japanese soldiers of sexually abusing Korean women, the phenomenon of so-called “comfort women”.

⁶ Iriye, Akira 1972, *Pacific Estrangement: Japanese and American expansion, 1897-1911*, Harvard University Press, Cambridge, pp. 47-48.

⁷ Seth, Michael J. 2010, *A concise history of Modern Korea*, p. 35.

In the early years of Japanese government, the opposition to the colonial regime was poor, consisting of groups of nationalists abroad and few internal dissidents. In March 1919, on the contrary, there was the formation of a true national resistance movement against the Japanese occupation, “the March 1st Movement”, the first to include not only intellectual and exile groups, but also women, farmers, residents of small and big cities, that considered Korea as a member of the international community of nations, and therefore independent. The demonstrations were quickly suppressed, but they represented a major embarrassment for the Japanese government, which began to think of reforming the colonial rule⁸.

The 20s are considered a more moderate period of the colonization, compared to the previous and the following. It was also a period of cultural ferment in Korea, during which it became clear the distinction between a moderate nationalist movement, inspired by Western cultural and nationalists values, and a radical one, inspired by Marxism. In April 1925, some young leftists founded the Korean Communist Party, the first party in the history of the country, but its representatives were arrested a few months later by the colonial authorities.

In the 30s, the reinvigorated expansionism of Japan in Asia drastically reduced the cooperation with Western powers, and had a strong impact on the colonial rule in Korea, considered as a valuable source of raw materials, investment and trade, and a natural bridge between Manchuria and Japan.

With the outbreak of the Second Sino-Japanese War in 1937, the colonial regime began a major campaign for the mass mobilization of the Korean people to support the costs of the war and all kinds of Korean organization was banned. The authorities tried to create a process of assimilation of Koreans into the Japanese culture – probably the highest point in this regard was the proclamation of the law that prohibited the use of Korean names and forced Koreans to adopt Japanese names – by propagating the idea of one single people. However, in practice Koreans were always in a lower and subordinate position to the Japanese⁹.

The experience of colonization imprinted in the Korean population a strong sense of national identity and was one of the main element of the construction of the new national identities both in North and South Korea. Despite the failure of assimilation, the legacy of

⁸ Cumings, Bruce 2005, *Korea's Place in the Sun*, W. W. Norton & Company, New York, pp. 148-150.

⁹ Cumings, Bruce 1981, *The origins of the Korean War: Liberation and the emergence of separate regimes, 1945-1947*, Princeton University Press, Princeton, pp. 28-29.

Japanese colonization on the Korean Peninsula was complex: high governmental efficiency standards, necessary and infrastructure of a modern industrial society, reform of the education system. During the colonial the traditional Korean social order was disrupted and a new middle class and a class of industrial workers were formed. The Japanese colonial government, especially in the last years of the occupation, provided the example of a state-led economic development, of policies of mass mobilization of the population and propaganda campaigns, which will inspire the leaders of both North and South.

2.1.2 The loss of National Unity

The fate of the post-colonial Korea was decided by Roosevelt, Churchill and Chiang Kai-shek, during a meeting held in Cairo, in 1943, to discuss and decide the future of Japan and its colonies after the defeat.

The three leaders announced, in the *Cairo Declaration* of December 1, that “*in due course*”, Korea will become free and independent. With this document, for the first time the Allies declared their plans for Korea. Roosevelt's idea was to put the Japanese colonies, starting from Korea, under a “trusteeship”, to assist and guide them once independent. The strong nationalistic aspirations of Koreans contributed to attribute to the expression “*due course*” the meaning of immediate independence¹⁰.

The events that followed August 1945 determined the fate of Korea. After the American bombing of Hiroshima and Nagasaki, the Russian declaration of war against Japan, the advance of the Russian army in Korea and the signs of an imminent surrender of Japan, the Americans began to fear that the whole peninsula could end up in Soviet hands. US military forces were stationed in Okinawa, while the Russians were already on the peninsula; to avoid this situation, on the night between August 10 and 11, the State-War-Navy Coordinating Committee commissioned two colonels, Dean Rusk and Charles Bonesteel, to determine a line of demarcation to divide Korea into two equivalent zones, on which USSR and United States would exert their influences. The two colonels, not prepared for this task, realized that the 38th parallel could be use as a demarcation line and proposed that US troops would station in the southern part of the peninsula, which also

¹⁰ Cho, Soon Sung 1967, *Korea in World Politics, 1940-1950: an evaluation of American responsibility*, University of California Press, Berkeley, p. 19.

included the capital Seoul, and the Soviets in the north. This proposal was approved by President Truman and the *General Order Number One* was sent to Moscow. The Soviets accepted it immediately; Stalin probably accepted that solution because he was convinced that it would provide ample opportunity to participate in the occupation of Japan and even Europe, and probably he also thought that this agreement would distance the danger of a direct confrontation with the United States in Korea. The 38th parallel, that became the border between the two Koreas, is a totally arbitrary line and does not represent any historical, cultural or geographical division of the country¹¹.

In the south of the peninsula, in the meantime, the Japanese governor Abe Nobuyuki, aware of the consequences of the events, tried to organize the transition process and to identify someone on his side to entrust the fate of Korea; many Korean politicians refused to collaborate with the colonial authorities. Yo Un Hyong, a political moderate without any communist inclination and supporter of democracy and equality, accepted, in exchange for the release of all political prisoners, the guarantee that the preparation for independence would be freely managed by the Koreans and the security of food supplies for the following three months. Waiting for real elections, Yo established the Committee for the Preparation of Korea Independence (CPKI), with the function of maintaining peace and order on the peninsula.

On August 15, 1945, the Japanese emperor Hiroito announced on the radio the surrender of Japan. The first reaction of amazement and shock for Korean people, were followed by joy and celebrations across the country. All symbols of the colonial era were shot down, and the traditional Korean flag was waving in all cities. In less than two weeks, a considerable number of local popular committees joined by the CPKI.

On September 6, one thousand delegates of local committees gathered in Seoul, and the People's Republic of Korea was proclaimed, with Yi Sungman, a staunch anti-communist, in the role of President. Six days after the founding of the Republic, that represented a wide variety of political forces, a program of political and social reform in 27 points was published, which provided important interventions, such as: land reform, redistribution of land, nationalization of industries¹².

Meanwhile in the North, the Soviets, who arrived in Pyongyang on August 24, chose to work with the local committee headed by Cho Man Sik, to facilitate a peaceful transfer of

¹¹ McCune, George M. 1947, 'Korea: the first year of liberation', *Pacific Affairs*, Vol. 20, No. 1, p. 5.

¹² Cumings, Bruce 1981, *The Origins of the Korean War*, p. 270.

power. But, at the same time, they also started to increase the presence of communist leaders within the committee.

Political issues had priority for the Soviet authorities in Korea. Their task was to implement the so-called “communisation” of the country: to establish a pro-Soviet government in their occupation zone. This need was made even more urgent by the fact that most likely, after 1945, Americans would have transformed Japan, and probably South Korea, in two American military bases, and then for the Soviets was crucial to have a sort of protective “buffer area” in the north of the peninsula. In early September 1945, various groups of self-government, the People's Committees, had already been created, with the support of the population. However, in the fall of 1945 the Soviet authorities realized that the alliance with the nationalists was not easy. Cho Man Sik was trying to exploit his position to bear forward his political strategy, in contrast to the Soviet one, and was against the decision of establishing a trusteeship in Korea.

When Soviets had to choose the most appropriate communist leaders to defend their interests on the peninsula, the choice fell on the members of the 88th Brigade of the Red Army, which included Kim Il-sung and other 66 soldiers, who entered Wonsan on September 19. On October 14, 1945, Kim Il-sung was presented publicly to North Koreans, at a gathering in honor of the Soviet army, as a hero of the anti-Japanese guerrilla and a high-level political. By that time, he took in his hands the control of the local communist movement, supported and assisted by the Soviet Union, and removed the local communists who opposed him¹³.

In the spring of 1946 it was clear that the project of a trusteeship over Korea and the foundation of a unified Korean government would not have been realized. It was at this point that the Soviets decided to create an independent state in the north.

While in that part the reorganization of the occupied territory, implemented by the Soviets, continued, in the South there was a total political chaos and the American administration revealed the lack of preparation and the confusion of the directives from Washington. American General John Hodge, the military governor of Korea, did not recognize the authority of the committees and their widespread popularity in the South, nor the People's Republic, but concentrated in his hands the power to build a new government, ignoring the desire for independence of Koreans. He also decided to hand over all power to the United States Army Military Government in Korea (USAMGIK), backed by landowners and

¹³ Lankov, Andrei 2002, *From Stalin to Kim Il-sung: the formation of North Korea, 1945-1960*, Rutgers University Press, New Brunswick, p. 17.

businessmen. The attempts put in place by USAMGIK to start economic and social reforms were not successful and this prevented a further acquiring of legitimacy of the occupying forces in the eyes of South Koreans, who in the fall of 1946 started demonstrations all over the South. Meanwhile, Hodge identified in Sungman Yi, a staunch anti-communist, nationalist authoritarian, the best person to rule the country¹⁴.

A single year has been enough to sanction that the two parts of the peninsula embarked on two separate and different roads. Most likely these outcomes were not considered in the original intentions of the occupying powers, but they were the unintended result of the military occupation. Nor the Koreans would have ever wanted or expected that their country would have been divided.

The deterioration of relations between the Soviet Union and the United States, which resulted in the beginning of the Cold War, played a crucial role for the division of the Korean peninsula.

The Soviets claimed that the parties and organizations that opposed the “*trusteeship*” should not have been represented. The Americans, who did not want to stay for long in Korea, decided to defer the issue to the United Nations. In November 1947 the United Nations Temporary Commission on Korea (UNTCOK) was established, with the task to supervise the organization of general elections and the formation of an independent Korean government. The goal was to ensure that by March 1948 all powers were given to a national parliament, allowing the occupying forces to leave the country. The Soviets did not recognize any authority to UNTCOK and hindered the elections in the North, which were held only in “accessible” areas, namely in the South. From this moment, the few remaining hopes to see Korea reunited and free from foreign presence vanished. On May 10, 1948 the elections for the formation of a National Assembly, composed of 200 members were held and, in spite of the high percentage of boycotts, Yi Sungman won¹⁵. On July 17, a constitution under which elections would be held for the Assembly every two years, while those to elect the president every four, was adopted. On July 20, Yi was appointed president and on August 15 the Republic of Korea was proclaimed. The General

¹⁴ Henderson, Gregory 1968, *Korea, the politics of the vortex*, Harvard University Press, Cambridge, p. 114.

¹⁵ Cumings, Bruce 1990, *The Origins of the Korean War, Vol. 2, The Roaring of the Cataract, 1947-1950*, Princeton University Press, Princeton, pp. 72-73.

Assembly of the United Nations accepted the result of the election and declared (in the resolution 195) it was “the only legitimate government of Korea”¹⁶.

The reaction of the authorities of the North was to hold their elections and on September 9, 1948, the Democratic People's Republic of Korea was proclaimed. Kim Il-sung took over as Prime Minister. North Korea and South Korea, as we usually call them, from this point became two separated sovereign states.

2.2 The Emergence of inter-Korean Relations

During the years from the 1953 armistice to the early '70s, inter-Korean relations were dominated by tension and mutual hostility not only by total closure. It might be said that there were no inter-Korean relations at all. The authoritarian government of Yi Sungman, in the South, decided to stop all contacts toward the North and launched its own slogan: “Victory over Communism”¹⁷, that left no room for doubts about its administration’s position in the management of the relations with Pyongyang. In the consistent anti-Communist policy of Yi, North Korea was not recognized at all and its government was regarded as a rebel group against the government in Seoul, the only legitimate representative of the entire peninsula, since it was “founded by free elections under the supervision of the United Nations”¹⁸. The cornerstone of this vision was represented by the alliance with the United States, established by the Mutual Defense Treaty, signed in the aftermath of the armistice, which put South Korea under the nuclear umbrella and the protection of the American military system, in response to the continue security threat posed by the North.

With the rise to power of General Park Chung-hee, in 1961, the broad approach to inter-Korean policy does not change significantly; the close relationship with the US is reinforced by the decision to send Korean troops in the Vietnam War (1965) and the normalization of relations with Japan. In fact, despite the great problems related to the

¹⁶ The Article 2 of the Resoluition declares that the elections of the Government were the expression of the free will of the electorate “and that this is the only such Government in Korea”. The full text of the Resolution can be found at: <http://daccess-dds-ny.un.org/doc/RESOLUTION/GEN/NR0/043/66/IMG/NR004366.pdf?OpenElement>

¹⁷ Choi, Jin-wook and Lee, Erin 2008, ‘Sixty years of South korean unification policies’, *Korea and World affairs*, Vol. 31, No. 3, p. 286.

¹⁸ Statement made by South Korean Foreign Minister Byun Young-tae at the Geneva Conference in 1954, *cit. in*, Choi, Jin-wook and Lee, Erin 2008, p. 289.

historical memory of the colonial period, the new post-war Japan had become a key ally for the Western bloc in East Asia¹⁹. The goals that General Park places at the core of its policy, after coming to power, however, are mainly domestic; The new slogan becomes “construction first and unification later”²⁰, which materializes in maintaining the *status quo* to focus on economic development, to count on the American military and economic assistance and to exploit the strong ideological opposition to silence by brutal means the issues of civil society. It was precisely from the South Korean civil society that, in this period, will arise the demand for a North-South dialogue without preconditions, towards a neutral reunification of the peninsula. In particular, after the revolt that led to the fall of Yi Sungman’s regime and before Park’s coup, a brief period of freedom creates a possibility to address the inter-Korean dispute more openly, without the risk of being accused and convicted for anti-patriotic activities.

Pyongyang’s line towards inter-Korean relations throughout this period is the mirror image of that of Seoul. For Kim Il-sung’s regime the main strategy of reunification was war²¹. The Democratic People's Republic of Korea was considered the only legitimate state on the peninsula and south of the 38° parallel a fascist dictatorship had been implanted, with the military support of the American imperialists, oppressing its people, eager to rebel and reunite with their brothers in the North²². Although the strategy of deterrence was working, preventing direct attacks, the official rhetoric of war and revolution, in the same South Korean territory, was the primary strategy. In 1961, the formalization of this approach was confirmed in the 4th congress of the Korean Workers Party.

Given these premises is thus relevant to ask which were the reasons that led to a partial change of course in the management of inter-Korean policies, from both sides, although in different ways, at the beginning of the 70s, with the first attempts of dialogue, from a confrontation without compromise to a competitive coexistence.

¹⁹ Choi, Jin-wook and Lee, Erin 2008, pp. 287-288.

²⁰ *Ibidem*, p. 290.

²¹ Koh, Byung-chul 1988, Continuity and change in North Korea’s unification policy, *Korea Observer*, Vol. 19, No. 1, p. 90.

²² Bluth, Cristopher 2008, *Korea*, Polity Press, Cambridge, p. 44.

2.2.1 The 1972 Joint Declaration

The publication of a Joint Declaration (*Joint Statement of North and South*) by the governments of Seoul and Pyongyang on July 4, 1972 represents an incredible development in the relations between the two countries. Despite the lack of effectiveness of a non-binding declaration, signed by delegates and in which are not even mentioned the official names of the two countries to avoid any appearance of even implicit mutual recognition, compared to the previous situation the change is enormous; beyond the limited practical consequences that the declaration will bear, it will trace a path of possible cooperation that will be pursued again in the future and it will represent a milestone for every inter-Korean declaration in the following years.

First of all, it is essential to analyse the content of this declaration. The stated goal is the will to reduce misunderstandings and mutual distrust, ease tension and accelerate the realization of reunification. The points that constitutes the declaration are seven, the most important of which is the first, in which are enlisted the three guiding principles of reunification:

- 1 - *Independence*, from outside interferences;
- 2 - *Peace*, as the main tool to achieve reunification;
- 3 - *National Unity*, promoted above ideologies, ideals, systems.

The remaining points listed a series of virtuous behaviours to reach the implementation of the three main objectives. Among them the most relevant are: to end mutual defamation and slander, to refrain from causing military accidents, to take positive steps to prevent the outbreak of armed clashes, to implement exchanges in various fields, concluding the negotiations opened by the Red Cross for family reunions, to install a direct line between Seoul and Pyongyang and eventually to create a standing committee in charge of the coordination of North-South relations²³.

More interesting elements might be extrapolated by analysing the negotiation process that led to the signing of the document. Although it is not entirely clear which party initiated negotiations, the key moment can be considered Park Chung-hee's speech for the

²³ Koh, Byung-chul 1992, 'The inter-Korean agreements of 1972 and 1992', *Korea and World affairs*, Vol. 16, No. 3, p. 473.

Liberation Day in 1970²⁴, when South Korean president proposed “historical and real measures” to remove any barrier between North and South Korea, in exchange for giving up any hostile act and the objective to overthrow by force the government in Seoul by the Pyongyang regime. In addition, South Korea would have stopped to oppose to the participation of North Korea to the UN General Assembly, in exchange for the recognition of the authority of that organization in addressing the Korean issue. Finally, Park challenged his counterpart for a “peaceful competition in development”, to determine which system was best suited to ensure the highest living standards for its population²⁵. The official response of Kim Il-sung arrived the following year, immediately after the revelation of the rapprochement between China and USA, when, in his welcome speech to Prince Sihanouk of Cambodia, for the first time he explicitly indicated the will to negotiate with Park Chung-hee²⁶.

The following step consisted of the official “humanitarian” negotiations, carried out by the Red Cross of the two countries, to organize the first reunion of Korean families divided by the war, while diplomatic contacts proceeded in secret by the head of the KCIA (the South Korean intelligence service), Lee Hu-rak, and the younger brother of Kim Il-sung, Kim Yong-ju²⁷.

Regarding the reasons that made a similar event possible in this particular moment, which, as seen before, was not characterized by *détente* between the two parties, it might be useful to divide the motivations between international and domestic circumstances.

In the aftermath of the Korean War, both countries were under strong influences from their respective protector powers – USA for South Korea and USSR and China for North Korea – especially regarding foreign policy. The most important event in this sense can be considered the Sino-American rapprochement, began in 1971 and culminated with the visit of Kissinger and Nixon in Beijing (1972)²⁸. With the establishment of relations between the two great powers directly involved on the Korean peninsula, a new window of opportunity opened up to take steps in the direction of a North-South dialogue.

A few years before, in 1969, the Korean-American relations had been shaken by the launch of the *Nixon Doctrine*. The main goal was the reduction of the American military

²⁴ The English translation of the speech can be found in: *Major speeches by Korea's Park Chung-hee*, Hollym Corp., Seoul, 1971.

²⁵ *A White paper on South-North dialogue in Korea*, National Unification Board, 1988, p. 34.

²⁶ Koh, Byung-chul 1992, p. 469.

²⁷ Lee and Kim were the delegates who signed the Joint Statement.

²⁸ Koh, Byung-chul, 1992, p.464.

interventions in Asia and therefore the necessity, for countries like South Korea, to take more responsibility for their own security; the US no longer ensured their intervention in the event of a conventional attack but only in case of a nuclear threat. The deterrence equilibrium was still in place, for the presence of the American nuclear umbrella, but the American allies in East Asia had to bear a larger share for their own defense. According to this new strategy, in 1971 20000 American soldiers were withdrawn from the Korean peninsula²⁹.

As for the the internal situation, the reasons that led to the beginning of the inter-Korean dialogue are connected, in the South, to the necessity of Park Chung-hee to develop a new strategy towards the reunification, in order to meet the new demands of the society that, after years of sustained economic growth, was increasingly interested in issues relating to democracy, freedom and reunification³⁰.

In the North, the failure of the strategy of militarization and total support of the revolution in the South of the 60s was becoming too expensive to support and needed a reshape; in addition the withdrawal of American troops on the peninsula and the reduction of the anti-communist sentiment were considered very positively. The causes for this paradigm shift in inter-Korean relations were thus very different and composite, but they created the conditions for the emergence of a window of opportunity that will lead to a new approach to the issue.

Although, as mentioned before, the practical consequences of the declaration were scarce, it can be considered as a turning point, as the first example of engagement in inter-Korean relations.

Firstly, it is clear the conditionality of the proposed incentives. From the speech of Park Chung-hee in 1970, each opening gesture was explicitly connected to a prior change of attitude by North Korea. The formulation of the declaration required mutual commitment from each country on every single point and implied the ceasing when one of the two shares had failed virtuous behavior the result would have been the end of the commitment on the other side. The incentives mainly concern security – in particular the mutual preservation of territorial integrity – in the list of the principles of the reunification process and in the subsequent points, in which is established the interruption of mutual defamation and threats and the will to prevent any military incident, in addition to the creation of a

²⁹ Choi, Jinwook and Lee, Erin 2008, p. 291.

³⁰ *Ibidem*, p. 292.

Coordinating Committee and the North-South direct line between the two governments. Points 3 and 4 instead concern humanitarian objectives and exchanges in “various areas”, in order to promote mutual understanding and facilitate a peaceful reunification.

The declaration has the undeniable merit to emphasize a new method, based on the mutual exchange in issues not directly political, on the growth of interdependence and cooperation and, in turn, of integration. The old formula of “no dialogue” was replaced by the new of “unification through dialogue”³¹. It is also clear, however, another aspect of the issue: this opening by Park’s regime was probably dictated more by international circumstances and his own political opportunism than by a genuine desire of reconciliation with Pyongyang. The series of conditions imposed, especially in the speech of 1970, could not be immediately accepted by the Pyongyang’s regime as well as the way they were made was not aimed at eliciting a positive response from North Korea³².

2.2.2 The Cold War II on the Korean Peninsula

Despite the developments in diplomacy and dialogue, rivalry between North and South remained the significant feature of inter-Korean relations between the mid 70s and the following decade. The astonishing South Korean economic growth had moved the competition also on that side, in addition to the military aspect, and the growing disparity in favour of Seoul made North Korea increasingly reluctant towards trade and contacts between the two countries³³. The most important change can be found in the new paradigm, accepted by both sides, of long-term coexistence³⁴, characterized by rivalry but also intermittent contacts and dialogues, instead of the previous total mutual closure.

The Joint Statement began to slowly disappear by the time of its implementation; the reason can be found on its derivation from a temporary convergence of interests and a momentary favourable international context, rather than from a decrease of the differences between the two parts. In addition, it becomes immediately clear the different interpretation of the document given by the two administrations. The goal of Pyongyang

³¹ Park, Young-ho 1997, ‘South Korea’s unification policy: past, present and future’, in Kwak, Tae-hwan ed., *The four powers and Korean unification strategies*, Kyungnam University Press, Seoul, pp. 87-108.

³² Koh, Byung-chul 1992, pp. 468-469.

³³ Kim, Deok 1987, ‘Background of National Reconciliation and Democratic Unification policy’, in Lee, Sang-woo ed., *A unified Korea: ideology, environment and government efforts*, Pakyoungsa, Seoul, p. 155.

³⁴ Park Young-ho 1997, p. 92.

was primarily to use the statement as a lever to force the demobilization of American troops from the peninsula while, just a few months after his signature, the same Lee Hu-rak declared openly the need for a restructuring of the South Korean state to carry on dialogue and simultaneously reinforce against potential threats, clarifying even more the political manipulation of inter-Korean relations that the regime of Park Chung-hee planned for internal purposes.

A key factor in the new worsening of inter-Korean during the second half of the '70s, along with the aforementioned economic rivalry increasingly in favour of the South, was the continued military tensions that restarted again, especially after the capture of Saigon by the Vietnamese Communist troops. This led to new threats by Kim Il-sung about the supposed superiority of conventional military forces of Pyongyang and new fears for the leadership in Seoul about the commitment of US defense on the peninsula; these uncertainties were allayed by the interruption of the withdrawal of American troops and by a shift of industrial production towards heavy industry, electronics, and all the areas connected to the defense industry³⁵.

The murder of Park Chung-hee (October 26, 1979) does not cause severe disruptions in the management of inter-Korean relations; his place, in fact, was quickly occupied by another member of the army, General Chun Doo-hwan, through a military coup in December of that year³⁶.

The policy of the new regime follows that of its predecessor and, also, the resurgent global tensions between the two blocks. Some terrorist acts, including the attempt to assassinate the South Korean president in Yangon, Burma, in 1983, alarmed the regime in Seoul and contributed to aggravate the situation on the peninsula.

Nevertheless, the experience of the new approach, enshrined in the joint statement of 1972, does not completely disappear; since the early 80s in fact the talks for family reunions between the Red Cross of the North and South, interrupted in the second half of the 70s, are resumed; the diversification of communication channels proved to be fruitful, leaving room for dialogue, exchanges and cooperation even at times of heightened tension between the two governments³⁷. A paradigmatic example of this is the proposal by Pyongyang to march together at the opening ceremony of the Olympic Games in Los

³⁵ Choi, Jin-wook and Lee, Erin 2008, pp.292-293.

³⁶ For further information on Park's murder and Chun's rise to power see: Oh, J. Kie-chang 1999, *Korean Politics*, Cornell University Press, Ithaca, pp. 73-87.

³⁷ Oberdorfer, Dan 2001, *The Two Koreas*, pp. 144-153.

Angeles; this important step will not materialize because of the boycott of the event by North Korea, along with much of the block Communist, but will serve as a stimulus for bilateral dialogue. Peace and stability on the peninsula will then be a key factor for the award of the 1988 Olympics in Seoul³⁸.

2.2.3 The Reunification Policies of North Korea

Also from the leadership in Pyongyang, over the years, formal proposals to seek a peaceful way towards the reunification of the peninsula were formulated. For North Korea, the basic idea of a reunification process was not to reunite a divided nation but rather to regain the control of the southern part of the peninsula, freeing it from the American colonial yoke, that replaced the Japanese in 1945. For the propaganda of the Korean Workers Party was therefore a continuation of the war of liberation³⁹. The idea that the main strategy of reunification, for Pyongyang, was constituted by the war should be interpreted from this perspective.

Despite this premise, over the years a project of peaceful reunification took shape, especially with the symbolic meaning of underlining the commitment of the regime and its leadership towards the goal of national reconciliation⁴⁰.

The first statement by the leader of North Korea Kim Il-sung in this direction dates back to the late '50s and. In 1960, the first proposal for the creation of a federal system was formulated, as a solution for the reunification of the peninsula⁴¹. From that point on, the project has been proposed on several occasions by the North Korean leadership, with some minor adjustments, according to the changes at the international level or in the context of inter-Korean relations, but keeping the bases firm. In 1973, Pyongyang proposed the creation of a confederation between the two countries (Confederation of Koryo), for the simultaneous access to the United Nations of the two countries, under one name, while maintaining two different systems in two separate states. However, the

³⁸ Choi, Jin-wook and Lee, Erin 2008, p. 294.

³⁹ Shuja, Sharif M. 1998, 'The politics of unification: Korea – a case study', *Korea Observer*, Vol. 29, No. 2, p. 296.

⁴⁰ Koh, Byung-chul 1990, 'A comparative study of unification plans: the Korean national community versus the Koryo Confederation', *Korea Observer*, Vol. 21, No. 4, p. 437.

⁴¹ Young, Namkoong 2001, 'Similarities and dissimilarities: the inter-Korean summit and unification formulae', *East Asian Review*, Vol. 13, No. 3, p. 69.

proposal was not supported neither by South Korea nor by UN member states, thus getting no results⁴².

The most complete formulation of a plan for the peaceful reunification of the peninsula by North Korea was proposed in October 10, 1980, during the 6th Plenary Session of the Korean Workers Party, with the idea of the creation of a confederation between the two countries, the Democratic Confederal Republic of Koryo (DCRK)⁴³.

The basis of the outlined plan was the mutual recognition and mutual acceptance of two ideologies and its existing systems; on these premises would then be created a unified national government that equally represented the two states. In particular, the plan included the establishment of a Confederal Supreme National Assembly and a Permanent Committee of the Confederation; the first organ was formed by an equal number of representatives of north and south and by an adequate number of representatives of overseas Koreans, the second would be a permanent executive body with the task of guiding the two regional governments and manage matters under federal jurisdiction, such as: foreign policy, defense and control of the armed forces. In this context, the regional governments would retain the freedom to pursue their own policies independently within their political systems, as long as they were following the national interest of the federal government and trying to decrease the differences in order to reach, in the long term, a uniform development of the nation⁴⁴. It was essentially a structure that can be described as follows: one nation, one state, two systems, three governments (two regional and one central).

In the project was also included a framework of ten points on which the central government would have to commit: independence, democracy, cooperation and exchanges in various fields, welfare, protection of overseas Koreans, common defense and foreign policy. The new unified state should have to be neutral, independent and peaceful, without relying on any external power; all the international treaties, signed by north and south before reunification which could damage the national unity, should have been abrogated, including military treaties; all foreign troops on the peninsula should have been withdrawn and the armed forces of the two countries should have been reduced up to 100-150 thousand units, and then converge into a single national army. Obviously, the primary goal

⁴² Park, Chi-young 2000, *Korea and the United Nations*, Kluwer Law International, The Hague, p. 67.

⁴³ Kim, Il-sung 1981, 'Central Committee work report during the 6th plenary session of Korea Workers Party, 10 october 1980', in *For the independent and peaceful unification of the Fatherland*, Korea Workers Party Press, Pyongyang, p. 515.

⁴⁴ Koh, Byung-chul 1992, p. 439.

of Pyongyang's regime was the withdrawal of American troops from the peninsula and the end of the military alliance between the US and South Korea⁴⁵.

This detailed plan for reunification will be proposed consistently by the leadership in Pyongyang over the years, albeit with some modifications; it will be resubmitted officially by Kim Jong-il with the Joint Declaration of the inter-Korean summit of June 15, 2000 as a "low level federation", after repeated references to a the project carried out by Kim Il-sung in the early '90⁴⁶.

The basic characteristics remain firm. First of all the Confederation, which, despite being defined also as a soft form of federation, remained as a vague form of unitary state in which the central government has little autonomy and sovereignty, while the two regional governments can freely manage a wide range of crucial issues. Second, the issue regarding the method and timing to reach a final and complete unification is not addressed, because, depending on the situation, the formula proposed by Pyongyang is regarded as the final destination of the unitary state or as a transitional stage towards an unspecified form of complete unification⁴⁷.

Finally, one of the crucial point that emerges from the analysis of the reunification policies proposed by North Korea over the years, is that they are not plans for an effective reunification of the peninsula, but rather the real goal is to raise the level of national security in the North. In fact, the will to preserve the existing system in the North, preventing unification by absorption by the South, is always present, and even more the efforts to reach the withdrawal of American troops from the peninsula and the end of the military treaty between Washington and Seoul⁴⁸.

The practical consequences of the reunification formula developed and proposed by Pyongyang have been very scarce. First, its formulation was hardly feasible in practical terms, as for the South would mean abdicating some cornerstones of its foreign policy (the alliance with the United States) and domestic policy. Furthermore, beyond the project, and in some cases within it, the North Korean regime, while stressing the importance of mutual recognition as the basis for the formation of the future confederation, continued to rely on and encourage a radical change in the political system of South Korea. As previously said, its value was therefore mainly symbolic.

⁴⁵ Kwak, Tae-hwan 1989, 'Changes in international environment and North Korea's unification formula', in Shin Jong-hyun ed., *North Korea's Unification Formula*, Eulyu Culture Press, Seoul, pp. 369-370.

⁴⁶ Kim, Il-sung 1991, 'New year address, January 1, 1991', in *The Analects of Kim Il-sung*, Vol. 43, p. 13.

⁴⁷ Je, Sung-ho 1991, *Analysis and assessment of North Korea's federation formula*, Korean Institute for National Unification, Seoul, p. 15.

⁴⁸ Young, Namkoong 2001, p. 73.

Nevertheless, these plans can be considered as attempts of engaging South Korea made by the North, beyond the actual will of realization from Pyongyang. It should also be pointed out that there are many similarities between this plan, developed by North Korea, and the formulas of reunification, which will be later proposed by Seoul.

2.3 The End of the Cold War

The years from 1987 to the mid-90s can be considered as the clearest window of opportunity that has ever presented for the resolution of the inter-Korean dispute. During this period, a series of tremendous changes, both at international and domestic level, converge and portend the end of the division and reunification on the peninsula. Unfortunately, the situation took a different turn and, despite the significant changes that materialized in this period, the crucial point of the dispute was not solved. The division of Korea, which directly descends from the bipolar logic of the Cold War, will survive even the end of what created it.

2.3.1 The Democratization of South Korea and the end of the Socialist Bloc

The first change of enormous importance that materialized in these years is the process of democratization in South Korea. The 1987 is indeed the year in which the different components of civil society and the political opposition were able to obtain from the authoritarian regime of Chun Doo-hwan free direct presidential election, as well as a series of further measures of democratization⁴⁹. Obviously, this kind of new path will have strong repercussions on the development of inter-Korean policies implemented by South Korea. First of all, at the domestic level, democratization had the power to liberate and bring up important forces of civil society and progressive political opposition, that have been requiring a different approach to the inter-Korean dispute and a clear commitment of the government towards reunification for a long time. As for the international dimension, the new government that came out from the polls had, as one of its priority objectives, the promotion of the international legitimacy for South Korea, in addition to the will to carve

⁴⁹ For further information on the process of democratization in South Korea see: Kim, Sunhyuk 2000, *The politics of democratization in Korea: the role of civil society*, University of Pittsburgh Press, Pittsburgh.

out a new role for the nation, proportionate with its growing economic power and with an equal degree of independence. In this sense, the Seoul Olympics of 1988 were the first catalyst for the development of trade and economic negotiations with a large number of countries, including some belonging to the Communist bloc; similarly, the will to establish a more independent relationship with the United States and Japan, without questioning the security alliance, led to new tensions with the old allies⁵⁰.

The impact of the democratization process in South Korea was combined with the real historical change that took place in the late '80s and the beginning of the following decade: the decline and ultimately the collapse of the Soviet Union, which inevitably leads to the end of the bipolar balance of power created after the Second World War. The developments that led to the conclusion of the Cold War had repercussions throughout the international system; more specifically, the decline of Soviet Union's ability to continue to help the socialist regimes and insurgencies laid the basis for the resolution of a number of regional conflicts⁵¹.

Obviously, the theatre that most of all was shaken by this change was precisely the one which most of all was central during the years of the Cold War: Europe. In a few months, the member countries of the Warsaw Pact regained its independence from Moscow. Between the end of 1989 and the first month of 1990, the division of Germany, the clearest demonstration of the "iron curtain" over Europe, was over and the country regained its national unity. In other areas, the end of the bipolar geopolitical order, in which many countries have been trapped for decades, gave the chance to numerous conflicts and regional disputes to be resolved. This is the case of Angola, Vietnam and Cambodia, Yemen, Nicaragua and El Salvador⁵².

A development in this direction was expected also from the situation on the Korean peninsula. The Pyongyang regime was highly dependent on supplies at controlled prices from the Soviet Union and the opportunity to trade with the countries of the Socialist bloc, outside the rules of capitalist free market, was of great importance for the industry of North Korea. The sudden collapse of the system left North Korea in a situation of serious deep economic and security crisis⁵³. In addition, USSR – that soon would be named again

⁵⁰ Olsen, Edward A. 1989, 'U.S.-ROK relations: common issues and uncommon perceptions', *Korea and World affairs*, Vol. 13, No. 1, p. 43.

⁵¹ Crockatt, Richard 1995, *The Fifty Years War: The United States and Soviet Union in World Politics, 1941-1991*, Routledge, London and New York, p. 502.

⁵² *Ibidem*, p. 504.

⁵³ Paik, Hak-soon 2007, 'North Korea's choices for survival and prosperity since 1990s: Interplay between politics and economics', in *Sejong Policy Studies*, Vol. 3, No. 2, pp. 251-252.

Russia – and China, while taking distance from Pyongyang, were approaching South Korea.

The full restoration of diplomatic relations between Seoul and Moscow was realized in 1990 and since that time the economic and trade cooperation grew unabated⁵⁴. With Beijing, whose regime had not suffered the same revolutionary jolt that occurred in the Soviet Union, the turning point in relations required a longer period, mainly because of the different strategic position that the Korean Peninsula played for China, so close to a critical area for the industrial development of the country such as Manchuria. In any case, in August 1992, Seoul government obtain the normalization of diplomatic relations with Beijing, after over a decade of growing and extensive trade relations, which culminated in 1990 with the opening of commercial offices in the two capitals⁵⁵.

During the Cold War, despite the insistence on the slogan of autarchy linked to the doctrine of *Juche*, North Korea was able to overcome its economic difficulties with trade relations with communist countries and the assistance provided by the Soviet Union and, to a lesser extent, by China⁵⁶. The beginning of the post-Cold War era dramatically brought to the fore all the economic problems of the country and laid the foundation for the terrible crisis, which in the mid-90s, also because of two floods in 1995 and 1996 and a drought the following year, will become a real famine.

The reasons that gave North Korea the chance to resist the wave triggered by the end of the Cold War are several. First, the distance from the main theatre of the confrontation between the two superpowers system, namely Europe; the peripheral position of the Korean peninsula ensure the regime the possibility to maintain a higher degree of closure and resistance to the changes put in place from the *détente* onward. Moreover, the presence of China, both in terms of material and ideological supplies, gave more leeway to the regime of Kim Il-sung to resist the pressure for reforms, coming from the Kremlin under Gorbachev leadership. What is crucial, however, is the almost complete lack of a policy of engagement that could pave the way for a real change when the window of opportunity opened. Taking into account the German reunification, the most cited case in

⁵⁴ In this regard, in 1991 a package of economic cooperation worth \$ 3 billion over a period of three years was approved by the government (source: ROK - Ministry of Finance, MOF Bulletin, No. 90, 1991).

⁵⁵ Wood, Perry 1993, 'The strategic equilibrium on the Korean peninsula in the 1990s', in Cotton, James ed. *Korea under Roh Tae-woo: democratization, northern policy and inter-korean relations*, Allen and Unwin Pty, St. Leonard.

⁵⁶ Chung, Chin-wee and Lee, Seok-soo 1998, 'Kim Jong-il regime and the structure of crisis: its source, management and manifestations', in Moon, Chung-in ed. *Understanding regime dynamics in North Korea*, Yonsei University Press, Seoul, p. 154.

comparison with Korea, the process of *Ostpolitik* was already in place since almost twenty years, when the Cold War ended, and had created a dense network of relationships and contacts with the entire block of Eastern Europe, that would prove to be fundamental in 1989. In inter-Korean relations this approach is absent and when the Soviet Union collapsed, there was no network of interdependence that could be used to drive the transition toward reunification.

The regime's response to the crisis, guided from 1994 by Kim Jong-il, son of President Kim Il-sung and his designated heir, after the death of the "Great Leader", was articulated on two fronts. First, on the domestic front, a further impetus was placed on the ideological indoctrination, based on the doctrine of *Juche*⁵⁷ and the consolidation of the dictatorship and the cult of personality. In addition, an increasing relevant role was given to the military system, especially since the mid-90s with the emergence of the policy of *son'gun*, which established the primacy of the army in the distribution of state resources to defend the country from imperialists enemy attacks⁵⁸.

Despite this stronger hold in the control of North Korean society and population, the consequences of the end of the Cold War had also another dimension. On the international front in fact the increasingly stringent economic needs and the almost total political and diplomatic isolation, in which the country had fallen with the fall of the Socialist bloc, made clear the priority for Pyongyang's regime to get some form of support from countries considered as "main enemy", like the United States, Japan, even South Korea⁵⁹, not to succumb to the incipient crisis. This situation created the conditions for a positive response by North Korean regime towards the engagement policies implemented in the following years by the governments in Seoul.

2.3.2 Roh Tae-woo's Nordpolitik

The first democratic elections in South Korea, dated December 1987, sanctioned the victory of General Roh Tae-woo, candidate of the Democratic Party of Justice and number

⁵⁷ For further information on the *Juche* doctrine see: Lee, Grace 2003, 'The political philosophy of Juche', *Stanford Journal of East-Asian affairs*, Vol. 3, No. 1, pp. 105-112; Suh, Jae-jung 2013, *Origins of North Korea's Juche*, Lexington Books, Plymouth.

⁵⁸ For further information on the *songun* doctrine see: Cheong, Seong-chang 2008, 'Kim Jong-il's Military-First politics and a change in the power elite', in Paik, Hak-soon and Cheong, Seong-chang eds., *North Korea in distress: confronting domestic and external challenges*, The Sejong Institute, Seongnam.

⁵⁹ Chung, Chin-wee and Lee, Seok-soo 1998, pp. 158-159.

two of the authoritarian regime of Chun Doo-hwan. This defeat of the political-social movement that led to democracy was due to the inability of the two opposition leaders, Kim Young-sam and Kim Dae-jung, to reach an agreement on a single presidential candidate; the double candidature split the votes of the democratic movement giving the victory to Roh Tae-woo⁶⁰. However, the new president proved immediately to be decided to maintain the democratic principles enshrined in the new constitution, approved in October 1987 by a popular referendum⁶¹.

As for the inter-Korean relations and international relations the approach of Roh Tae-woo's presidency was labeled with the term *Nordpolitik*⁶², by analogy with the term *Ostpolitik* coined by German Prime Minister Willy Brandt in the early 70s. The basic idea of the approach was to pursue good neighbourhood relations with the Soviet Union (then Russia) and China, for a double purpose: as the prelude to an improvement in relations between the two Koreas and to improve the economic and diplomatic status of the country. The main goals of Roh's foreign policy in fact were: national security, economic prosperity, peaceful reunification and the prestige of the country⁶³. Alongside these initiatives, successful in a few years, still prominent was the desire to intensify links and exchanges with the Pyongyang regime, since the real objective of *Nordpolitik* was to improve inter-Korean relations.

The first concrete step in this direction can be considered the “*Special Declaration on National Pride and Unification and Prosperity*”⁶⁴ of July 7, 1988, when President Roh advances six principles, which can be considered as the natural evolution of the Joint Declaration of 1972, thus highlighting the presence of a long term path based on engagement that, while remaining hidden, resurfaced and advanced with the right conditions. The six principles listed by Roh Tae-woo were:

- Promotion of officials exchanges in various fields and the permission to visit the two countries for Koreans living abroad;

⁶⁰ Kim, Sunhyuk 2003, pp. 95-97.

