MARCUS NOLAND