⁶¹ Cotton, James 1993, *Korea under Roh Tae-woo: democratization, northern policy and inter-Korean relations*, Allen and Unwin Pty, St. Leonard, pp. 1-2.

⁶² In reference to the same policy are also used the terms “Northern policy” or “Northern diplomacy”.

⁶³ Park, Sang-seek 1993, ‘Northern diplomacy and inter-korean relations’, in Cotton, James ed. *Korea under Roh Tae-woo: democratization, northern policy and inter-korean relations*, Allen and Unwin Pty, St. Leonard, pp. 219.

⁶⁴ The full English text of the Declaration is available on: *Korea and World affairs*, Vol. 12, No. 3, 1988, pp. 627-630.

- Promotion of exchanges of correspondence and mutual visits for divided families;
- Promotion of inter-Korean trade, to be considered as domestic trade;
- Promotion of balanced economic development between the two countries;
- End of confrontational diplomacy and development of the possibility of contacts between the two countries within international forums;
- Support for the improvement of relations between North Korea on one side and the US and Japan on the other and, at the same time, the development of the relations of South Korea with China, the USSR and other communist countries.

The statement is the most important step forward in the approach of engagement since 1972 and is also the most important change in the foreign policy of Seoul. For the first time the idea that the only way to ensure the national security of South Korea was seeking a strategy of military, economic and diplomatic supremacy was abandoned⁶⁵ and replaced with the idea of maintaining friendly relations with the neighbours, trying to break the isolation in which North Korea was falling, supporting the development of relations with the countries that Pyongyang considered enemies and finally, through economic and trade cooperation and collaboration at the humanitarian level⁶⁶. A commitment of this magnitude immediately gives the idea of what was the approach of Roh Tae-woo's presidency regarding the inter-Korean relations.

The following year the dialogue between the two countries is resumed and reaches unprecedented levels in intensity and in the relevance of the addressed issues; again in 1989, the Seoul government proposed a plan for a "*Korean National Community*", aimed at improving the existing gradual approach to reunification through a first Confederation stage – named Korean Commonwealth – consisting of the formula "One Nation, Two States, Two Governments, Two Systems"⁶⁷. The proposal was not the first in this direction, a similar idea of a "Confederation of Republics" was put forward by the opposition leader and future President Kim Dae-jung⁶⁸, and it also resembled the confederative proposal from Pyongyang; but it was the first time in which the plan was

⁶⁵ Park, Sang-seek 1986, 'Determinants of Korean foreign policy', *Korea and World affairs*, Vol. 10, No. 3, pp. 457-483.

⁶⁶ *Ibidem*, p. 234-235.

⁶⁷ Kim, Hak-joon 1990, 'New political development with a vision for the 1990s and beyond', *Korea and World affairs*, Vol. 14, No. 1, pp. 34-53.

⁶⁸ Kim Dae-jung's project, already presented at the end of the 80s, was later revived and systematized in the work: Kim, Dae-jung 1997, "*Three stages*" approach to Korean reunification, focusing on the South-North confederal stage, Kim Dae-jung Peace Foundation for the Asia-Pacific region Press, Seoul.

proposed at the governmental level by South Korea and in a moment of profound turmoil on the global arena that could provide unexpected openings. Actually, the reaction of North Korea to the proposal was, predictably, to ignore it officially, although the final removal of the label of “enemy” from the vocabulary of Seoul, with reference to Pyongyang, benefit the dialogue between the two countries⁶⁹.

The inter-governmental talks, in fact, including in particular those between the prime ministers in September 1990, had not stopped and, indeed, reached within a few years to the signing of the most important document of Roh Tae-woo’s presidency regarding inter-Korean relations: the “*Agreement on Reconciliation, Non-aggression and Exchanges and Cooperation between the South and the North*”, known as the *South-North Basic Agreement*, signed on February 19, 1992. On the same day, two other equally important documents were approved: the “*Joint Statement on the denuclearization of the Peninsula*” and the “*Agreement on creating sub-commission for high-level talks between South and North*”⁷⁰.

The points listed in the Basic Agreement can be divided into three chapters:

1. Reconciliation,
2. Non-aggression,
3. Exchanges and Cooperation;

the spirit of the declaration and many of the principles listed reflected those of the Joint Declaration of 1972 and the Declaration of Roh Tae-woo of 1988. The main focus was on the need to pursue mutual behaviours that could avoid provocations and mutual interference (the idea of considering the South as a colony of the United States disappeared), at the same time negotiations and peaceful resolution of disputes as basic principles along with some measures to make dialogue permanent. Another point worthy of attention is the Article 5 in which it is stated that the two parties must be committed to transforming the armistice of 1953 in a real peace treaty and to respect it until reaching the final goal of reunification⁷¹. As easily predictable, the third chapter, concerning cooperation and exchanges, was the part of most rapid and easy implementation, with an

⁶⁹ Park, Young-ho 1997, p. 94.

⁷⁰ Lim, Dong-won 1993, ‘Inter-korean relations oriented toward reconciliation and cooperation’, in Cotton, James ed., *Korea under Roh Tae-woo: democratization, northern policy and inter-Korean relations*, Allen and Unwin Pty, St. Leonard, p. 267.

⁷¹ *Ibidem*, pp. 270-272.

improvement of family reunions and a volume of trade grew by the middle of the decade up to \$ 300 million⁷².

A different fate affected instead the “*Joint Declaration on the denuclearization of the Peninsula*”⁷³, a short document that in just six points called for the use of nuclear technology only for peaceful purposes on the peninsula and the creation of mutual control organisms, which remained a statement and was never implemented into practice. Nevertheless, even if its value may have been only symbolic, this was the last agreement from which North Korea decided to withdrawn, at the end of the 2000s.

The main points of *Nordpolitik* pursued by President Roh Tae-woo during his mandate can be fully included within the conceptual framework of constructive engagement. It almost exclusively encompass positive incentives, aimed at creating a minimum level of trust to engage the counterpart in constructive negotiations. In addition, the vision of South Korean government broadens to encompass the other powers who played a role on the peninsula – through the openings toward China and the Soviet Union/Russia, but also with the explicit support for the opening of a dialogue between North Korea and the United States and Japan⁷⁴.

All incentives, however, are strictly conditional, because they descend from bilateral agreements in which the fulfilment of one party becomes necessary for the positive response from the other. Moreover, despite the good will, what is lacking is the effectiveness at the time of implementation. As seen above, the emergency situation created by the end of the Cold War puts North Korea in the uncomfortable position of having to accept a form of openness to dialogue in inter-Korean relations, which materializes with the agreements of 1992, but then most of the requirements are ignored and the mechanisms to make implementation effective are not put in place.

The political capital that the presidency of Roh Tae-woo leaves to his successor, Kim Young-sam, elected in late 1992, regarding inter-Korean relations is therefore positive in terms of setting the framework and considering that it came out from a long period of almost total absence of dialogue.

⁷² Park Young-ho 1997, p. 94.

⁷³ The full English text is available on: Cotton, James 1993, *Korea under Roh Tae-woo*, pp. 341-342.

⁷⁴ MacDonald, Donald S. 1992, ‘Reunification and Korean foreign policy’, *The Korean Journal of National Unification*, Vol. 1, p. 81.

2.3.3 The Wavering Presidency of Kim Young-sam

The election of Kim Young-sam, December 18, 1992, establishes the return of a government led by a civilian in South Korea since 1960. Despite the long years in the opposition, his candidacy was an expression of the ruling party, the Democratic Party of Justice, following the controversial decision to merge his party, the Party for Democracy and Peace, with that of President Roh Tae-woo in 1990.

The policy of Kim Young-sam's government in terms of inter-Korean relations has been rarely judged in a positive way, and this because of the many changes in the approach pursued by the government, with a wide alternating between hard-line and conciliatory positions⁷⁵. The frequent replacement at the head of the newborn Ministry for Reunification can be regarded as an important signal in this direction.

The volatility of South Korean position in this issue, however, can not be reduced to a lack of leadership or decision-making capacity of the president or his cabinet; multiple factors contributed to these rapid and frequent changes of approach. First, a relevant role was certainly been played by the behaviour of North Korea, characterized, especially in these years of difficult transition in the aftermath of the end of the Cold War, by a high degree of unpredictability. In addition, in the same period in which Kim Young-sam took office in Pyongyang the dynastic succession from Kim Il-sung to his son Kim Jong-il was taking place, a crucial moment for the North Korean regime. Another factor that affected the inter-Korean dispute regards the international situation and, in particular, the position of the US government that emerged victorious from the global confrontation with the Soviet Union, and began to set up its new global strategy in the unipolar world. Finally, a key factor to understand the choices of Kim Young-sam's government in inter-Korean relations is domestic policy; in fact, every change of position toward North Korea is accompanied by an important political deadline in the domestic arena⁷⁶.

The five-year presidential term, which begins in 1993, can be divided into four periods, with regard to inter-Korean relations, in which at every period of closure follows a period of openings and vice versa.

⁷⁵ Kim, Yong-ho 1999, 'Inconsistency or flexibility? The Kim Young-sam government's North Korea policy and its domestic variants', *International Journal of Korean Unification Studies*, Vol. 8, p. 226.

⁷⁶ *Ibidem*, p. 227.

The first period begins in March 1993. After barely sixteen days of conciliatory policy, that highlighted the will of flexibility toward, North Korea threat to withdraw from the Nuclear Non-proliferation Treaty (NPT) put the inter-Korean relations process to a standstill for almost two years⁷⁷. The reversal of Kim Young-sam is immediate: the Minister for Reunification is replaced and the posture of the government begins to be characterized by total intolerance, with the suspension of any economic or humanitarian exchange at all levels; the domestic criticism, related to his first optimistic and conciliatory start, pushed the president to support this new *hard line* approach even more⁷⁸. This posture, however, quickly turns into a boomerang when Seoul remains cut off from the negotiations that take place between Pyongyang and the Clinton administration to solve the first nuclear proliferation crisis.

The lack of diplomatic abilities, that leaves Seoul on the sidelines during the negotiations in New York and Geneva, for the signing of the so-called *Agreed Framework*, will provide a new source of criticism Kim Young-sam's government. In fact, despite South Korea would be the first country to be threatened by a potential nuclear threat from Pyongyang, the agreement will be the result of negotiations between USA and North Korea; the only small possibility left for South Korean President will be represented by the chance of a meeting with Kim Il-sung, proposed by former US President Carter after his visit to Pyongyang⁷⁹, but this opportunity will disappear because of the death of North Korean leader.

The death of Kim Il-sung, on 8 July 1994, was preceded by a long period of preparation for the succession and does not brakes the path that will lead to the signing of the *Agreed Framework* in Geneva, on 21 October 1994⁸⁰. The agreement is a paradigmatic example of conditional engagement but, in this case, the main parties are North Korea and the United States, while South Korea remains a secondary player. The heart of the document is represented by an exchange: while the United States committed themselves to provide to Pyongyang a light water reactor (LWR), through the creation of an international consortium, and, in the meantime, an adequate supply of fossil fuel, in exchange North Korea would immediately freeze the graphite reactor that was building and all facilities connected to its nuclear program, as well as full cooperation with the inspectors of the

⁷⁷ *The Korea Times*, March, 13, 1993.

⁷⁸ Kim Yong-ho 1999, pp. 231-232.

⁷⁹ Oberdorfer, Dan 2001, pp. 326-336.

⁸⁰ For more information on Kim Jong-il's death and the first succession see: *Ibidem*, pp. 337-351.

IAEA (International Atomic Energy Agency) in charge of overseeing the implementation of the Agreement⁸¹.

To find a way out from the corner and regain consensus, Kim Young-sam's government decided to change its policy again by switching to a softer approach in inter-Korean relations and trying to resume exchanges and relationships, despite there were still many doubts about the transparency of North Korea's nuclear policy⁸². This change of course was primarily due to regain domestic support for the administration, despite the president was not fulfilling the principle that there would be no cooperation without a satisfactory resolution of the nuclear issue (condition not met by Pyongyang, according to the head of IAEA inspectors Hans Blix, that denounced the unreliability of the content of the reports provided by North Koreans). However, the new policy of engagement by Seoul goes on until the end of 1995, with economic cooperation (trade volume passes in a few months from 19 million to 28 million dollars), the search for a key role for South Korea in the organization in charge of implementing the *Agreed Framework (Korean Peninsula Energy Development Organization* or KEDO) and food aid⁸³.

Precisely the provision of food aid will give the motivation for a new radical change of approach by Seoul government. After two accidents linked to the procurement of rice from South Korea to North Korea, increasingly in the grip of the food and economic crisis, South Korean public opinion, that supported the government during the opening, begins to change position and criticize the weakness of the reactions of Kim Young-sam against North provocations. Following the change of orientation of the public opinion, South Korean government decided to return to the *hard line*, suspending any food supply to Pyongyang and advancing the request to take the same decision also in Tokyo and Washington⁸⁴.

After the elections for the National Assembly in 1996 and no other election in sight before the presidential, in December 1997, the last of the periods in which we can divide the wavering attitude Kim Young-sam's government begins. As expected, after a period of intransigence there is a return to a softer line towards Pyongyang, in the form of the proposal of the so-called *Four Party Talks*, formulated together with President Clinton

⁸¹ The English text of the *Agreed Framework* can be found on the website of the *Arms Control Association*, <http://www.armscontrol.org/documents/af>, (consultato il 29 settembre 2011).

⁸² Kil, Jeong-woo 1994, 'The Kim Young-sam government's unification policy: phase two, a sketch of the new policies toward the North', *Korea and world affairs*, Vol. 18, No. 3.

⁸³ Kim Yong-ho 1999, p. 233.

⁸⁴ *Ibidem*, pp. 234-236.

after a summit on the Korean island of Cheju in April 1996⁸⁵. The heart of the proposal was to start new talks between the two Koreas, the United States and China with the aim of replacing the armistice of 1953 with a more effective and permanent peace treaty. The hostile attitude to the proposal by Pyongyang regime, whose goal had always been to reach a peace treaty with the US, isolating South Korea, is slowly blunt, by incentives such as food aid, the start of the works for the construction of the LWR and the lifting of US trade sanctions⁸⁶. In this case, the approach of Kim Young-sam's government is coherent and consistent with the proposal and it is rewarded with the acceptance of the talks by the North and an official apology, presented in December 1996, for the submarine incident occurred a few months before⁸⁷.

The legacy that Kim Young-sam leaves to his successor is definitely lower compared to the situation he inherited from Roh Tae-woo in 1993. Nevertheless, in 1997 there are still important opportunities to exploit and chances for openings, both at inter-Korean and at international level, in order to start negotiations with ambitious and long-term goals. The election of Kim Dae-jung will be the missing piece to bring to the affirmation of an approach based on constructive engagement.

2.4 Inter-Korean Cooperation in Practice

When, in December 1997, Kim Dae-jung won the presidential election of the Republic of Korea, it was the first time in which a member of the opposition, and the most strenuous opponent of authoritarian regimes, reached the highest office in the country.

A native of the southern state of Cholla, which will remain its main reservoir of popular and electoral support⁸⁸, Kim Dae-jung began his political struggle in the 50s, against the

⁸⁵ *The Korea Times*, April 17, 1996.

⁸⁶ Savage, Timothy 2002, 'Benign neglect again? U.S. policy toward North Korea after Kim Dae-jung', *International Journal of Korean Unification Studies*, Vol. 11, No. 2, pp. 67-68.

⁸⁷ On 18 September 1996, a North Korean submarine with the task of retrieving a team of spies infiltrated into South Korea, is stranded near the South Korean city of Gangneung; the crew then decided to abandon it and try to reach the DMZ by land. Following the report of a South Korean citizen that recognizes one of the groups in which the crew has been divided, a manhunt began and lasted almost two months. It is one of the most serious incidents occurred between the two Koreas since the end of the War. For further information, see: Dies, Harry P. Jr. 2004, 'North Korean special operations forces: 1996 Kangnung submarine infiltration', *Military Intelligence Professional Bulletin*, October-December.

⁸⁸ The election results of Kim Dae-jung in the two regions, Cheolla-buk and Cheolla.nam, that compose Cheolla, in the three elections in which he ran, were respectively: 1987, 83,5% e 90,3% - 1992, 88,0% e

authoritarian regime of Yi Sungman, joining the Democratic Party in 1957. When, in 1961, Park Chung-hee enacts his coup, Kim becomes his main opponent and emerge on the national scene as the symbol of millions of Koreans who fought against the increasing harshness of the dictatorship⁸⁹. In 1971, after obtaining the nomination for the presidential candidacy of the opposition and after getting 46% of the vote against Park Chung-hee, in a strongly altered electoral competition, he became the leader and the symbol of political dissent for democratization⁹⁰. This position led him to assume the role of main antagonist against Park's regime, but also to suffer harsh regime's retaliation, with tortures and long periods of arrests and exiles⁹¹. Until democratization, in 1987, Kim Dae-jung was free from house arrest, imprisonment, exile or other forms of persecution and restriction for no more than two consecutive months. These long periods spent between isolation and adversity gave him the opportunity to deepen his political awareness, develop answers to the main problems that the country was facing and articulate them clearly⁹². Among these, the inter-Korean issue played certainly an important role.

The election of Kim Dae-jung as president materializes with his third nomination in the post-1987 era. In the first free and democratic elections, in fact, Kim was defeated by Roh Tae-woo, while in 1992 he was defeated by Kim Young-sam, as a result of his alliance with the ruling party. To secure more chances to defeat his main opponent, Lee Hoi-chang, Kim Dae-jung decided to reach a deal with the ultra-conservative leader Kim Jong-pil, head of the United Liberal Democrats Party and founder of the KCIA, promising him the position of Prime Minister in case of victory⁹³.

The election campaign was dominated mainly by problems related to the economic crisis, exploded in 1997 after the devaluation of the Thai currency and the propagation of the financial collapse to all emerging Asian economies. The government of Kim Young-sam, still in office, after replacing the Minister of Economy, was forced to turn towards the International Monetary Fund and demand for a loan of 58 billion dollars, tied to a series of measures of liberalization, reform of the banking and credit system and new procedures to prevent a recurrence of a similar shock in the country⁹⁴.

91,1% - 1997, 92,3% e 94,6% (Source: D. Nohlen, F. Grotz e C. Hartmann, *Elections in Asia and the Pacific: A data handbook, Volume II*, Oxford University Press, Oxford, 2001).

⁸⁹ Kirk, Donald 2009, *Korea betrayed: Kim Dae-jung and Sunshine*, Palgrave MacMillan, New York, p. 23.

⁹⁰ Oberdorfer, Dan 2001, p. 176.

⁹¹ Kirk, Donald 2009, pp. 47-49.

⁹² Oberdorfer, Dan 2001, p. 177.

⁹³ Oh, Kie-chang J. 1999, pp. 227-232.

⁹⁴ Kirk, Donald 2009, pp. 138-139.

Also in the context of inter-Korean relations the ideas of the candidate Kim Dae-jung were very different from those of his predecessors and, in particular, from the swinging management of relations with the North carried on by Kim Young-sam. These ideas on had an origin that went back through the years. The first report of a conceptual approach to North Korea by the future president dates back to the 70s, when he began to draw a picture of what would become his theory, based on a peaceful management of the division and an approach to unification obtained through consecutive degrees of integration⁹⁵.

Over the years Kim Dae-jung developed his theory of reunification, looking for an institutional setting with also relevance on the practical side⁹⁶; it was during the 80s that the foundation for his theory of “reunification in three stages” took form. From the second half of the decade, debates and discussions on the question of inter-Korean relations became more frequent within South Korean civil society, with the appearance of a wide variety of alternatives. In this context, the approach that will be brought forward by Kim starts to be organized, with the help of suggestions from the nascent debate⁹⁷. The years before the election of 1997 is the moment in which the theory, now completed, begins to be exposed and put into practice, through the efforts of Kim Dae-jung as a member of South Korean National Assembly and through the newborn Foundation for Peace. In this regard, the future president Kim committed himself in helping former US President Carter to organize his visit to North Korea – in the aftermath of the first nuclear crisis – and in arranging the first summit between the leaders of the two Koreas, canceled due to Kim Il-sung’s death⁹⁸.

The formula theorized by Kim Dae-jung was based on three fundamental principles:

1. *Independence* from external forces, in the resolution of inter-Korean dispute;
2. *Peace* as the guiding principle behind the negotiation of any matter;
3. *Democracy* as the foundation of the unification process, based on the consent given by national consultations.

These principles formed the basis upon which the practical framework of reunification had to be built. It consisted of three stages: the first was constituted by a *Confederation*

⁹⁵ Kim, Jeong-yong 2003, ‘The impact of Kim Dae-jung’s beliefs on North Korea policy’, *Korea Observer*, Vol. 34, No. 2, p. 274.

⁹⁶ *Ibidem*, p. 276.

⁹⁷ Choi, Jinwook and Lee, Erin 2008.

⁹⁸ Kirk, Donald 2009, p. 125.

between the two Koreas, the second by a *Federation*, composed of two autonomous regional governments, and the last one by a *Single Government* that could take the form of a centralized or regional administration, with a some degree of autonomy, as in the cases of the federal system of United States or Germany⁹⁹.

In this theoretical construct, a great attention is given to the first phase of the process, the Confederation. At this stage, which can be realized at any time with the national consensus and the political will from both parties, the foundation for the ultimate goal of reunification can be laid down. The first step imagined by Kim Dae-jung consists in the mutual recognition of the two systems and the institutionalization of a mechanism to prevent all forms of military confrontation, based on mutual trust. Then, with the application of the three guiding principles and the promotion of trade in areas of common interest (culture, economy, society), the two parties can create the necessary bridges to make unification easier¹⁰⁰.

The transition to the Federation would have the role of reducing the heterogeneity that fifty years of division created between the two Korean states, through the assistance provided by the federal government to the regional ones. The unitary state, that would eventually be created, could take the form of a centralized government or a German (or American) style solution, with the co-existence of a central government and other regional autonomous administrations¹⁰¹.

The theoretical development of Kim Dae-jung did not depart much from what had been Roh Tae-woo's government proposal of the creation of a Korean Commonwealth, as a first step towards reunification¹⁰². What distinguishes this idea, however, is the presence of the Federative stage during a transitional period, with one single Korean nation, one state, with the task of managing the most important issues, and two regional governments with two different socio-economic systems. In addition, the same formulation of the proposal shows that Kim Dae-jung's will to carry out the project by was real; in fact, a great emphasis is placed on its feasibility and on the possibility that it would be positively received by the leadership in Pyongyang. The Confederation stage is explicitly designed in order to not create too heavy constraints, but to promote cooperation and integration without the loss of any share of sovereignty¹⁰³.

⁹⁹ Kim, Dae-jung 1997, p. 3-4.

¹⁰⁰ *Ibidem*, p. 14-15.

¹⁰¹ *Ibidem*, p. 16-18.

¹⁰² Young, Namkoon 2001, pp. 69-72.

¹⁰³ Shuja, Sharif M. 1998, p. 304-307.

The exposure of Kim Dae-jung's plan is extremely detailed and pragmatic; it almost exclusively concentrates on the implementation of the first stage, seen as the most important of the three, since it would be the basis for the success of future developments and could take the form of a process of peaceful reunification; in this context, multiple possibilities, in the field of economic cooperation and socio-cultural exchanges, are taken into consideration.

All these considerations will represent the basis for the implementation of the inter-Korean of president Kim, known by the term "*Sunshine Policy*".

2.4.1 The "Sunshine Policy"

When Kim Dae-jung is elected President of the Republic of Korean he starts immediately in pursueling policies aimed at reconciliation with the North, well aware of the fact that, to create consensus around his project among the public opinion, it is necessary to stop consider North Korea as the main enemy for the South. In this sense, it should be considered one of his first statements regarding his will to meet Kim Jong-il at any time and without preconditions¹⁰⁴.

The term "*Sunshine Policy*" is used for the first time by Kim Dae-jung September 30, 1994, when, as a recently defeated former presidential candidate, delivers a speech at the Heritage Foundation in Washington in which, with reference to the forst nuclear crisis caused by North Korea's threat to withdrawal from the NPT, argues that "America must be patient and linked to the 'sunshine policy' which had proven to be the only effective way of dealing with isolated countries like North Korea"¹⁰⁵. The term "*sunshine*" was borrowed from a famous Aesop's fable, in which the sunlight proved to be more effective than strong wind in forcing a man to take off his coat; out of the metaphor, it meant precisely that applying the dictates of engagement, rather than those of containment, would be the best way to take North Korea out from isolation and form that climate of constant confrontation.

In the moment Kim is elected president the "*Sunshine Policy*" becomes the official policy of the South Korean government in the management of inter-Korean relations. In a speech

¹⁰⁴ Kirk, Donald 2009, p. 141.

¹⁰⁵ Kim, Dae-jung 1994, 'Don't take the Sunhine away', in *Korea and Asia: a collection of essays, speeches and discussions*, The Kim Dae-jung Peace Foundation Press, Seoul, p. 33.

given a few weeks after his inauguration, at the School of Oriental and African Studies of London University, Kim describes the “Sunshine Policy” as a policy that “tries to lead North Korea on a path towards peace, reforms and opening through reconciliation, interaction and cooperation with the South”, he also adds “as president I will realize these ideas step by step”¹⁰⁶.

The new approach of South Korea can be considered a constructive policy that aims to induce gradual and volunteers changes to North Korea; going beyond the simple engagement, it includes other components, such as: military deterrence, international collaboration and internal consensus. The first Kim Dae-jung’s foreign minister, Hong Soon-young, in an article published on *Foreign Affairs*, clarifies precisely that the purpose of the approach was to lay the foundation for a peaceful reunification of Korea by eliminating the vicious cycle of negative and hostile actions and reactions through peaceful coexistence and peaceful cooperation¹⁰⁷.

The foundation of the theoretical and practical construction of the “Sunshine Policy” is based on three fundamental principles, set out by President Kim Dae-jung in his inaugural speech. The first is the non-tolerance of military threats or armed provocations, the second is the official abandonment of the idea of unification through absorption, as well as any measure to undermine or threaten North Korean regime, and finally the promotion of exchanges and cooperation, in particular through the resumption of the Basic Agreement of 1992¹⁰⁸.

Examining in depth the doctrine of President Kim on inter-Korean relations, we can find out six operative principles, that provide the guidelines for the practical implementation of the “*Sunshine policy*”¹⁰⁹:

1. *The Strategic Offensive*. In spite of many critics that considered this policy as a weak policy appeasement, actually this approach is extremely proactive, especially compared with the inter-Korean policies pursued by Seoul during previous administrations, often reactive and strongly influenced by the behaviour of Pyongyang. The “*Sunshine policy*” is dedicated to the pursuit of exchanges and

¹⁰⁶ Kim, Dae-jung 1999, *Government of the people: selected speeches of President Kim Dae-jung*, Office of the President – The Republic of Korea, Seoul, pp. 63-64.

¹⁰⁷ Hong, Soon-young 1999, Thawing Korea’s Cold War: the path to peace on the Korean peninsula, *Foreign Affairs*, Vol. 78, No. 3, p. 8-12.

¹⁰⁸ Kim, Dae-jung 1999, p. 12.

¹⁰⁹ Moon, Chung-in 1999, ‘Understanding the DJ doctrine: the Sunshine Policy and the Korean peninsula’, in Moon, Chung-in and Steinberg, David eds., *Kim Dae-jung government and Sunshine Policy: promises and challenges*, Yonsei University Press, p. 38-43.

cooperation in an active way and despite initial negative responses from the North, because of its long-term time horizon;

2. *Flexible Dualism*. It represents a profound paradigm shift in the management of inter-Korean relations and the core of Kim Dae-jung's approach. The heart of the concept lies in the separation between politics and economics. Previous governments always focused on the primacy of policy issues and the need to connect them to economic exchanges and cooperation; this kind of attitude led to the creation of barriers to the promotion of cooperation and inter-Korean exchanges, both because of the strict separation between politics and economics in decision-making in Pyongyang, but, above all, for the effect that any military provocation or political tension had on improving inter-Korean relations¹¹⁰. According to this new form of functional flexibility, economy must come first and then political issues will follow; similarly, political and military tensions might not stop the interactions and bring back at the beginning the process, eliminating the improvements. Easy tasks should be tackled first and difficult tasks later, Non-governmental assistance first and government activities later, gove first and take later¹¹¹;

3. *Simultaneous search of Engagement and Security*. To implement this kind of approach, without appearing too weak or undermining the defense structure, it becomes necessary to maintain a strong position and ensure the effectiveness of the policy of engagement; North Korean provocations, hence, would not have been tolerated and would have unleashed retaliatory action, together with the deterrent force of the military alliance with the United States¹¹²;

4. *International Cooperation*. Although one of the main points of Kim Dae-jung's doctrine on inter-Korean relations is that the issue should be resolved without intervention of external forces, great importance is given to the cooperation of the major regional players, which can facilitate a peaceful management the dispute. In this sense, the plan of Kim Dae-jung's administration is the first to propose a negotiation that pass from four to six parts, with the inclusion of Japan and Russia, and that address the establishment of a system of regional security cooperation in

¹¹⁰ Moon, Chung-in and Steinberg, David 1999, *Kim Dae-jung government and Sunshine Policy: promises and challenges*, Yonsei University Press, p. 39.

¹¹¹ Lim, Dong-won, *North Korea policy under the Kim Dae-jung government*, National Reconciliation Council, 11 marzo 1999, p. 3.

¹¹² Kim, Choong-nam 2004, 'The Sunshine Policy and its impact on South Korean's relations with major powers', *Korea Observer*, Vol. 35, No. 4, pp. 590.

Northeast Asia. Kim Dae-jung's plan included also the idea that, to facilitate a series of changes within North Korea, the normalization of diplomatic relations with United States and Japan was crucial, and also the creation of a favorable environment for reform and opening, through the cancellation of existing sanctions and the access to multilateral institutions that would lead to facilitate the inflow of investments (IMF, World Bank, Asian Development Bank)¹¹³.

5. *Internal Consensus*. Unlike all the administrations that preceded him, democratic or authoritarian, Kim Dae-jung decides to make transparency and consensus one of the strengths of its policy towards the North. Inter-Korean relations were usually managed secretly and were used for domestic political purposes; what “*Sunshine Policy*” is aimed at is rather the opposite attitude, based on internal consensus and transparency in the management of relationships and avoiding politicization;

6. *Pseudo-Unification*. Well aware of the fact that unification *de jure*, by mutual consent and through a referendum, would require a very long period of time, the decision of the government of Kim Dae-jung is to aim at a medium term a pseudo-unification, a *de facto* unification in which the exchange of people, goods and services is fully functioning, as well as the mechanisms of consolidation of mutual trust and arms control. This intermediate target would give the opportunity to achieve important goals in humanitarian and socio-economic field, and to learn to coexist peacefully¹¹⁴.

The goals of the “*Sunshine Policy*”, at the moment in which it is formulated, are varied, even though all subordinated to the ultimate goal of reunification in “three-stage”. The first medium-term goal, as previously stated, is the *de facto* unification, achieved through exchanges, cooperation and free movement. Another important purpose is to induce the changes and reforms in North Korea on a voluntary and gradual basis, assisting the country in a time of severe economic crisis and facilitating a path inspired by the reforms put in place by Deng Xiaoping in China in the second half of the 70s¹¹⁵. The last practical mid-term goal of the policy is to finally dismantle the Cold War system on the Korean

¹¹³ Shinn, Rinn-sup 1999, ‘South Korea: “Sunshine Policy” and its political context’, *Congressional Research Service*, RL 30188, May 27, 1999.

¹¹⁴ *Ibidem*.

¹¹⁵ Society for Northeast Asian Peace Studies 1999, *The Sunshine Policy*, Millennium Books, Seoul, pp. 89-91.

Peninsula, through the improvement of relations between the US and Japan with North Korea, its participation in the international community and the signing of a peace treaty to replace the armistice of 1953; this would lead also to create the preconditions for making real steps forward in the prevention of the proliferation of weapons of mass destruction and arms control on the peninsula¹¹⁶.

The operating principles and the theoretical construction of the new approach were also fully in line with the conditions on the ground at the end of the 90s. After the fall of the Berlin Wall and the sudden German re-unification, the idea of a unification through absorption emerged as the dominant discourse, also with regard to the Korean peninsula. In particular, the idea was linked to the theory of *imminent collapse*, according to which the Pyongyang's regime was about to collapse any time soon. During the 90s, however, the realization of this prevision was fading away and the resilience of North Korean regime put the country in a position to overcome the crisis. At the same time, the doubts on the possibility for South Korea to bear the economic and social costs of a sudden collapse of the North and a reunification by absorption increased¹¹⁷. The problems that post-1989 Germany had to face, that would have become even greater for the different economic conditions on the peninsula, made the leadership and the population increasingly reluctant about this kind of scenario¹¹⁸. The economic crisis of 1997 came to sweep away any doubts about the real possibility of unification by absorption. Furthermore, the pursuit of a *hard-line* approach and an increasing military confrontation, would create problems for the stability of the country and the incoming of foreign capital, absolutely necessary for the recovery of South Korean economy after the crisis. Even the international environment seemed to favour an approach like the new "*Sunshine Policy*"; no one seemed to be favourable to the sudden collapse of North Korea and its absorption by the South. From China to the US, from Japan to Russia, all the powers with a role in the dispute seemed to support a doctrine that did not pursue the disruption of the *status quo* in a quick way, but rather a series of gradual changes.

Finally, when Kim Dae-jung starts its mandate, a credible alternative to a policy based on engagement no longer exists. The approach based on containment and sanction mechanisms, widely used throughout the Cold War and in some moments of Kim Young-

¹¹⁶ Koo, Bon-hak and Nam, Chang-hee 2001, 'South Korea's Sunshine Policy and the inter-Korean security relations', *The Korean Journal of Defense Analysis*, Vol. 13, No. 1, p. 82.

¹¹⁷ Moon, Chung-in 1999, pp. 44-45.

¹¹⁸ Piazzolo, Marc, 'Could South Korea afford a German-style reunification?', *The Economics of Korean Reunification*, Vol. 2, No. 2, 1997, pp. 48-63.

sam's administration, seemed unable to produce any positive results, and it was likely to aggravate the vicious circle of negative action and reaction and strengthen Kim Jong-il's regime, offering ideological motivations for mobilization, control and intimidation of the North Korean population.

The new approach of the "*Sunshine Policy*" is visible in the behaviour of Kim Dae-jung's administration that, despite the difficulties of the economic crisis, immediately began to focus on the new course of inter-Korean relations, supported in particular by the director of the National Intelligence Service Lim Dong-won, considered as the "architect of the '*Sunshine Policy*'"¹¹⁹.

The first practical measures of engagement adopted concerned primarily fields that, according to the theoretical approach used, have to be addressed first, therefore economic-commercial and humanitarian issues.

Regarding the development of cooperation, the primary condition was in lowering the barriers that had long blocked South Korean investments in the North. The simplification of administrative procedures, necessary for this type of investment, was the first step. The government of Kim Young-sam had set a cap of \$ 5 million, which discouraged the majority of potential investors. Within the first weeks of government, Kim Dae-jung more than doubled the limit, and simplified the restrictions on travel for economic and trade purposes between the two countries. These measures, known as the "April 30 measures" for the day of the announcement, led to the removal of more than half of the obstacles that previously existed within inter-Korean trade; in particular, the laws that prescribed prior approval from the government in Seoul regarding travel and stay for business in the North, the choice of business partners and also for granting the necessary loans for the investment were cancelled¹²⁰.

With this relaxation of controls on inter-Korean trade it increased significantly in the early years of Kim Dae-jung's administration, as well as direct investment in the North by companies of South. Obviously, the situation continued to present problems related to the passive attitude of Pyongyang regime towards economic cooperation, especially because of the fear of a loss of control of the national industrial production and population. Also, the lack of infrastructure and of institutional mechanisms, that could guarantee

¹¹⁹ Kirk, Donald 2009, p. 155.

¹²⁰ Kang, In-duk 1999, 'Challenge and response: the South Korea policy toward North Korea', *East Asian Review*, Vol. 11, No. 3.

investments from problems like double taxation or the risk of a failure to fulfil its commitments by North Korean regime, was a major problems for a further development of economic cooperation¹²¹. Despite these complications, the volume of inter-Korean exchanges, after a fall in 1998 due to the economic crisis in South Korea, reached \$ 334 million in 1999 and 425 million in 2000, nearly doubling the volume of the mid-90s¹²².

In 1998, it also marked the birth of the “Mount Kumgang tourism project”, that can be considered as a real turning point in the active economic cooperation between the two countries. In November of that year, in fact, Hyundai Asan, a branch of the industrial conglomerate Hyundai Group, signed the concession agreement with the government of North Korea for the first sightseeing tour at the site of Mount Kumgang, which becomes accessible to tourists from South Korea¹²³. In 1999, the visits already amounted to 148 000 and the following year reached 213 000¹²⁴. The project represents an important step in the process of building trust between the two countries, in addition to its positive effects on the economic and social side.

Regarding the humanitarian sphere the first years of “*Sunshine Policy*” brought significant improvements. The main areas of activity were: the reunion of divided families and humanitarian assistance. As for the first one, after many years of total lack of contact, in 1999 reunification reach a height of almost 200, while the exchange of information and correspondence exceeded a thousand units. In the period 1998-1999, there was also a considerable increase in the activity of Non-governmental Organizations that provided assistance to North Korea, in particular food and basic necessities. Behind this progresses, the hand of the government can be easily be found, through various funding sources and facilities, but especially with the reversal of the policy of the “single channel”, put in place by Kim Young-sam. According to this perspective, the provision of aid to North Korea should be supplied only through the Red Cross¹²⁵; this opening served to allow the vast panorama of NGOs to increase humanitarian assistance to the North, while maintaining a low profile¹²⁶.

¹²¹ Moon, Chung-in 2001, ‘The Kim Dae-jung government and changes in inter-korean relations: in defense of the Sunshine Policy’, *Korea and world affairs*, Vol. 25, No. 4, pp. 520-521.

¹²² Source: Republic of Korea, Minitser of Unification - Resources Archives, URL: eng.unikorea.go.kr/CmsWeb/viewPage.req?idx=PG0000000541, consultato il 3 ottobre 2011.

¹²³ Moon, Chung-in 2001, p. 525.

¹²⁴ Source: *Ibidem*.

¹²⁵ Flake, Gordon L. and Snyder, Scott 2003, *Paved with good intentions: the NGO experience in North Korea*, Praeger Publishers, Westport, p. 86.

¹²⁶ Kwon, Eundak e Lim, Jae-cheon 2006, ‘Crossing the river that divides the korean peninsula: an evaluation of the Sunshine Policy’, *International Relations of the Asia-Pacific*, Vol. 6, No. 2, p. 135.

In these early stages of the new course in inter-Korean relations, the political aspects are kept in the background, as predicted by the theoretical approach, focusing on economic cooperation, humanitarian assistance and the socio-cultural exchanges.

The official reaction of the government in Pyongyang at the beginning remains in line with its rhetoric of closure toward the South, although in April 1998 a letter from Kim Jong-il in which there is an explicit reference to a “broad national dialogue” and the possibility that all Koreans “North, South, and from abroad, will be visiting each other, maintain contacts, promote dialogue, strengthen solidarity” was made public¹²⁷. These, albeit feeble, openings pushed President Kim Dae-jung to work toward its primary objective, the organization of a meeting with the North Korean leader.

The administration of Seoul was actively involved also with the American allies to ease the sanctions regime and look for progresses in the normalization of diplomatic relations. Similarly, it was at the forefront in helping for the construction of the Light Water Reactor, as planned by the 1994 Agreement. Contemporarily, North Korea was continuing test launches for long-range missiles *Taepodong*, the first of which occurred on August 31, 1998. When, the following year, South Korea, through its engagement policy, was able to obtain the renunciation by Pyongyang to the launch of the *Taepodong-2* the validity of the new approach was confirmed¹²⁸.

During the early stages of the “*Sunshine Policy*”, and on the way to the organization of the first inter-Korean summit, the two parties had to face also moments of great tension, in which the principle of flexible dualism or flexible reciprocity had to be applied. On June 22, 1998 a North Korean submarine was captured in the territorial waters of South Korea; inside were found the bodies of nine people, including sailors and officers; the latter had killed the first ones and then committed suicide, to avoid being captured by South Koreans. The reaction of President Kim was to emphasize flexibility in the reciprocity of its policy toward the North, so that this incident did not affect the process of rapprochement, recently started. A potentially much more dangerous episode occurred in June 1999, when a clash between the navies of the two countries led to the sinking of a North Korean warship and the serious damage of another one. The two ships entered South Korean waters passing the *Northern Limit Line*, the demarcation line between the

¹²⁷ Korean Central News Agency, April 29, 1998.

¹²⁸ Kirk, Donald 2009, p. 151-153.

territorial waters of the two countries, never recognized by North Korea¹²⁹. The position of President Kim was to hold on, defending its policy of partnership for peace and giving a clear example of the principle of flexibility – no tolerance of military provocations but a commitment towards positive long-term policies¹³⁰.

The first two years of Kim Dae-jung's administration and of "*Sunshine Policy*" does not represent a total change of the situation but the beginning of a path of small and significant changes, in practical and political terms. This new course of relations will lead to what can be considered as the most important event in inter-Korean relations for decades and that will represent a watershed for the presidency of Kim; the inter-Korean summit in 2000.

2.4.2 The inter-Korean Summit and its Consequences

While the government of Kim Dae-jung was continuing its indirect approach toward North Korea, encouraging contacts through Non-governmental or private entities, rather than talks at the political level, to create a network of exchange and interdependence, at the same time it began to work for accomplishing the goal of a summit between the leaders of the two countries. The task was assigned to Lim Dong-won, who, initially acted through the intermediation of the founder of the Hyundai Group, Chung Ju-yung, and his son, president of Hyundai Asan, Chung Mong-hun. Between 1998 and 1999 Chung Mong-hun had frequent contact with the leadership in Pyongyang, during the negotiations for the Mount Kumgang tourist project. Later on, Lim, as the chief of South Korean intelligence service (NIS), established a liaison office in Panmunjom where he could keep in constant contact with his interlocutors in Pyongyang¹³¹.

The negotiations for the organization of the summit in 2000 took place mainly in Beijing and occupied the first months of the year. Among his tasks, Lim had also to convince American allies of the importance of the summit. In the meantime, in Washington, a consensus for the approach of the administration of Kim Dae-jung was growing, in particular after the inspections in March 1999 at the site of Kumchangri, suspected of hosting plants for the production of nuclear fuel, that failed to show evidence in that sense.

¹²⁹ *Ibidem*, p. 153.

¹³⁰ Koo, Bon-hak and Nam, Chang-hee 2001, p. 91.

¹³¹ Kirk, Donald 2009, p. 155-156.

In addition, in October, the so-called “*Perry Review*”¹³², a document drawn up by the head of the White House policy on North Korea, William Perry, was published. The document states that the most effective approach to reduce the threat of nuclear proliferation from Pyongyang was linked to engagement. These new events decreased the pressure on South Korea by its main ally.

A crucial moment in this context is represented President Kim Dae-jung’s speech at the *Freie Universität* in Berlin (March 9, 2000)¹³³. On that occasion, he made explicit reference to the need to shift from economic cooperation between private sectors to a collaboration at governmental level, supporting the will of South Korea to help the North in the creation of the necessary infrastructure and also in the modernization of the agricultural production; he also stressed the need for an inter-Korean dialogue at government level. A few weeks later the official announcement of the summit, scheduled for mid-June of that year, was released.

On June 13, the president of South Korea Kim Dae-jung went to Pyongyang by plane with a direct flight from Seoul, the first since the autumn of 1950, and returned three days later by land, crossing the border at Panmunjom, as a symbol of the possibility of opening between the two countries¹³⁴.

The primary goal of the meeting was to accelerate the process of normalization and institution-building in inter-Korean relations, particularly on three different areas. First of all, the official shift from confrontation to reconciliation, then the normalization of relations between the two governments and, finally, the beginning of the process of dismantling of the Cold War structures from the peninsula¹³⁵. The atmosphere around the summit can be considered somewhat surreal, given the great cordiality with which the South Korean delegation was welcomed, and in particular the familiarity between the leaders of two countries officially still at war¹³⁶. All the traces of decades of hostility and mutual suspicion seemed disappeared during those days, while peace seemed closer than ever¹³⁷. Surely, the flaunted welcome for Kim Dae-jung in Pyongyang was purposely

¹³² The full title of the document is: *Review of United States policy toward North Korea: findings and recommendations*. The full text can be found at: http://www.state.gov/www/regions/eap/991012_northkorea_rpt.html (consultato il giorno 4 ottobre 2011).

¹³³ The full text can be found at: *Le Monde Diplomatique*, March 9, 2000.

¹³⁴ Kirk, Donald 2009, p. 159.

¹³⁵ Kihl, Young-whan 2001, ‘Overcoming the Cold War legacy in Korea? The inter-Korean summit one year later’, *International Journal of Korean Studies*, Vol. 5, No. 2, p. 9.

¹³⁶ Moon, Chung-in 2000, ‘Two days on the other side’, *Time*, June 26.

¹³⁷ Moon, Chung-in 2000, ‘The sunhine policy and the Korean summit: assessment and prospect’, *East Asian Review*, Vol. 12, No. 4, p. 22.

created by the leadership of North Korea like a huge spot, in which Kim Jong-il could show to the entire world how strong was his grip on the country, but at the same time mitigate the totally negative image that the whole world had of him, showing a new “face”: warm, friendly, charismatic and rational¹³⁸. At the same time, South Korean President Kim Dae-jung was able to exploit the theatricality created around the summit for their own political gain, increasing the prestige at home around him, further grew as a result of the award of the Nobel Peace Prize in December 2000.

In the weeks immediately following the summit, a series of surveys conducted by the Ministry of Unification showed that over 90% of respondents had a favourable opinion of the meeting and its consequences on the improvement of inter-Korean relations; similar percentages were recorded in favour of a visit by Kim Jong-il to the South, while over 70% of respondents declared to be in favour of the “*Sunshine Policy*” and President Kim Dae-jung¹³⁹.

The most important result of the summit, beyond the symbolic of image aspects, is definitely the *Joint Declaration*, signed by the two leaders on June 15, 2000, in the wake of the 1972 Joint Declaration and the Basic Agreement of 1992¹⁴⁰. In this case, however, the signatures on the document by the two leaders were simultaneous. The text of the declaration is made up of five points, preceded by a preamble, in which is enshrined in the importance of the historic meeting between the two leaders and the willingness to promote mutual understanding, improve relations and peaceful reunification. At the end of the document, there is the formal invitation by Kim Dae-jung for Kim Jong-il to visit Seoul. The five-point resumed the claims that had already been declared in the previous joint papers: the importance of achieving unification independently from external influences and through the joint efforts of the two countries as one Nation; the recognition of the similarities in the proposed unification formulas, considered as a viable basis for the future; the resolution of the humanitarian issues, primarily the family reunions, and in this context, it is also identified a date, August 15, 2000 – the anniversary of the liberation of the peninsula from the Japanese colonial rule – as the first opportunity for the meeting between divided families. The last two points refer to the importance of the strengthening

¹³⁸ Lee, Dong-bok 2000, ‘Inter-korean summitry: another indian game of elephant versus blind people?’, *Korea and world affairs*, Vol. 24, No. 2, p. 210.

¹³⁹ Survey commissioned by the Ministry for the Unification in September 2000, *cit. in.*: Kirk, Donald 2001, ‘Kim Dae-jung and Sunshine: polls, popularity and politics’, *Korea Observer*, Vol. 32, No. 3, pp. 409-429.

¹⁴⁰ The full text of the statement is available on the website: http://www.usip.org/files/file/resources/collections/peace_agreements/n_skorea06152000.pdf (consultato il 6 ottobre 2011).

of exchanges in various fields (cultural, social, sports, environmental, health) as a tool for strengthening mutual trust, of a balanced development through economic cooperation and of the creation of a permanent dialogue between the authorities of the two countries to achieve the implementation of the Agreement.

One of the most important passages in the declaration were represented by the repeated use of the word “Nation”, both in the case of the efforts for the reunification and for joint cooperation and development. There are also references to concrete steps to achieve the listed goals, both for the humanitarian problem as for the implementation of the entire agreement. Finally, it is crucial to note that the summit was organized without the intermediation of third parties, as mediators, but only through contacts between the two Koreas, a radical change for the North who had long refused to have direct official contacts with the government in Seoul¹⁴¹.

The summit and the joint statement gave great impetus to the development of talks between the two countries in the immediately following months, while also providing a strong institutional basis for dialogue and negotiations¹⁴².

The first addressed issue, one of the most important in President Kim’s opinion, was the reunification of families divided by the Korean War. In this sense, the first meetings between the Red Cross of the two countries took place just two weeks after the summit, at the Mount Kumgang, between 27 and 30 June, 2000, to define the details of the already scheduled meeting and also to establish a suitable place for the repatriation of prisoners of war still in the South. The contacts materialized on August 15 with the visits to Seoul and Pyongyang of two groups of separated families, repeated again in the same terms on December 2 of that year, and with the repatriation, on September 2, of a group of 63 prisoners of war who had expressed a desire to return to the North¹⁴³.

The second step for dialogue is represented by the ministerial-level talks held on a regular basis throughout 2000, in order to implement the joint statement. The first took place between 29 and 31 July, in Seoul; the final document, in addition to confirming the commitment of both parties to the points set out in the Declaration, also sanctioned a series of practical interventions to be carried out to improve relations between the two countries, in particular: the importance of the reopening of the liaison office between North and South in Panmunjom and the recovery of the railway line from Seoul to Sinuiju,

¹⁴¹ Moon, Chung-in 2000, pp. 22-29.

¹⁴² Kihl, Young-whan 2001, p. 9.

¹⁴³ *Ibidem*, p. 10.

on the border between North Korea and China. The following inter-ministerial meetings took place on the same line of the first, with documents that reiterated the principles enshrined in the June 15 Declaration and some proposals to move forward on a practical level, such as the organization of further meetings between separated families, mutual exchanges for tourism, the construction of a road link between Munsan and Kaesong, the implementation of projects to contain the floods caused by the Imjin River, located on the border between the two countries, and various exchanges at cultural and academic level¹⁴⁴. One of the most productive inter-ministerial meeting was certainly the fourth, held between 12 and 16 December in Pyongyang. Despite an initial climate of tension between the two delegations, due to statements made before the meeting by some members of the two governments, the final document presented a series of practical measures to deepen the cooperation between the two countries (cooperation in fishing industry, meetings between the two organizations of Taekwondo), among which the establishment of a “*Joint Committee for the promotion of inter-Korean economic cooperation*” with the duty of starting the discussion for the construction of the Kaesong Industrial Complex¹⁴⁵, which will be built in the following years and represent one of the clearest examples of constructive engagement and economic cooperation between the two Koreas.

In addition to the inter-ministerial meeting, as a direct result of the Joint Declaration of June 15, both sides planned a series of meetings to find a common ground on matters of common interest and the practical measures to be pursued to achieve them. The first was held in Seoul between 11 and 14 September, with the visit of the Secretary of the Korea Workers Party, Kim Young-sun, in which it was decided the date for a further meeting between the defence ministers of the two countries and one, at the technical level, to establish a set of procedures to simplify economic cooperation between the two countries. Both meetings took place in South Korea on 25 and 26 September, the first on the island of Cheju and the second in Seoul¹⁴⁶.

The purpose of the meeting of defence ministers was to provide military guarantees to the implementation of the June 15 Declaration, easing the tension and removing the threat of war from the peninsula. These guidelines are fully accepted in the final document of the meeting, together with a commitment to make possible the construction and the use of a

¹⁴⁴ Suh, Dong-man 2006, ‘Relationship between North and South Korea after the June 15 declaration and the development plan for the Korean peninsula’, *The Quarterly Creation and Changbi*, Vol. 131.

¹⁴⁵ ‘The Fourth Round of ministerial talks’, *Korean Unification Bulletin*, Vol. 26, Ministry of Unification, Seoul, 2000.

¹⁴⁶ Suh, Dong-man, 2006.

rail and road infrastructure linking between North and South, passing through the demilitarized zone (DMZ)¹⁴⁷.

The meeting on the economic cooperation focused instead on the need for institutional mechanisms that would guarantee the investments and would prevent double taxation; both points however would be delegated, for the implementation, to subsequent meetings, while, in the final document, was included a major agreement between the two countries on food and economic aid¹⁴⁸.

The first months following the summit of 2000, and the multitude of meetings that followed, show the willingness of both governments to continue to pursue the rapprochement towards a peaceful reunification. The approach of the “*Sunshine Policy*” is at this moment at its highest point; within South Korean population, the approval for President Kim Dae-jung and his management of inter-Korean relations is at historic highs, and the hostility toward Kim Jong-il and North Korea to the minimum¹⁴⁹.

Even the international environment is favourable to a development in this sense; in particular the US administration led by Clinton supported the policy of Kim Dae-jung and joined the opening toward Pyongyang. In October 2000, in fact, the number two of the regime, Vice Marshal Jo Myong-rok, went to Washington to deliver a personal letter to President Clinton from Kim Jong-il, and shortly afterward US Secretary of State Madeleine Albright visits Pyongyang, reporting a very positive impression on the commitments made by the regime in the nuclear field. In the last months of 2000, the last also for Clinton’s administration, important steps forward in the relations between US and North Korea are made. Pyongyang is removed from the list of “*rogue state*”, both sides agree to pursue friendly relations and achieve a final peace treaty, North Korea renounces terrorism and the launch of long-range missile, while the US commit itself in helping the country to access to financial aid from international organizations¹⁵⁰. The major steps forward moved by Clinton’s administration, particularly in the last months of the presidency, toward a normalization of relations with North Korea were very important, also regarding the improvement of inter-Korean relations. Unfortunately, they did not

¹⁴⁷ ‘Inter-Korean defense ministers meeting’, *Korean Unification Bulletin*, Vol. 23, Ministry of Unification, Seoul, 2000.

¹⁴⁸ ‘Source material on inter-Korean relations’, *Korea and World affairs: a quarterly review*, Vol. 24, No. 3, 2000, pp. 473-475.

¹⁴⁹ ‘Sunshine Policy leads tension on Korean Peninsula to all time low’, *The Korea Times*, June 15, 2002.

¹⁵⁰ Kim, Hak-joon 2003, ‘Sunshine or thunder? Tension between the Kim and Bush administrations in historical perspective’, *Korea Observer*, Vol. 34, No. 1, pp. 22-23.

materialize in a visit of the American president to Pyongyang or in a permanent agreement between the two countries¹⁵¹.

2.4.3 The Last Years of Kim Dae-jung's Presidency

While in the months immediately after the summit it seemed that the principles of the Joint Declaration of June 15 and the approach of the “*Sunshine policy*” had a strong support both at international and domestic point of view, it was soon clear that the situation was not as positive as it might seem at first glance. In the second half of 2001, in fact, the situation was dangerously close to a standstill¹⁵².

Criticisms against Kim Dae-jung's administration were multiplying, particularly with reference to the “*Sunshine policy*”, and the popularity of the president and his policy decreased within the country. The causes of this deterioration of the situation can be traced to three main reasons.

First of all, there was an escalation of the internal political opposition, led by the Grand National Party, the majority party in the National Assembly, with the support of the so-called “big three”, the three major newspapers in South Korea: Chosun Ilbo, Dong-a Ilbo and JoongAng Ilbo, all characterized by a conservative line and strongly hostile to the administration of Kim Dae-jung¹⁵³. This internal opposition focused on a few points of the Joint Declaration, in particular on the first two articles of the document, accusing the president of being gone too far and too fast in the Declaration, without providing a prior plan of military guarantees against the threat represented by North Korea. The idea that was brought forward by the opposition was that the summit was only a counterproductive show organized to allow Kim Dae-jung to win the Nobel Prize and that nothing concrete could be achieved with the “Sunshine Policy”¹⁵⁴. Also, the use that was made of the Fund for Inter-Korean Economic Cooperation was increasingly questioned, with a specific accusation to grant to the North Korean regime too much, in terms of economic and

¹⁵¹ Kim, Mikyoung 2007, ‘Ethos and contingencies: a comparative analysis of the Clinton and Bush administrations North Korea policy’, *Korea and World affairs*, Vol. 31, No. 2, p. 179.

¹⁵² Chon, Hyun-joon 2002, ‘The inter-Korean summit: evaluation and tasks ahead’, *East Asian Review*, Vol. 14, No. 2, p. 7.

¹⁵³ Levin, Norman D. and Han, Yong-sup 2002, *The South Korean debate over policies toward North Korea: internal dynamics*, RAND: national defense research institute, pp. 20-24.

¹⁵⁴ Lee, Manwoo 2002, ‘Sunset for Kim Dae-jung's sunshine policy?’, *Current History*, Vol. 101, No. 654, pp. 167-168.

humanitarian assistance, without receiving anything tangible. In this context, in the final months of 2001, the opposition started to strongly oppose the tourism project of Hyundai Asan on Mount Kumgang, considered as a mere source of hard currency for the regime in Pyongyang, since the company “Mt. Kumgang Tourist Hyundai Co.” was on the brink of bankruptcy and was kept alive through capital injections from the government and through the subsidies that the same paid to students and members of divided families to join the tour; it was estimated that, within three years, the company had accumulated debts of 417 million dollars, compared with 700 million invested in the project¹⁵⁵. Since the beginning of 2002, corruption charges, related in particular to the organization of the summit in 2000, multiplied and will explode, the following year, in the scandal known as “Cash for Summit”.

A further source of problems for Kim Dae-jung and his policy stemmed from the attitude taken by the leadership in Pyongyang, which continued on many occasions to maintain a high level of tension, mainly to stabilize its internal front and to get vantage over the South at the diplomatic level¹⁵⁶. In this sense should be interpreted the intrusion of a North Korean ship in the territorial waters of South Korea in June 2001 and, even more, the clash of the naval clash in the Western Sea, in June 2002, in which South Korean ship is sunk and six sailors of the South and thirteen from the North are killed¹⁵⁷. In these situations, the principle of flexible reciprocity, already used in the past, barely works, precisely because of the deterioration of the internal position of President Kim Dae-jung; after nearly four years of policy of constructive engagement, characterized by aid, trade and economic cooperation, it becomes increasingly difficult to maintain the leadership in the management of inter-Korean relations after provocations of this kind.

Probably the biggest obstacle that arises in the development of the “*Sunshine Policy*” is represented by the election of George W. Bush at the White House in 2000. The new administration took office in January 2001 and decided to totally reverse the approach brought forward by Clinton, so close to the policy of Kim Dae-jung. The new American government decides to interrupt the dialogue with North Korea indefinitely, considering the country as a serious threat to international security, a “rogue state” with which US

¹⁵⁵ Source: Dong-a Ilbo, November 19, 2001, *cit. in.*: Kim, Yu-nam 2001, ‘Rethinking the “Sunshine Policy”, a critical analysis’, *Korea and World affairs*, Vol. 25, No. 4, p. 536.

¹⁵⁶ Chae, Kyung-suk, *The future of the Sunshine Policy: strategies for survival*, in “East Asian Review”, Vo. 14, No. 4, 2002, pp. 9-10.

¹⁵⁷ Kirk, Donald 2009, p. 177.

could not negotiate, unless it took significant and verifiable concessions regarding the nuclear programme¹⁵⁸. Even the attempt carried out by President Kim Dae-jung, during his visit to Washington on March 7, 2001 – the first Asian leader to visit the White House after the inauguration of Bush’s administration – to persuade the new administration to continue the path interrupted by the previous did not lead to any result¹⁵⁹.

The situation worsened further after September 11 and especially after the “State of the Union speech” of the American president in January 2002, in which North Korea is included, along with Iraq and Iran, in the so-called “*Axis of Evil*”. The charges against Pyongyang were its supposed will to build long-range missiles and weapons of mass destruction, to destabilize world peace¹⁶⁰. This hostility shown by the United States only heightens the tension on the peninsula and, in particular, the aggressive and provocative behaviour of North Korea, and further undermined the already precarious situation of the “*Sunshine Policy*”.

The culmination of this deterioration will occur between late 2002 and early 2003, when North Korea decided to reactivate its nuclear facility at Yongbyon and subsequently withdrew from the NPT, accusing the United States of failing to meet the terms of the 1994 *Agreed Framework* (the construction of the Light Water Reactor and the oil supplies)¹⁶¹.

In this context, with South Korean presidential election coming in December 2002, the “*Sunshine Policy*” needed a reformulation, not so much as a theoretical approach, but rather in its implementation, because, despite the drop in popularity within the South Korean public opinion, there still was a strong base of support for this new course of inter-Korean relations, as shown by a survey, published by the JoongAng Ilbo in 2002, according to which 60% of the population was in favour of the “*Sunshine Policy*” and 54% stated that the policy had to be carried out in the future, even if with some changes.

2.4.4 Lights and Shades on the “Sunshine Policy”

The new course of inter-Korean relations launched by President Kim Dae-jung has been a real turning point in the dispute between the two Koreas; representing a clear increase in

¹⁵⁸ Kim, Hak-joon 2003, p. 26.

¹⁵⁹ Sanger, David E. 2001, ‘Bush tells Seoul talks with North Korea won’t resume now’, *The New York Times*, March 8.

¹⁶⁰ Kim, Hak-joon 2003, p. 32.

¹⁶¹ Kim, Mikiyoung 2007, pp 180-183.

quality compared to the previous policies, it thus has given rise to a heated debate about what are the results and what prices has been paid to obtain them.

It definitely is a long-term policy with long-term goals, which, to be properly evaluated, should be considered a step in a broader process. As mentioned, the approach developed by the administration of Kim Dae-jung builds on the path of engagement that can be traced back to the Joint Declaration of 1972. Subsequently Roh Tae-woo's policy and, to a lesser extent, Kim Young-sam's have kept alive a variable level of engagement in their management of relations with North Korea, until the election of Kim Dae-jung who proposed a structured and consistent policy in the wake of earlier attempts.

In this historical perspective, "*Sunshine Policy*" cannot be considered as the culmination of the path but as a step, even if a fundamental one, that must surpassed toward the final goal of unification. As clarified by the Kim Dae-jung in his writings, the main goal of the "*Sunshine Policy*" should have been the stage which he calls "Confederation", where basically there are no transfers of sovereignty for the two countries but a structured cooperation in various fields and the replacement of the regime of confrontation with that of reconciliation, eliminating the threat of a looming military escalation on the peninsula. In this perspective, the policy of Kim Dae-jung was quite successful, being able to improve inter-Korean relations, promote peace and cooperation on the peninsula and lower the levels of tension¹⁶².

The heated debate aroused within the socio-political South Korean environment, around this new approach, gave birth to numerous criticisms of the "*Sunshine Policy*". These criticisms focused on different aspects of the policy: from the expected and achieved goals, to the international dimension and the management of President Kim himself.

The criticism that has been moved most frequently to Kim Dae-jung's management of inter-Korean relations was its character of being "weak toward the North" and, above all, to be a policy that has brought scarce results compared to the efforts made by South Korea for the duration of his administration. In particular, the principle that is continuously questioned is that of *flexible reciprocity*. The idea that engagement and cooperation should continue, despite the political and military provocations carried out by North Korean regime was considered by many critics as a sign of weakness¹⁶³. Previous administrations

¹⁶² Moon, Chung-in and Steinberg, David 2002, 'Korea in transition: three years under the Kim Dae-jung government', Yonsei University Press, Seoul, p. 70.

¹⁶³ Foster-Carter, Aidan 2002, 'Sunshine sunk?', *Comparative Connections*, Vol. 4, No. 2, p. 83.

had always used a concept of reciprocity, but based on the short term and on the strict connection between economic assistance and immediate practical results, in terms of improved relations. The innovation introduced by the “*Sunshine Policy*” is connected to its time horizon of the long run¹⁶⁴. The exposition of the concept by Kim Dae-jung, that can be considered as vague and changeable, has helped to create this kind of criticism¹⁶⁵. Directly connected to this issue there is also the one related to the waste of resources by South Korean government. According to the critics, in fact, the practical results achieved by the “*Sunshine Policy*” are not comparable to what would be expected from the millions of dollars invested on the new policy by the government. North Korea took advantage of this moment, getting aid in a much more simple way than in the past, without carrying out any real change, but only a few and temporary attitude changes.

Analyzing data, the resources spent by the state for South Korean cooperation with the North, between 1998 and the early months of 2002, amounted to approximately \$ 330 million, or 0.02% of GDP¹⁶⁶, in addition to the \$ 70 million invested by the Korea National Tourism Organization (KNTO) in its joint venture with Hyundai Mt. Kumgang Tourism Co., on the brink of bankruptcy in 2001¹⁶⁷. Going beyond, it can be assumed that the economic gains South Korea achieved with the “*Sunshine Policy*”, in purely financial terms, have been well above the costs of cooperation. The significant reduction of tension on the peninsula attracted and encouraged foreign direct investment as well as improved rapidly the rating of the country: in 2002, foreign exchange reserves had soared to 106 billion dollars, from 3.7 billion in 1997¹⁶⁸.

Another frequent criticism against the “*Sunshine Policy*” is linked to the issue of national security. In particular the administration of Kim Dae-jung has been accused of having weakened the defense system and national security against the threat from the North¹⁶⁹. The “*Sunshine Policy*” definitely established a major change in this respect. After the Korean War, in fact, the North had always been regarded as the main enemy and suddenly it turned into a cooperation partners, thus creating doubts and concerns within South

¹⁶⁴ Chung, Oknim 2000, ‘The Sunshine Policy: an interim assessment’, *Korea and world affairs*, Vol. 24, No. 1, pp. 5-28.

¹⁶⁵ Foster-Carter, Aidan 2002, p. 84.

¹⁶⁶ Ministry of Unification, *The current status of inter-korean relations and the direction of North Korea policy*, March 3, 2002.

¹⁶⁷ ‘The opposition party applied for provisional injunction to hold on a loan transaction from KNTO to the Hyundai Tour for Mt. Kumgang’, *Dong-a Ilbo English Edition*, July 10, 2001.

¹⁶⁸ Ministry of Economy and Finance, *The restoration of the State Credit Level to ‘A’ is a victory for all Korean people*, April 2002.

¹⁶⁹ Koo, Bon-hak e Nam, Chang-hee 2001, p. 95.

Korean public opinion. What worried most the detractors, however, was the decision of Kim Dae-jung to be more tolerant of provocations, including military provocations, by Pyongyang; the behaviour of the president, as noted earlier, responds to the logic of the long-term run, consisting in the fact that, if the cooperation process is interrupted for any heightening of tensions, it is impossible to have significant progress¹⁷⁰. Beyond all considerations, some facts might help to characterize the period of the “*Sunshine Policy*” from the military and national security point of view. First, the reaction of South Korean administration to the naval incursions into southern territorial waters by North Korean military boats, in 1999 and 2002, shows Kim Dae-jung’s government firmness in military response against provocations; but, at the same time, they did not have major impacts on cooperative relations. In addition, the state budget for defense remained at previous levels even during Kim Dae-jung’s administration, with a very limited declining trend. Military spending in 2000 amounted to 12.8 billion dollars, for example, the twelfth in the world¹⁷¹.

Many criticisms have also focused on the concern that the development of the “*Sunshine Policy*” would weaken the alliance with the United States, considered fundamental for national security, particularly after the election of George W. Bush and the deterioration of relations with the administration of Kim Dae-jung¹⁷². Actually, this kind of judgments does not take into account the fact that the strategic alliance between US and South Korea goes beyond misunderstandings that may arise between the two administrations, precisely for its inherent strategic character related to the global balance of power. It is true that, with US elections of November 2000, relations between Seoul and Washington have deteriorated, as a result of the new approach taken by Bush administration in the management of relations with North Korea¹⁷³. This deterioration, however, can hardly be attributed to the policy of Kim Dae-jung; it remained firm and consistent throughout the duration of his term but, while with Clinton presidency there was harmony of purpose, after Bush's decision to overthrow completely that approach, the distance between the two

¹⁷⁰ Kwon, Man-hak 2002, ‘Inter-Korean rapprochement and regional implications’, *Journal of Asia-Pacific Studies*, Vol. 9, No. 2, pp. 95.

¹⁷¹ Source: *Fact sheet: selected countries’ military budget*, website: <http://www.cdi.org/issues/wme/spendersFY02.html>.

¹⁷² Chung, Oknim 2001, ‘The new US administration’s Korea policy and its impact on the inter-Korean relations’, *East Asian Review*, Vol. 13, No. 1, pp.16-17.

¹⁷³ Park, Jong-chul 2002, ‘Impact of the US war against terrorism on the Korean peninsula’, *Korea Focus*, January-February.

countries began to widen. This means that the tension cannot have been caused by the “*Sunshine Policy*”, but rather by the change of administration in the White House¹⁷⁴.

The third category of criticism against the “*Sunshine Policy*” is linked to the management of inter-Korean relations carried forward by President Kim Dae-jung. First of all, he is accused of having pursued an extremely progressive policy, without seeking a bi-partisan consensus, in an important issue such as that of relations with North Korea. In fact, after the almost generalized consensus of the first period, since the second half of 2000 two heterogeneous opposing sides arise, and they started to include very different categories: on the one hand the supporters of Kim Dae-jung, nationalists (supporters of a single Korean Nation), supporters of unification, anti-Americanists, progressives, on the other opponents of Kim Dae-jung, anti-North Korea, opponents of unification and of a united Korean Nation, supporters of US and conservatives¹⁷⁵. Most likely, this strong opposition was already present within the existing South Korean political fabric and a breakthrough approach like the “*Sunshine Policy*” has only contributed to get it back on the surface¹⁷⁶.

A further series of critical focused on the question of the violation of human rights by North Korea. The administration of Kim Dae-jung was in fact accused of closing their eyes to the problem of the systematic violation of the most basic human rights by the regime in Pyongyang, with the intention to continue cooperation and exchanges¹⁷⁷. In this sense, the commitment of South Korean government has focused on other aspects of the human rights issue; first of all the reunification of divided families in the two countries, about which it obtained important results (nearly 200 people involved in the reunification of 1999 in China, 400 people in 2000, 200 in 2001 and 400 in 2002). In addition, the “*Sunshine Policy*” focused on humanitarian aid, particularly food supplies, to cope with the crisis in North Korea (more than 100 million dollars in 2000 and 130 million in 2001 and 2002)¹⁷⁸. The management of these funds, particularly the control by Pyongyang regime, has often been the subject of strong criticism, because a wide margin of discretion was left to North Korean authorities with the risk that they were mainly used for the livelihood of the military rather than for the population. As for the defense of human

¹⁷⁴ Gross, Donald G. 2002, ‘President Kim and his Sunshine Policy: twisting in the wind’, *Comparative Connections*, Vol. 4, No. 2, p. 40.

¹⁷⁵ Choi, Wan-kyu 2002, ‘Reflective approach on reconciliation and cooperation policy toward North Korea’, *The Korean Political Science Association – Summer Session*, July 25-27, 2002, p. 167.

¹⁷⁶ Lee, Dong-hyung 2003, ‘The Korean Sunshine Policy: its light and shade’, *Pacific Focus*, Vol. 18, No. 1, pp. 185.

¹⁷⁷ Kim, Yu-nam 2001, pp. 39-41.

¹⁷⁸ Ministry of Unification 2002, *Status in promoting a policy toward North Korea*, December, Seoul.

rights, Kim Dae-jung chose not to create a linkage between it and North-South cooperation – and to not directly intervene in the issue of defectors – because he considered that the efforts for fast changes would produce the opposite effect of the closure of the regime and, in this sense, he preferred a flexible approach that would give the opportunity to collect long-term results, although at the cost of neglecting the issue in the short term.

The last set of criticisms of the “*Sunshine Policy*” is linked to the excessive centralization of decisions in his hands, reducing the National Assembly role, which, over time, has led to a lack of transparency in the management of inter-Korean relations and of the funds that have been directed towards North Korea¹⁷⁹. Along the same line, a further criticism was linked to the excessive personalization of the policy by the President, and its use for domestic purposes¹⁸⁰. The most cited example is that of the inter-Korean summit in 2000, whose announcement was given a few days before the general elections held in South Korea in April of that year. As for the excessive personalization of the “*Sunshine Policy*” and its use for purposes of domestic politics it is partly present in the administration of Kim Dae-jung, a president who, more than any other in the past, has been identified with his ideas on the management of inter-Korean relations. The practice materialization of such criticism came with the outbreak of the serious scandal, called cash for summit in 2003¹⁸¹.

Despite handling the dispute with North Korea always required a certain degree of secrecy and decisiveness on the part of the government – and engagement policies are no exception – President Kim was contested for an excess in this sense, with important decisions left to a group of individuals, without providing without the approval of the legislative bodies¹⁸². In addition to this remarkable unilateralism, the rapidity with which Kim Dae-jung sought to expand relations with North Korea was questioned. Finally, the criticism focused on the mistake of the administration of Kim Dae-jung to bet everything

¹⁷⁹ Lee, Dong-hyun 2003, p. 198.

¹⁸⁰ *Ibidem*.

¹⁸¹ The scandal, exploded in early 2003, after the end of Kim Dae-jung's, involved him and some of his closest associates, including Lim Dong-won, accused of having literally "bought" the possibility of organizing the summit on June 2000 between the two leaders with a large sum of money. According to the charges, an amount between 400 and 500 million dollars was given to North Korean government through the channels of Hyundai Asan, that was operating the Mount Kumgang tourism project. The scandal, which will lead to a parliamentary inquiry and to jail sentences, then suspended, for Lim Dong-won and other members of the presidential staff, led also to the suicide of the president of Hyundai Asan Chung Mong-hun in the summer of 2003. The defense against charges, not questioning the veracity of the passage of money, was based on the need for the government to put in place any act that was necessary for the good of the nation.

¹⁸² Chung, Chung-wook 2001, 'Has North Korea really changed?', *Korea Focus*, Vol. 9, No. 2, p. 6.

on the “*Sunshine Policy*”, without simultaneously develop alternative approaches in case it did not work¹⁸³.

As we noted above, the “*Sunshine Policy*” has been subjected to a wide and varied amount of criticism, especially in the last years of President Kim Dae-jung. It certainly represented a crucial turning point in the history of inter-Korean relations; such an approach of engagement had never been put in place in the history of the division of the peninsula so thoroughly and consistently. As mentioned earlier, however, this was not considered by its creator as a point of arrival but rather as a crucial intermediate step in a process that needed a long-term time horizon to be fully realized and hence the will of successive governments to pursue the same approach.

2.4.5 The Policy of Peace and Prosperity

On February 25, 2003, the new administration of President Roh Moo-hyun was inaugurated, after he came out as the winner of presidential elections on December 19, 2002 with a very low margin, 2.3%, against his main opponent Lee Hoi-chang. Roh's candidacy was an expression of the Millennium Democratic Party of Kim Dae-jung and the future president was already part of the previous administration, having been appointed in 2000 as Minister of Fisheries and Maritime Affairs, its highest government experience before the presidential election.

The “*participatory government*”, the term which the new president chose to indicate and characterize its administration, had an ambitious agenda and was characterized by new and current issues, related to the expectations of the popular movement that had turned in favour of the candidate Roh and that led him to victory, in spite of all the predictions against him¹⁸⁴. Domestically, the main goals were the fight against corruption, the expansion of the welfare system, a balanced national economic development, that would

¹⁸³ Levin, Norman D. and Han, Young-sup 2002, *Sunshine in Korea: the South Korean debate over policies toward North Korea*, RAND: national defense research institute, pp. 36-37.

¹⁸⁴ Eui, Hang-sin 2005, ‘Presidential elections, internet politics and citizens’ organizations in South Korea’, *Development and Society*, Vol. 34, No. 1.

help the underdeveloped areas, and various reforms in fields like: education, taxation, labor and media¹⁸⁵.

Regarding the issue of inter-Korean relations, the new head of state was expected to continue on the path of engagement, traced by his predecessor. During the election campaign, despite the difficult situation that had arisen at the end of 2002 because of the admissions about North Korean nuclear programme, Roh always adhered to the idea that a “*Sunshine Policy*” was still needed and had to go ahead and move even further on¹⁸⁶. In this context, immediately after the election, Roh sets the foundations for what will be his “Policy of Peace and Prosperity”.

In his inaugural speech, on 25 February 2003, Roh Moo-hyun presented his approach to inter-Korean relations, embodied by four principles:

1. South Korean government would try to resolve all outstanding issues through dialogue;
2. Priority will be given to the creation of mutual trust and support of reciprocity;
3. Active cooperation at the international level will be pursued, with the premise that the two Koreas must remain the main actors in inter-Korean relations;
4. Increasing of transparency, expanding citizen participation and ensure bipartisan support¹⁸⁷.

The new president made clear that his intentions was not to replace the policy of his predecessor, but simply build on the results achieved to that point and improve the way in which the policy was implemented.

The development of this policy can be divided into three stages. The first consisted of the organization of regular talks between the leaders and the heads of the defense of the two countries, to defuse the North Korean nuclear threat; the second aimed at expanding cooperation and exchange programs, including those in military issues, to create a climate

¹⁸⁵ Office of the President, *Participatory government top 12 policy goals*, website: <http://16c wd.pa.go.kr/cwd/en/pub/government/cnt01060101.html> (20 ottobre 2011).

¹⁸⁶ Kang, In-duk 2003, ‘Toward peace and prosperity: the new government’s North Korea policy’, *East Asian Review*, Vol. 15, No. 1, p. 3.

¹⁸⁷ *New takeoff toward age of peace and prosperity*, *The Korea Herald*, February 26, 2003.

of mutual trust. Finally, Roh wanted to replace the armistice of 1953 with a real peace treaty that would lay the foundation for the establishment of a new structure in Northeast Asia, based on peace and cooperation¹⁸⁸. While the “*Sunshine Policy*” focused on the policy to be followed towards DPRK, the “*Policy of Peace and Prosperity*” goes beyond the Korean Peninsula and put an emphasis on the entire region of Northeast Asia. Among the goals of Roh’s policy, there was indeed also the will to make the Korean peninsula a *business hub* for Asia and beyond¹⁸⁹; this operation would have been possible only by creating a peaceful and secure environment in the region of Northeast Asia.

Another distinctive feature of the approach of the new administration towards inter-Korean relations is represented by the equal emphasis that is placed on the security aspects and on those related to economy, embodied by the two terms of “peace” and “prosperity”¹⁹⁰. The theoretical framework of the new government is therefore exactly the same outlined by the administration of Kim Dae-jung; the goal that arises is to deepen these policies and, in particular, focus on the issues of security and economic development, fundamental precondition for any attempt to reform the system.

Under the government of Roh it is increasingly clear that the goal of national reconciliation through economic cooperation with Pyongyang becomes the top priority. Through the progress of inter-Korean relations co-prosperity could be promoted and peace strengthened; and these relations are increasingly identified by the new administration with economic relations. Despite the growing tensions caused by the Second Nuclear Crisis that erupted a few months before the election of Roh Moo-hyun, the new government decided to immediately promote economic cooperation and cultural exchanges through various channels, including the continuation of ministerial talks between the two countries, started after the summit in 2000. The leverage that the government intended to use the most is that of economic and humanitarian aid and cooperation projects; in the first three years in office the total amount spent in this field exceeded that of the period 1995-2002. The basic idea through economic interactions the tension on the peninsula can be reduced and the relations between North Korea and other regional powers, involved in the difficult resolution of the nuclear crisis, improved. The projects on which South Korean government focused were basically three: the creation of two road and rail connections between North and South Korea, the further development of

¹⁸⁸ Kang In-duk 2003, p. 4.

¹⁸⁹ Ministry of Unification 2003, *The participatory government’s peace and prosperity policy*, Seoul, p. 7.

¹⁹⁰ Koh, Byung-chul 2003, ‘Inter-korean relations under Roh Moo-hyun: an assessment of “peace and prosperity” policy’, *Korea and world affairs*, Vol. 26, No. 1, p. 8

the tourist area of Mount Kumgang and the construction of the industrial complex of Kaesong in North Korea¹⁹¹.

The first project was, in part, already initiated by the administration of Kim Dae-jung with the agreement to reconnect the line between Seoul and Shinuiju (Kyongui Line) and, by the end of 2003, the border crossing between Dorasan and Kaesong was completed, along with a parallel road connection, followed a year later by a similar operation on the east coast (Bukbu Donghae Line). In this way, the government gave the opportunity to the tourists to visit Mount Kumgang by land and to ensure to South Korean workers in Kaesong an easy access to the industrial complex¹⁹².

The revitalization of the tourism project of Hyundai Asan on Mount Kumgang was strongly connected to this first project. In September 2003, the North accepted the proposal to promote overland tours and also to establish a Special Tourist Zone of 19.8 million square meters, to provide a more secure environment for the tourists; with these new improvements the project showed signs of recovery and soon became financially profitable. Its biggest limit remained, however, to be mostly a symbolic experience, given the scarcity of real effects on the population¹⁹³.

The most important cooperation project of the whole Roh Moo-hyun's administration – and probably of the whole history of inter-Korean relations – is the construction of the Kaesong Industrial Complex (KIC), which had become a showcase for the “Policy of Peace and Prosperity” and an example of cooperation to route North Korea on the road toward economic reform. Both in terms of visibility and importance the project overshadowed all other joint programs between North and South. Located about sixty kilometers north of Seoul, the complex covers an area of 66 km² and is an administrative area with a special economic status, physically and legally separated from the rest of North Korea. The heart of the project, which according to the plans had to be fully developed in three successive stages for a total of 160 000 jobs created¹⁹⁴, was to allow both parties to benefit from it, in a sort of *win-win* strategy. South Korean industries could save money thanks to the lower costs of wages and rents, and, at the same time, help North Korea as a source of hard currency; combining the investments and technology of the South with the cheap workforce and land in the North became a convenient and

¹⁹¹ Kim, Hong-nack 2006, ‘South-North Korean relations under the Roh Moo-hyun government’, *International Journal of Korean Studies*, Vol. 10, No. 1, p. 38-39.

¹⁹² *Ibidem*, p. 39.

¹⁹³ Norimitsu, Onishi 2006, ‘South brings capitalism, well isolated, to North Korea’, *New York Times*, July 18.

¹⁹⁴ Source: Hyundai Asan Corp., *Investment environment in Kaesong economic free zone*, November 2000.

affordable joint venture. At the same time, South Korea played a role to induce Pyongyang to take some, albeit timid, economic reform, without bearing the financial risks of the investment. Obviously the project, since its inception, has always suffered for the ups and downs in the relations between the two Koreas, failing to reach the potential for which it was designed¹⁹⁵.

Thanks to these advances on the economic front, in 2006, South Korea became the second largest trading partner for the North, just after China, with a strong positive growth trend. Also the amount of aid had grown significantly, reaching the remarkable figure of nearly \$ 300 million in 2004 and 2005. At the same time, cultural exchanges between the two countries were encouraged, in particular touristic, and the process of reunification of divided families continued, involving, by the end of 2005, more than 10 000 people¹⁹⁶.

Another important result obtained by South Korean government during Roh Moo-hyun's administration was the summit of 2007 between the leaders of the two countries. From 2 to 4 October of that year, President Roh Moo-hyun traveled to Pyongyang, crossing the border by land of the 38th parallel, to meet Kim Jong-il. The announcement of the meeting, just a few weeks before the chosen date, created great sensation, because it was totally unexpected. In the weeks before, there were no relevant progress in the ongoing negotiations on the nuclear issue, that would justify the summit, although at the beginning of the year the relations between Pyongyang and Washington were definitely improving. In addition, in the months before the meeting there seemed to be no interest for such a meeting in Roh's government, unlike before the summit of 2000. All these factors, combined with the proximity to the presidential elections of December 2007, had prompted many opponents to accuse the president of using the summit to promote the candidate of his own party¹⁹⁷.

Apart from the accusations of political opportunism, the summit, although not as fundamental as that of 2000, obtained significant results in building even closer ties between the two countries. The final declaration was very concrete and specific on the addressed issues; in particular, after only two days of talks, the leaders reached agreements on 40 points, divided into five areas related to peaceful reconciliation and economic

¹⁹⁵ Kim, Youn-suk 2005, 'The Gaesong Industrial Park and the future of inter-Korean relations', *International Journal of Korean Studies*, Vol. 9, No. 2, pp. 36-40.

¹⁹⁶ Kim, Yong-hyon 2006, 'South-North Korean exchange and cooperation and peace on the Korean peninsula', *Korea Policy Review*, April, p. 10.

¹⁹⁷ Chung, Oknim 2007, 'The 2nd Inter-korean summit: what to pursue and what to avoid', *Korea and world affairs*, Vol. 31 n. 3, pp. 301-316.

cooperation between the two countries¹⁹⁸. Unfortunately, the results of the presidential elections of December 2007 in South Korea, frustrated many of the elements on which an agreement was found during the summit.

Despite Roh Moo-hyun's government strategy was to encourage inter-Korean reconciliation and cooperation through the increasing of exchanges of people and goods between North and South and to improve bilateral relations and promote the peaceful coexistence, there were clear limits to the promotion of these goals through economic cooperation and cultural exchanges¹⁹⁹. The most pressing problem during the five years of the mandate of Roh was represented by the need to reach a meaningful agreement on security, that would include a final settlement of the relationship between the two countries, as a basis for the establishment of a peaceful structure in Northeast Asia and, most important, the dismantling of the nuclear weapons program in Pyongyang, in addition to a system of control and reduction of conventional weapons²⁰⁰.

The second nuclear crisis weighed on Roh Moo-hyun going and undermined the progress that had been made on socio-economic issues, putting him in the difficult position of having to disentangle between its idea of managing inter-Korean relations and the structure consisting in the alliance with Washington, whose main interest was the elimination of the risk of nuclear proliferation represented by North Korea.

2.4.6 Managing the Second Nuclear Crisis

As in the case of its predecessor, also the mandate of Roh Moo-hyun began under bad auspices of a major crisis; while for Kim Dae-jung had been a financial and economic crisis, in the case of the new administration the crisis was related to national security: the threat of nuclear proliferation in North Korea. This situation imposes to deal with the problem within the context of the alliance with the United States, and in coordination with Japan. For South Korea, the resolution of the crisis was essential to determine whether its

¹⁹⁸ Cumings, Bruce 2008, 'Korea's two North-South Summits and the future of Northeast Asia: back to the future', *Conference in commemoration of the June 15 South-North declaration*, Kim Dae-jung Peace Center, June 12, Seoul.

¹⁹⁹ Kim, Hong-nack 2006, p. 43.

²⁰⁰ Han, Yong-sup 2006, 'Establishing a peace regime on the Korean peninsula', *Korea Policy Review*, April, p. 21.

“*Policy of Peace and Prosperity*” would be able to lead to real progress in inter-Korean relations²⁰¹.

The second nuclear crisis in North Korea breaks out only two months before the presidential election of 2002. In his inaugural speech, the new president made reference to the intolerability of the development of nuclear weapons on the Korean peninsula but, at the same time, the need to solve the situation through dialogue and with a proactive role on the part of South Korea²⁰².

This position was clearly reiterated on several occasions and represented a source of friction between Seoul and Washington, because of the closure towards dialogue of Bush’s administration; anyway, Roh repeatedly rejected any kind of solution that would include military actions and strongly opposed US position of “all options on the table”, alluding precisely to the possibility of using military force as negotiating leverage²⁰³.

Anyway, after the start of the war in Iraq and the explicit opposition of China and South Korea to any kind of military action that option was eliminated. To replace it the strategy used was the so-called dell “hostile abandonment” which was based on isolation, containment and a process of regime change with the first good occasion. The idea was that the removal of the leadership in Pyongyang and its replacement with a new government would be the safest option to resolve the nuclear dispute, so the US and its allies would have to work together to isolate, contain and change the regime²⁰⁴.

Obviously, this kind of approach, based again on the idea that the collapse of Pyongyang regime was imminent, was absolutely contrary to Roh Moo-hyun’s policy of engagement, that was not only in sharp contrast to the catastrophic consequences that a sudden collapse of North Korea would have on the South, but it also considered such an event quite unlikely. Also, in his opinion all the pressure on North Korea might be counterproductive, since it increased dramatically the sense of insecurity and concern of the regime, reduced the chance for a negotiated solution and gave to the regime an excuse to tighten even more its control over the population²⁰⁵.

For President Roh the crucial element in the solution of the second nuclear crisis was represented by trust, or rather, by the lack of trust between the parties; the only way to

²⁰¹ Koh, Byung-chul 2003, p. 8.

²⁰² Secretariat of the National Security Council – Republic of Korea, *President’s remarks on the North Korean nuclear issue*, January 2005, p. 3.

²⁰³ Allen, Richard 2003, ‘Seoul’s choice: the U.S. or the North’, *New York Times*, January 16.

²⁰⁴ Rowen, Henri S. 2003, ‘Kim Jong-il must go’, *Policy Review*, No. 121, p. 15.

²⁰⁵ Moon, Chung-in 2008, ‘Diplomacy of defiance and facilitation: the six party talks and the Roh Moo-hyun government’, *Asian Perspective*, Vol. 32, No. 4, pp. 76-77.

restore it was then recognize and engage in dialogue North Korea. These positions, so far away from what was the idea of Washington to resolve the crisis, began to weaken the relationship with the United States and led to a fierce internal opposition from the conservative front²⁰⁶.

A further difference between Seoul and US was represented by the way in which dialogue and negotiation had to be shaped. The two options were: the will of Pyongyang to have bilateral contacts with the United States and American idea of multilateral talks extended to all those countries that had an interest, more or less direct, to the resolution of the nuclear issue. The idea of North Korean leadership had always been to talk face to face with the Americans, to include in the negotiations other issues like the signing of the peace treaty; the main reason was the strong belief by Pyongyang regime that the only real and pressing threat to its own survival came from Washington²⁰⁷.

Bush's administration was instead convinced that previous attempts of bilateral dialogue were to be regarded as true failures; the agreement reached by Clinton's administration in 1994 represented in this respect a form of appeasement that rewarded North Korea for his wrong and dangerous behaviour²⁰⁸.

The option that they US put on the table the beginning was a 5 + 5 dialogue, which included the five permanent members of the UN Security Council (US, Russia, China, France, Great Britain) and a quintet composed by: North Korea, South Korea, Japan, Australia and the European Union. A formulation of this kind could not be accepted by Pyongyang; it was ambiguously suspended between a negotiation between ten parts and a pressure group of nine against one²⁰⁹. The position of Roh Moo-hyun was to support the option of bilateral negotiations between US and North Korea, for his fear that a prolonged stalemate on the situation would have aggravated the tension on the peninsula and his awareness of the difficulty of reaching some tangible result through a multilateral approach. Finally, he knew that the root of the nuclear threat by North Korea was tied to the fear of the American threat against Pyongyang, to the survival of the regime and, even more, to the desire to force the US to sit at a negotiating table and address all the unresolved issues (peace treaty, American troops in the South, humanitarian aid, access to international credit institutions). An effort to improve the relations between the two

²⁰⁶ Kim, Keun-sik, 2004, 'The North Korean nuclear crisis and inter-Korean relations', *East Asian Review*, Vol. 16, No. 1, pp. 26-28.

²⁰⁷ Moon, Chung-in 2008, p. 78.

²⁰⁸ Kissinger, Henri 2003, 'Toward and East Asian Security System', *International Herald Tribune*, August 17.

²⁰⁹ Moon, Chung-in 2008, p. 79.

countries through direct contacts, would help to improve the overall climate and the path of national reconciliation between North and South²¹⁰.

The reached solution, through the mediation of China, was that of the *Six Party Talks* (involving the two Koreas, the US, China, Japan and Russia)²¹¹, already proposed during Kim Dae-jung administration. The first three rounds of this new negotiating formula (27 to 29 August 2003, 25 to 28 February 2004 and 23 to 26 June 2004), did not bring any tangible results, with constant setbacks and stalemates; neither United States nor North Korea had the will to find a compromise on crucial aspects.

In particular, the discrepancies were concentrated on the timing of the commitments, with Pyongyang that wanted a system based on the simultaneity between the American security guarantees and its renounce to nuclear ambitions, while Washington was for a sequential approach in which the first step was the dismantling of nuclear infrastructure and, later, the dialogue and the guarantees. Moreover, the same meaning of denuclearization was a contested subject²¹². Americans do not receded from the complete, verifiable, irreversible dismantlement of all nuclear program, both based on uranium and plutonium, and of the Light Water Reactor under construction as a result of the 1994 Agreement, this because according to Bush, there could not be a peaceful nuclear program in North Korea. Obviously, these conditions were unacceptable for Pyongyang, considered this scenario as a ploy by Washington to disarm the country without paying any cost²¹³.

In this situation, the role of South Korea risked to be squeezed – along with that of Russia and Japan – by a sort of Three-Party Talks, between North Korea and United States with the mediation of China. South Korea was risking again – just like had already happened with the resolution of the first nuclear crisis – to be put aside and not being able to play a real and decisive role in resolving the issue. The proposals put forward by Roh Moo-hyun's government, to try to bridge the gap on the timing and modality of denuclearization did not get tangible results. Regarding the first problem, the position of Seoul was very close to that of Pyongyang, because harsh preconditions to dialogue prevented the very possibility of engaging North Korea in negotiations; while for the

²¹⁰ Pritchard, Charles L. 2007, *Failed diplomacy: the tragic story of how North Korea got the bomb*, Brookings Institution, Washington D.C., p. 350.

²¹¹ Funabashi, Yoichi 2007, *The Korean question: a chronicle of the second korean nuclear crisis*, Brookings Institution, Washington D.C., p. 330-333.

²¹² *Ibidem*.

²¹³ Kahn, Joseph 2004, 'US and North Korea agree to move talks', *New York Times*, February 29.

second Roh shared the American approach, but excluding the nuclear program for peaceful purposes²¹⁴.

The re-election of Bush in late 2004 further worsened the situation, putting at risk the efforts that Seoul government was pursuing in inter-Korean cooperation and that it succeed to keep separate from the nuclear dossier.

The period 2005-2006 was characterized by alternating moments of relaxation and very serious crisis. The fourth round of the *Six Party Talks* (July 26 to August 7 and 13 to 19 September 2005), mainly thanks to the role of South Korea as a facilitator of dialogue, succeeded in achieving a tangible result with the Joint Statement of September 19, in which North Korea agreed to the total abandonment of its nuclear program and the return within the structures of the IAEA and the NPT, in addition to the commitment to respect and implement the declaration of denuclearization of the peninsula of 1992. In exchange all the parties agreed to re-discuss the issue of the Light Water Reactor, while the US gave guarantees to respect the sovereignty of the country, to abandon any hostile intent – in particular by refraining from any kind of military attack – and possibly start a process of normalization of relations. In addition, all parties committed themselves to participate in the reconstruction of North Korean economy and to cooperate in trade, economic and energy, as well as to reach a definitive agreement to establish a peaceful regime on the Korean Peninsula²¹⁵. The agreement, perhaps the main diplomatic milestone achieved by the Roh Moo-hyun's administration, represented the triumph of an innovative diplomacy where everyone appeared to be a winner²¹⁶: North Korea for the security guarantees and economic and energetic assistance, the US for the renunciation of Pyongyang to its nuclear program, China for the diplomatic success, South Korea for the reassurances about the nuclear threat, on the one hand, and for a more favourable international environment toward engagement on the other²¹⁷.

Unfortunately, the declaration will never be implemented because of the immediate, new escalation of tension. By the end of 2005, in fact the US government decided to freeze a sum of \$ 25 million, deposited in the bank Banco Delta Asia in Macao, because it was traced back to operations of money laundering and counterfeiting by North Korean

²¹⁴ Moon Chung-in 2008, pp. 81-86.

²¹⁵ Koh, Yu-hwan 2006, 'Roh Moo-hyun administration's North Korea policy and nuclear crisis management', *Korea and world affairs*, Vol. 29, No. 1, pp. 13-16.

²¹⁶ Republic of Korea, *Presidential Commission on Policy planning*, 2006, p. 44.

²¹⁷ Niksch, Larry 2005, 'The Six Party statement: is it a viable roadmap or a road to nowhere?', *Implementing the Six Party joint statement and the Korean peninsula*, Korean Institute for National Unification, Seoul, pp. 9-27.

regime. Despite protests and threats of boycotting future meetings of the *Six Party Talks* by Pyongyang, the US decision did not change, and went even further with the open critics to the regime for human rights violations and accuses of being involved in drugs trafficking and having links with international criminal organizations²¹⁸.

The reaction of DPRK to these statements, considered as slander, materialized in June 2006 when, as part of a defensive military exercise, seven missiles of short, medium and long range were launched; the intent is clearly to attract the attention of the government in Washington and try to ease the increasing pressure t on the country. The reaction of Bush's administration is, however, even more intransigent and during the summer of that year the tension reached very high levels, up to burst with the underground nuclear test carried out by Pyongyang in October 9, 2006.

The explosion of the first nuclear device, although with very limited power, by North Korea is a real turning point. The harsh sanctions taken a few days later by the United Nations Security Council, through the 1718 Resolution – which prohibited the transfer of money to and from North Korea, as well as the sale of any good to the country linked to the production of weapons or nuclear technology, luxury goods and even a travel ban for anyone linked to the nuclear program²¹⁹ – were one of the causes that led to a dead end for the *Six Party Talks*. Roh Moo-hyun's policy was under increasing criticism at home, especially by conservatives who accused his engagement policy of having completely failed, in particular regarding security issues, the second pivotal point of his "*Policy of Peace and Prosperity*" along with economic cooperation²²⁰.

In 2007, the last year of the Roh's presidency, a new round of the *Six Party Talks* takes place. After the risk of a complete break down caused by the first nuclear test, in fact, during the third session of the fifth round of consultations (8-13 febbraio 2007), thanks again to the mediation of South Korea, the parties reach a new agreement. Pyongyang agrees to put the seals to its nuclear plant in Yongbyon and allow IAEA inspections, in return for the starting of bilateral talks with the United States, to resolve pending issues, and of the path toward full diplomatic recognition, and an appropriate energy supply,

²¹⁸ Asher, David L. 2005, *The North Korea criminal state, its ties to organized crime and the possibility of WMD proliferation*, Woodrow Wilson Center, Washington D.C., October 21.

²¹⁹ The full text of the Resolution can be found : <http://www.un.org/News/Press/docs/2006/sc8853.doc.htm>, (consultato il 28 ottobre 2011).

²²⁰ Park, Young-ho 2006, 'South Korea's policy toward North Korea after its nuclear test', *Monthly Next, JongAng Ilbo*, November.

estimated at one million tons of fuel. A new agreement, which reaffirmed the commitments made in February, was signed on October 3, 2007²²¹.

From these dynamics that followed the first nuclear, we can draw some conclusions. First, the use by Pyongyang of the threat of nuclear proliferation as a weapon to force United States to negotiate; an example in this sense is represented by the agreements of 2007 when, a few months after the experiment, North Korea decided to give up its nuclear infrastructure because it succeeded in obtaining bilateral talks, the possibility of normalization of relations and essential energy supplies. From this perspective, the nuclear issue is not intimately linked to inter-Korean relations, but rather to the relations between Pyongyang and Washington, and the will of the first to get the attention of the second. It is also true that a deterioration of these relations has always had serious negative effects on the proactive policies pursued by Seoul, aimed at increasing cooperation and exchanges with the its northern neighbour²²².

As for the role played by Roh Moo-hyun's government during the nuclear crisis and the *Six Party Talks*, it cannot be considered prominent. The very structure of the negotiations prevented Seoul from playing a primary role, as the two main actors were the US and North Korea, with China to act as a key mediator. The role of "supporting actor" will cost to the government harsh domestic criticism of weakness. Nevertheless, the role of "facilitator of dialogue" played by South Korea on several occasions (Declaration of 19 September 2005, the resumption of talks in February 2007) has been crucial and guided the process of the *Six Party Talks*, influencing the political behaviour of United States²²³. Even in these cases, however, there have been criticisms from conservatives on the domestic front, related a possible weakening of the strategic alliance with United States.

2.4.7 Ten Years of Inter-Korean Cooperation

When Roh Moo-hyun finished his mandate it marked the end of a cycle of ten years in which the management of inter-Korean relations has been characterized by an approach of constructive engagement. Both progressive presidencies put forward the goal of a peaceful and gradually implemented reconciliation, through of cooperative relations in various

²²¹ 'Faces saved all round', *The Economist*, February 17, 2007, pp. 28-30.

²²² Sigal, Leon V. 2008, 'Hand in hand for Korea: a peace process and denuclearization', *Asian Perspective*, Vol. 32, No. 2, pp. 10-11.

²²³ Moon, Chung-in 2008, p. 102.

fields, particularly in those areas that could create a strong interdependence between the two countries. This is the case of economic and trade relations, food aid, energy, humanitarian field, especially regarding the reunification of divided families²²⁴.

A goal achieved during this decade (1997-2007) is certainly represented by the reduction of tension on the peninsula. For the duration of Kim Dae-jung's mandate, there were no major military confrontation that could escalate into an open conflict out of control, and the few incidents that were limited in their consequences and did not stop the cooperation. The presidency of Roh Moo-hyun has been affected throughout its duration by the second nuclear crisis, but the situation has never represented a real threat to the security of South Korea; as mentioned earlier, in fact, the challenge launched by Pyongyang regime in the nuclear field was headed to Washington and not to Seoul and was linked to the need to bring to the negotiating table a very conservative American administration. The main diplomatic work of Roh Moo-hyun's government had to deal with Bush's administration and its doctrine of preventive war, that threatened to become itself a threat to the security of South Korea.

Regarding economic cooperation the decade saw the achievement of positive results, hardly imaginable in the previous years; the volume of trade increased decisively, as well as South Korean investments in the North, especially after the creation of the industrial park in Kaesong.. After the end of the Cold War North Korea desperately needed a source of economic and humanitarian aid, to replace the lack of supplies ensured by being part of the Soviet bloc; the cooperation policies of the two progressive governments partially removed North Korea from the orbit of influence of China.

One of the characteristics that contributed to the realization of these results has been the continuity in the policies towards inter-Korean relations. The South Korean political system, emerged in 1987, did not allow the re-election of a president, affecting the long-term policies. The continuity given by the governments of Kim Dae-jung and Roh Moo-hyun to the engagement approach has instead allowed to achieve tangible results in the medium term, like in the case of the Kaesong Industrial Complex or of the tourism project to Mount Kumgang.

Despite the multiple goals achieved the “*Sunshine Policy*” and the “*Policy of Peace and Prosperity*” had different shades in their implementation. A common negative factor of both can be found in the lack of attention paid to the control of the management of aid by

²²⁴ Kim, Samuel 2004, *Inter-korean relations: problems and prospects*, Palgrave MacMillan, New York, pp. 59-60.

the authorities of North Korea, which decided in an absolutely autonomous way how to allocate supplies economic aid inside the country. A more stringent and binding control mechanism, which would have probably been accepted by Pyongyang because of its situation of extreme necessity, would have allowed a more accurate use of the assistance.

Another weakness can be found in the excessive flexibility of the concept of reciprocity. Notwithstanding that a totally conditional engagement would have not led to an increase in mutual trust and to the creation of a network of interdependence between the two countries, a greater will to constrain the behaviour of Pyongyang in a more direct and immediate way would have benefit both the development of relations between the two countries and the domestic consensus in the South.

Finally, a common feature of both governments, although more pronounced during the five years of Kim Dae-jung, is related to the lack of transparency in the management of inter-Korean relations, often left to more or less hidden negotiations, with a questionable use of the funds; in both cases the criticism in this regard helped to create a distance between public opinion and the government's approach.

The international environment also played a decisive role. If the early years of “*Sunshine Policy*” found an American democratic administration that, in principle, supported the approach of constructive engagement, with the elections of 2000 the situation changed dramatically. The government of Bush was characterized for the hostility to this kind of policy and the propensity towards the imminent collapse theories related or regime-change approaches. This situation exacerbated the tension on the peninsula and also between Seoul and Washington; in particular the South Korean government had to find a continuous balance between the fulfillment of its obligations towards the alliance with the United States and the need for cooperation and dialogue with North Korea.

Despite having identified the cooperation in the economic field as the primary way towards national reconciliation, the government of Roh limited to carry on some projects already designed in the previous administration, without being able to make the further necessary step to go beyond the first phase of the “*Sunshine Policy*”. For sure, the adverse international environment and the outbreak of the second nuclear crisis played a crucial role in making this kind of evolution impractical. The fact is, however, that South Korean elections of December 2007 closed a cycle of innovative management of inter-Korean relations that led to major improvements but not to that radical change that the innovation of the approach anticipated.

Third Chapter

Analysis of Inter-Korean Political Cooperation

The in-depth analysis of the theoretical approach to the concept of cooperation among states, made in the first chapter, gives us the tools for a thorough study of cooperative relationships, that developed on the Korean peninsula after its division into two separate state entities. The contribution of the second chapter is rather to provide the historical bases for making this study possible. Indeed, it has been exposed in a discursive way the development of inter-Korean relations, beginning with the essential condition for their existence: the division of the peninsula. Subsequently, the attention has been focused on some precise critical junctures that coincide with the opening of windows of opportunity for the materialisation of inter-Korean cooperation.

In fact, as it became clear from the historical reconstruction previously made, relations between the two Koreas find their bases in a situation of hostility and conflict, which characterized, at different levels, its whole history. The division of the peninsula has been caused by two key events: the loss of independence, as a result of the colonial occupation by Japan, and the establishment of a global bipolar equilibrium, characterized by an irreducible strategic rivalry between the two superpowers, USA and Soviet Union. This situation of hostility and rivalry has reverberated in a decisive manner on the process of national reconstruction, that followed the liberation from the colonial rule, propitiated by the defeat of Tokyo in World War II. Although the Korean population demonstrated unequivocally the desire for independence and national unity, the intervention of the superpowers, which at that time were beginning to move permanently away from each other and to outline the respective spheres of influence, brought out two opposing groups who sought to legitimize itself as the only representatives of the entire Korean nation. The crucial support provided by the Soviets for the affirmation of Kim Il-sung in the north, as well as the support of Americans to the uncompromising anticommunism of Yi Sungman in the south, led to the final break of any possibility of re-formation of national unity.

This irreducible strategic rivalry, which is and will be a crucial element in the development of inter-Korean relations, will materialize in an open armed conflict, with the Korean War (1950-1953). But this was not the only case. As seen in the previous chapter, over the years that followed, in fact, the opportunities for open confrontation and military clashes were not lacking. We can therefore conclude that “conflict” – including real

military conflicts – is the first significant feature in the development of inter-Korean relations.

With these premises, in some ways still valid nowadays if we consider that the two Koreas are still formally in a state of war and that the military skirmishes take place still today, it is therefore difficult to imagine an environment favourable for the development of cooperative relations; even more if, as outlined in the first chapter, we imagine the beginning of a stable and long-term cooperative project, with an end goal of high profile.

In fact, despite the conflicting assumptions set out above, the case of inter-Korean relations is unique in this sense. The goal of the reunification of the peninsula formed, from the very birth of two separate states, a primary objective for both governments¹. The use of military means to achieve it – as in the case of the Korean War – has never questioned the importance of the goal of reunification. This common objective has been a strong push for the leadership of the two countries toward cooperation. Through this perspective, we can identify three significant historical ruptures, after the end of the war, in the development of cooperative relations between the two Koreas.

Following the changes that occurred on the international scene in the '70s it became clear, especially for Pyongyang, which pursued with greater continuity military efforts toward reunification, that the war was no longer a viable way to regain national unity. And it is precisely at this time that we assisted, in fact, to the opening of the first form of dialogue and cooperation between the two countries. With the Sino-American rapprochement of 1971-1972 – and to a lesser extent, with the process of detente between USA and Soviet Union – the conditions on the ground for the two Koreas changed significantly, because of the strong influence on their foreign policy of the respective superpower. The most direct consequence of these changed conditions has been the signing of the Joint Declaration of 1972. This moment represented a milestone in inter-Korean relations and, above all, for inter-Korean cooperation. In addition to the practical results and the symbolic value of reconciliation, it will translate into practice the awareness that cooperation between the two Koreas was a viable alternative. At the moment of the signature only 19 years have passed since the end of the War and the signing of the armistice; an armistice that South Korean President Yi Sungman refused to sign. From this point on, even if with a widely variable speed and intensity, dialogue and cooperation between the two countries will never totally stop.

¹ Kim, Hak-joon 1977, *The Unification Policies of South and North Korea: a comparative study*, Seoul National University Press, Seoul.

Also the second critical juncture in the development of inter-Korean cooperation came from a change in the international system, but, if in the previous case it was a change at the regional level, in this case it was a systemic global revolution. The end of the Cold War, with the fall of the Soviet Union and the socialist bloc, opened up unexpected and extremely large possibilities for the resolution of many disputes and regional conflicts. Obviously the Korean peninsula was no exception. But unlike other cases of nations divided by the balance of power of the Cold War, on the peninsula there the final resolution of the conflict did not take place, as predicted by several observers, although the changes of 1989-1990 opened new ways for inter-Korean cooperation. In fact, the system of power and self-sufficiency instituted in North Korea since the end of the Korean War had strengthened the regime, guaranteeing a degree of resilience such as to overcome even a change as destabilizing as the end of the Cold War; the same change that cost instead the survival of many regimes that were in conditions similar to those of North Korea.

The third historical fundamental rupture involving inter-Korean relations has rather different characteristics than the previous two. In fact, in this case it is an operation completely internal to inter-Korean relations. The creation and implementation of the “*Sunshine Policy*” by South Korean President Kim Dae-jung, corresponded to no change in the structural nature of the international system, but rather to the will of a particular political leadership to establish a new regime of relations on the peninsula. Obviously, it can not be ignored the fact that some features of the international system contributed to its success – for example the preconditions created by the end of the Cold War and the famine in North Korea, or the support provided by Clinton’s administration to President Kim – nonetheless it is also true that, compared to the two cases mentioned above, it was a new proactive political approach pursued on the peninsula and followed by other international actors. What is even more significant is the fact that, among the three historical moments taken into account, it was precisely the latter that brought more concrete results in terms of cooperation, establishment of mutual trust and reduction of tensions on the peninsula.

3.1 The Political Cooperation Between North and South Korea

Within a tendency, which traces its origins from the very division of the peninsula and the will of both regimes to be the sole legitimate state entity on the peninsula, constituted mainly of hostility, confrontation and containment, some room for cooperative interaction was created. As seen in the first chapter, the main tool that made this switch from hostility to cooperation possible is that of *engagement*, whether conditional or unconditional or constructive.

The attempts toward cooperative interaction on the Korean peninsula covers a wide variety of tools, goals and issues. They move, in fact, from political-diplomatic agreements of limited scope and short duration, to structured and long-term economic cooperation, through the improvement of trade, cultural contacts, military confidence building measures. This multiplicity had different effects but, in general, they were always positive for inter-Korean relations, and often also for the entire security system of Northeast Asia.

Obviously, not all the cooperative interactions are equal; not all have the same value in terms of results, tools deployed and strategic depth. However, in a situation of very tight containment and great hostility and conflict as of the Korean peninsula after 1953 was, every step in this direction has been a source of inspiration for the improvement of subsequent cooperative interactions.

To analyse systematically the different aspects that make up the set of inter-Korean cooperation, we can structure a division of the various cooperative interactions in three broad groups.

First, we can identify all the cooperative interactions that have taken place in the political-diplomatic field. The first contacts between Seoul and Pyongyang, after the armistice, although channelled through the Red Cross, were precisely aimed at creating a dialogue at the political level between the two countries. Within this group we can put all the political and diplomatic agreements between the two Koreas, starting with the Joint Statement of 1972, then moving to the fundamental agreements signed in 1991, the Basic Agreement and the Declaration on the De-nuclearization of the Peninsula, until the Joint Declaration of June 15, 2000, signed during the historic visit to Pyongyang by President Kim Dae-jung. In addition to these events of essential importance for the study of inter-Korean relations,

then there is a big part of political-diplomatic cooperation between the two countries that took place after the opening of 1972. In particular, all these forms of continuous dialogue at a lower level have often played the function of facilitating the achievement of high level results, such as those previously listed.

Giving an extensive reading to political cooperation, we can then encompass within that group also forms of cooperation in the military field, that have taken place over the years on the peninsula. In this case, we are dealing especially with Confidence Building Measures that have been put in place, in particular during the periods of engagement to favour a reduction of tension, to avoid a misuse of the huge military machine on the border from 1953 onwards, that could cause, even indirectly, clashes that could quickly escalate to a degeneration of the situation. The dialogue between officials of the respective ministries of defence has always been one of the most active and continuous development of inter-Korean relations – for example, it is in charge of essential tasks required for other forms of cooperation, such as the management of border crossing at Paju, necessary for the operation of the Kaesong industrial park – and must be included in this group. Finally, one last area that can be considered within political cooperation is the issue of North Korean nuclear program. As we previously pointed out, this problem is not properly a part of inter-Korean relations, mainly for two reasons: firstly, because the main recipient – and objective – of this program is not South Korea and secondly because, precisely for the previous feature, the issues can not be handled within the framework of bilateral relations Seoul-Pyongyang. However, South Korea has a strong strategic interest in the issue and intervened, alongside the United States, to give its contribution in the management of the dispute. During the First Nuclear Crisis, as outlined in the second chapter, the role of Kim Young-sam's government was totally absent in the negotiation, the agreement essentially concerned USA and North Korea. However, in the immediate aftermath, South Korea secured a major role in the consortium responsible for the construction of the light water reactor included in the Framework Agreement, the Korean Peninsula Energy Development Organization (KEDO). Of the total funds allocated for the organization the South Korean share reached almost a billion and a half dollars, surpassing all the other countries put together². Moreover, after the Second Nuclear Crisis, the role played by the government of Roh Moo-hyun in the Six Party Talks was of great value. In fact, despite the

² ROK: 1,454,649,042 – Japan 498,485,755 – USA: 405,106,000 – EU: 122,377,723 – Others: ca. 33,000,000. The data for the financial support of every member state of the organization can be found in the Annual Report 2005, published by KEDO (http://www.kedo.org/pdfs/KEDO_AR_2005.pdf).

preponderance of USA, North Korea and China – as the main mediator – the role of the government in Seoul as a facilitator of dialogue was certainly valuable. For these reasons, a comprehensive analysis of the political and diplomatic cooperation between the two Koreas must take into consideration the aspect of the nuclear issue.

A second set in which we can divide inter-Korean cooperation is that of economic cooperation. The appearance of trade and economic interactions becomes relevant on the Korean peninsula especially from the '90s. Although, in fact, the Joint Statement of 1972 and the Basic Agreement of 1991 foresaw explicit references to the promotion of economic exchange, the collapse of Soviet Union and the deep economic and food crisis, that invested North Korea in the mid '90s, gave the final impetus to the development of fundamental economic cooperation. The decade of progressive presidency in South Korea, in fact, put at the centre of inter-Korean relations the development of economic interactions on the peninsula. The inter-Korean policy of President Roh Moo-hyun will have a direct reference to this sphere in its name, in which, alongside peace, prosperity – on both sides of the 38th parallel – is placed as a priority goal of relations between North and South. A key role in this context is certainly played by the radical changes in the socio-economic sphere that involved the two countries from the late '60s onwards. If, in fact, from the end of the Korean War until the mid-70s, North Korea could count on a higher level of GNP per capita than in the South – from 1960 to 1973, for example, the national domestic product per capita of North Korea has always been higher than that of the South, reaching a maximum where the ratio was almost double, in 1964 in the North it was \$ 194 while in the South of 107³ – with the rise to power in Seoul of Park Chung-hee and the great emphasis placed on the need to develop the country's economy, soon the situation was reversed. In the second half of the '70s South Korea surpassed the North in many economic indicators and the same trend was consolidating with increasing strength in the following decade. In this sense, South Korea could count on the deep integration in the economic system that was headed by the United States and, above all, on the privileged access of its goods to the US market. In contrast, North Korea suffered for the increasing economic decline of the Soviet Union – its main partner and main provider of assistance. This trend was then taken to extreme consequences with the collapse of the

³ Source: National Unification Board, *A comparative study of the overall North and South Korean economies since the 45 years of division*; cited in: Young, Namkoong 1995, 'A Comparative Study on North and South Korean economic capabilities', *The Journal of East Asian Affairs*, Vol. 9, No. 1, pp. 1-43.

Soviet Union and the profound economic and food crisis that hit North Korea in the '90s. Starting from this context of economic and commercial superiority of Seoul on Pyongyang, the “*Sunshine Policy*” and the “*Policy of Peace and Prosperity*” focused on economic cooperation as a key for the development of both countries, but also as a possible channel for relations with the North⁴. Until that moment, in fact, economy was left in the background compared to the contacts of political and military character; also, very often a worsening of the situation from that point of view substantially affected also possible cooperative interactions in the economic field.

Within this division we will first analyse the economic aspects, albeit marginal, in the Joint Statement of 1972 and the Basic Agreement of 1991; we will also take into consideration the contacts in this area in the first period of inter-Korean cooperation, by the early '70s until the launch of the “*Sunshine Policy*”. Next, we will focus on the economic and commercial aspects inside the inter-Korean policies of President Kim Dae-jung and, even more, on that of Roh Moo-hyun, the moment when economy became the main component of inter-Korean relations. In this regard, the analysis of the joint industrial park of Kaesong will play a fundamental role, since it can be considered as the main and most important example of inter-Korean economic cooperation, with strong and deep repercussion also on the political field and on the overall climate of the relations between North and South. The economic aspects of inter-Korean cooperation will later be the main focus of the fourth chapter.

A final set in which we can divide inter-Korean cooperation includes all the cooperative interactions that can be defined as “second level cooperation”. This group refers to all those relationships that do not encompass political, military or economic aspects. In particular, within it we can consider all the projects dealing with humanitarian cooperation, but also the scientific and cultural exchanges, as well as those of related to sport. In this case, the humanitarian issue certainly has a very important role. Since the early '70s, in fact, the two countries have worked together in the pursuit of objectives of humanitarian nature, in particular, the reunification of families separated by the division of the peninsula and the Korean War. This issue is a matter of great impact for the population of the peninsula and represented the more continuous form of cooperation between the two countries. Also from this perspective, the period from 1997 to 2007 can be considered

⁴ Moon, Chung-in 2012, *The Sunshine Policy, in defense of engagement as a path to peace in Korea*, Yonsei University Press, Seoul, pp. 2-3.

as the one with the most positive results, thanks to the climate of cooperation and mutual trust established with the presidencies of Kim Dae-jung and Roh Moo-hyun. However, the contacts in this area have been preserved even in times of tension and conflict, often ensuring the maintenance of an open channel of dialogue between the two countries, although in a context of secondary relevance. The economic and food crises of the '90s, that strongly affected North Korea, added a further dimension to the humanitarian level. South Korea has, in fact, started to cooperate with the North by sending huge and important supplies of aid and assistance, especially in the food and agricultural sectors. This aspect plays a role that goes beyond that of mere humanitarian assistance. As seen in the first chapter, in the analysis of the approaches of engagement, in fact, the existence of a strong asymmetry of power and resources between the two sides can create the conditions for the emergence of a dependency (or a strongly unbalanced interdependence), which can then be used as a leverage in a process of cooperation or negotiation. The situation between the two Koreas at that time falls exactly within this framework.

Even cultural, scientific and sport exchanges and cooperation plays an important role in inter-Korean relations. Although it may be regarded as of secondary importance, however, in many cases they played a very important role. First, these are topics that involve issues of non-prime importance in the hierarchy of interests of the states, and thus helped maintain open lines of dialogue in times when political and diplomatic relations were stalled. Moreover, this kind of cooperation can help to change the mutual perception in the eyes of the population. The existence of a network of regular contacts between the cultural and scientific communities of the two countries, as well as the organization of shared events – as in the case of the joint march at the opening ceremony of the Olympic Games in Sydney in 2000, Athens in 2004 and Turin in 2006 – can act to bridge the gap created by decades of division.

In this chapter, we will focus the attention on the political dimension of inter-Korean cooperation. We will start from analysing the beginning of cooperation between the two Koreas, with the process that led to the signing of the Joint Declaration of July 4, 1972. Then, we will move on to focus on the second period of cooperation on the peninsula when, after the end of the Cold War, new possibilities for dialogue and negotiation between the two countries opened up. The *Nordpolitik* of South Korean President Roh Tae-woo, in fact, led to different results of great practical importance; in terms of political

and diplomatic cooperation, the highest point can be considered the signing of the Basic Agreement in 1991. Finally, we will focus on the period of progressive governments, regarded as the apex of cooperation between the two Koreas. In this context, the event upon which we will put more emphasis will be the inter-Korean Summit in June 2000, a real watershed in the relations on the peninsula. Besides it, however, we will also take into consideration more examples of political cooperation that developed in the period of the “*Sunshine Policy*” and the “*Policy of Peace and Prosperity*”, along with the role that Seoul will within the framework of six-party talks.

Within the development of inter-Korean cooperation we then identified three fundamental historical ruptures, which made possible an acceleration of cooperation, or even the actual birth of new interactions of this kind. Moreover, the division into three set of inter-Korean cooperative initiatives – and dialogue – makes possible their systematization and an easier analysis, with regard to the initial conditions, the development and the results obtained.

In this chapter we will then analyse these interactions, following the subdivision previously presented. These events will be addressed using the theoretical framework created in the first chapter. Therefore, of each of these groups we will investigate the underlying causes – both from the domestic, inter-Korean and international points of view – we will retrace the development, through the analysis of the presence of a possible approach of engagement, and, above all, we will be analyse the results in terms of creating mutual trust, supporting a process of long-term and stable cooperation, aimed at creating a process of national reconciliation, reducing tensions and conflict on the peninsula.

As we previously seen, political cooperation represents one of the main and most important field of interaction between North and South Korea. In our analysis, we will consider the term “political” in a very broad sense, including also diplomatic and military cooperation, as well as the political role played by South Korean governments in addressing the North Korean nuclear issue. In a situation like the division of the Korean peninsula, certainly every aspect of the interaction has strong political consequences and implications. If we consider economic cooperation, for example, it strongly depends on the decision taken by the two governments in regulating the interchanges between the two countries. Even in the cases in which there are private actors that intervene and put forward the interaction – such as in the case of the Kaesong Industrial Complex or the Tourism Project on the Mount Kumgang – the role of the political sphere is decisive.

Similarly, a successful cooperative interaction in non-political fields – economic, cultural, scientific, humanitarian, and so on – has positive consequences on the overall record of inter-Korean relations and, very often, contributes to the improvement of political relations between the two parties.

In this chapter, we will focus the attention only on the political cooperation, as we previously defined it. The political impact of inter-Korean cooperation in every aspect will be drawn at the end of the chapter.

The first example of inter-Korean political cooperation that we will take into account can be considered as the first example ever of inter-Korean cooperation and dialogue: the *1972 Joint Statement*.

3.2 An Analysis of the 1972 Joint Statement

As we previously saw in the historical reconstruction of the second chapter, there are many reasons why the inter-Korean Joint Declaration of 1972 is a key point in the development of relations on the peninsula. Despite the contacts between the two regime had not stopped completely after the end of hostilities in 1953, this is the first case in which the two Korean states decide to open a dialogue and set a path of engagement with the possibility to get to the birth of a cooperation project. As we will see later, one of the major achievements of the declaration – and of previous negotiation process – has been to move from a state of almost total conflict to that of a *competitive coexistence*.

This term can be defined as a stalemate in which the two actors accept the existence of the other party, albeit in a state of competition, that is not only of military and legitimacy nature, but also involves the economic and social aspects of the political systems of the two countries.

The so-called *Miracle on the Han River* – the extraordinary economic development of South Korea under the authoritarian regime of Park Chung-hee – in fact, began also the economic competition between the two systems, which will lead to the success of the South, thanks to the incredible achievements in economic and industrial growth.

In addition to this basic paradigm shift in inter-Korean relations, the Declaration showed how, just two decades after the end of the war and despite the open conflict still present, a form of dialogue and cooperation was possible. Within this process, a crucial role has

been played by the international environment, which provided the necessary inputs to the materialization of the declaration.

At this point, we can submit this first experiment of political cooperation between the two Koreas to the analysis of the theoretical framework previously created. First of all, we can ask whether the instruments used in the negotiation process that led to the signing of the declaration can be considered as approaches of engagement. An affirmative answer seems obvious. Since the negotiation process was aimed at the signing of a joint declaration which would lay some key shared features to manage inter-Korean relations in the future, it could not be based on a negative pressure – consisting of threats, use of coercive economic or military instruments or subversive interventions. The incentives that are envisaged by both parties, however, are strongly influenced the behaviour of the other part and concern primarily the security aspects. Humanitarian and economic issues are left in the background and treated residual. This first attempt of dialogue foregrounds the needs related to security guarantees, but it also adds elements related to the paradigm of constructive engagement. In fact, even if in a secondary way humanitarian needs and exchanges in various fields, to encourage the creation of a climate of minimum mutual trust and interdependence, are mentioned. Similarly, the citation of the Red Cross provides an official role to a third party organizations, other than the two governments; the declaration does not exclude a possible future expansion of this role, also to other actors, in advancing the unspecified interchanges foreseen in the third section of the document. This example of cooperation reaches the valuable outcome of emphasizing a new method in the management of inter-Korean relations, based on mutual exchange in areas other than political, on the growth of interdependence and cooperation and, in the end, of possible integration⁵.

For what concerns the cooperative strategies used in the process we can divide them into three different groups: *structural* conditions, *variable* conditions and *constructed* conditions.

As we pointed out in the first chapter, the structural conditions deal with the system in which the cooperative process takes place. Regarding the number of actors involved in the interactions, obviously in the first level we have to put North and South Korea. Inter-

⁵ Koh, Byung-chul 1992, 'The inter-Korean agreements of 1972 and 1992: a comparative assessment', *Korea and World Affairs*, Vol. 16, No. 3, pp. 463-482.

Korean relations, by definition, are held and managed between these two countries. This characteristic can be considered as a facilitator of the cooperation; in fact, if the number of actors is low – and two is the lowest possible number for an interaction to take place – the mechanisms of control and the eventual sanctioning for defection is much easier. In addition, the structure of the payoffs and the balance of gains can be as favourable as possible for the two actors; also the problem of the collection of reliable information and the communication between the parties is highly simplified, since there are only two actors involved.

Despite this bilateral character of inter-Korean relations, there are also other actors that play a role on this issue. In particular, if we refer to the Cold War period, the foreign and inter-Korean policies of North and South Korea were highly influenced by the respective superpowers. In the first years of the '70s, the split between China and USSR and the rapprochement between Beijing and Washington started the period of the so-called *tripolarity* on the Asian region; a period in which there were three different powers that pursued different strategies on the area and inevitably affected every open issue in the region. Inter-Korean relations were no exception⁶. For this reason, even if the primary actors were two, there was also another group of secondary actors – USA, China, and Soviet Union – that had a role in the process of negotiation of the Joint Declaration.

This further characteristic leads us to the second structural condition of the cooperative strategies: the balance of power. In the case of the 1972 Joint Declaration, the balance of power in the region and the changes in the international system can be considered as the main cause for the emergence of cooperation. In fact, the efforts put in place by the south and positively received by Pyongyang can be considered as a reaction to bigger changes in the relations between USA, China and Soviet Union.

At that moment the balance of power between the two primary actors was in a state of fair equilibrium, since there was no asymmetry in military or economic terms. North Korea was still growing, enjoying good relations with both China and USSR, and South Korea was in the middle of its industrial explosion; all the main economic indicators told of a competition between equals, for example the GNP per capita in 1972 was exactly the same in North and South (\$ 316)⁷. What was changing was the regional – and global – equilibrium. Although within a bipolar balance of power (in the world) or tripolar (in the

⁶ Yahuda, Michael 2011, *The International Politics of the Asia-Pacific*, Routledge, New York, p. 62.

⁷ Source: National Unification Board, *A comparative study of the overall North and South Korean economies since the 45 years of division*; cited in: Young, Namkoong 1995, 'A Comparative Study on North and South Korean economic capabilities'.

region) there was not a real hegemon, the changes in the relations between these powers were the main cause of the rapprochement between North and South of 1972, and, therefore, the start of inter-Korean dialogue.

The most prominent change was the advent of the *détente* between the United States and Soviet Union, which paved the way for a curtailment of American military obligations in East Asia, in accordance with the so-called 'Nixon Doctrine'. For South Korea, the application of this doctrine meant the withdrawal in 1971 of one third of the American troops stationed on the peninsula since the end of the Korean War⁸. This erosion of confidence toward the United States was accelerated when, in July 1971, Nixon announced his plan to visit China. Seoul's government, not informed in advance, was shocked, since China fought against South Koreans and Americans during the war. Seoul was further perplexed by pressure from Washington to open a dialogue with Pyongyang and to seek joint admission to the United Nations; this request undermined the conviction that South Korean government was the only legitimate one on the peninsula, so this shift in American policy was very alarming. Most likely this decision was connected to the idea that to solve the issue on the Korean peninsula the first step should have been to ease the military confrontation and recognise North Korea – as well as making diplomatic overtures toward USSR, China and East European countries – in line with the step taken in Germany⁹.

Given this changing political environment and the new US attitude toward East Asia, Seoul needed to revise its foreign policy, and, in particular, its North Korea policy. The same changes affected Pyongyang, that, in addition, saw the possibility of achieving one of its major goals in foreign policy: the withdrawal of American troops from the peninsula. During its visit in China, president Nixon and the Chinese premier Zhou Enlai made references in their statement to the situation on the Korean peninsula and called for an arrangement through direct inter-Korean dialogue¹⁰. The following path toward the signing of the Joint Declaration can be considered as a consequence of this pressure from the international environment on the two Korea's regimes. Therefore, going back to the framework of analysis of cooperation, we can state that the regional balance of power was

⁸ Gordon, Bernard K. 1973, 'U.S. Policy toward Korea', in Kim, Young C. ed., *Major Powers and Korea*, Research Institute on Korea Affairs, Silver Spring, p. 49.

⁹ Abramowitz, Morton 1971, 'Moving the Glacier: the Two Koreas and the Powers', in *Adelphi Papers*, No. 80, International Institute for Strategic Studies, London.

¹⁰ Hwang, Byong-moo 1991, 'The Evolution of ROK-PRC relations: retrospects and prospects', *The Journal of East Asian Affairs*, Vol. 5, No. 1, pp. 24-48.

one of the main causes of this first attempt toward inter-Korean cooperation. This change in the South Korean attitude toward North Korea, and more broadly toward the whole bloc of socialist countries, will lay the foundations for the subsequent launch of the so-called *Nordpolitik* by president Roh Tae-woo from 1988. In fact, from 1973 onward South Korea started to build contacts and relations, especially regarding cultural and scientific aspects, also with Soviet Union¹¹.

Moving to the *variable conditions* of the strategies of cooperation, we can underline some efforts that have been put in place with the Declaration toward an improving of the situation for the achievement cooperative interactions. For what concerns the distribution of gains, the two states started from a condition of substantial equality, since, as we already noted, there were no significant differences in the economic and military resources of North and South. In this sense, the Declaration was extremely equitable and fair; in fact, it was essentially a statement of shared principles on which setting the future course of inter-Korean relations. There were no specific measures to be implemented by the two states, except those concerning the creation – in some cases failed – of permanent dialogue channels, mainly to avoid military escalation along the border. Despite the interpretation given to the three fundamental principles (independence, peace, national unity) could diverge, especially with regard to the will of the DPRK to connect independence in inter-Korean relations to the withdrawal of US troops from the peninsula, they were accepted by both parties without major differences. The same North Korean idea of a withdrawal of American troops was in fact soon set aside because unrealizable.

For what concerns the creation of institutions to make cooperation more stable and durable, the Declaration contemplated several steps forward, at least on the paper. In fact, the article 3, 4 and 5 made explicit reference to the creation of a new set of measures for an ongoing dialogue, that in some passages resembled some form of institutions to manage the relations on the peninsula. Article 3 called for a positive resolution of the process of North-South Red Cross meetings, mainly to address the issue of separated families, article 4 foresaw the establishment of a direct phone contact between Seoul and Pyongyang, in order to prevent accidental military clashes, and article 5 the creation of a North-South Coordinating Commission, co-chaired by the two delegates who signed the Declaration – namely Lee Hu-rak for the South and Kim Young-ju for the North – in order

¹¹ Kwak, Thai-hwan 1980, 'Recent Soviet Policy toward the Two Korea: Trends and Prospects', *Korea and World Affairs*, Vol. 4, No. 2, pp. 202-203.

to implement the points of the Declaration, resolve pending issues and promote reunification of the peninsula.

While the first two examples cannot be considered as a real effort for the creation of common institutions, they, however, had a positive impact on the management of inter-Korean relations; they were actually put into practice and achieved concrete results. In particular the process of reunification of divided families continued almost uninterrupted until 1985, when the first meeting took place, involving 30 families in the South and 35 in the North.

Tab 1: Number of Dialogue by year and subject (1971-1985)

Year / Subject	Politics	Military	Economy	Humanitarian Cooperation	Social and Cultural Exchanges	Total
1971				18		18
1972	4			32		36
1973	7			4		11
1974	6			12		18
1975	2			8		10
1976				6		6
1977				5		5
1979	3				4	7
1980	10					10
1984			1	2	3	6
1985	2		4	6	1	13

Source: Ministry of Unification, *Chronology of Inter-Korean Dialogue – Statistics*

The North-South Coordinating Commission started working on October, 12, 1972, with a meeting between the two chairmen in Panmunjom, and continued throughout that year. In the following years, several more meetings took place from 1973 to 1975 and again three times in 1979. But the pace of the meetings slowed down with the passing of years and also the relevance of the delegates involved; in fact, they involved usually vice co-chairmen or secretaries and they didn't reach any relevant agreement between the two Koreas. Despite the lack of practical results, the creation and the work of the Coordinating

Commission have been important because they testified the possibilities for inter-Korean dialogue, even in a situation of tensions and confrontation¹².

The third dimension of the variable conditions is probably the most important. In fact, as we noted in the previous chapter, the issue of future time interactions is crucial for the stability of a long-run cooperation, aimed at solving a strategic rivalry. From this perspective, the 1972 Declaration marked a decisive rupture with the previous management of inter-Korean relations and opened a way in which the two Koreas could not avoid to interact again in the future. Hence, the fact that the counterparts started to take into consideration a higher possibility for future relations enhanced the cooperative behaviour of both sides. The same fact that forms of continuative dialogue were put in place – and implemented – attested this new predisposition of the two regimes.

Regarding the last aspects of the conditions for cooperation, the *constructed conditions*, the rapprochement that took place in 1971-1972 had a strong impact. Previously, the two Koreas regarded each other as enemies. The Korean War had crystallized the process of division of 1945-1948 and had reinforced the idea that there was only one legitimate state represented on the Korean peninsula. The only real strategy of reunification was constituted by the war. The beginning of this process of *competitive coexistence* had meant that, although there had been no step towards a real mutual recognition, there had been a sort of *de facto* recognition of the division. The two Koreas started to find different ways to interact with each other, in order to avoid escalation of conflicts and provocations. The principles enshrined in the preamble of the Declaration contributed to the recovery of a shared sense of national unity on the peninsula. The independence from external interferences, the renunciation to the use of force and, above all, the promotion of national unity, beyond ideological or political differences, meant that both sides started to take into consideration the unity of the Korean culture and nationhood as a fundamental feature of inter-Korean relations. As we pointed out in the first chapter the peculiarity of the Korean case is precisely the fact that, despite the two states interact with each other as the two sovereign states they are, however they share a plurality of common meanings – such as a common history, a common culture, a common language, and so on and so forth – that can be positively used as a tool for improving cooperation and mutual trust. From this

¹² Choi, Jinwook and Lee, Erin 2008, 'Sixty years of South Korean Unification policies, time for a paradigm shift', *Korea and World Affairs*, Vol. 32 n. 3.

perspective, we can better understand the emphasis that from this moment onward will be put on the various plan for a reunification of the peninsula based on the common national identity¹³.

The strong dependence of the 1972 rapprochement on the changing international conditions and on the pressures from the external superpowers had also the effect of undermine its practical possibilities from the very beginning. In fact, it was more a tactical move of adaptation by the two regimes, rather than a real step forward toward national reconciliation. Soon after the release of the Declaration, even if some forms of dialogue continued, the relations on the peninsula traced back to a situation of high tensions and sporadic conflicts. Nonetheless, the contribution to the creation of a minimum level of mutual trust between the parties is undeniable and it will have a strong influence on every important political agreement that will be signed in the future, in which a reference to the 1972 Joint Declaration will never lack.

3.3 The Basic Agreement and the Declaration on the Denuclearization of the Peninsula

After a hiatus that lasted for almost all the '80s, with some sporadic exceptions, the inter-Korean dialogue regain strength after the democratization of South Korea and the election of Roh Tae-woo as President. The new process of rapprochement and inter-Korean cooperation turned out to be much more profound and lasting than the previous one. As we saw in the second chapter, the changes in the international system in the late '80s and early '90s will create the window of opportunity for the development of this process. At the same time, however, also the extremely proactive attitude of South Korean government – along with the flexibility shown by the North Korean leadership – played a major role to make these developments possible. Among the main reasons of this new attitude, it must certainly be considered also the process of democratization of South

¹³ Koh, Byung-chul 1990, 'A comparative study of unification plans: the Korean National Community versus the Koryo Confederation', *Korea Observer*, Vol. 21, No. 4, pp. 437-455.

Korea, which had “liberated” a new boost from the civil society toward the implementation of new constructive approaches in the relations with North Korea¹⁴.

Despite the poor results obtained in the implementation of the Joint Declaration of 1972 and the return of the so-called Cold War II also on the peninsula also had frozen the process of rapprochement and cooperation between the two Koreas, the new impetus of the late ‘80s did not emerge in a totally disconnected way, as a result of shock, both endogenous (the process of democratization in South Korea) or exogenous (the end of the Cold War). In fact, since some years, the authorities of the two countries had begun again some form of dialogue, albeit mostly at a low-level and on issues of secondary relevance. After the interruption of the meetings of the South-North Coordinating Committee, in 1975, the only remained occasions of inter-Korean dialogue were represented by the working-level meetings of the respective Red Cross, with the aim to discuss the issue of separated families. Some rare exceptions were a series of meetings between the associations of table tennis of the two countries, in 1979, or a round of preparatory meetings for a possible summit between the two Prime in 1980, soon abandoned.

After this interruption that lasted almost a decade, things started to change in the mid-‘80s. One of the aspects that contributed most to this new flowering of inter-Korean dialogue was sport. In 1981, in fact, the International Olympic Committee (IOC) had entrusted the organization of the 1988 Olympic Games to the city of Seoul. This situation had created new opportunities for reconciliation between the two countries, under this new aspect. In 1984, talks were held for the organization of a single Olympic team to participate at the Olympics in Los Angeles; the efforts then failed due to the boycott of that edition by the countries of the socialist bloc. In 1985, in Lausanne, the two Koreas, with the mediation of the IOC, started new talks for the organization of the 1988 Seoul Olympics. The idea was to include North Korea in the organization of some of the preliminary events and to explore the possibilities for a single Korean national team. Even if, as we will see in the last part of this chapter, the talks did not succeed in its main aim of sport cooperation, the dialogue lasted until 1988 – with 2 more meetings in 1986 and 1 in 1987 – and helped to rebuild a positive climate for the restart of inter-Korean dialogue. Along with the discussions on sport, also the meetings between the delegates of the Red Cross were resumed in 1985; along with them, new preliminary talks in economic issue were

¹⁴ Kim Sun-hyuk, *The politics of democratization in Korea: the role of civil society*, University of Pittsburgh Press, Pittsburgh, 2000.

established (in 1984 and 1985) and also preliminary contacts in view of possible inter-parliamentary meetings (in 1985 and 1988)¹⁵.

This rediscovered positive and constructive climate has been essential for the beginning of the South-North High Level Talks that will began in 1989 and will lead then to the realization of the most important results in terms of inter-Korean political cooperation of the '90s.

On February 19, 1992 South and North Korea put into effect the “*Agreement on Reconciliation, Non-Aggression and Exchanges and Cooperation between the South and the North*” (known as the *Basic Agreement*), during the 6th round of South-North High Level Talks. Two other significant documents also took effect on that day: the *Joint Declaration on the Denuclearization of the Korean peninsula* and the *Agreement on the Formation of Sub-committees of the South-North high level talks*.

The South-North High Level Talks were first suggested by South Korean Prime Minister, Kang Young-hoon, on December 28, 1988; in a message to his North Korean counterpart, Yon Hyong-muk, Kang proposed to held this kind of high level political discussion on the peninsula. On January 16, 1989, Yon agreed. After this prior consent, the two sides started a series of eight preliminary meetings aimed at adopting a shared agenda; the final decision was summed up in the elimination of the state of political and military confrontation and the promotion of multifaceted exchanges and cooperation between North and South. The first round of meetings between the two Prime Ministers was held in Seoul on September 4, 1990, and thereafter five more rounds took place, until the final implementation of the agreement of February 1992. The production of the text of the Basic Agreement and the Declaration on the Denuclearization was not plain and easy; in fact, more than 30 meetings were held to discuss the various issues – 25 contacts between the delegates, besides the 6 high level talks¹⁶.

In a sense the adoption of the Basic Agreement meant that the two sides neared and accord on a considerable part of the method of approach to inter-Korean relations. Both of them shared the conception that unification would be regarded as a process and, therefore, and interim stage was needed before reaching the final goal. The purpose of this stage was to

¹⁵ Yu, In-taek 1988, ‘South Korea’s unification policy after the Seoul Olympics’, *Korea Observer*, Vol. 19, No. 4, pp. 351-378.

¹⁶ Park, Sang-seek 1993, ‘Northern Diplomacy and Inter-Korean relations’, in Cotton, James, ed. *Korea under Roh Tae-woo: democratisation, Northern Policy and Inter-Korean relations*, Allen and Unwin Pty Ltd., St. Leonards, pp. 233-238.

eliminate some conditions that were detrimental for the process of reunification. The agreement thus constituted the legal enactment to lay the groundwork for the actual institution of a mechanism of peaceful coexistence, in a process toward unification. Unlike the situation prior to the 1972 Joint Statement, that lay the ground for the development of the *competitive coexistence*, this time the purpose was to reach a higher degree of improvement in the relations between North and South, achieving a state of peaceful coexistence that was recognized as a fundamental pre-requisite on the path toward reconciliation. Accordingly, the Basic Agreement is not a pledge of unification itself, but rather a time-limit agreement applicable to the first stage of reconciliation and cooperation, that should be surpassed by the process of unification itself.

The Basic Agreement consists of three chapters: South-North reconciliation, non-aggression and elimination of military confrontation, exchanges and cooperation. It aimed at regulating the legal nature of inter-Korean relations and it recognize that these relations were not ordinary relations between states, but a special interim relationship stemming from the process towards unification. The two sides encountered many difficulties in the long process of adoption of the agreement. The South, for example, while strongly urging the North to abandon its revolutionary policy against the South, emphasized the need for a clause that “the two sides shall not attempt any actions of sabotage and subversion against each other”. The North, however, initially opposed the point because they claimed to not have any intent, ability or policy to foment a revolution or sabotage in the South. Another article that caused frictions until the last moments was Article 5, a very important point in which the two sides committed themselves in transforming the state of armistice in a solid state of peace and in abiding the Military Armistice Agreement of 1953 until that moment. North Korea opposed it because its logic was to find a final peace treaty with the USA; the final acceptance of the article can be considered as a shift in its approach and as a sign of flexibility from Pyongyang. Similarly, it also marked the fading of the traditional ‘One Korea Policy’ of the North, that considered the South as a colony of the United States. North Korea rejected also the idea of creating permanent liaison offices in Seoul and Pyongyang, the compromise was to establish them in Panmunjom (Article 7)¹⁷.

In the second section, South Korea asked for a separate article on measures to promote military confidence building, but the North rejected the idea. The final solution was found

¹⁷ Lim, Dong-won 1993, ‘Inter-Korean relations oriented toward Reconciliation and Cooperation’, in Cotton, James, ed. *Korea under Roh Tae-woo: democratisation, Northern Policy and Inter-Korean relations*, Allen and Unwin Pty Ltd., St. Leonards, pp. 269-273.

with a plan to create a Joint Military Commission to handle the question. However, Seoul succeeded in introducing a list of five tools for the implementation of military confidence building and arms reduction in Article 12 – mutual notification and control of major movements of military units and major military exercises, peaceful utilization of the De-Militarized Zone (DMZ), exchange of military personnel and information, phased reduction in armaments, including the elimination of weapons of mass destruction and offensive capabilities, verification¹⁸.

In the third section of exchanges and cooperation, the issue of separated families was addressed again. The main differences were related to Article 16, in which the two sides agreed to promote cooperation and exchanges in several different areas, including journalism and media, newspapers, radio, television; North Korea was negative toward the use of the formula ‘mutual openings’ that was replaced by the more neutral ‘...shall carry out exchanges and cooperation...’. The South pushed forward also for the creation of a Joint Economic Exchanges and Cooperation Commission and other sectorial joint commissions addressing specific issues. Moreover, the simultaneous adoption of the Declaration on the Denuclearization of the peninsula became a tool for keeping the North from developing nuclear weapons to threaten peace or refusing to undergo nuclear inspections. As we will see later, this plan of the South Korean government did not succeed¹⁹.

The process of negotiation between the two sides clearly showed that both parties were prepared to modify their positions to better adapt to the need of the counterpart – one of the fundamental feature of cooperation: *policy coordination* – and reach a positive outcome. In particular, the flexibility demonstrated by North Korea was unusual and marked a clear rupture with its previous behaviour toward South Korea. The 25 articles are extremely comprehensive but in some crucial points they tend to be general. For example, among the 6 articles related to non-aggression, none could be taken specifically by the North to require South Korea to abandon the alliance with US; similarly the social and economic measures of opening and cooperation are incorporated in a single declaration of grand principles. The concrete measures to be realised are many but defined in a very general language and in the most difficult area, military confidence building, the actual steps have been left to the Joint Military Commission. Both side commit themselves

¹⁸ *Ibidem*, p. 274.

¹⁹ Cotton, James 1992, ‘The two Koreas and rapprochement: foundation for progress?’, in Cotton, James, ed. *Korea under Roh Tae-woo: democratisation, Northern Policy and Inter-Korean relations*, Allen and Unwin Pty Ltd., St. Leonards, pp. 291-292.

to exchanges in various fields, like freedom for their residents to visit the other side or the resumption of every kind of communications, transportation connections and economic intercourse, but again no specific steps were taken toward an actual implementation of the plan.

Using the same framework of analysis we applied to the 1972 Joint Declaration, we can evaluate the contribution of the Basic Agreement to the improvement of inter-Korean relations. First of all, we can fully include it into the paradigm of engagement, because the only tools used to achieve the cooperation are incentives. The only negative pressure, in this case, came from outside, from the international situation; as we will see later, the fall of the Soviet Union and the Socialist bloc constituted a major source of pressure on the behaviour of North Korea. In addition, different leverages in different areas are used to create interdependence: ranging from military and political, to trade and humanitarian issues; it is also clear the will to implement a long-term strategy, exemplified also by the insistence on the creation of permanent organisms for high-level dialogue. The kind of engagement put in place here is strictly conditional; in fact, in every article there is always a perfect match between the behaviour of one side and the response of other, there's no room for unconditional incentives that could create a favourable context for a further development of dialogue.

Regarding the different strategies toward cooperation, we can start from the *structural conditions*. The Basic Agreement has a lot of characteristics in common with the 1972 Joint Statement, for what concerns the balance of power and the international environment. In fact, just like twenty years before, also in this case the primary actors of the interaction are two, but the secondary actors played a crucial and decisive role for the signing of the Agreement. The international environment witnessed an epochal systemic change in 1989-1990. The bipolar order that came out from the Second World War and, at different levels, affected the whole global scenario suddenly disappeared, allowing room for the solution of several regional and local conflicts and standoffs. The Korean peninsula was no exception and, even if the end of the Cold War did not bring about the final solution of the issue, it created new possibilities for the relations between North and South Korea. The international environment, thus, was moving in a favourable direction for an outcome like the Basic Agreement. With the collapse of the Socialist bloc and the

disintegration of the Soviet Union, also the East-West polarization collapsed and new spaces for reconciliation and cooperation appeared.

North Korea's military alliance system, based on Soviet Union, was weakened and its diplomatic dilemma deepened, obliging Pyongyang to accept simultaneous entry with the South into the United Nations (on September, 17, 1991), an entry which the North had firmly resisted earlier, but had to accept when China decided not to block Seoul's application to the UN. Pyongyang's regime lost its external patronage; while revolutionary ties still figured in the relations between Kim Il-sung and Deng Xiaoping, China's interest in North Korea was waning. Beijing cannot provide the aid necessary to keep the model in operation and it was developing a fruitful economic relationship with South Korea – diplomatic relations were formally established on August, 24, 1992.

If China's new attitude toward the peninsula forced readjustments in North Korea's foreign policy, the collapse of USSR had an impact upon the very foundations of North Korea's world strategy that can be defined as "cataclysmic"²⁰. Already Moscow's recognition of South Korea (September, 30, 1990) and Gorbachev's visit (April 1991) portended the end of the economic, political and military alliance that had existed since 1948. Until 1990 almost 60% of North Korean's trade was conducted with Soviet Union, that also continued to provide significant aid, to whom Pyongyang owned a sizeable debt and that was the primary source of all high technology armaments and of the strategic nuclear umbrella. It's not a coincidence that, although it was still in place decades before, the North Korean nuclear programme started to become a national priority in the beginning of the '90s. The ending of the USSR's history and the repudiation of socialism forced Pyongyang toward a new approach to political and economic fundamentals²¹. As a result of the fact that Soviet supplies of oil have dried up, the country started to face a severe energy shortage; at the same time, perennial shortages of food and consumer commodities have grown worse and without an infusion of capital and technological assistance the economic crisis was almost unavoidable. North Korea's need for capital and trade diversification was at the base of the attempt, initiated in 1990, to advance contacts with Japan and also, through diplomats in Beijing, to hold exploratory contacts with United States, further pursued later on in New York. The creation of a new and more favourable international environment toward Pyongyang was one of the goals of the

²⁰ Bazhanov, Eugene and Bazhanov, Natasha 1991, 'Soviet Views on North Korea: the Domestic scene and Foreign policy', *Asian Survey*, Vol. 31, pp. 1123-1138.

²¹ Lee, Dong-bok 1991, 'The Soviet events and inter-Korean relations', *Korea and World Affairs*, Vol. 15, pp. 626-639.

Nordpolitik, and was strongly backed by South Korean government. This new situation of extreme isolation, strategic danger and economic difficulties pushed North Korea toward a conciliatory stance regarding the management of inter-Korean relations, and greatly contributed to its more flexible behaviour in the negotiations for the Basic Agreement.

The containment policy of the United States towards Soviet Union was coming to an end too; and accordingly, also the strategic relevance of the US forces in Korea was changing. These changes in the international situation served to facilitate new changes in the Cold War system of the Korean peninsula.

The changes in the international balance of power, thus, was one of the main drivers of change also for inter-Korean relations between the end of the '80s and the beginning of the '90s. But this it was not the only reason. In fact, unlike what happened in 1972 with the process of the Joint Declaration, this time the two primary actors played a different role with a more proactive stance and a broader perspective on the future of inter-Korean relations. The *Nordpolitik* launched by President Roh Tae-woo with his July 7 Declaration was a very proactive approach toward the changing regional and global scenario. It encompassed an amelioration of relations with USSR-Russia, China and Eastern Europe countries, to better fit the new growing role of South Korea, in economic and diplomatic terms, and from this point of view it can be considered as a real success. In addition, South Korean government took the initiative toward the North right from the beginning, with a series of unilateral declarations (the Special Declaration of July 7, 1988 and the Korean National Community Plan in 1989), a huge increase in contacts at political and humanitarian level between the parties and the organization of the South-North High Level Talks, that paved the way for the signing of the Basic Agreement. Obviously, in addition to the international changes, the process of liberalization and democratization in the South contributed greatly to cultivating new unification possibilities and new inter-Korean capabilities²².

But also North Korea played a more active role in this improvement of its relations with the South. For the first time, in fact, the Pyongyang's response to the proposal coming from Seoul was affirmative. That means the North showed for the first time a degree of flexibility in the negotiations, unseen in the past. Probably, it had not many options other than to accept Seoul's proposal in its new 'strategy for survival'. The isolation was

²² Cho, Yang-hoon, 'Unification in the 1990's: historiographical prospects', *Korea Observer*, Vol. 27, No. 1, 1996, pp. 85-114.

looming and a rupture in the High Level Talks, with no agreement, would have meant a suspension of the inter-Korean dialogue and a deadlock in inter-Korean relations. If this kind of scenario would actually happened, North Korea would have to face a deeper isolation in the international community and, probably, greater pressure from outside for its nuclear programme.

As for the *variable conditions* of cooperation, also in this case the similarities with the 1972 Joint Declaration are several. In fact, the distribution of gains was again very equitable and fair. As we previously noted, each part negotiated with a flexible attitude and with a clear will of reaching an agreement. North Korea, for example, was successful in introducing, in the first part of the document, articles that would ensure that a unification by absorption was not an option (Articles 1, 2, 4,); the case of German unification was still very clear in the eye of North Korean leadership and, even if there were several signals indicating that a process of that kind was not a viable option on the peninsula, Pyongyang's regime was determined to be reassured on that side. South Korea, for its part, obtained a relevant opening toward the possibility of direct negotiations between the two Koreas for a peace treaty (Article 5), several and detailed new possibilities for the establishment of military confidence building measures (Article 12, 13, 14), and, above all, an extraordinary opening by the North Korean regime in exchanges and cooperation, involving a number of different fields (from economics, to culture, telecommunications, transportation), in the third part of the document (from Article 15 to Article 21).

If the distribution of gains can be considered as very equitable and, hence, very supportive for the success of cooperation, the same can be argued with regard to the creation of mechanisms of institutionalization of cooperation. In 1972, the creation of the North-South Coordinating Commission was one of the direct outcomes of the cooperation and the sole example of institutionalization of cooperation – in addition to the “encouragement” of the contacts between the Red Cross; it helped in keeping a form of direct dialogue between the two parties, but it didn't reach any agreement and it lost importance with the passing of time, until its disappearance in 1975. In this case things took a different way. As we noted at the beginning of the paragraph, the process of inter-Korean dialogue had a new impetus after the election of Roh Tae-woo; in 1990 a sort of institutionalization was already present on the ground – with the launch of the High Level Talks between Prime Ministers – so the signing of the Basic Agreement and the

Declaration on the Denuclearization of the Peninsula can be considered as a product of a pre-existent process of institutionalized cooperation. At the same time, from these agreements came out a new wave of institutionalized cooperation projects. Article 7 of the Basic Agreement planned to open a South-North Liaison Office in Panmunjom to ensure continued and closed contacts between the two parts; Article 8 foresaw the establishment of a South-North Political Committee to ensure the implementation and the observance of the agreement; Articles 14 and 23 dealt with the creation of South-North Sub-Committees to manage, respectively, military issues and exchanges and cooperation measures; Article 22 planned to create South-North Joint Commissions for each sector of cooperation identified by the agreement, starting with a Joint Commission on Economic Exchanges and Cooperation. Also, the Declaration on Denuclearization foresaw the establishment of a South-North Joint Nuclear Control Commission, as an implementing mechanism of the Declaration, in particular to manage the organization of the inspections that both side agreed to undertake. Finally, the third agreement that was signed in December 1991 and came into force on February 19, 1992, was precisely designed for institutionalizing the already existent talks. In fact, the Agreement on the Formation of Sub-Committees of the South-North High Level Talks, had the specific role to further deepen these kind of contacts and expand it, through the formation of Sub-Committees to a large number of pending issue that involved inter-Korean relations.

All of these institutionalization efforts can be considered as a sort of continuation and substantial expansion of the framework of the High Level Talks. The difference with the 1972 Declaration is remarkable, both in qualitative and in quantitative terms. In 1992, all these dialogue frameworks accounted for 75 inter-Korean meetings, at various level, plus 5 meetings between the Red Cross of the states for the management of the separated families issues.

As for the third variable condition for successful cooperation, the time-variable, the process of the Basic Agreement was designed precisely to make it more relevant in the process of inter-Korean interaction. As we noted in the first chapter, there are several tactics that can be followed to enlarge the so-called *shadow of the future*; one of these is certainly to divide the main issue in several smaller issues, thereby making necessary a higher number of interactions and so making the *weight* of future time cooperation more important.

Tab 2: Number of Dialogue by year and subject (1988-1994)

Year / Subject	Politics	Military	Economy	Humanitarian Cooperation	Social and Cultural Exchanges	Total
1988	8					8
1989	7			8	9	24
1990	15			2	7	24
1991	12				7	19
1992	80			8		88
1993	4					4
1994	10					10

Source: Ministry of Unification, *Chronology of Inter-Korean Dialogue – Statistics*

To enlarge the relevance of time, the basic way to follow is to make future cooperation more likely; from this perspective, the process of the Basic Agreement can be perfectly inserted in this path. The creation of a high number of Committees and Sub-Committees, each one with a different task, had divided the framework of the High Level Talks in numerous interactions of lower level, thus multiplying the importance of future interactions. At the same time, multiplying the number of opportunities for dialogue, meetings and personal contacts, could have contributed to the creation of a minimum level of trust between the parties, through the process of incremental learning.

The process that had its climax with the signing of the agreements of December 1992, had an important impact also on the *constructed conditions* toward cooperation. First of all, the Basic Agreement, in its first articles, revived and deepened the principles of the 1972 Joint Declaration, in terms of peace, avoiding military conflicts and confrontation, mutual respect of each political system or ideology. What is more, it tried to overcome the situation of *competitive coexistence* toward a condition of *peaceful coexistence*, seen as a necessary prerequisite for a process of national reconciliation. The systemic changes of the events of 1989, modified the fundamental conditions of the division of the peninsula and, even if a fast reunification by absorption was not a viable option, the first years of the '90s were characterized by an effort toward the reduction of military tension and the establishment of a peaceful and cooperative coexistence between the two states. The goal

was to start a long-lasting process of national reconciliation. With this perspective, it became very important to focus the attention to the shared meanings between the two Korean states and their common belonging to the Korean national community. In this sense, the *Special Declaration*, issued on July 7, 1988 by South Korean President Roh, and, even more, the plan for the “*Korean National Community*”, presented by Seoul government in 1989, had the clear goal to emphasize the common features of North and South, recall the phased plan of reunification, presented a few years earlier by Kim il-sung, and act to rebuild a common Korean identity, trying to recover the shared characteristics that decades of division had eliminated, or replaced with a new South Korean or North Korean national identity. This process of (re)-construction of the conditions for a long-term cooperation, were much deeper than what had happened in 1972 with the Joint Declaration. Indeed, in this case, the conditions of the international system had changed permanently, and this created larger room for operating – especially for South Korean government – and a broader strategic perspective; especially compared with the beginning of the ‘70s, when the process of rapprochement seemed to be more a tactical adjustment to the changed conditions on the ground²³.

As had happened in the '70s, the new process of rapprochement of the early ‘90s was forced to suffer a setback. In this case, however, the reasons were different. In the previous period, in fact, a return to an era of tension between the two opposing blocs had also reported tension on the peninsula, showing that the process of rapprochement was more a response to changing conditions than the result of an actual reconciliation project. In this case, instead, the changes in the international system appeared to be definitive. The collapse of the Soviet Union, and the rapid disintegration of the bloc that was built around it, left no room for a possible reconstruction. The failure of the coup in Moscow, in 1991, put an end to the attempts to return to the Soviet system. Similarly, the very rapid transitions, which involved most of the countries of the socialist bloc, represented the same epitaph at the international level.

Despite the changes that had favoured the development of inter-Korean cooperative process between the ‘80s and ‘90s were considered stable and had given birth to a new global balance of power, why this process was interrupted again, just like in 1972? The main causes were the changes in the government in South Korea and the new attitude of

²³ Koh, Byung-chul 1990, ‘A comparative study of unification plans’.

North Korea. Regarding the first, the South Korean presidential election of 1992 had ensured the victory for Kim Young-sam, member of the political coalition in charge; President Kim, however, as we saw in the second chapter, did not have the same vision in terms of inter-Korean relations than his predecessor Roh Tae-woo, and characterized his presidency as a period of wavering and inconstant relations with North Korea. This attitude affected largely the process of inter-Korean cooperation. Although it did not erase the positive results achieved, the freezing in the implementation of the Agreements put the relations between the two states in a sort of stalemate for the following five years, with a sharp decline in the frequency of inter-Korean meetings and especially in the importance of the issues involved.

In addition, North Korean attitude in the talks changed toward a lower level of flexibility, and the strong increase of its nuclear programme, that will led to the development of the first nuclear crisis, affected even more the all inter-Korean process. In fact, even if the North Korean nuclear issue cannot be considered as an inherent part of inter-Korean relations, its main events had – and still have – strong repercussion on the process of cooperation between North and South.

3.4 The 2000 Summit, the June 15 Joint Declaration and the Political Cooperation of the “*Sunshine Policy*”

The positive developments of the first years of the ‘90s will be the foundations for the new period of inter-Korea cooperation that will take place from 1998 onward, after the election of President Kim Dae-jung. As we saw in the previous part, the period of the so-called “*Sunshine Policy*” can be considered as the highest point for inter-Korean cooperation. The new course that President Kim gave to the relations with the North was clear from the very beginning and started to ease the tensions on the peninsula already in 1998-1999. At the same time, it gave great impulse to exchanges and cooperation. In particular, for the first time economic cooperation was pushed to the forefront and South Korean government started to create new legislative measures to make it easier and more productive.

The main success for President Kim, in terms of inter-Korean cooperation, was definitely the organization of the summit with North Korean leader Kim Jong-il, in June 2000. The

idea of a Summit between the two Koreas, at the highest level, had already been taken into account in the past. In 1994, a round of preliminary meetings with this goal were held, but they had not reached any positive result in this sense.

President Kim Dae-jung started working on the possibility of the Summit from the beginning of his mandate, delegating the matter to one of his closest collaborators – and stronger supporter of the “*Sunshine Policy*” – Lim Dong-won. With its famous speech on March 9, 2000, in Berlin, Kim Dae-jung made clear which was his plan of engagement toward North Korea and that he was willing to work for reaching the goal of a Summit between the leaders of the two Koreas²⁴.

For the first time in 55 years of Korea’s division, the South-North summit was held in Pyongyang from June 13 to 15, 2000, after finalization of a secret agreement by special envoys reached on April 8, 2000. The summit, although postponed one day at the request of Pyongyang for “technical” reasons, was carried out according to schedule through five rounds of deputy minister-level preparatory meetings.

What made the event especially notable was the unexpected presence of North Korean leader Kim Jong-il, who came to the airport to greet President Kim Dae-jung, and his warm and “charming” behaviour during the whole Summit. Moreover, Kim Jong-il got into the same limousine with President Kim and they were driven to the Baekhwawon State Guest House. Expressing goodwill and brotherhood, Kim Jong-il strode confidently by the welcoming crowds of North Koreans. The same image of a relaxed, self-assured leader was seen again at the airport when President Kim left for Seoul.

The three-day summit consisted of the two formal talks: the first one was a “reception meeting” by the North and the second was a face-to-face meeting between the two leaders and a meeting with North Korean legislative leader Kim Young-nam, as well as several area-specific discussions among the relevant officials.

After a three-hour long talk on the second day (June 14), the two leaders signed the landmark five-point Joint Declaration. The Joint Communiqué comprehensively covers the contents of the July 4 Joint Declaration of 1972, as well as the 1992 Basic Agreement, which was signed by the prime ministers and took effect in 1992. The Joint Declaration

²⁴ Kim, Dae-jung 2000, ‘Lessons on German reunification and the Korean peninsula’, *Le Monde Diplomatique*, March, 9.

differs from these agreements in that it was agreed to and signed personally by the leaders of the two Koreas. The Declaration consists of a Preamble – in which the two leaders recognize the historical relevance of the Summit and the legitimate wish of the Korean population of a peaceful reunification of the Korean nation – and 5 articles, that, under several points of view, recall the two previous inter-Korean documents²⁵.

1. *The South and the North have agreed to resolve the question of reunification independently and through the joint efforts of the Korean people, who are the masters of the country.*

The word “independently,” which was also mentioned in the July 4 Joint Declaration of 1972, has been a bone of contention between the two sides, because for North Korea, it means “eliminating the foreign influence,” including the withdrawal of the U.S. forces stationed in the South. When North Korean legislative leader Kim Young-nam raised the issue, citing the principles of “independence” and three-way cooperation between the Republic of Korea, the United States, and Japan, President Kim replied that three-way cooperation is a “win-win” policy that is advantageous to both the South and the North. Furthermore, when asked, whether the National Security Law hindered cooperation and exchange between the two Koreas, President Kim responded that a discussion for a revision was under way based on the draft submitted to the National Assembly. In addition, when Kim Jong-il took issue with South Korean National Security Law, President Kim, citing North Korea's laws and the Workers' Party platform, advised the North Korean leader that the two parties should not interfere in each other's domestic affairs.

In that light, the term “independently” is ambiguous because both sides have a different interpretation that serves their own interests. Nonetheless, the two sides seemed to be more interested in concentrating their efforts on the promotion of understanding, rather than in adhering to those interpretations. In the political climate surrounding the Summit, the two Koreas were already independently conducting diplomacy and independent inter-Korean economic cooperation was badly needed for the recovery of the North Korean economy.

²⁵ Kim, Tae-seo 2000, ‘An unprecedented shift: the Summit and the Joint Declaration’, *East Asian Review*, Vol. 12, No. 2.

With respect to the meaning of the term “independently,” President Kim explained that whereas Pyongyang had interpreted it as “elimination of foreign intervention” in the past, after the Summit it viewed it as “resolving the inter-Korean issues independently while maintaining friendly relations with neighbouring countries.” He made it clear that while the issues concerning the Korean Peninsula should be resolved by the two Koreas themselves, both Pyongyang and Seoul must acknowledge the importance of maintaining cooperation with the international community.

2. For the achievement of reunification, we have agreed that there is a common element in the South's concept of a confederation and the North's formula for a loose form of federation. The South and the North agreed to promote reunification in that direction.

Kim Dae-jung's formula advocated the maintenance of “one people, two states, two systems, and two governments” while forging close cooperation in order to “manage the divided states peacefully and to work toward integration efficiently.” The institutional mechanism would consist of negotiating bodies, including those between the chief executives, between cabinet members and between legislatures. This formula is based on the concept that once the two sides build mutual political trust, they can form a confederation and set up institutional mechanisms to promote cooperation that will as a natural consequence, bring about peace and reconciliation.

In contrast, North Korea's federation presupposes “one people, one state, two systems and two governments.” Under this system, the central state government would control diplomacy and military affairs while the two regional governments of the South and the North would have autonomy. The “loose form of federation,” as proposed by Kim Il-sung in his new year's address in 1991, would be set in place as part of the interim phase prior to finally establishing the above-mentioned federation. It would give the regional governments a mandate over diplomacy and military affairs, while the central state government would be a nominal, symbolic entity. Therefore, based on the acknowledgement that the South-North confederation and loose form of confederation have common factors, both aiming at achieving peaceful co-existence, the two sides appeared to have reached a consensus on pursuing reunification along these lines.

Two of the five articles of the Joint Declaration deal with the means for reunification, an indication of its importance to both parties. The two leaders devoted much time to discussing this issue and were very cautious in their approach in reaching a consensus. As

a result, they adopted the expression “loose form of” so that the two sides would converge on the idea of establishing a confederation.

After returning to Seoul from his three-day trip, President Kim advised that “this issue should be discussed in detail by government representatives, scholars, and experts from the two sides” (return speech on June 15). He also added, “Even though discussions on means for reunification may take a while, they should be carried out so that both parties feel secure” (cabinet meeting on June 16).

The South-North Confederation is, in essence, a confederate state based on mutual trust built by reconciliation and cooperation. It is a system designed for stable and effective management of the reunification process and for the reunion of the long-separated citizens of the South and the North.

3. The South and the North have agreed to promptly resolve humanitarian issues: first, exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and second, the question of unconverted Communists serving prison sentences in the South.

Only once in the previous period was a group of separated family members allowed to meet. As we saw earlier, In 1985, a group of 50 separated family members (one hundred including the members of a performing arts troupe) visited Seoul and Pyongyang upon agreement between the two governments. The governments planned subsequent visits, but they never materialized. In November 1989, North Korea rejected the plan by taking issue with the contents of the performance. In March 1993, Pyongyang refused resumption of talks between Red Cross officials, a move proposed by Seoul upon the repatriation of Li In-mo, a long-time communist prisoner. Furthermore, at the South-North talks in Beijing in April 1998, North Korea wanted only to discuss Seoul's provision of fertilizer rather than that of the issue of reunion of separated families that was on the agenda.

The Joint Declaration specified the timing of the exchange of family members as August 15, making it appear to be an isolated event. However, President Kim insisted that this would be not the case, saying “Red Cross officials will meet this month.” Accordingly, a series of institutional measures were enacted, including locating dispersed family members, exchanging letters, and establishing meeting places. The inclusion of the expression humanitarian issues, including the repatriation of communist prisoners leaved room for discussion of other issues, such as the repatriation of South Korean fishermen detained in North Korea.

4. The South and the North have agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, health, environmental and all other fields.

In his proposal dubbed the Berlin Declaration on March 10, 2000, President Kim stated, “North Korea's infrastructure, including electricity, railroads, and ports, will be improved.” Moreover, at the June 10th cabinet meeting held after the summit, he ordered the ministries to undertake the flood-prevention project on the Imjin River and to construct railroads (reconstruction of the Kyongwon Railroad Line linking Seoul to Wonsan, North Korea's east coast city), as well as to begin a dialogue between government authorities.

At the farewell luncheon held on June 15, Kim Jong-il also made a proposal to reconstruct the Kyongi Railroad Line, which had linked Seoul to Shinuiju, a North Korean city in the Northwestern region, suggesting that it would have been accomplished by mobilizing the South and North Korean militaries. The most urgent economic cooperation project requested directly of President Kim by Kim Jong-il himself was the support for building electrical power facilities. In a speech upon returning to Seoul, President Kim stated, “the South and the North clearly agreed that they will cooperate in all sectors, including culture and sports.” Furthermore, at the farewell luncheon, in response to Minister Park Ji-won's request for an invitation to a delegation of South Korean media leaders, Kim Jong-il answered that “either, personally or in my capacity as North Korea's National Defense Commission Chairman, I will invite Minister Park and the delegation representing of South Korean newspaper and broadcasting companies.” All these developments pointed toward a gradual, but substantial, advancement in South-North cooperation and exchange in various sectors.

5. The South and the North have agreed to hold a dialogue between relevant authorities in the near future to expedite the above agreements.

This indicates that, based on an agreement reached between the two leaders, a dialogue between government officials will be held, particularly focusing on the third and fourth points of the Communiqué. For example, the same year, in response to a June 17 North Korea Red Cross Society proposal for a meeting, the Korean National Red Cross suggested it be held on June 23, 2000. In addition, the South Korean government held a

National Security Council meeting to finalize plans for the High Level Government Talks between two Korea on July 6, 2000²⁶.

The five-point Joint Declaration consists of fundamental issues, such as Article 1 and 2, pending issues and their implementation, Article 3, 4, and 5, as well as the historical significance of the first South-North summit and Kim Jong-il's acceptance of the invitation to visit Seoul extended by President Kim. There are several points of great interest that can be drawn from an in-depth analysis of this document.

First, the idea of “elimination of foreign intervention” based on its “Three Principles of National Reunification” is something North Korea hoped to manifest through the wording independently. This may become a source of contention; however, Seoul's position favouring reunification by the two Koreas themselves, with the support of the international community, was likely to prevail.

The two leaders had a frank discussion on the nuclear and missile issues, as well as on the U.S. forces stationed in South Korea. Moreover, Pyongyang acknowledged the need for each side to carry out diplomatic efforts in the midst of the political dynamics surrounding the Korean Peninsula.

Second, acknowledging that Seoul's confederation and Pyongyang's loose form of federation for reunification were based on a common perception, it became desirable for both sides to achieve reunification on a gradual basis, taking into account each others position and interest. Reunification is of paramount importance, relevant to national security and thus, requires careful thought in reaching a national consensus. Therefore, the two sides decided to continue the discussion, and the progress, and various joint committees could be launched.

Third, some pending issues and their implementation were somewhat abstract compared to those specified in the 1992 Basic Agreement. Considering North Korea's relationship with the outside world, the overall consensus is that the two sides will pursue the matter carefully. Moreover, continued progress and expansion in cooperation in various sectors could be achieved through the establishment of institutional mechanisms and organizations²⁷.

²⁶ Chang, Noh-soon 2000, ‘After the Korean Summit: the challenging consequences of the detente’, *East Asian Review*, Vol. 12, No. 3.

²⁷ Moon, Chung-in 2001, ‘Similarities and dissimilarities: the inter-Korean summit and unification formulae’, *East Asian Review*, Vol. 13, No. 3, pp. 59-80.

Fourth, in view of the historical significance of the first South-North Summit and the prospect of a possible – but never materialized – Kim Jong-il's official visit to Seoul, the Joint Declaration was a vital tool for facilitating inter-Korean cooperation and exchange, and ultimately, reunification. However, that depended largely on the implementation of the agreed provisions, the surrounding political climate, and the possibility of a second Summit²⁸.

In general, North Korea was focused on maintaining a cause and on acquiring both economic gains and a means by which to resolve its current diplomatic and security difficulties. Meanwhile, the South was interested in establishing a framework to achieve *peaceful coexistence* and to that end, Seoul made efforts to create diplomatic conditions conducive to carrying out an engagement policy toward the North. The Joint Declaration goes well beyond serving the interests of either party; it was aimed at achieving coexistence and co-prosperity through compromise and cooperation.

To be sure, the landmark five-point Joint Declaration signed by the two leaders is one of the greatest achievements of the Summit. However, it has shed light on other elements that are of great importance as well.

First, the Summit served as a natural, albeit carefully orchestrated, opportunity for Kim Jong-il to improve his image, implying that he was likely to expand his diplomatic scope in the international community.

While Pyongyang had previously insisted on the inclusion of its “Three Principles of National Reunification” in the summit agenda, at the actual meetings, the North Korean delegation was more interested in participating in frank and substantive discussions than in following the agenda. Clearly, a face-to-face meeting with the North Korean leader Kim Jong-il enabled meaningful substantial communication with tangible results.

In contrast to the low-key treatment of the July 4 South-North Joint Declaration (1972) and the 1992 Basic Agreement, this time, North Korean press coverage paralleled media coverage by South Korea and the international media. Such unprecedented attention demonstrated that Kim Jong-il expected a great deal from the Summit, or at least wished to take advantage of the publicity.

Additionally, the “independent” achievement of reunification through common elements in the unification formulas of both sides, as well as cooperation in various sectors

²⁸ *Ibidem*.

mentioned in the Joint Declaration, were based on Pyongyang's understanding that the South had no intention to "absorb" the North, but rather wanted to preserve both governments. Based on this belief, Pyongyang agreed to hold inter-Korean dialogues, and to shift its policies favourably toward USA and Japan.

By the end of the summit, there was guarded hope for the future of the Korean peninsula, under the constant shadow of war from. Both sides confirmed that neither had any intention to invade the territory of the other and vowed to refrain from further threats. After returning to Seoul, President Kim explained that "the two sides came to a mutual understanding on deterring war and establishing peace." He also added that "if we have the will, there will be no war. We have reached a common understanding regarding many issues." Another note, at the farewell luncheon on June 15, Kim Jong-il proposed, "If the troops of the North and South continue to face each other as before, they will remain enemies. In order to remedy that, we should mobilize them for the reconstruction of the Kyongi Railroad Line." In addition, Cho Myong-rok, first vice-chairman of the National Defense Commission and chief of the General Political Bureau of the People's Army, offered some significant remarks in a speech at a luncheon attended by the two leaders, "In good faith, the two leaders have made a historic decision before the Korean people. We will faithfully carry out the North-South Declaration." Kim Jong-il also ordered that a meeting of the National Defence Commission be convened to stop the slanderous propaganda against the South, including in border areas near the 38th parallel. He further vowed to cancel the June 25 ceremony conducted annually in commemoration of the Korean War²⁹.

The above-mentioned characteristics of the Joint Declaration imply that lengthy and careful discussions between relevant government authorities preceded their inclusion. Details were prepared and examined thoroughly by the two sides prior to the summit, and it appears that the two leaders reviewed and finalized it at the face-to-face meeting.

At the summit, President Kim is said to have made public South Korea's comprehensive and detailed stance on the pending issues that the United States and Japan asked Seoul to communicate to Pyongyang (June 15, presidential spokesman Park Jun-young). He spoke to Kim Jong-il extensively about the nuclear and missile issues, urging that the Joint Declaration of the Denuclearization of the Korean Peninsula and the Agreed Framework

²⁹ Kim, Tae-seo 2000, 'An unprecedented shift: the Summit and the Joint Declaration'.

of 1994 must be faithfully observed. He also strongly called for successful conducting of the ongoing missile talks between Washington and Pyongyang, maintaining that the missile threat undermined peace on the Korean peninsula. In addition, he advised that the North Korean economy and the stability of its regime would benefit if Pyongyang were to establish friendly relations with the USA and Japan, in the same way that Seoul has established ties with China and Russia, while at the same time cooperating with Washington and Tokyo. He also explained that just as NATO had remained after the collapse of the Soviet Union to sustain stability and balance in Europe, American forces stationed in Korea would be necessary to ease tensions on the Korean peninsula as well as to preserve the balance of power in Northeast Asia. He continued that “the topics covered included the nuclear and missile issues, U.S. forces stationed in South Korea, and South Korean National Security Law. A summary of the discussion was documented and given to Chairman Kim Jong-il.” According to Kim Jong-il's request, President Kim delivered Kim's message to Clinton immediately after returning to Seoul. While delivering Japanese Prime Minister Mori's message about “Japan's strong commitment to establishing diplomatic ties with the North,” President Kim emphasized the importance of improving ties with the USA and Japan, as well as the critical importance of halting nuclear and missile development for the peace of Northeast Asia. From the perspective of the international environment also, both Kim Jong-il's unofficial visit to China 10 days before the Summit – the first ever since his official ascendance to power – and Russian President Vladimir Putin's scheduled visit to North Korea, for the first time in Korea's history, were expected to have a positive effect on the issues surrounding the Korean peninsula³⁰.

The first priority was economic assistance for North Korea, after which Pyongyang may express the wish for reconciliation hoping for further easing of economic sanctions from Washington. The issue may also cause confusion and raise doubts among the South Korean public about their long-held perceptions of the North. Such drastic changes in diplomacy and increased exchanges with Seoul had some negative implications. Since the Agreed Framework, Seoul, rather than Washington, has been branded North Korea's major enemy. Thus, Pyongyang's face at the summit could cause confusion internally, and even

³⁰ Lee, Jung-min 2000, ‘A geopolitical shift: Korean peninsula after the Summit’, *East Asian Review*, Vol. 12, No. 4, pp. 53-70.

Kim Jong-il could not be certain about how the North Korean military and the power elite would have reacted.

Although Seoul would have to bear some economic burden, its status was secured and recognized by the North as such. This was confirmed by the plan to hold dialogues between government authorities as well as to forge government-level economic cooperation. Clearly, it would contribute to the establishment of a framework for peaceful coexistence and co-prosperity. The most important task, however, was to reach a national consensus on the Joint Declaration based on full support from South Korean public opinion so that the efforts to secure peace would have been effective.

Some flexibility was shown also regarding the domestic issues of the two states that were of relevant interest for the counterpart. In response to President Kim's argument that "the abrogation of Seoul's National Security Law should be considered in line with revision of the Workers' Party platform," Kim Jong-il is said to have remarked, "we will take the initiative and convene the 7th Party Congress to revise the party platform"³¹.

Moreover, it must not be overlooked that despite the publicity blitz regarding the inter-Korean Summit, Pyongyang emphasized "the need to lay a solid economic foundation and to increase its ability to survive since the inflow of foreign capital and aid could eventually lead to the enslavement of our country by imperialists"³².

All of the above-mentioned factors, including North Korea's seemingly contradictory claims, the friendly attitude shown by Kim Jong-il at the Summit, expanded cooperation and exchange between the two Koreas and their relations with surrounding powers, had a dramatic effect on the development of inter-Korean cooperation.

The inter-Korean summit was meant to accelerate the process of normalization and institution-building in inter-Korean relations in three important ways: first, a shift from confrontation to reconciliation; second, the normalization of government-to-government relations; and third, the beginning of a process to end the Cold War on the Korean peninsula. The two Korean leaders agreed that "the two Koreas must avoid war and end confrontation while promoting reconciliation and cooperation" between the two Koreas. The June 15 Joint Declaration was, in fact, based on such a consensus. The initial expectation of the summit talks was to bring an end to the Cold War on the Korean

³¹ Moon, Chung-in 2001, 'Similarities and dissimilarities: the inter-Korean summit and unification formulae'.

³² Editorial, *Rodong Shinmun*, April 22, 2000.

peninsula by accelerating the normalization process between North Korea and the international community. In the months following the Summit and the release of the Declaration, the dialogue and cooperation between North and South saw a major increase in various fields.

Tab 3: Number of Dialogue by year and subject (1999-2003)

Year / Subject	Politics	Military	Economy	Humanitarian Cooperation	Social and Cultural Exchanges	Total
1999	8					8
2000	18	4	3	2		27
2001	2	2	3	1		8
2002	4	9	14	3	2	32
2003	5	6	17	7	1	36

Source: Ministry of Unification, *Chronology of Inter-Korean Dialogue – Statistics*

The South and North Korean Red Cross delegations met on June 27, 2000, in the Mt. Kumgang Hotel to work out the details of the agreement reached in the joint declaration on resolving humanitarian issues. The talks led to the two sides agreeing to exchange visits by separated families and to establishing a meeting place for repatriation of unconverted long-term prisoners in the South. The South Korean government hailed this agreement as a success because it was the first concrete project produced in the wake of the June 15 Declaration, and also the first in 15 years. The last prearranged visit by a group of 50 members of separated families from the two Koreas had occurred back in 1985.

On August 15, 2000, two 100-member groups of South and North Korean separated families each visited Seoul and Pyongyang and met with their families and relatives according to a pre-arranged schedule. On September 2, South Korea also repatriated all of the 63 unconverted long-term prisoners who had wished to return to the North. From November 30 to December 2, the second exchange of mutual visits, consisting of 100 member groups of separated families from each side, also took place³³.

³³ Chang, Noh-soon 2000, 'After the Korean summit: the challenging consequences of the detente'.

Next, the two Koreas agreed to hold ministerial talks regularly in order to implement the agreements stated in the Joint Declaration. This process involved two tiers of dialogue and negotiation between the two sides: ministerial talks to discuss issues related to reconciliation and cooperation, and a series of working-level discussions on particular issues, such as a joint committee for economic cooperation. In the six month period from July to December 2000, four rounds of ministerial talks and several working-level meetings were held to implement the June 15 North-South Joint Declaration.

The first South-North Ministerial talks were held in Seoul, July 29- 31, 2000. The two sides agreed to conduct their meetings according to a three-fold principle, “as a way of faithfully implementing the agreement of the June 2000 Korean Summit”. First, they agreed to “discuss and resolve the ways to implement the Joint Declaration signed by the two leaders in such a way as to respect the agreement and pursue common interest”. Second, they agreed to “depart from the past habits of distrust and disputes to resolve easy issues first in the spirit of mutual confidence and cooperation”. Third, they agreed to “give importance to actions so that they can produce realistic outcomes before the nation, and shall aim at achieving peace and unification”. These principles provided the benchmark and guidelines for conducting the business of subsequent inter-Korean ministerial talks between the government officials of the two sides³⁴.

The first South-North ministerial level talks, held on July 30 in Seoul, adopted a six-point statement of agreement to be released to the press at the end of the meeting. These included:

1. to resume the operations of the South-North Liaison Office at Panmunjom;
2. to hold events in the South, North and overseas respectively in support of the South-North Joint Declaration;
3. to drum up national determination at large to put it into practice on August 15 (National Liberation Day);
4. to rehabilitate the Seoul-Shinuiju Railway and discuss the issues thereof at an early date;

³⁴ ‘Overview of Inter-Korean Relations in 2000’, *Korean Unification Bulletin*, No. 26 (December 2000), Ministry of Unification of the Republic of Korea, Seoul, p. 3.

5. to cooperate and take appropriate measures to ensure that members of Chongryun (the General Association of Korean Residents in Japan) can form tour groups to visit their hometowns;
6. to hold the next round of inter-Korean ministerial talks in Pyongyang on August 29-31, 2000³⁵.

The second South-North Ministerial Level Talks were held in Pyongyang on August 29-September 1, 2000. The joint press communiqué issued at the end contained a seven-point agreement that included:

1. to hold two more rounds of reunions of separated families and relatives within the year and to arrange for a new round of inter-Korean Red Cross talks;
2. to work toward easing military tension and ensuring peace and to hold, for such purposes, talks between South and North Korean military authorities at an early date;
3. to establish a legal framework for economic cooperation, such as guarantee of investment and avoidance of double taxation and, for that purpose, to hold working-level contacts sometime in September;
4. to hold working-level contacts to discuss a schedule for connecting the railway between Seoul and Shinuiju and opening the road linking Munsan with Kaesong;
5. to meet to promote joint flood prevention project on the Imjin River at an early date";
6. to exchange about 100 tourists from each side to visit Mt. Halla in the South and Mt. Paektu in the North between mid-September and early October (such exchange visits of tourists did not take place during 2000);
7. to hold a third round of ministerial-level talks in Mt. Halla on September 27-30, 2000³⁶.

In addition to the two rounds of North-South ministerial-level talks held in Seoul and Pyongyang, respectively, several working-level meetings were also held between the two Koreas in an attempt to further clarify the agenda and to deepen the process of

³⁵ 'The 1st South-North Ministerial Talks', Ministry of Unification of the Republic of Korea, Seoul, July 31, 2000.

³⁶ 'The Result and Significance of the Second Round of Inter-Korean Ministerial Talks', *Korean Unification Bulletin*, No. 22 (August 2000), Ministry of Unification of the Republic of Korea, Seoul, pp. 1-2.

consultation and negotiation on the matters of mutual interest before holding the subsequent round of inter-Korean ministerial talks. The first important and notable working-level talk was a three-day visit to Seoul by the Korean Workers Party Secretary Kim Yong-sun on September 11-14. He came to Seoul in the capacity of a special envoy of North Korean leader Kim Jong-il to discuss views on a wide range of issues addressed between the two Koreas. He also met with President Kim Dae-jung at the Blue House before returning to Pyongyang via the truce village of Panmunjom.

A seven-point press statement was issued at the end of Kim Yong-sun's Seoul visit. The statement expressed Kim Jong-il's will to visit Seoul in the near future; both sides welcomed the on-going discussion over holding the talks between the South's Minister of Defence and the North's Minister of People's Armed Forces and agreed to start the process of address checks for separated families and to allow those who have confirmed addresses to exchange letters. In addition, they decided to hold a round of Red Cross talks in Mt. Kumgang on September 20 to discuss the issues related to exchanging two additional groups of separated families within the year as well as to establish and manage a permanent meeting centre³⁷.

Four additional points of agreement on substantive matters, mostly related to the development of inter-Korean economic exchanges and cooperation, were also reached during Secretary Kim's Seoul visit. Both sides agreed, for instance, to settle the issue of investment guaranty and avoidance of double taxation by holding a working-level meeting in Seoul on September 25 to develop an institutional mechanism, to have a ceremony to connect the Kyongi Rail Line and a road as soon as possible, to send to the South an economic mission of North Korea composed of about 15 people in the month of October, and to start a joint survey for a flood prevention project in the Imjin River area and develop detailed plans for the project before the end of the year.

At the ceremony for the restoration of the Seoul-Shinuiju railroad and the inter-Korean road, held at the Imjingak, south of the DMZ, on September 18, 2000, President Kim Dae-jung took the occasion to hail the project as a milestone in ending the Cold War on the peninsula. He said that "(Whereas) the severed railroad has been a symbol of the division

³⁷ Kihl, Young-whan 2001, 'Overcoming the Cold War legacy in Korea? The inter-Korean Summit one year later', *International Journal of Korean Studies*, Vol. 5, No. 2, pp. 1-24.

and Cold War... today's groundbreaking for the restoration of the railroad will begin a new age of reconciliation, cooperation and partnership”³⁸.

Subsequent to Kim Yong-sun’s Seoul visit, a historic meeting was held between the defence ministers from the two Koreas on Jeju Island, in the South, on September 25-26. The purpose of the talks was to provide military assurance for the implementation of the June 15 Joint Declaration. The meeting issued a five-point statement of agreement broadly to ease military tensions and remove the threat of war on the Korean Peninsula. The statement declared that both sides “would do their utmost to implement the joint declaration made by the heads of the South and the North” and “actively cooperate with each other to remove military obstacles in assuring travel, exchange and cooperation between civilians”. The most interesting point made was that both sides “hold the same view that to reduce military tension on the Korean Peninsula and remove the threat of war by establishing a durable and stable peace is a matter of vital importance and agreed that they shall work together towards this end”³⁹.

The two defence ministers also stated that both sides shall allow the entry of personnel, vehicles and materials into their respective sections of the Demilitarized Zone, with respect to the construction of a railway and a road that connects the South and the North, and to review issues related to the safety of construction workers and that the working-level officials from both sides should have meet the following October to discuss the details related to this; another key point that was addressed in the meeting was about the problem of opening the Military Demarcation Line and the Demilitarized Zone in the areas around the railroad and the road that connected the South and the North on the basis of the armistice treaty and, finally, the decision to hold the second round of the talks in a location in the North in mid-November⁴⁰.

Subsequently, a follow-up working-level meeting on economic cooperation was held in Seoul on September 25-26. This meeting addressed substantive “issues related to an institutional mechanism for investment guarantee and avoidance of double taxation”. Participants agreed that “they needed written agreements on procedures for settling business disputes and clearing accounts and need to discuss this through” by establishing

³⁸ ‘The groundbreaking ceremony for the rail and road link of Kyongui Line’, Ministry of Construction and Transportation, Seoul, 2000.

³⁹ ‘Source Material on Inter-Korean Relations’, *Korea and World Affairs: A Quarterly Review*, Vol. 24, No. 3 (Fall 2000), pp. 453-481.

⁴⁰ Kihl, Young-whan 2001, ‘Overcoming the Cold War legacy in Korea?’.

the working-level contacts in the following inter-Korean ministerial talks. Apart from the procedural points, the meeting produced an important seven-point inter-Korean agreement on food aid: the South agreed to provide the North “in the form of a loan of 300,000 tons of foreign rice and 200,000 tons of foreign corn as soon as possible” and “the terms for repayment of the loan shall be 30 years, including 10 years of a grace period and the annual interest rate to be 1.0%”.

The agreement went on to state that the extension of the loan and its repayment under this agreement should have been made according to a loan agreement signed between the Import and Export Bank of the South and the Foreign Trade Bank of the North and that the North should provide all the facilities needed for the smooth implementation of the food loan and assure transparency in distribution. The South Korean government also offered an additional 100,000 tons of foreign corn that would be provided to the North free of charge through the United Nations World Food Program (WFP). The total cost of the food loan and donation to the WFP amounted to approximately \$100 million.

The third inter-Korean ministerial talks were held on the Jeju Island on September 27-30. This meeting led to a six-point statement of agreements. A 22-member North Korean delegation, led by a senior cabinet councilor, Jon Kum-jin, flew to the southern island of Jeju on September 27 via Beijing and Seoul. South Korean Unification Minister Park Jae-kyu led the South Korean delegation. Each delegation had five regular members, along with four other delegates from each side. The six-point statement of agreement was broad, starting from the promise “to implement all the agreements already made in various forms of talks and continue to discuss a wide range of issues in depth” and “to cooperate with each other and to encourage the Red Cross societies of both sides to immediately take necessary measures for a prompt settlement of issues related to separated families” and to praise “the successful completion of the first round of the working-level contact to provide institutional mechanisms for economic cooperation”⁴¹.

The only substantively notable agreement at this session had to do with establishing a Committee for the Promotion of Inter-Korean Economic Cooperation to discuss and implement various issues to expand exchange and cooperation in the economic area. At this meeting the South proposed to expand exchanges and cooperation in various areas – including academic, cultural and athletic – and to hold regular soccer matches alternatively in Seoul and Pyongyang. The South also proposed exchange of visits by

⁴¹ ‘The Third Round of Ministerial Talks’, *Korean Unification Bulletin*, No. 24 (October 2000), Ministry of Unification, Seoul.

college professors, students and cultural leaders, while the North promised to give a positive review of the projects for exchange and cooperation, including these proposals. Finally, the two parts agreed to hold the fourth round of the inter-Korean ministerial talks on November 28-December 1.

The fourth round of inter-Korean ministerial talks was held on December 12-16 in Pyongyang. At this meeting the two sides traded criticisms on issues that had posed obstacles to the steady improvement in inter-Korean relations. These included the North's denunciation of the Pyongyang regime as the "potential enemy number one" in a South Korean defence white paper, and the South's complaint against the North's criticism of the South Korean Red Cross president for what he said during an interview with a monthly magazine in Seoul. Nevertheless, both sides agreed that the projects undertaken during the preceding six months to implement the June 15 Joint Declaration were to be considered as the main goal. At the end, an eight-point joint press release was issued that reflected the spirit of inter-ministerial and working-level discussions⁴².

The statement included an agreement to promote a balanced development and co-prosperity of the Korean national economy, by establishing and operating a Joint Committee for Promoting Inter-Korean Economic Cooperation. This joint committee will consist of a vice-ministerial level head of the delegation and five to seven members from each side. Items to be discussed by the joint committee were to include such practical issues in prospective economic cooperation, as: the supply of electricity, connection of railroads and highways, construction of the Kaesong Industrial Complex, and promotion of the Imjin River flood prevent projects.

They also agreed to cooperate in the fishing industry. The North offered a part of its fishing ground on the East Sea to the South. People representing their respective fishery authorities would meet in the Mt. Kumgang area to discuss the matter. They agreed to advise their respective Taekwondo organizations to meet with each other to discuss the exchange of exhibition teams between the two Koreas, and to promote address check and exchange of letters between the members of separated families.. They agreed to exchange the third group of one hundred separated families at the end of February 2001. The North should also send its Mt. Halla tourist delegation in March and its economic mission during the first half of 2001. The most important point of agreement at this meeting was that they will have each of four agreements signed by the heads of delegations, related to

⁴² 'The Forth Round of Ministerial Talks', *Korean Unification Bulletin*, No. 26 (December 2000), Ministry of Unification, Seoul.

investment protection, avoidance of double taxation, account settlement and business dispute arbitration. The two parts agreed also to go through the necessary procedure for effectuating these agreements and notifying each other of the result and to hold the fifth round of inter-Korean ministerial talks in March 2001⁴³.

The process that brought to the inter-Korean Summit and the June 15 Joint Declaration marked a clear change with the previous inter-Korean political cooperation processes. Although several passages of the declaration take into accounts points already discussed in the previous documents, the path that led to the signing was of a total different nature, compared to the past.

First of all, while the 1972 Joint Declaration and the Basic Agreement came directly from major changes in the international environment, the June 15 Declaration was a product of a process entirely within inter-Korean relations – even though the international context was, at that time, favourable for a development of this kind. The Sino-American rapprochement at the beginning of the ‘70s worked as the main impulse for the beginning of inter-Korean dialogue and cooperation. The end of the Cold War gave new space for regional conflicts and rivalries to evolve and be solved; under these favourable conditions, the proactive stance of President Roh Tae-woo’s *Nordpolitik* – together with the flexibility shown by North Korean leader Kim Il-sung – make the signing of the Basic Agreement possible.

At the end of the ‘90s the situation was different. The upheavals of the end of the Cold War were already become new structural conditions of the international system and the unipolar balance of power, based on the predominance of the United States, was already under way for several years. Also, in the East Asia region there had been no major changes since the beginning of the decade. Thus, the international environment, even if it must be taken into consideration, was not a major driver for the changes in inter-Korean relations. Obviously, the favourable conditions – especially related to the positive relations between North Korea and the Clinton’s administration after the 1994 Agreed Framework – played a role in increasing the chances of success for Kim Dae-jung’s North Korea policy.

This relative political stability of the region also created the conditions to reduce the number of actors involved in inter-Korean relations to the two Korean states themselves.

⁴³ Kihl, Young-whan 2001, ‘Overcoming the Cold War legacy in Korea?’.

The nuclear issues was apparently under control from 1994 and the major powers were looking positively to an engagement policy from Seoul to Pyongyang, aimed at reducing the isolation of the latter and promoting a process of rapprochement and national reconciliation.

The second main difference that can be found between the June 15 Declaration and previous examples of inter-Korean political cooperation that we have taken into consideration is related to the inter-Korean relations process itself: the Summit was, at the same time, the highest point and the starting point for the “*Sunshine Policy*”. In other words, the meeting between Kim Jong-il and Kim Dae-jung marked a clear difference with the previous approaches to inter-Korean relations and gave leeway to the huge number of meetings, exchanges and cooperation that we described above, as direct results of the Declaration, but also to the path of cooperation – mostly economic – that characterized the presidency of Roh Moo-hyun, from 2003 onward.

The 1972 Declaration had a more tactical than strategic character, as a response to the changes that came from the outside. The Basic Agreement can be seen as the culmination of Roh Tae-woo’s *Nordpolitik*, but it had great difficulty in its implementation and achieved poor practical results. The Summit of 2000, instead, was part of a context characterized by a policy of *constructive engagement* on the part of South Korea and created a ground of political legitimacy for all the subsequent meetings and cooperation projects.

From the perspective of the *variable conditions* for a positive development of cooperation, as we previously described, the process initiated by the Summit of June 2000 acted decisively on all three aspects. The institutionalization of the inter-Korean relations reached its maximum degree, with regular meetings between the Red Cross, the North-South Ministerial Talks, the Defence Minister Talks, the Working Level meetings on Economic Cooperation and other events of great symbolic and practical value, such as the visit to Seoul by Kim Yong-sun and the ceremony for the reopening of the rail link Seoul-Shinuiju.

Precisely because of the high degree of institutionalization and the large number of issues addressed, also the variable of time is deeply affected. In this way, in fact, the possibility of future interactions between the two actors are decisively multiplied and the weight that they have on the current decisions increases. The defection is thus strongly discouraged, while a strong incentive to cooperate is created, thanks to the possible gains from future interactions. This process creates a kind of virtuous circle that increases the chances of

cooperation and triggers a process of incremental learning that creates mutual trust between the parties.

The Summit and the Joint Declaration had an unprecedented impact also on the third category of conditions for a positive cooperative interaction. For a long time, as a result of the 1950-53 conflict and the deep ideological and strategic division of the peninsula North Korea was labelled the “main enemy” of South Korea. The “communist threat from the north”, although a reality, has long been used by authoritarian governments of South Korea as a pretext for a tight control and political and social repression within the country. The shared meanings between the two States, based on a shared language, a shared history, a shared culture, began to fade, undermining any possibility of reconciliation or reunification. The idea of one Korean Nation on the peninsula is vital for the improvement of inter-Korean relations⁴⁴. The definition of an in-group, of which both Koreas are a part, can foster the creation of mutual trust based on shared meanings.

As we previously saw, during the years some attempts to change this situation of negative mutual perception have been made, especially with the elaboration of plans for the creation of a Korean National Community or with important references to the shared nationhood between the two states – as in the case of the preamble of the 1972 Joint Declaration.

The Summit of 2000 had an enormous impact on mutual perceptions from both sides of the border. In particular, after the meeting between Kim Jong-il and Kim Dae-jung, the South Korean public opinion experienced a sort of “Kim Jong-il shock”. The kind welcome reserved for the South Korean president in Pyongyang and the whole course of the meetings, as well as the results achieved with the joint statement, undermined the well-established negative images of North Korea in the South⁴⁵. A series of surveys showed how the summit dramatically changed perceptions about North Korea in the South and pushed things forward in terms of further cooperation between the two parties⁴⁶.

⁴⁴ Ha, Yong-chool 2001, ‘A Summit and the search for new institutional identity’, *Asian Survey*, Vol. 41, No. 1, pp.30-39.

⁴⁵ Lee, Dong-bok 2000, ‘Inter-korean summitry: another indian game of elephant versus blind people?’, *Korea and world affairs*, Vol. 24, No. 2, pp. 207-227.

⁴⁶ Kim, Tack-whan 2000, ‘Image of North Korea after inter-Korean summit’, *Korea Focus*, Vol. 8, No. 6, (November/December), pp. 114-132. The survey was commissioned by the Korean Broadcasting Institute and originally reported in the *Korea Daily News*.

3.5 After the Summit: Analysis of the Political Cooperation during Roh Moo-hyun's Administration

As we have just seen, the Summit of 2000, as well as being a symbolic event of epochal proportions for the two Koreas, started an intensive activity of political and military cooperation on the peninsula. Such activism continued throughout 2000, 2001 and also in 2002. The elections of December of that year ensured the continuity of the approach of *constructive engagement* with the election of Roh Moo-hyun, who, regarding inter-Korean relations, was in perfect continuity with the approach of Kim Dae-jung. Nonetheless, when the new president took office, the situation was very different compared to five years earlier.

The American president was, in fact, George W. Bush, and not Bill Clinton. The first immediately set an intransigent line against Pyongyang and the North Korean nuclear issue, pushing even more towards a hard line the North Korean regime itself. As we noticed in the second chapter, also, between the end of 2002 and beginning of 2003, the second nuclear crisis in North Korea erupted, undermining even more the efforts of the new South Korean administration. If it is true that one of the cornerstones of the progressive approach was the separation between the economic and political sphere and the separation of the inter-Korean relations from the nuclear issue, a tightening of tensions of that scale could not have repercussions on the relations between the North and South. In the first place, despite the nuclear deterrent was not directed against Seoul, these developments created a security problem for Roh's government, perceived also by the public opinion. Also, the situation went to undermine the developments in terms of reliability of Pyongyang, as a partner in cooperation – in fact the regime was failing to fulfil both the Declaration on the De-nuclearization of the peninsula of 1992 and the Agreed Framework of 1994. Finally, the alliance with the US imposed to South Korea the strategic imperative of not directly contrast its main ally and, therefore, to look for a political balance between the all-out opposition of Washington to Pyongyang and the path of cooperation already undertaken.

This series of external conditioning forced South Korean President Roh to make use of a more limited range of options in its inter-Korean policy. This situation will have an impact especially on the initiatives of political-diplomatic and military cooperation between the two Koreas. Economic cooperation and humanitarian assistance, considered of less

importance in relation to security issues such as the nuclear programme, instead could remain active and evolve substantially, even compared to the years of Kim Dae-jung. This change in the management of inter-Korean relations is evidenced also by the shift in the main issue of the frequent meetings between the two Koreas. With the exception of 2007, the year of the Second inter-Korean Summit, there has been a significant increase for what concerns economy and humanitarian assistance, while politics and military issues lagged behind, both in terms of frequency of the meetings and importance of the delegations and topics – they were mostly working-level contacts.

Tab 4: Number of Dialogue by year and subject (2003-2007)

Year / Subject	Politics	Military	Economy	Humanitarian Cooperation	Social and Cultural Exchanges	Total
2003	5	6	17	7	1	36
2004	2	5	13	2	1	23
2005	10	3	11	4	6	34
2006	5	4	8	3	3	23
2007	13	11	22	3	6	55

Source: Ministry of Unification, *Chronology of Inter-Korean Dialogue – Statistics*

The most relevant meetings focused on economic issues, through the Inter-Korean Economic Cooperation Promotion Committee, the meetings for the industrial park of Kaesong and the tourism project on Mount Kumgang, and contacts for the reconnection of roads and railway lines.

As the successor of the “*Sunshine Policy*”, Roh’s administration “*Policy of Peace and Prosperity*” had the same intent to promote cooperation and reconciliation on the peninsula through enhanced exchanges and cooperation. Nonetheless South Korea’s National Security Strategy, issued in February 2004, did not present new or more progressive ideas for advancing inter-Korean reconciliation, instead embracing the eventual implementation of institutionalized exchanges, cooperation, and confidence building through both the June 15, 2000 Joint Declaration and the 1992 Basic Agreement

frameworks⁴⁷. In addition to the constraints that were coming from outside, this lack of political initiative gave more strength to early criticisms of the “*Sunshine Policy*”, that were focused on reciprocity and criticized North Korea for its relative lack of a response to South Korean generosity, as well as for lack of progress in addressing outstanding security issues considered as crucial to achieve peaceful coexistence in practical terms. Although during the first years of Roh’s administration, South Korean public opinion polls showed a strong support for continued engagement with North Korea⁴⁸, this support started to become thin in 2006 and 2007. In this respect, the “*Sunshine Policy*” and the inter-Korean Summit had profound effects on a South Korean public that wanted to end inter-Korean confrontation and no longer saw North Korea’s threat as deriving from its military strength, even from the threat of its nuclear weapons development. Instead, South Koreans started to consider the North’s threat as deriving from its weakness and thus fear the economic costs and consequences of North Korea’s economic destabilization and possible collapse far more than the risk of a renewed conflict. The other effect of the inter-Korean Summit was to expand inter-Korean exchanges, to change the image of North Korean leadership in a highly positive manner and to enhance feelings of identification and brotherhood with the suffering of the North Korean people. As we pointed out previously, the consequences of the Summit were fundamental for the (re-)construction of that substrate of common and shared meanings, that become essential for the establishment of mutual trust and a long-term cooperation⁴⁹.

The possibility of a development of political cooperation under President Roh Moo-hyun have been strongly influenced, in a negative way, by a change in the external conditions of inter-Korean relations. Following the model outlined in the first chapter, then, the *structural* conditions were the component that influenced more vigorously in this respect. The American position and the development of the North Korean nuclear program created a vicious circle of intransigence that prompted the South Korean government to focus more on the economic and humanitarian interactions, leaving a residual character to the political dimension of inter-Korean cooperation.

⁴⁷ Korean National Security Council, *Peace, Prosperity and National Security: National Security Strategy of the Republic of Korea*, May 2004.

⁴⁸ Lee, Nae-young 2005, ‘Changing South Korean Public Opinion on the ROK-U.S. Alliance’, presented at *America in Question: Korean Democracy and the Challenge of Non-Proliferation on the Korean Peninsula*, conference paper, May 10-11.

⁴⁹ Snyder, Scott 2005, ‘South Korea’s squeeze play’, *The Washington Quarterly*, Vol. 28, No. 4, pp. 93-106.

Despite the presence of these problematic issues, which began to emerge since the inauguration of President Roh's administration, his government, during his last year in office, was able to obtain a significant result also in terms of political and diplomatic cooperation. From 2 to 4 October 2007, in fact, the South Korean president visited Pyongyang and met with North Korean leader Kim Jong-il, during the second inter-Korean summit in history. Just like what happened with his predecessor, even in this case the heads of the two Koreas at the end of the Summit signed a joint document on the prospects for reconciliation and reunification of the two states. However, unlike what happened in 2000, in this case, the symbolic power of the Summit and the political implications of the declaration were not so extraordinary important.

The second relevant dimension of inter-Korean cooperation, in political and diplomatic terms, of Roh Moo-hyun's administration is represented by the role of South Korea within the multilateral framework of the Six Party Talks.

The *Six Party Talks* process has been a negotiating arena for North Korean and the United States, through the mediation of China, to solve the Second Nuclear Crisis that abruptly erupted between 2002 and 2003. Room for South Korea's participation has been structurally limited from the beginning; but South Korean government played a significant role in facilitating the overall process of negotiation through proactive diplomacy. Unlike what happened with the First Nuclear crisis, when the government of Kim Young-sam played no role in the negotiations for the signing of the Framework Agreement of 1994, this time the creation of a multilateral forum gave Seoul the opportunity to play a role.

When the Second Nuclear Crisis erupted, South Korean government decided to take a middle way of sort, condemning the development of nuclear weapons by North Korea but, at the same time, departing from the hard stance of Bush's administration. The main goal was to avoid any kind of military conflict on the peninsula; a position clearly expressed during his visit to the United States in 2004⁵⁰. On several occasion Roh expressed his idea of rejecting any kind of military action against North Korea and of opposing the "all options on the table" position adopted by US administration. This very clear position created tension with the US ally, which was expecting rather more support from the South

⁵⁰ 'President's remarks on the North Korean Nuclear issue', Secretariat of the National Security Council of the Republic of Korea, January 2005, p. 3

Korean administration⁵¹. The logic behind the decision of President Roh, based on the risk of a military conflict on the peninsula that would inevitably also involve South Korea, was linked to the will to keep open the inter-Korean dialogue and the cooperation projects, especially in the economic field, that were developing in those years.

For these reasons, during the four years of the Six Party Talks, with Roh Moo-hyun as President of South Korea, Seoul's position has always been that of "facilitator of the dialogue", trying to introduce engagement also in that multilateral framework to solve the standoff caused by the North Korean nuclear program.

As we have just analysed, the Summit of 2000 and the Joint Declaration of June 15 represent the highest point of the inter-Korean cooperation policy. In addition to the strong symbolic meaning, in fact, it started a process of cooperation – military, economic, humanitarian, cultural – that will lead to very significant great results for the next seven years. Even the outbreak of the Second Nuclear Crisis, between late 2002 and early 2003, which will destroy definitively the agreement between North Korea and the United States of 1994, will have no detrimental impact on the process of inter-Korean cooperation; in fact, it will continue during all the years of the presidency of Roh Moo-hyun, with a strong emphasis on the economic and commercial aspects.

As we have already pointed out in the second chapter, the real breaking point that led to the failure of many projects of inter-Korean cooperation will be the election of conservative President Lee Myung-bak in South Korea, in December 2007. The situation on the peninsula had already deteriorated sharply with the Second Nuclear Crisis, nonetheless the administration of Roh Moo-hyun had managed to maintain a conciliatory position with Pyongyang and to keep cooperation flowing.

The numerous attempts in political and diplomatic cooperation that we have analysed in this chapter, however, have led to different results and can provide several useful information on the development of inter-Korean relations. First, we can note that there is a clear difference between the Joint Declaration of 1972 and the Basic Agreement of 1992 on the one hand, and the Summit of 2000 – which can be considered as the symbol of the five years of President Kim Dae-jung's presidency – regarding the initial propulsive thrust. In the first two cases, the main cause of the rapprochement of the two Koreas can

⁵¹ Bechtol, Bruce E. 2005, 'The ROK-US alliance during the Bush and Roh administrations: differing perspectives and their implications for a changing strategic environment', *International Journal of Korean Studies*, Vol. 9, No. 2, pp.87-116.

be attributed to changes in the balance of the international system. In 1972, the Sino-American rapprochement and the Nixon doctrine had led the two countries to seek alternative solutions to an all-out conflict, bringing to the emergence of the so-called *competitive coexistence*, where both states accept the presence of the other and moved competition on economic and social aspects rather than purely military ones. The end of the Cold War then represented a change of the system that makes inevitable a response of the two Koreas and an evolution in inter-Korean relations. The *Nordpolitik* of Roh Tae-woo precisely tried to face this new challenge and the 1992 Basic Agreement can be considered as a result of a changing regional and global balance of power.

The "*Sunshine Policy*" instead has been created and implemented in a time when there is no breakthrough of the balance of global power, and it derives its thrust directly from inter-Korean relations themselves. The proactive attitude of Kim Dae-jung and the positive response from North Korean leadership and made possible the path described above and culminated with the 2000 Summit. Returning to the model we used in this chapter, in the first two cases it is therefore the *structural* conditions to play the dominant role, while in the latter the variables and constructed conditions intervened in a much more decisive way.

Regarding the second, the attitude of the actors it is not much different in the considered examples. In all three cases, the will to achieve a positive outcome pushes parties to act on the three *variable* conditions in a way which takes into account the needs and interests of the counterpart and re-orient their policies in this sense. Obviously, each of the three main events puts its bases on the previous ones – confirmed by the explicit references that are placed in each of them about the previous ones – and proceed along a path that increases the chances of cooperation. As for the third condition, the results of the Summit of 2000 play certainly a major role. If, in fact, in 1972 the main result was to move from conflict to coexistence and in 1992 to recognize the mutual desire for reconciliation and reunification, in 2000 the perception of each of the two states and peoples changes in a decisive manner. The symbolic nature of the Summit, its development, the attitude of the North Korean leadership will put a new emphasis – at least until 2007 – on the common and shared characters and meanings between the two Koreas.

The positive results in terms of political cooperation will also have beneficial consequences on other areas of cooperation, such as the economy, the humanitarian and the cultural aspects. In addition, they have played a crucial role themselves to ensure that

the negotiations in the political and diplomatic field bring positive results. The various areas are, in fact, closely related and the development of one inevitably leads to an improvement also in the others. For this reason in the next chapter we will analyse this further dimension that is crucial for understanding the evolution of inter-Korean relations: the cooperative interactions between the two Koreas in the economic, humanitarian and cultural fields.

Fourth Chapter

Analysis of Inter-Korean Economic Cooperation

Alongside political cooperation, economic issues have also played a very important role in the development of inter-Korean relations. Despite their evolution it has been more recent, such relations have proved to be of great value and have had an important impact on the overall equilibrium of the peninsula and on the level of tension between the two Koreas. Moreover, in many cases these relations proved to be even more durable and stable than other projects of political and diplomatic character. Finally, compared to the latter, they could demonstrate their practical effects much more rapidly

For these reasons, in this chapter the focus will be placed on inter-Korean economic cooperation. In particular, we will draw the attention in the specific period of progressive administrations in South Korea (1997-2007), where economics have assumed a role of great strategic importance, arriving, during the years of the presidency of Roh Moo-hyun and his “*Policy of Peace and Prosperity*”, to get the priority over all others. In this context, particular attention will be paid to the construction of the industrial park in Kaesong, both for its symbolic aspect, but also for its success in practical terms, and, finally, to its potential as a model for future development of economic inter-Korean relations.

For more than four decades there were no inter-Korean economic relations of any kind. The first examples of these exchanges, that will start to have a growing and fundamental role in the whole process of inter-Korean reconciliation, took place at the end of the ‘80s, during the process of inter-Korean rapprochement launched by President Roh Tae-woo. In January 1989, South Korea started importing goods from the North – paintings, pottery, woodworking, industrial art – beginning a trade that totalled 18.7 million dollars in that year. The following year the *Doosung Industrial Complex* signed a direct contract with North Korea and in 1991 Samsung and Hyundai followed the same path. Since those meagre beginnings inter-Korean trade continued to grow and diversify, until becoming one of the first aspect of inter-Korean relations¹.

¹ Kim, Samuel S. and Winter, Matthews S. 2004, ‘Inter-Korean Economic Relations’, in Kim, Samuel S. ed., *Inter Korean Relations: problems and prospects*, Palgrave MacMillan, New York.

What is striking about this growth is the fact that it developed after 40 years of strict non-interaction and the persistence of one of the most militarized border in the world, with 1.8 million military personnel, including 37.000 Americans. Another very interesting fact comes from a brief analysis of the patterns in inter-Korean trade during the main security crisis on the peninsula. When, in 1994, the First Nuclear Crisis erupted, creating major security concerns not only on the peninsula or in East Asia but worldwide, it had no dampening effects and inter-Korean trade continued to grow in 1995 before slightly receding in 1996. While the Asian Financial Crisis of 1997 had impacts on trade between the two Koreas, with a fall of numbers in 1998, even the Taepodong missile crisis of August that year could derail the recovery. Also, the revelations about North Korean nuclear programme at the end of 2002, and the subsequent Second Nuclear Crisis on the peninsula, did not have any effect on inter-Korean economic exchanges, with the year 2003 reaching new maximums in this field².

Tab 5: South-North Trade (1989-2002)

<i>Year</i>	<i>Import from North Korea</i>	<i>% change</i>	<i>Export to North Korea</i>	<i>% change</i>	<i>Total trade</i>	<i>% change</i>
1989	18,655		69		18,724	
1990	12,278	-34.2	1,188	1,621.7	13,466	-28.1
1991	105,719	761.0	5,547	366.9	111,266	726.3
1992	162,863	54.1	10,563	90.4	173,426	55.9
1993	178,167	9.4	8,425	-20.2	186,592	7.6
1994	176,298	-1.0	18,249	116.6	194,547	4.3
1995	222,855	26.4	64,436	253.1	287,291	47.7
1996	182,400	-18.2	69,639	8.1	252,039	-12.3
1997	193,069	5.8	115,270	65.5	308,339	22.3
1998	92,264	-52.2	129,679	12.5	221,943	-28.0
1999	121,604	31.8	211,832	63.4	333,437	50.2
2000	152,373	25.3	272,775	28.8	425,148	27.5
2001	176,170	15.6	226,787	-16.9	402,957	-5.2
2002	271,575	54.2	370,155	63.2	641,730	59.3

Source: KOTRA – Korea Trade-Investment Promotion Agency

² *Ibidem.*

The idea of inter-Korean economic cooperation was first broached at a press conference on August 20, 1984 by former South Korean president Chun Doo-hwan. At that time, President Chun proposed that the North begin trade and economic cooperation with the South, expressing his willingness to offer, if agreed to by the North, free technology and goods which would contribute substantially to improving the standard of living of North Korea's citizens. During the period between September 29 and October 4, 1984, aid for flood victims were transported from the South to the North via the truce village of Panmunjom, and the ports of Inchon and Pukpyong. After that, Seoul proposed to Pyongyang that a permanent body be set up to deal with matters related to inter-Korean trade and economic cooperation and to hold inter-Korean economic talks in which government and private-level economic delegations from each side would participate. In a message from the Deputy Premier of the State Administration Council on October 16, 1984, the North responded positively to the proposal, saying it would hold economic talks with the South³.

Subsequently, five rounds of South-North economic talks were held at the Neutral Nations Supervisory Commission in Panmunjom, starting from November 15, 1984. However, on January 20, 1986, the North Korean delegation unilaterally announced its decision to postpone indefinitely the sixth round of meetings, citing as the reason, the ROK-U.S. team spirit military training. As a result, the bilateral economic talks were halted.

Economic exchanges between the two Koreas was re-established in the early 1990s. At the sixth round of high-level talks held in Pyongyang in February 1992, the two sides signed the Inter-Korean *Basic Agreement*, and the subsidiary agreement on exchange and cooperation was adopted in August.

The Kim Young-sam government adopted a very generous approach toward North Korea in its early days, as evidenced by the provision of 150,000 tons of rice to the North in 1995. Nevertheless, this approach did not bear much fruit due to strained inter-Korean relations that were exacerbated by Pyongyang's nuclear program and the submarine infiltration incidents. In accordance with the government's policy of linking North Korea's nuclear issue to inter-Korean economic cooperation, only trade-on-commission and simple exchanges of goods were allowed, while joint investment projects were strictly prohibited. As a consequence, economic cooperation was pursued on a very limited scale and without a long-term vision.

³ Nam, Sung-wook 2001, 'Theory and Practice: Kaesong and inter-Korean economic cooperation', *East Asian Review*, Vol. 13, No. 1, pp. 67-88.

In all these attempts of economic cooperation on the peninsula, however, a projected dimension of long term was missing, in most of the cases they were symbolic actions, humanitarian gestures – especially during the famine of the ‘90s – or extemporaneous experiments. The same *Basic Agreement*, which contained specific references to this area of cooperation, remained largely unrealized. What was most lacking was then a long-term vision of economic cooperation as a central factor in the process of inter-Korean reconciliation, supported by a legal framework that would support the economic and trade relations between the two countries.

This resilience of inter-Korean trade in the face of continuing military standoff is the key puzzle of both theoretical and real-world significance. The importance of analysing in detail the economic aspects of inter-Korean cooperation lies in the fact that, especially from the mid-‘90s onwards, it represented the part on which more progress were made and which ensured the highest degree of continuity for the dialogue between the two Koreas. With the launch of the “*Sunshine Policy*” and its concept of *flexible dualism*, for a decade the separation between the economic and the political-military sphere was clearly established, thus giving the opportunity to continue the first in moments in which there were tensions and provocations regarding the second.

3.2.1 Inter-Korean Economic and Trade Exchanges during the “Sunshine Policy”

The first trade between South and North Korea was purely symbolic: it was accomplished because it could be and because it was impressive that it could be. South Korean President Chun Doo-hwan had raised the idea of trade in August 1984, leading to talks that collapsed two years later. Only with the cross-border shipment of artistic products in 1989 was inter-Korean trade truly inaugurated. But as trade developed over the ‘90s, it began to have some economic meaning in addition to its continued symbolic importance. Gold, zinc, and iron were the first major trade products, imports from the North. After the mid-‘90s, agricultural, forest, and textile products came to top the list. In 2002, for example, animal products – mainly seafood – were the largest North Korean export on a value basis. Inter-Korean trade was very strong during the years just before the Asian Financial Crisis

of late 1997. Trade fell substantially because of the crisis but then saw a terrific rebound in 2000 that was associated with the inter-Korean Summit of June of that year. The Joint Declaration produced by that Summit was conspicuously silent on security and military issues, in effect indicating economic relations as the practical pathway for the development of inter-Korean relations⁴.

The most important development has been the quick growth of processing-on-commission (POC) trade, which involves South Korean companies sending raw materials to the North and then reimporting finished or semi-finished products. This allows South Korean companies to take advantage of cheaper labour in the North, since rising wages in the South have made production less profitable there. POC trade began modestly in 1992 and rocketed to one-half of all transactional trade in 2002. For South Korean companies, POC trade offers the greatest economic benefit. Besides the benefit of cheaper labour than in the South or even China, Seoul government classifies trade with the North as *intra-Korean* trade, and therefore duties and rules that would apply under World Trade Organization statutes can be avoided.

POC trade alone is a remarkable development in inter-Korean relations given that it requires more and deeper communication than would mere exchanges of finished products across a border. It allows more functional linkages between the two countries. The willingness of the North Korean government to allow South Korean supervisors and South Korean factory organization within its territory indicates a slackening of its fears of cultural pollution and of attacks on its political system. Indeed, in April 2001 North Korea passed the Processing Trade Law, representing its deep interest in POC, and in 2003 the Prime Minister, Pak Pong Ju, led a group of North Koreans on a tour of semiconductor plants in the South⁵.

In addition to classifying all trade with North Korea as intra-Korean trade, South Korea also included in its trade statistics a category of “non-transactional trade.” This was actually an accounting of aid sent to the North – including for example goods related to the former KEDO nuclear reactor projects, the Mt. Kumgang tourist project, and humanitarian aid. The fact that statistically Seoul ties together commercial trade and aid is indicative of its perspective on inter-Korean trade: like aid, it is a component of a

⁴ Dong, Yong-seung 2001, ‘After the Summit: the Future of Inter-Korean economic cooperation’, *East Asian Review*, Vol. 13, No. 2, pp. 90-91.

⁵ Kim, Samuel S. and Winter, Matthews S. 2004, ‘Inter-Korean Economic Relations’.

functional project of expanding interactions and relations with the North in pursuit of a more peaceful and harmonious coexistence or reunified existence.

Non-transactional trade began in 1995 and increased to such a degree that, during the “*Sunshine Policy*” it was almost as great as transactional trade. To a certain extent, even the transactional trade is a form of aid. Because of a lack of hard currency, the North cannot import South Korean goods to the extent that it might like, and so Seoul maintains a trade deficit with Pyongyang in terms of transactional trade. Clearly, given the proportion of the South Korean’s total trade, this trade deficit is not fiscally significant. Nonetheless, the fact that South Korea is importing more than it exports implies a bolstering of the North’s foreign exchange reserves, and South Korea has become the largest provider of hard currency to the North, which it uses to purchase indispensable imports from other countries. In November 2003, the Inter-Korean Economic Promotion Committee agreed to begin conducting more efficient settlement clearance transactions on a trial basis in 2004⁶.

In addition, while the South traditional reunification policy put an almost exclusive emphasis on high-level government-to-government talks, the “*Sunshine Policy*” sought to encourage non-official contacts. It aimed to create “a set of interdependencies that in the long run would discourage the North from external aggression and perhaps even promote the internal transformation of the regime”. The threefold increase in trade over the term of Kim Dae Jung’s presidency – from \$221 million in 1998 to \$641 million in 2002 – is indicative of the success of the “*Sunshine Policy*” in this regard⁷.

Since the 2000 Summit meeting, over two dozen agreements have been signed between the two Koreas. These agreements can be grouped into three post-summit phases. From the date of the summit through the end of 2000, there was a flurry of cross-border activity with numerous delegations traveling in both directions, culminating in the four agreements of December 16, 2000, on the resolution of commercial disputes, the prevention of double taxation, transactions clearing settlement, and the protection of investments. An 18-month hiatus ensued, coinciding with the first year and a half of the George W. Bush presidency in the United States. In this second phase inter-Korean dialogue stalled and inter-Korean trade dropped. The third phase began in August 2002 with a flurry of agreements, many having to do with cross-border road and rail connections. The fact that this third phase

⁶ Ministry of Unification 2003, ‘Agreement of the 7th Meeting of Inter-Korean Economic Cooperation Promotion Committee’, Ministry of Unification of the Republic of Korea, November, 8.

⁷ Noland, Marcus 2000, *Avoiding the Apocalypse: the future of the two Koreas*, Institute for International Economics, Washington.

continued through the North Korean nuclear revelations of October 2002 speaks to the strength of the functional relations between the two Koreas. Consistent with a conflict management approach, Seoul opted to continue its dialogues and the issuance of formal agreements with the North despite the revived security challenge of nuclear proliferation. The agreements on roads and railways are indicative of one of the problems of expanding trade with the DPRK: the lack of infrastructure. Because of the underdevelopment of transportation infrastructure in the North and the lack of connections across the DMZ, President Kim Dae-jung proclaimed in March 2000, in the so-called *Berlin Declaration*, “To realize meaningful economic collaboration, the social infrastructure, including highways, harbours, railroads and electric and communications facilities, must be expanded. . . . The Government of the Republic of Korea is ready to respond positively to any North Korean request in this regard”⁸.

Inter-Korean trade served as an economic purpose for North Korea and a broader functional purpose for South Korea. Ultimately, however, inter-Korean trade has been constrained by several structural factors. Both production facilities and infrastructure in the North are dilapidated and in need of serious updating. Pyongyang’s lack of hard currency reserves mean that it cannot import as much as it otherwise might from the South, and because of the state’s control of the economy and the general poverty in the country, there are no free domestic markets for South Korean products. To increase the efficiency of trade and the willingness of South Korean companies to engage in trade with the North, Pyongyang will need to continue revising its laws, institutionalizing its commercial practices, and demonstrating rule of law. For Seoul to continue using trade in a functional way, it will need to see progress of this sort in the North. Many of these problems that emerged in the first years of the increase of inter-Korean trade were faced, and partly solved, during Roh Moo-hyun’s presidency, in particular with the construction of the Kaesong Industrial Complex.

The prospects for inter-Korean investment was less clear between the end of the ‘90s and the beginning of the 2000s. While North Korea certainly needed investment to the same degree that it needed trade – if not to a greater degree – South Korean firms, were less willing to pursue investment, given the uncertainties surrounding the rate of return,

⁸ Kim, Dae-jung 2000, ‘Lessons on German reunification and the Korean peninsula’, *Le Monde Diplomatique*, March, 9.

liquidity and ultimate safety of any investment in the North. Establishing the economic institutions for trade to provide the necessary perception of certainty has been difficult enough; establishing institutions to make investors feel secure in North Korea was even more problematic. South Korean investors have been content thus far to observe the North as a potential investment partner and not actually to invest in it⁹. Nonetheless, evidence of tentative investment by South Korean companies were present and the beginning of the Kaesong Industrial Complex project represented the North Korean best push to catalyse Southern investment.

Inter-Korean investment has not only lacked the two-way flows of inter-Korean trade but has also lacked the progressive time frame of that trade. Only after Kim Dae-jung inaugurated the “*Sunshine Policy*” was the possibility of investment in North Korea effectively opened. Kim removed the upper limit on the amount of investment possible for South Korean companies, allowed for investment in all fields unless strictly prohibited (as opposed to maintaining a list of the only acceptable sectors for investment), and simplified the approval process. Yet a survey two-and-a-half years later found that South Korean companies were alarmed by the lack of institutional framework, the possibility of double taxation, and the impossibility of investment guarantees.

These concerns have been addressed both at the domestic level and at the bilateral level. Congruent with the launch of the “*Sunshine Policy*” in the South, North Korea promulgated its 1998 Constitution and then three subsequent laws focused on external economic cooperation: the *Foreign Equity Law*, the *Contractual Joint Venture Law*, and the *Foreign Enterprises Law*¹⁰. At the inter-Korean level, four agreements were signed in December 2000 on commercial disputes, double taxation, transactions clearing settlement, and investment protection. It took another three years, however, for negotiators to agree to implement these agreements, leading many to question the worth of the Inter-Korean Economic Cooperation Promotion Committee, which should have been exactly the institutional mechanism needed to spur investment. In the interim, though, Pyongyang did pass domestically the *Foreign Trade Act* of February 2001 and the *Enforcement Decree of the Foreign Investment Protection Act* of December 2001. The Committee finally issued a declaration in August 2003: “The South and the North will take follow-up steps to the

⁹ Flake, Gordon L. 1999, ‘Patterns of Inter-Korean Economic Relations’, in Hahn Bae Ho and Lee, Chae-jin eds., *Patterns of Inter-Korean Relations*, The Sejong Institute, Seoul.

¹⁰ Lee, Eric Yong-joong 2000, ‘Development of North Korea’s legal regime governing foreign business cooperation: a revisit under the new Socialist Constitution of 1990’, *Northwestern Journal of International Law and Business*, Vol. 21, No. 1, pp. 199-242.

‘four agreements’, which institutionally guarantee inter-Korean economic cooperation.” One auspicious component of the June and July 2003 talks leading to the August declaration was that the South Korean negotiating team “commuted” each day through the DMZ on land in June, while the North Korean team made the journey southward through the DMZ in July¹¹.

The slow pace of these developments is not at all remarkable. Laws about taxation of foreign investment, control over foreign exchange, the role of foreign banks, leasing of land and customs are in many ways discordant with the *Juche* philosophy that undergirds North Korea. The regime was certainly aware of this threat and this explained some of the foot-dragging that has occurred. The investment that was indeed allowed was not completely divorced from *Juche* principles. According to a Korean Development Institute survey, of 672 companies that started doing business in the DPRK in 2000 or 2001, only 171 were still involved in North Korea in November 2001, and only one-third of the 115 firms who responded said that they were making a profit in their Northern ventures.³⁷ While some companies were willing to overlook these low returns either in deference to the grander goals of peaceful coexistence and reunification or because of a belief that they can capture market share at an early stage, others were not so willing.

South Korean companies have also cited the lack of transportation infrastructure as a factor militating against investment. Negotiators undertook this issue in 2003, signing in January an agreement for “military assurances” that would allow for work to begin on roads and railways crossing the DMZ. Kim Dae Jung referred to the reconnection of the lines, severed just before the Korean War in 1950, as *de facto* reunification. Road and rail reconnection is both a component of the developing trade and investment linkages and also a functional connection between the North and the South. The fact that the two Korean states can cooperate to build transportation infrastructure across the most heavily militarized border in the world is a powerful statement at several levels and one rightly judged as a contribution to a broad program of engagement.

As an indicator of the seriousness of the rail and road projects, 12 out of 17 inter-Korean agreements signed between August 2002 and November 2003 dealt with the procedural and operational details of the work on the Sinuiju–Seoul (Kyonggi) and Donghae rail lines and highways. The completion of de-mining work in December 2002 was described by the

¹¹ Dong, Yong-seung 2001, ‘After the Summit’, p. 90.

North as “a shining fruition of the June 15 North-South Joint Declaration, a landmark of national reunification, and product of the desire of all the Koreans”.¹²

Despite all these motivating factors there was little progress on the rail project in the northern half of the peninsula because of a simple lack of investment, whereby the North needed better infrastructure in order to get investment but needed investment in order to improve its infrastructure.

In this light, the Kaesong Industrial Complex (KIC) – the largest inter-Korean economic project – became all the more important. Forty miles north of Seoul, the KIC was designed to lure South Korean businesses to use cheap North Korean labour, with the expectation of the kind of effects that China’s SEZ reaped from its proximity to Hong Kong¹³. With 22,000 Korean companies having set up factories in China, it would have appeared that there was an ample investment base waiting to move into the KIC. Hyundai announced the project in February 2001 as part of the Mt. Kumgang tourism agreement. According to Hyundai Asan, Hyundai’s North Korean arm, production at the KIC should have been around \$2 billion in its first year and should have reached \$14.5 billion in its ninth year. The KIC certainly appeared better positioned to reap gains than the remote and infrastructure-less Rajin-Sonbong Free Economic Zone, which, despite having been in existence since over a decade before, boasts of only a hotel and casino as its main investments¹⁴.

The efforts put in place during the “*Sunshine Policy*” to increase cooperation in trade and investment can be considered as remarkable, also because it is the first time in which a South Korean government tried to create the necessary conditions – from the legislative and institutional point of view – to make those interactions successful and contribute significantly to the improvement of inter-Korean relations. The effects have been visible in the increasing year-on-year of the total amounts of trade between the two Korean states.

¹² *Korean Central News Agency (KCNA)*, December 17, 2002.

¹³ Tait, Richard 2003, ‘Playing by the rule in Korea: Lessons learned in the North-South economic engagement’, *Asian Survey*, Vol. 43, No. 2, p. 316.

¹⁴ Foster-Carter, Aidan 2003, ‘Symbolic links, real gaps’, *Comparative Connections*, Vol. 5, No. 2, p. 93.

Tab 6: Inter-Korean Trade by year (Unit million dollars)

Type	1980-1999	2000	2001	2002	2003
Inbound	2,101	152	176	272	289
Outbound	635	273	227	370	435
Total	2,111	425	403	642	724

Source: Ministry of Unification, *Data & Statistics – Inter-Korean Exchanges and Cooperation*

The progresses made during the period 1998-2002 will constitute a solid foundation for the development of the subsequent engagement policy brought forward by Roh Moo-hyun: the “*Policy of Peace and Prosperity*”, in which the economic dimension of cooperation will achieve the highest degree of importance.

3.2.2 Economic Cooperation at the Forefront: the “Policy of Peace and Prosperity”

Under the Roh Moo-hyun government, it was increasingly clear that the goal of reconciliation through economic cooperation with Pyongyang had become the top priority. Through the improvement in inter-Korean relations, it aimed “to reinforce peace on the Korean Peninsula and promote co-prosperity of the both South and North Korea” so as to build a foundation for peaceful unification.⁴ Furthermore, through the successful implementation of the policy, the Roh government hoped to transform South Korea into the economic and financial hub of Northeast Asia. This is why Roh has been quoted to have said that “he would not mind the failures of all other policies only if the North Korea policy were successful”.¹⁵

In spite of the rising tensions on the Korean Peninsula, triggered by the North Korean nuclear crisis, the Roh government decided to promote economic cooperation and cultural exchanges with North Korea through various channels, including inter-Korean ministerial talks on economic cooperation. Apparently, it assumed that the promotion of inter-Korean reconciliation through economic cooperation would help to reduce tensions and stabilize

¹⁵ Kim, Choong-nam 2005, ‘The Roh Moo-hyun Government’s policy toward North Korea’, *International Journal of Korean Studies*, Vol. 9, No. 2, p. 14.

peace and security on the Korean Peninsula. Furthermore, it expected that the South's economic assistance would contribute not only to alleviating the North's economic hardship but also to moderating Pyongyang's behaviour and policy toward the outside world.

Since 2003, it has provided more economic and humanitarian aid to North Korea than the total amount provided by its predecessors from 1995 to 2002.

Tab 7: South Korean Assistance to North Korea (Unit hundred million won)

Type		1995-1999	2000	2001	2002	2003	2004	2005	2006	2007
Government Assistance and Grants	Grants	2,193	944	913	1,075	1,016	1,211	1,240	2,139	1,767
	Assistance from Private Funds	-	34	62	65	81	102	120	134	216
	Food Loans	-	1,057	-	1,510	1,510	1,359	1,787	-	1,505
	Total	2,611	2,035	975	2,650	2,607	2,672	3,147	2,273	3,488
	Private Assistance and Grants	694	387	782	576	766	1,558	779	709	909
Total		3,305	2,422	1,757	3,226	3,373	4,230	3,926	2,982	4,397

Source: Ministry of Unification, *Data & Statistics – Humanitarian Projects*

The Roh's government believed that the improvement in reconciliation and cooperation between South and North Korea is essential to the reduction of tension on the Korean Peninsula and for the eventual resolution of the nuclear standoff. Thus, while cooperating with the USA and other powers in seeking the peaceful resolution of the North Korean nuclear issue, Roh's government has endeavoured to promote inter-Korean economic cooperation by supporting three major economic cooperation projects: the construction of the Kaesong Industrial Complex (KIC); the linking of two key railways and roads between South and North Korea; and the continued development of the Mount Kumgang Tourism Zone.

First, on the basis of the agreement between Seoul and Pyongyang on the reconnection of the Seoul-Shinuiju (or Kyongi) Line, a cross border section of the railway between Dorasan Station (in the South) and Kaesong (in the North) was completed together with a parallel road by the end of 2003. It was followed by the construction of the Tonghae (East Coast) Line (involving railway and a parallel road) between Jeojin (the North) and Ongjin (the South) in 2004. As North Korea also built its share of the cross border railways and

roads in accordance with the agreement with the South, the Kyongi and Tonghae lines were reconnected by November 2004¹⁶. As a result, South Korean tourists could start visiting Mt. Kumgang via the Tonghae road instead of using sea-lanes which were more time-consuming and costly. At the same time, the reconnection of the Kyongi road has made it possible for South Korean workers to use the overland transport from the South to the Kaesong Industrial Complex (KIC). About 300 buses and trucks started to travel to the North daily using the two newly reconnected highways¹⁷.

In order to operate the two reconnected key railways, Seoul and Pyongyang agreed to schedule test runs for the railways on May 25, 2006. However, the trial runs were cancelled abruptly by North Korea one day before the scheduled event. This was the third consecutive time that Pyongyang failed to honour the agreement on the test run of the reconnected railways. Seoul strongly criticized the North for unilaterally calling off the test runs. However, instead of apologizing to the South, North Korea blamed South Korea for the cancellation, specifically criticizing the South Korean military's refusal to accommodate North Korea's demand on the adjustment of the existing sea boundary (the Northern Limitation Line, NLL) separating the two Koreas in the West Sea. Pyongyang wanted to draw a new sea boundary further south from the existing line, the one set by the U.N. Command at the end of the Korean War in 1953. It was clearly not an issue directly related to the reconnected railway. Apparently, North Korea wanted to squeeze major concessions on the NLL (boundary of the existing territorial waters between the South and North) out of Seoul before agreeing to the operation of the reconnected railways. When South Korea refused to give in to the North's demand, North Korea refused to agree on the safety measures for the operation of the reconnected railways on May 18. Infuriated by the North's failure to honour the agreement on the railway test runs, it was reported that the Roh government was reconsidering its agreement with the North to provide millions of dollars worth of raw materials for the North's light industries. The unilateral cancellation of the opening of the reconnected railways has not only disappointed the Roh government but has also undermined the trustworthiness of the Kim Jong-Il regime.

Second, the Roh government has helped Hyundai Asan to revitalize the Mt. Kumgang Tourism Project. Following its debut in 1999 as a pioneering inter-Korean cooperative venture, the Mt. Kumgang project had stagnated shortly thereafter due to the decline in

¹⁶ Lim, Kang-taeg and Kim, Kyu-ryoon 2006, 'North Korea Economic Reform and Inter-Korean Economic Cooperation', *Korea and world affairs*, Spring, p. 40.

¹⁷ 'Inter-Korean Business Park in foreign media spotlight', *Korea Policy Review*, April 2006.

demand and popularity of the tour program. However, it began to show signs of revitalization after the North agreed to accept the South's proposal to make overland tour programs to Mt. Kumgang available in September 2003. To provide a more secure atmosphere for tourists, North Korea agreed to set the boundary on the estimated 19.8 million square meters as a special tourism zone in October 2003. Apparently, the availability of the overland transport from the South to Mt. Kumgang following the reconnection of the Tonghae Line has revived the popularity of the Mt. Kumgang tourism project and made it financially viable. The tour project has drawn over 1.2 million visitors since the beginning of the program¹⁸.

In spite of the symbolic value of the Mt. Kumgang project for inter-Korean reconciliation and cooperation, it has had very little effect on North Koreans' perceptions and attitudes toward South Korea, for the tourists from the South are not allowed to interact with ordinary North Koreans who were kept out of the tour zone, except for a small number of North Koreans who are recruited by the North to work for the hotels and restaurants in the Mt. Kumgang tour zone.

Third, the Kaesong Industrial Complex (KIC) has become a showcase project of inter-Korean cooperation under the Roh government's peace and prosperity policy. Both in terms of visibility and significance, the KIC overshadowed all the other joint projects between South and North Korea. Located about 37 miles (or 60 kilometers) north of Seoul, the industrial complex covers an area of about 66 square kilometers in Kaesong, North Korea. After some initial disagreements over such issues as wages for North Korean workers and the price of the land plots, the two Koreas were able to hammer out a package deal by April 2004 when the Hyundai Asan (the South) and the Asia-Pacific Peace Committee of North Korea (the North) concluded an agreement on the construction of the KIC¹⁹.

According to the agreement, the industrial park was to be completed through three stages of development. Stage 1 involved the development of 3.3 square kilometers land plot, including a pilot site of over 92,500 square meters, to be leased to domestic and foreign companies by the end of 2007. The land involved in the first stage was leased from North Korea for 50 years. The remaining 62.8 square kilometers were to be developed later in accordance with further consultation between Hyundai Asan and North Korea later to

¹⁸ Kim, Hong-nack 2006, 'South-North Korean relations under the Roh Moo-hyun government', *International Journal of Korean Studies*, Vol. 10, No. 1, p. 40.

¹⁹ Kim, Yong-hyon 2006, 'South-North exchange and cooperation and peace on the Korean Peninsula', *Korea Policy Review*, April, p. 10.

accommodate the participation of over 2,000 South Korean and foreign firms. Already fifteen South Korean companies started operating in the KIC, where some 6,500 North Korean workers were employed by these companies with salaries averaging \$57.50 per month at the beginning. By the end of 2006, it was expected that approximately 15,000 North Korean workers will be employed by South Korean firms; and by the end of 2007, 70,000 North Koreans were expected to be employed by about 250 firms. Eventually, the number of the Northern workers had to rise to over 350,000 by 2012, making the industrial park a pivotal model of South-North economic cooperation²⁰.

As a joint venture, the KIC was expected to benefit both sides. It would benefit South Korean companies by easing the cost burden in such area as wages and rents, while helping economically hard-pressed North Korea by providing an important source of hard currency. By combining South Korean capital and technology with North Korea's cheap labour and land, it would have become a profitable and cost-effective joint venture. Thus, it is regarded as a "win-win" strategy for both sides. It is by far the largest and most ambitious project of economic cooperation between Seoul and Pyongyang to date. It is also a key to South Korea's strategy for inducing North Korea to adopt market-oriented economic reform. For North Korea, the Kaesong model could lead to a revitalization of its economy with only a limited dose of openness to the outside world. While the financial risk is assumed fully by South Korea, which invested more than \$2 billion, North Korea may have to take a political risk, as contacts with South Koreans could have become contagious and may affect adversely the Kim Jong-Il regime's grip on power built around the *Juche* ideology.

From the beginning, the future of the KIC was by no means secure or rosy, as the unresolved dispute over North Korea's nuclear weapons program could derail or delay any large-scale expansion of the KIC. Furthermore, South Korean firms could not produce certain strategic or high-tech products in the KIC under the existing agreements between South Korea and the United States. Moreover, the unwillingness of the USA to recognize products manufactured in the KIC as those made in South Korea could cast a dark shadow over the future of the Industrial Complex. Unless these products were treated as those manufactured in South Korea, the American tariffs would be prohibitively high for them to be exported to that market. Such a development in turn could substantially diminish the attractiveness of the KIC for many South Korean companies.

²⁰ *Ibidem*.

Reflecting significant progress in economic cooperation between South and North Korea, the inter-Korean trade volume increased from \$697 million in 2004 to over \$1 billion in 2005. In 2006, South Korea ranked as North Korea's second largest trading partner surpassed only by China. Moreover, under the Roh government, South Korea has increased economic and humanitarian aid to North Korea. The amount of such aid increased from 1,888 million won in 2003 to 2.984 million won in 2004. In 2005, it totaled 2,138 million.¹⁵ In terms of South Korean currency the total amount of aid to North Korea under the Roh government exceeded the combined total aid provided by its predecessors from 1995 to 2002. It should also be noted that, under the Roh government, South Korea has increased cultural and personal exchanges with the North. For example, in 2005 more than 87,000 South Koreans visited North Korea, while over 1,500 North Koreans visited South Korea. Meanwhile, over 10,000 members of separated families had family reunions from June 15, 2000, to the end of 2005, and more opportunities will become available to them as video meetings have been introduced²¹.

Although the Roh government maintained that inter-Korean reconciliation and cooperation through the increased exchange of people and goods between South and North Korea would alleviate tensions, improve bilateral relations and foster peaceful coexistence between the two Koreas, there were clearly limits to promoting reconciliation and peaceful coexistence through economic cooperation and cultural exchanges between the two entirely different political systems. Unless and until North and South Korea can work out a significant agreement in the military field, including a comprehensive peace treaty that would end the Korean War, the dismantlement of Pyongyang's nuclear weapons program and conventional arms control and reduction, it is doubtful that there can be genuine rapprochement and peaceful coexistence between South and North Korea.

3.3.3 The Kaesong Industrial Complex

Battered by a nearly bankrupted economy and continuous food shortages, North Korea has been cautiously opening its doors to strike economic deals with South Korea in recent years. The closed nature of the North's economy has resulted in low industrial productivity and efficiency, technological backwardness, and, in the end, economic

²¹ Kim, Hong-nack 2006, 'South-North Korean relations under the Roh Moo-hyun government'.

stagnation. The North is also concerned that with the disparity in economic levels, unification with the South might result in the virtual absorption of the North into the South. Thus, the South's policy during Roh Moo-hyun administration in this regard has been to reassure the North that unity through absorption is neither feasible nor desirable under the current state of military confrontation.

In this context, both sides appear to prefer a gradual narrowing of the economic gap between the two nations prior to unification, and a practical, business-like approach represented the simplest and most efficient way to accomplish this goal. While economic negotiations have been erratic and stymied at times by political difficulties, the South's business community has engaged in serious efforts toward developing trade and investment. Hence the mutual economic benefits perceived by both the South and the North constitute the permanent and crucial ingredients of possible unification.

Some signs indicated that the North not only responded positively toward the South but also took specific measures to accommodate itself with the South. The North specifically designated the Kaesong special economic zone as an industrial complex site aimed primarily at accommodating the South's investments under commissioned processing, joint ventures and direct investment. In November 2002, the North Korean government announced plans to develop Kaesong into an industrial complex, making a significant impact on the current level of inter-Korean economic cooperation.

Understanding the past track records of the two Koreas' respective business paths would help both the South and the North in the task of accelerating and securing inter-Korean business transactions. Such increased economic cooperation led to market extension with the concomitants of economies of scale, learning curve effects, competition, and trade creation.

The Kaesong Industrial Park is an administrative zone with special economic legal status, and it is physically and legally separated from the rest of the North. Strong economic autonomy is provided under the guidance of market economy principles, and special economic considerations are given to the South's firms investing in the Kaesong Industrial Complex. Thereby the Kaesong Industrial Park is expected to create a favourable environment enabling the largest-ever combination of factors of production from both the South and the North. The Kaesong Industrial Park, when it began full-scale operation, should produce positive effects, practically influencing over all economic sectors of both sides.

The South's successful economic development has greatly increased the wage level of its domestic labour force, and many of the South's companies have been forced to either hire foreign labour from China and Southeast Asia or to transfer their manufacturing bases to those countries. However, due in part to North Korea's compulsory education system, the common Korean language, lower transportation costs and the exemption of tariffs on the transfer of goods between the North and the South, the North's workforce is generally considered to be more valuable to the South than their Chinese and Southeast Asian counterparts.

Furthermore, the productivity of the North's workforce would be enhanced by the technology transfer and management know-how from the South. Thus, the North's inexpensive labour offers a cost effective option for the South's companies operating in the Kaesong Industrial Park. The Kaesong Industrial Park would also facilitate the industrial transformation of the South, as it would be able to transform its industrial structure at a lower cost toward high-value-added industries. The South and the North are benefited by this project since the South accesses low cost labour, and the North earns hard currency from the operation of the Kaesong Industrial Park.

Small companies have pursued investment opportunities in the North, as part of their survival business strategy, and under the current managerial difficulties such investment has grown all the more important for small companies. The wage differential between the two Koreas is substantial, pushing the South's small companies to shift their production facilities to the North in search of lower labour costs. Inter-Korean trade and investment are closely linked to each other. The North's lower labour cost with the South's investments has produced not only favourable commercial transactions between the two countries but international competitiveness along with factor equalization between them²². Having participated in the Kaesong Industrial Park, the South can assist the North's structural reforms and infrastructure build-up in order to make it easier for the North to adopt a market economy. The South has a major stake in how the North's economy will accommodate the inflow of foreign capital in the Industrial Park. The development and networking of industrial and business clusters on the Korean peninsula and expansion of the transportation and logistic infrastructures also constitute the core part of South's plan to establish itself as a regional hub, as the Kaesong Industrial Park tries to induce

²² Lee, Jong-woon 2004, 'Economic Opening of the Hermit Kingdom: current status and future tasks of the new SEZs in North Korea', *Journal of International Economic Studies*, Vol. 8, No. 2, pp. 123.129.

investment, technology, and management know-how initially from the South, and then from Japan, the US and European Union by injecting a number of incentives²³.

After the construction of the Kaesong Industrial Park, more investment were expected, not only for labour-intensive industries, such as: clothing, shoes, appliances, parts and components of communications and information technology from the South and other countries, but these developments would lead to further expansion of foreign investment in the service sector, including transportation, energy and tourism.

The Kaesong Industrial Park could reap substantial economic benefits by creating a mechanism of sub-regional economic cooperation with its bordering regions. And if the Kaesong Industrial Park would have been geared toward actively utilizing the infrastructure and economic resources of the Seoul metropolitan area, there have been great potential for the Park to spread into a second and third one as well. Thereby, resources would be used more efficiently as a result of eliminating unnecessary competition, and a sizeable economy would be created, thus increasing economic specialization and economies of scale, and further inducing investment.

The developments between the South and the North after the South-North Summit of 2000 have accelerated the volume of inter-Korean trade, which increased from \$ 13 million in 1990 to \$ 724 million in 2003. In order to promote business relations by nurturing goodwill and reassuring the North, the South should endorse the North's membership in the World Trade Organization and Asia-Pacific Economic Cooperation, along with demanding a special status for the two Koreas.

Hyundai Asan and the Korea Land Development Corporation, in conjunction with the North, made comprehensive and detailed plans for improving Kaesong Industrial Park's infrastructure, an endeavour that will entail site preparation, an energy supply, communalizations and transportation.

Hyundai Asan projected that the Kaesong Industrial complex would create jobs for 360,000 South Koreans and 250,000 North Koreans, with value additions of \$ 6 billion for the South and \$ 6.2 billion for the North, plus spin-off effects. The Federation of Korean Industries also estimated that the Kaesong Industrial Park would generate \$ 18.9 billion in production and \$ 7.8 billion in additional value creation for the South²⁴.

²³ Nam, Sung-wook 2001, 'Theory and Practice: Kaesong and inter-Korean economic cooperation'.

²⁴ Park, Suhk-sam 2004, 'An analysis of Economic Effects of the Kaesong Industrial Park', *Vantage Point*, August, pp. 67-68.

Tab 8: Projected Size of the Kaesong Industrial Complex

Industrial Complex	Area		Number of Companies	Number of Employees	Output per Annum (\$ in million)
	10,000	Km2			
1st Stage	100	3.3	159	20,000	2,000
2nd Stage	300	10.0	450	60,000	6,000
3rd Stage	400	13.3	600	80,000	12,000
Total	800	26.6	1,200	160,000	20,000

Source: Hyundai Asan Corporation, Investment Environment in Kaesong Economic Free Zone, 2000

With a resolution of the present nuclear problem, the international community would provide a concrete blueprint for moving beyond the current diplomatic stalemate. With the Six-Party Talks (North Korea, South Korea, the U.S., China, Japan and Russia) concluded, inter-Korean economic transactions along with the Kaesong Industrial Park should increase rapidly. Moreover, as the infrastructure of the industrial complex is incomplete, manufacturing products of the South's investment are increasingly exported, and the Kaesong Industrial Park should attract Japanese, American and other foreign investment in the industrial complex.

Several suggested methods for financing include combining funding sources from the South's developers and the international financial markets through the project financing method, incorporating public and commercial loans and/or issuing investment bonds for international investors. The South has the inter-Korean Economic Cooperation Fund designed to reimburse companies for losses incurred in doing business with the North, and this program requires more funds as the volume increases. The Fund should mandate the South's trading companies to become members since the entity serves as a kind of insurance. And the South should consider issuing internal bonds for sales abroad so as to increase financial resources.

Since many American companies are eager to be involved in the North's economy and in Northeast Asia at large, the American government would look to expand contacts with the North. Japanese companies already made basic preparations for expanding into the North, and with a legal apparatus in place, Japanese companies could consider to increase consigned production with the North and more joint ventures in the Kaesong Industrial Park.

The Park can also take advantage of the economic resources of the Seoul Metropolitan area. The majority of foreign enterprises entering the Kaesong Industrial Park during the initial stages of its development have been focused on export activities, and the South's market. As development of the industrial complex progresses, and investment from the South flourishes, the KIC will also spur increased interest from Japanese, American and other foreign direct investments. Thus, such investment can be directed to labour-intensive manufacturing, and these developments in turn can lead to expansion of foreign investment in the service sectors, in such areas as transportation, energy and tourism.

Inter-Korean economic cooperation has been evidenced by talks between the two Koreas on the reconnection of the trans-Korea railway through the demilitarized zone (DMZ), which would dramatically reduce the cost of transporting to and from the South, and would transform the Kaesong Industrial Park into a critical transportation centre. The reconnection of the Kyonggi railway through the DMZ greatly reduces the cost of transporting parts and goods and thus makes the Kaesong Industrial Park much more attractive and competitive than Chinese counterpart cities.

Moreover, the Park not only represents a symbol of the two Koreas' increasing economic cooperation but also an opportunity to contribute to the South's plan to develop the Incheon Free Economic Zone (FEZ) as a business hub in Northeast Asia with the Kaesong Industrial complex serving as a key part of the broader plan to link business clusters on the peninsula. The KIC would thus become a production base for a key network of business clusters, including the Incheon FEZ and the city of Seoul. Kaesong is only an 80-minute drive from the centre of Seoul, and can be linked to inter-Korean railroads, which the South also plans to connect with the Trans-Siberia, Trans-Mongolia and Trans-China railways.

Since the North's companies are often not able to pay regularly due to frequent suspensions of operations as a result of power shortages and a lack of basic raw materials, their workers have found it increasingly difficult to make ends meet on their wages. Because a growing number of workers have abandoned their worksites, the North has had to reform its policy to encourage workers to return to their workplaces by providing them with increased wages as well as material incentives. Of particular concern has been the massive exodus of workers who abandoned their assigned worksites in search of other work opportunities, such as peddling and private businesses, in order to improve their economic situation.

Thus, the North's leadership has known that reform had to be introduced in response to this aggravating situation to jumpstart an economic recovery. The leadership was also aware that introducing reform creates the so-called "reform dilemma" and endangers their regime unless improvements are adopted at an accelerating rate. Thereby, the North launched efforts to reform and open up its economic system. Since the adoption of its "Economic Improvement Measures" on July 1, 2002, Pyongyang has implemented a series of surprisingly tangible measures aimed at promoting economic reform, which has included the recent authorization for individuals to engage in activities related to marketing. Based on these economic reform measures, the Kaesong Industrial Park has tried to induce direct investment from the South.

In November 2002, the Basic Law (five articles and forty-six sections) articulated specific provisions for the South's investors. This reform received much attention due to the extraordinary content of the Basic Law since it reflected elements of market economies, such as allowing individuals to own private property and have rights of inheritance, and also delineated the development implications for the 'one country, two systems' strategy. It is composed of investor's rights, development methods, and duration of land leases, labour utilization and commercial dispute-settlement procedures.

Furthermore, the Basic Law articulated special immigration procedures, residential status, personal safety, and the unrestricted usage of inter-Korean postal/communications services. Free movements within designated routes between the South and the Kaesong Industrial Park have been facilitated and expedited with entry certificates, instead of visas, issued by the Kaesong Industrial Park management authority. These measures have also simplified immigration processes and customs clearance procedures for the South's investors.

The Economic reforms have specified the adjustment of state-controlled prices to realistic levels, the partial abolition of the public rationing system, the rationalization of a foreign exchange rate and partial decentralization of the state planning system. With respect to the partial decentralization of the state planning system, the role of the national Planning Committee has been reduced to only announce provincial targets for industrial production and major infrastructure construction, while provincial and city administrations increased their roles in managing the economic activities of relevant regions. Individual production units, including state-owned enterprises and local-level factories, were authorized to implement their own production plans and decide the prices of their products.

The North's centralized industrial management system was restructured between mid-1999 and early 2000 to improve the productivity of state-owned enterprises. New economy/political ideologies including the "New Way of Thinking Movement" and "Practical Socialism" emerged as slogans for facilitating economic recovery. Hence, the recent expansion of the special economic zones could be interpreted as part of the North's attempts to tackle the economic decline through economic policy adjustments and partial economic openness.

The North was also under pressure from the dilemma caused by the eventual breakdown of a civil society that could not sustain law and order due to the illegal mobility of its population, unless a market system were introduced. Thus, under the name of market pragmatism, the North granted its workers the right to move to pursue higher wages, and that has in turn led to higher productivity.

Since the economic reforms were instituted in July 2002, prices of most goods and the wages of workers rose significantly in the North due to the initial effects of the market mechanisms. Accordingly, price and wage levels seemed to be measured and guided by the market in terms of production costs and buyers' utility, namely supply and demand, under the initial stages of competition and resource allocation. Through interactions of supply and demand, pricing appeared to prevail along with reflecting market signals.

Prices of consumer goods, agricultural products and services rose ten-fold or higher, while the decade-long system of state subsidies for price differentials between the actual production cost and retail price was almost abolished. As noted earlier, the North implemented a series of surprisingly tangible measures aimed at promoting economic reforms, which included recent authorization for individuals to engage in activities related to the marketing and even distribution of intellectual property rights.

Socialist economies would now be too complex to plan from the centre and would require more information on technology, prices, quantities, and assortments than a central planning board could digest. Moreover, the task of planning and management could not be effectively decentralized, because in the absence of private property, even the best-intentioned managers of state enterprises could not make economically feasible decisions. By allowing individual participants to respond to market incentives, the new market socialism offers greater inducements to combine resources efficiently at the local level. The North's current status could be compared to that of the regulated markets that existed during the early stages of economic reform in China. Indeed, the North is now in the initial phase of a partial transition toward a market economy.

As a reference point, the Chinese stance has been backed by policies designed to boost the domestic economy by expanding the market price system. In general, Chinese economic reform policies, including the agricultural contract system and industrial sector autonomy, have been developed gradually in a form that supports external liberalization policies. Having had foreign capital and technology, China's economic growth has been phenomenal by mobilizing its dormant labour and site resources, and the North saw opportunities in China's model in which China's abundant supply of labour and land resources and huge influx of foreign capital and technology have realized China's speedy economic development.

In the late 1970s, the reforms of Deng Xiaoping fundamentally altered the Chinese economy while at the same time maintaining state and party control. The post-1978 reform era fundamentally changed the landscape of the Chinese economy as it has moved toward market socialism. Major changes were introduced in industry, services, and foreign trade in particular. Privatization of the small-scale industry proceeded earlier than that of large- and medium-scale industries, and the service sector expanded and the rigidities of the foreign trade arrangements were altered, along with the introduction of special economic zones²⁵.

The Chinese special economic zone was viewed as: a special economic zone to function as a window linking China's domestic economy with the outside world; a special economic zone to be able to function as a base for experimental economic reform associated with market-oriented policies; and a special economic zone to function as a developmental core that could induce spill-over effects to neighbouring areas.

An examination of the Kaesong special economic zone proved that the North has incorporated a large part of China's experiences in terms of both special economic zones and the legal infrastructure in its special economic zone formulation under the name of economic pragmatism. The institutional arrangements and incentive packages to induce foreign capital showed the North's setup was similar to China's coastal special economic zones.

The North and South have pursued contrasting industrial policies for economic development, with distinctively different institutional arrangements. The North's industrial policy has been characterized by a central command economy: heavy industry-

²⁵ Wei, Ge 1999, 'Special Economic Zones and the Opening of the Chinese Economy: some lessons for economic liberalization', *World Development*, Vol. 27, No. 7, pp. 1267-1285.

led development, *Juche* orientation, and science/technology policy. The North also adopted state ownership of the means of production as a major principle of its industrial policy. Its pricing mechanism was based on the value of socially needed labour, and the prices of goods and services were derived from labour costs, not through the pricing mechanism of supply and demand interaction.

Until the mid-1970s, North Korea's economic development, bolstered by the benefits of foreign assistance, outperformed that of the South. But the North's central economy ran into trouble as it grew more complex, eventually slipping behind the South at an accelerating rate. The North experienced difficulties in handling the increasing complexity of its economy in the absence of market mechanisms, as its commercial management system was made up of wholesale commerce, which was controlled by the central government, and retail commerce, which was controlled by regional governments. That provided the North with only one channel for the entire distribution of goods and resources.

By contrast, the development of South Korea's economic system has relied on the market mechanism, though the national government assumed a vital developmental role in deciding major projects, allocating financial resources, and offering tax incentives to those who undertook production and export in strategic industries. The South adopted a policy of export-oriented industrialization. This policy extended preferences to exporters regarding import licenses, duty-free imports of intermediate products for exports, and generous capital depreciation allowances. Domestic savings were promoted through higher interest rates on deposits. Such measures eventually resulted in reduced inflation rates and lower rates of real interest, which in turn further promoted export-led industrial growth.

In order to import scarce resources, the export-led strategy, based on comparative advantage, expanded industries that used the South's abundant labour supply. Labour-intensive manufactured goods were exported, and, to facilitate an open economy, the South gradually reduced its protectionist policy by encouraging domestic industries to compete at home and abroad.

When the USA announced troop reductions in the 1970s, the South perceived this action as foreshadowing the necessity for a greater industrial base for its own military purposes and began to promote the development of chemical and heavy industries. The South also saw Japan's pattern of industrialization as one that its own export industries should pursue. The government considered conglomerates, or "*Chaebol*," as suitable institutions

to implement industrialization in chemical and heavy industries, shipbuilding, steel, non-ferrous metals, machinery, petrochemicals, and automobiles.

In response to the South's rapid industrialization, a distinct change in the North's development policy occurred, adopting a turnaround policy from the centrally planned, self-reliant economy towards more cooperation and partnership with Western countries so as to acquire the necessary capital and technology. In this process, the North's foreign trade and external debt increased rapidly from the 1970's, accompanied by substantial growth. The North's trade with foreign nations increased from \$390 million in 1965 to \$1.91 billion in 1975.

A major turning point in inter-Korean relations took place in 1984 as North Korea's proposal to provide aid for flood victims in the South was accepted. Shortly thereafter, the North for the first time proposed tripartite talks with the U.S. and the South, a change from its previous insistence on bilateral talks with the U.S. only. Talks between the North and the South continued on several different levels. While inter-parliamentary discussions failed to get off the ground, due to a lack of an agreed agenda, and economic talks were aborted due to procedural differences, Red Cross negotiations bore fruit in September 1985 when family reunion exchange visits between the North and the South took place. Efforts also commenced, although eventually unsuccessful, to organize a joint Korean team for the 1988 Seoul Olympics.

As we previously saw, the first inter-Korean exchange of goods occurred in 1988; this development had the potential to alter significantly both the North's future economic development and its foreign economic relations. Trade began modestly with the 21 November 1988 arrival of forty kilograms of Northern clams at the South's port of Pusan. A second transaction, in January 1989, involved the South's imports of the North's art such as paintings, pottery, woodwork, and industrial artworks.

Nevertheless, the North tried to avoid direct trade with the South. Thereby small-scale trade was carried on through third countries with country of origin labels removed. The South imported raw materials from the North via foreign intermediaries in Hong Kong, Singapore, China and Japan after 1988. While rejecting direct trade, the North increasingly engaged in indirect trade while the North's trade officials busily contacted the South's businessmen in China to explore possible investment projects in the North.

Up to 1994 inter-Korean trade totaled \$930.8 million. Trade was transacted through counter-product arrangements by clearing third countries' cash accounts, evolving gradually toward counter-trade. The South's *chaebol* played a dominant role in the inter-

Korean trade, while its small and medium-sized firms participated only marginally. The North exported to the South zinc ingots, gold ore, thermal coal, steel billets, anthracite coal and copper, and imported capital goods, sock-weaving and vacuum packaging machinery, and consumer goods such as rice, televisions and clothes as well as semi raw materials, plasticizer, petrochemical products and polyester textiles.

Trade between the South and the North has been intermittently expanding. Inter-Korean trade in 1997 increased a sizeable 22.7% over 1996. Steel and metal items accounted for more than 50% of the South's imports from the North. Gold and zinc ingots comprised the lion's share of these imports, with gold ingots representing fully 25% of all the North's exports to the South.

Because of the IMF crisis in 1997, however, imports of gold ingots from the North declined sharply. In the first 10 months of 1997, an average of \$ 4.36 million worth of gold ingots were imported every month from the North. This figure plunged to \$ 2.64 million in November 1997. Zinc ingots suffered a corresponding drop: in the following January-October period, imports averaged \$ 3.07 million each month, falling to \$ 1.41 million in November. Imports of the North's steel and metal items declined as well in 1998-1999 because of the on-going gold-collection campaign and sluggish production activity in the South.

Moving to direct trade enabled both Koreas to save transaction costs such as trans-shipment, warehousing, and insurance costs. If inter-Korean direct trade were fully realized, the mineral resources of the North would be shared with the South, and the South's labour shortage would be relieved by employing workers from the North. Both domestic markets would be expanded, and the competitiveness of both Koreas in the global market would be greatly enhanced.

In the 1980s the North's external policy began to change, following the introduction of the Joint Venture Law of 1984. The North set up the economic and free trade zone of Rajin-Sonbong with introduction of laws and special provisions for foreign companies and investment.

To relieve the heavy burden of its foreign debts and to induce foreign investment and technology, the North introduced a first-time joint venture law in September 1984. The North had high hopes for this law:

1. joint venture could bring about economic modernization programs using foreign capital and technology;

2. this was integrated into the economic plan, solving bottlenecks in necessary inputs;
3. joint ventures would blend the North's management and production with foreign inputs so as to upgrade the North's products and international marketing.

To the disappointment of the North Korean government, however, this law resulted in only 35 joint ventures to May 1989. In the economic and trade zone, security and political considerations were given greater priority over economic goals such as attracting foreign investment. The North even failed to provide adequate follow-up measures to promote the zone. It turned out to be a miserable failure caused by poor logistics and by a rigid policy within the system.

On December 30, 1991, the North announced the creation of economic and free trade zones in Sonbong, Rajin and Chongjin, south of the Tumen River. The zones offered foreign investors customs reductions, tax incentives, and capital protection. Specifically, the North established the free trade zone in the Rajin-Sonbong area as an alternative to China's Tumen River Development Plan. The North aimed to capitalize on the Tumen project in advertising its free trade zones worldwide to induce foreign investment.

It was Rajin-Sonbong, a web of obsolete port facilities proclaimed a free-trade zone in 1991, where the North hoped to incubate its economic turnaround. The North agreed to develop this region, leasing out Chongjin harbour to China and solidifying its position in shaping Northeast Asian economic cooperation centred on the Tumen River. The zone occupied a strategic transportation point for cargo between Japan and China, and it was remote enough to keep foreign ideas from infiltrating North Korean cities. The North was developing Shinuiju and Nampo regions, since these were closer to China's economic mainstream and had better social overhead capital.

As the Tumen River Project developed, it was expected to facilitate inter-Korean business transactions. Once the North carried out economic reform and attempted economic development, the South's business community was expected to share management skills, information and experience with the North. Through these efforts, a new economic system was likely to take root in the North. Its significance laid in a blending of the North's labour and the South's capital and technology.

The North adopted a consignment production law and a foreign investment law in October 1992. Unlike the 1984 joint venture law, these laws had a special provision implicitly designed for the South's investment. This was because the North realized that foreign companies were less willing to invest due to risk as well as foreign debt, while the South's

companies were more willing to venture, as demonstrated by how overseas Chinese businessmen undertook investment ventures in China's economic free trade zones.

The emerging environment of the North was toward an initial stage of market economy, as shown by the Tumen River Project and Rajin-Sonbong zone in particular. Since then, the North's economy has gone through a slow transformation, starting with agriculture and trade. The operation of trading companies and the relaxation of agricultural collectives were considered to be signs of reforms toward a market economy. The reforms involved the increasing use of markets and profit incentives to achieve larger foreign exchange earnings and more output. Thereby, the economy became more responsive to outside market signals after 1993.

Increasing competition occurring as a result of market reforms put a tremendous pressure on many production units. Increasing competition required the state enterprise sector to achieve the flexibility that existed in market economies. Especially, firms should be able to determine the size of their labour forces strictly on the basis of their needs of production, and dismiss redundant workers.

If the North's major policy emphasis was to raise the people's living standard and to establish a self-reliant economy with market principles, then the North should promote leading sectors of the people's economy, such as the coal, energy, and railroad industries, and also implement reforms in the ownership system, moving from the past cooperative union ownership to private ownership. In short, impending economic openings with attendant political risks would force the North to adopt gradual reforms in its domestic economic system. To achieve gains from adopting a market system and reap the benefits of opening its economy with minimum political risks, the North needed to establish more free trade zones.

Consigned production was an arrangement in which investors in the South provided intermediate materials and equipment and the North exclusively managed all the production processes. In other words, under a consigned production agreement, the South's investors sent processed materials, product designs, equipment, and technical personnel to the North. In return, the South's investors received finished products, compensating for the risk and costs incurred in supplying those inputs. This contractual joint venture let production and management be assumed by the North, and the South's partners were redeemed under the provisions of the joint venture contract. It was reported in 1994 that the North's average wage was \$40 a month, while a worker for a joint venture firm under consigned production agreement received an average of \$150 a month.

As economic contacts evolved, a commercial relationship based on mutual gains and trust was expected to develop, accompanied by laws and regulations and transfer payments. The South's investment largely took the form of consigned production, although there were yet limited direct investments by the South. The joint development of Mount Kumgang into an international tourist attraction had been planned between the North and Hyundai Asan Corporation.

South Korean companies invested very heavily in China, Mongolia, and Southeast Asia. However, these companies considered North Korea a better investment opportunity than these countries, because there exists no language barriers and cultural differences and transportation cost advantages.

The North signed processing contracts not only with the South, but also with Japan, China, and Germany. This implied that the arrangements were favourable for the North, reaping benefits from competition among investors. The consigned production provided the North with productivity enhancement derived from the inflow of capital, management know-how, marketing apparatus and technology.

The North's government-sanctioned trading companies implemented the foreign-trade portion of the economic plan, negotiated with foreign counterparts, executed contracts, and held final responsibility for actual transactions. As long as implementation was within the economic plan, the trading companies set their own terms of export and import as independent units. In other words, the North's trading companies exercised an exclusive right as agents representing powerful authorities such as the party's central committee and army headquarters to earn foreign exchange for financing import much needed merchandise.

It is noteworthy that the North's trading companies played an important role in the inter-Korean trade. The trading companies used to deal only in such specialized commodities as mineral and marine products. However, the North had adopted an independent accounting unit practice for each trading company. The trading companies handled exports and imports like general trading companies in the South and Japan. Therefore, they played the same role as the general trading companies in these countries, i.e., they sought strategic marketing arrangements for Northern manufacturing units and acted as channels of information about the outside world to the North Korean people. In short, they played a very important role as a catalyst in transforming the North Korean economy.

As for the overall assessment of the North's economy, there were three factors contributing to the dramatic changes in the North's policies. First, the rapid demise of the

Soviet Union and other communist governments caused the most traumatic political difficulty which the North had ever experienced. Second, the agreement between the former Soviet Union and the North, signed in November 1990, establishing the payment settlements of trade in hard currency at world prices, was a crushing blow to the North's economy. The North had to settle its bilateral account with convertible hard currencies instead of acting on the traditional long-term barter basis. The gravity of this change could be understood when it was recalled that the North imported from the Soviet Union about a third of its crude oil and petroleum products, coking coal, and parts for machinery and equipment. Third, the North had no other choice than turning to China for crude oil, raw materials, and food items, and The North's government-sanctioned trading companies implemented the foreign-trade portion of the economic plan, obtained capital goods and consumer products from Japan and the South.

Kaesong industrial complex project does not just mean an improvement of Inter-Korean bond. It is a large scale national policy business where the two Koreas pursue mutual interests by combining capital and technologies of the South with land and manpower of the North.

Kaesong industrial complex project provides geographical conditions that enable the South and the North to utilize their strong points, such as capital and technologies of South Korea and competitive manpower and resources of North Korea. Using these conditions, it can take 'the Inter-Korean economic cooperation stronghold' role, leading Inter-Korean economic community construction, by making less competitive small and medium sized enterprises work in this complex, creating rational division of labor structure of inter-Korea and developing the South and the North into a physical distribution center²⁶. Besides, it symbolizes confidence in the improvement of Inter-Korean relations such as connecting railways and roads between two. It has potentials to become a key place of human and material exchanges in Northeast Asia which may be a hub even to Europe. It is a business that will contribute to balanced improving relations in the Inter-Korean.

Inter-Korean economic effects of Kaesong industrial complex project are several. First, economic effects in the South are as follows. Annual amount of production will be reached at 84 billion won; value-added amount of production will amount to 24.4 trillion

²⁶ Shin, Ji Ho 2002, 'Successful Conditions of Kaesong Industrial Complex and its Development Plan', *Research on North Korea*, Institute of Unification Policy, Vol. 6, No. 1, pp. 171-221.

won which is 3.4% of gross national income (GNI) in 2003, considering 9 years from the development. Besides over 10 thousand job positions will be created which corresponds to 0.46% of economically active population in 2002.

Second, economic effects on the North are as follows. The annual gross income is \$0.6 billion that corresponds to 3.3% of GNI of North Korean in 2003. More than 720 thousand job positions will be created, which amount corresponds to 6.14% of economically active population of the North in 2002.

Economic effects of the Kaesong industrial complex project in the North are as follows. First, it helps North Korea to overcome financial difficulties. Direct foreign currency earning effects such as labor cost revenue, raw and subsidiary material sales revenue, and freight revenue will be acquired during its construction operation process. Summing it up with foreign currency from building industrial park and infrastructure will be reached around \$96 billion. It is 4 times of the amount of annual budget of North Korea and its trade amount²⁷.

Second, North Korea may show its public open-door image by pursuing this project. A remarkable progress hasn't been made although North Korea continues to amend regulations and institutions for attracting foreign investments since 1990s. It is well shown in Sinuiju special economic zone (SEZ) in 2002. However, Kaesong industrial complex project is different from that it is an economic joint venture through a direct agreement by two Koreas. Therefore the North may outgrow its closed image by this project²⁸. Third, it is possible to acquire technology and management know-how for economic development. Technology and manufacturing facilities of the South will bring about intra-industry relation effect such as constructing infrastructure around the industrial park like railroads and roads; and developing industries related to the industrial park. It is expected that respectively 3.3 trillion of production effect and 1.1 trillion of value-added inducement effect. Besides about 39 thousand job positions will also be made²⁹.

Economic effects of the Kaesong industrial complex project in the South may be divided into three. First, it will revitalize domestic economy. It will be less competitive small and medium sized enterprises because of high-cost structure with new opportunities. We may

²⁷ Hong, Soon Jick 2004, 'Kaesong Industrial Complex Project and Economy of the Korean Peninsula', *Economic Issues*, Hyundai Research Institute, Vol. 1, No. 5.

²⁸ Cheon, Yeong Seon 2003, 'The Progress of Kaesong Industrial Complex and its Prospects. Asia-Pacific Regional Trend', Asia-Pacific Region Research Center, Hanyang University, Vol. 143, pp. 62-88.

²⁹ Yoon, Yeong Seon and Kim, Tae Hwang 2002, 'Analysis of Inter-Korean Economic Effects of Kaesong Industrial Complex Project, Construction and Industry Trend', Construction & Economy Research Institute of Korea, Vol. 2002-20, pp. 1-26.

become more competitive in the world by expanding our productivity and developing industries which can be done by concentrating on high value-added business and production process.

Economic effects of the project in the South encompass labour cost reduction, sales effects of raw and subsidiary materials, production and value-added inducement effects. When the first step of Kaesong industrial complex project is completed, total \$3.1 billion effects will be revealed. By the time all the three steps of the projects are completed in 9 years later, the total effect will be summed to approximately \$73.7 billion.

Second, South Korea may secure a production base. South Korea may become more competitive in the manufacturing industry from the labour-intensive industries, such as the textile industry to the high-tech industries, by securing a production base where technology may be transferred easily and management skills may be taught with ease.

Third, South Korea may establish a bridgehead to the northern direction. Although there were diplomatic relationships with China and Russia, they have had barely economic exchanges. By doing this project, human and material network of North Korea become connected to companies in South Korea so that companies in South Korea may play a bridgehead role to the northern direction.

At a time when the North is cautiously adopting policy changes to overcome its international isolation, it is important that the neighbouring countries create a favourable environment in which the North will be able to direct its efforts toward economic openness so as to adopt market principles nationwide. The Kaesong Industrial Park is rationalized having economic development along with maintaining the North regime by earning hard currencies to relieve the North's severe balance of payments problem.

The Kaesong Industrial Park develops into thriving special economic zone through sub-regional economic cooperation with bordering area, and technology and management skills are also transferred to the Kaesong industrial park, enhancing Northern workers through Inter-Korean economic cooperation. What is important is that investments from the South and other countries are essential for establishing and implementing a special economic zone that enables the North to overcome the country's unfavourable economic conditions.

While many obstacles still remain in the path of achieving the success of the Kaesong Industrial Park, North Korea does offer incentives to perspective foreign investors, but overall, it fails short of their expectations. A host of political obstacles coupled with the

passive and rigid attitudes of North Korean workers stand in the way of facilitating business activities. In addition, the non-existence of a consumer market, poor infrastructure in transportation and communications, and, consequently, high logistics costs are all factors that discourage investors. These negative factors need to be removed if the Kaesong industrial complex is to be successful. Its success would result in a major boost to the North's economic rehabilitation and create a spill-over effect for the rest of the North.

The inter-Korean joint ventures and industrial relocations have to be arranged based on regional comparative advantages associated with factor endowments, market access, and other attributes since international capital flow is determined by a thorough comparison and examination of many special economic zones and free trade areas all over the world. Therefore, it is about time to establish the Committee for Inter-Korean Economic Adjustment to prepare for economic integration.

North-related issues cannot be resolved through the efforts of the South alone, since the Korean peninsula has long been a place where the interests of major powers – the U.S., Japan, China, Russia – collide. Therefore, along with the tasks faced by the South for the recovery of the North economy, there are political/economic problems that have to be resolved with neighbouring countries under the framework of multilateral cooperation. Thus, consistent support from major powers is required for the North to make a smooth transition.

The South promised to send 500,000 tons of food to the North in the form of a loan. It is South's biggest pledge of food to impoverished North since 2000. Due to the possibility of confusion in moral values among its populace and subsequent political instability, cautions in the North's opening its doors and introducing the price mechanism should be in place. As the North intends to immerse itself in the world economy, the foremost requirement is to adopt market-oriented policies derived from reforming its centralized economy.

Under the current favourable premise that the Six-Party Talks on the nuclear crisis will be peacefully resolved, various economic projects that promote the full-scale development of the Kaesong Industrial Park could be undertaken. These projects could be conducted with international assistance. The Kaesong Industrial Complex has easy access to raw materials, as well as semi-processed goods, components and information, and in terms of location, where the South and the North can link their electricity, railways, roads, and water for use by the Kaesong Industrial Park.

At this juncture, the South should play the leading role in helping advance the North's economic openness and in encouraging neighbouring countries to provide technical and financial support for the North's special economic. Currently, the construction of the Kaesong Industrial Park is in progress, despite the unstable political and military conditions that surround it.

The South's proposal has been rather simple: to supply two million kilowatts of electricity annually to the energy-starved North, if it completely scraps its nuclear weapons program. Then Unification Minister Chung Dong-Young announced that if the North accepted the offer, the South would begin to build power transmission facilities immediately for the cross-border power supply scheduled to start in 2008. Until then, the South intended to ask other participating nations of the Six-Party Talks collectively to provide fuel oil to the North. This offer must be attractive for the North, given its dire energy shortage and the serious food and foreign currency shortages. Among them the various problems, the energy shortage is most acute; without securing energy, the North cannot make any serious attempt to jumpstart its moribund economy.

As the inter-Korea railway restoration project is completed, the Kaesong Industrial Park is ideally located to develop into a major hub of transportation and trade between North and South Korea. The Kaesong Industrial Park is connected to Russia and China through the Trans-Siberian Railway and the Trans-China Railway. The Kaesong Industrial complex is in the centre of the Korean peninsula, and with the Kyongi railway passing through it, it would be a natural transportation hub not far from the Seoul metropolitan area. If land transportation can be facilitated through the Kaesong Industrial Park, it will considerably reduce the high logistics costs that have been a heavy burden on inter-Korean economic cooperation.

When the Trans-Korea Railways are eventually reconnected with the Trans-Siberian Railway and the Trans-China Railway, the Kaesong Industrial Park will become a major transit point for transporting Japanese and the South's products inland to China and Russia and for transporting Chinese products to the South and Japan. The Kaesong Industrial Park is also located only 89 kilometers from the Incheon economic hub and its International Airport. As the South has undertaken to building Korea into a hub of Northeast Asia, the Kaesong Industrial complex would complement this project.

The potential gain from such cooperation is virtually incalculable, but continued engagement in positive inter-Korean relations is critical to achieving stability and economic growth over a long period. For instance, under the recent agreement of July

2005, the North will guarantee the South the rights to mine mineral deposits in the North, including coal, zinc and magnesite. In return, the South will provide raw materials allowing the North to produce basic necessities such as soap, clothing and footwear.

The two Koreas must coordinate the legal mechanisms and economic framework so as to improve inter-Korean business relations. South Korea's government has until now intervened and regulated all interactions, but this policy should evolve to allow business decisions to take over government-level economic activities. The North should be recognized as a developing country, and the South should undertake a revitalization program considering the North as a part of the entire Korean economic plan involving integration, trade promotion and dynamic international divisions of inputs.

The ultimate objective of the two Koreas has been political union through economic cooperation. Political gestures and diplomatic compromises between the democratizing, capitalist South and the rigidly communist North by themselves cannot go very far. As preparation for unification, the North's living standard must be improved in order to avoid massive population movement. Combined with the substantial benefits of expanding trade and investment, such efforts should lead to enhanced relations between the two Koreas.

Economic cooperation will have many positive effects on growth and welfare: market extension, economies of scale, learning curve effect, competition, and trade creation. It would, as well, have positive spill-over effects on political negotiations, eventually leading unification. The two Koreas must undertake serious studies on structural reforms, monetary integration, industrial relocation, privatization of state assets, foreign trade zones and investment, and other related problems.

The aim of inter-Korean economic cooperation is to create a new form of value added, which will bring about tangible benefits to both sides. This is possible through the combination of the South's capital and technology and the North's labour and land. If successful, it will result in reducing unification expenses as well.

Economic cooperation between the two Koreas has increased substantially since the 2002 summit conference, and the Kaesong Industrial Park has set an example for overcoming the major barriers that the South's businesses have previously experienced in the North. It now appears that inter-Korean cooperation is moving to a higher level, encompassing more comprehensive investment activities in the North, including trade, commissioned processing and either joint-ventures or exclusive investments. These economic engagements have spread to a broader range of inter-Korean relations over the past few months, including talks on key cultural, financial, military and political issues.

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Conclusions

The presidency of Lee Myung-bak has shown a return to hard line in dealing with North Korea was not a harbinger of positive results, nor with regard to inter-Korean relations in the strict sense, nor as regards the most wide view of the security system of Northeast Asia, where you can also register the issue of nuclear proliferation.

The termination of cooperation and the almost total suspension of humanitarian aid headed to Pyongyang have pushed the country to turn increasingly to Beijing to receive that assistance, since the end of the Cold War, is a matter of survival for North Korea. The democratization of 1987 and, even more so with the decade of the "sunshine policy" and "policy of peace and prosperity", the network of addiction had thickened increasingly between Seoul and Pyongyang, going to places like Kaesong and Mt. Kumgang, thus removing North Korea from the orbit of influence of Beijing and providing an important lever of pressure on South Korea. The presidency of Lee has instead brought the situation back several years on this side, making China the ' only country with the power to influence the issue and the key mediator in the six party talks or any other negotiating infrastructure will be set up to handle the situation.

The insistence on reciprocity conservative administration led him to lose sight of what is the main purpose of engagement: to create relations of interdependence that, in the long term, can make a country more prone to changes and, at that moment, try to steer changes themselves. The rationale behind the logic of give-and can only work if it gives the possibility to the other party to make the openings; the approach taken with the project is the beginning of the "Vision 3000", and thereafter, was instead built to not be acceptable to the Pyongyang regime because, as we saw earlier, would have meant a kind of suicide for the regime same. No concessions were made unilaterally, on charges that had been paid to the government of Kim Dae-jung and Roh Moo-hyun, but at the same time you is not got nothing in return, except a further escalation of tension.

The election results obtained in the elections in April 2011, joined to the polls released over the same period showed a need to soften the hard line held by the president, became increasingly intransigent during his tenure. In this direction should be read as the appointment in July to lead the GNP of Hong Joon-pyo, who has distanced himself from the political inter-Korean Lee, embodying the idea of the majority of his own party, and recalled the need a new approach to inter-Korean relations. For this purpose can be read

also the replacement of Minister Hyun In-taek reunification, considered in the group of "hawks" within the administration, with the more moderate Yu Woo-ik,. In the same direction goes also the article published in Foreign Affairs by a possible presidential candidate in 2012 for the Conservative Party, Park Geun-hye that the only way forward is to return to a dialogue with North Korea and to a policy that is based on a minimum level of mutual trust and that, alongside a strong military deterrent against possible provocations, present but also its flexibility to be able to return to the negotiating table.

The critical approach of the government of Lee Myung-bak, had multiplied in recent months, mainly bind to this intransigence, he is challenged by his own party. The events of 2010, particularly the sinking of the Cheonan and the shelling on the island of Yeongpyeong, have left deep scars on the popularity of the president and his crisis management. The criticisms focus on two points in particular: the conservative front of the public disagrees that it is the national security interest priority and, nevertheless, have shown serious flaws in the defense system, just in time for the two crisis; also its decision not to take any retaliation against North Korea has caused it to be accused of weakness. Across instead the policy of closure and intransigence carried out have stirred criticism, especially from the Democratic Party and the progressive circles, regarding the fact that the very context created had led to provocations by North Korea.

Policy Lee, who at the beginning of its mandate had been defined as "pragmatic", is losing all its pragmatism moving to an opposition in some ways "ideological", in which are placed preconditions to any form of dialogue and are abandoned cooperation projects, such as those signed by Roh Moo-hyun during the summit in 2007, which are not so much a unilateral economic aid to the North, but rather a project "win-win" in which both parties gain a benefit.

It is therefore clear that we need a change in strategy by the administration of Lee, both for strategic reasons and for the interest of the policy that is already reflected. The strict conditionality in every possible step has been shown to not work because, not only did not lead to any improvement in inter-Korean relations and the nuclear issue, so much emphasized by the South Korean government, but has not increased the level of security on the peninsula. Also with the appropinquarsi presidential elections, scheduled for December 2012, a change becomes necessary to recover the consensus in public opinion.

The situation at international level seems to move towards a new approach that seeks a dialogue with North Korea. The serious crisis of 2010 have alarmed especially China and the United States, concerned that the rising level of tension could lead to an open military

confrontation on the peninsula; for this reason, as early as the January 2011 summit in Washington between Presidents Obama and Hu Jintao, the two leaders had reached an agreement to jointly manage the situation on the Korean Peninsula through the restoration of the six party talks and a new form of engagement towards North Korea, trying to reduce the distance between the positions of the two Koreas, supported by their respective allies, regarding the issue of preconditions to the resumption of negotiations. In this sense the risk for South Korea is to be cut out precisely because of the intransigence fielded by President Lee, now superseded by the will of the other powers involved in the matter of finding an agreement to ease tension on the peninsula.

In light of the analysis in this paper we can draw some conclusions about the management of inter-Korean relations over the years.

Firstly it is clear that this was a long and complex process, full of progress and of falls, the one that led to the formulation of an approach of constructive engagement on the peninsula, then based on cooperation and interdependence rather than competition and confrontation. As outlined in the second chapter the groundwork for such a paradigm shift had been laid already in the early 70s and chairs like that of Roh Tae-woo had shown a real engagement policy toward North Korea, supported by a international situation that would give the opportunity to develop it, could lead to fundamental breakthroughs in relations between the two countries; the management of Kim Young-sam can instead be seen as the most striking example intermittent feature of this process. The same step back taken by Lee Myung-bak after the decade characterized by the "sunshine policy" and "policy of peace and prosperity" shows how the lack of continuity in the approach has caused the greatest difficulties to reach the expected results, in as being a policy that is developed on the medium to long term its sudden interruption frustrates most of the achievements so far.

Despite these problems arising in the implementation times of constructive engagement results obtained from this approach, particularly during the decade in which it was implemented in the most complete, and also in sporadic incidents in which it was adopted by previous governments to Kim Dae-jung, are obvious. First you have to register as voltage levels have come in recent years to their historic lows, as well as the risk of a large-scale military confrontation. We have to remember that the two Koreas are still technically at war and then a relaxation of the dispute on the military is the prelude to the progress in the various areas and how a key objective for the population itself.

Added to this are the substantial achievements in the economic and cooperation between the two countries, just think of the industrial park in Kaesong, which is also a model for further development in the future this way linked to the creation of special economic zones in Korea north, or to the Mount Kumgang tourism project; also the humanitarian field has been the scene of important improvements, with the many family reunions and aid sent to the North to alleviate the dramatic consequences of the famine of the late '90s. All these measures have done nothing but intensify the growing interdependence between the two countries, an interdependence decidedly skewed in favour of the Seoul government that it could rely on in the negotiations.

Beyond the positive results obtained there have been numerous problems in the implementation practice of constructive engagement within the policies of Kim Dae-jung and Roh Moo-hyun; these shadows, analysed in detail in the last paragraphs of Chapters 3 and 4, rather than undermine relations between the two Koreas or the strategic alliance with the US has caused the loss of consensus in the South Korean population to this new approach, also contributing to the Lee's victory in 2007. In particular the lack of transparency in the management of relations between the two countries and of economic aid for the North, as well as the over-personalization of decision-making in the hands of the president, both highlighted by a communication system, in particularly the print media, tied to the conservative, were alienating the public from the new policies, which have started to be increasingly seen as a waste of resources unilaterally to a country that used only for military purposes and that did not change the His provocative and irresponsible attitude toward South Korea. In this issue joined the concept of reciprocity flexible which made even more difficult to understand why it was necessary to continue on the path of engagement when the attitude of Pyongyang showed no change.

The advent of the new inter-Korean policy put forth by Lee Myung-bak shows how, despite the difficulties described above, the policies of Presidents Kim and Roh had improved the situation, in fact, a return to an approach of uncompromising closure had reported voltage levels very high, deterioration materialized in events like the bombing of the island of Yeongpyeong. The free iron that had been set in place for Lee in inter-Korean cooperation and nuclear file, in which the end of 2010 is added to the request of an official apology for the sinking of the Cheonan and the shelling of Yeongpyeong as a precondition to any form of dialogue, had led to the suspension of contacts between the two countries so going to undermine, if not to completely erase, the progress in terms of cooperation achieved by previous governments.

The error of the administration of Lee Myung-bak, and one of the key orientations for the future South Korean administrations in terms of relations with the North, was to eliminate the distinction that was made between the scope of cooperation and that of the Safety, in this case the nuclear file; especially the latter question did not directly concern the relations between North and South but rather those between it and the United States, whose main concern was the inherent risk of nuclear proliferation and the state of relations between the two Koreas. Pyongyang being well aware of this situation, he used the lever to bring the nuclear negotiating table just the administration of Washington, hoping for bilateral talks, to address vital issues such as the signing of a final peace treaty, the presence of troops American peninsula, the possibility of receiving financial aid from international institutions. Against this background it is clear that in any discussion of the nuclear issue, the six party talks in the first place, the inter-Korean relations could not have a pivotal role, as the issues on the agenda were other; similarly, as borne out by the facts, the role of South Korea in forum of this kind could not be decisive because the stage was occupied by North Korea and the United States as the main actors, with China to mediate Main; what could be up to Seoul was at most a role of "facilitator" in the dialogue, as demonstrated by the presidency of Roh Moo-hyun and his role in the management of the second nuclear crisis.

One final point to make, which must be taken into account in setting future of inter-Korean relations, as is the intransigent policy of Lee Myung-bak has removed North Korea from the influence of the South, pushing it closer and closer to China and the United States. The interruption of economic and humanitarian aid decided by the conservative Seoul has in fact severed ties of interdependence created by the two previous administrations, while eliminating the influence that South Korea had built against Pyongyang, based on the strong asymmetry their interdependence. In this way the policy of Lee has also increased the already considerable power to influence China on North Korea, leaving the first as the only provider of those resources for which the latter can not help but to survive. Add to this the fact that the same US administration, with which Lee had set out to mend the relationship to build on it the basis of the South Korean foreign policy, held the position of intransigence of the South Korean government as it is no longer sustainable, looking to create a context of dialogue with North Korea, with or without the consent of the South Korean government.

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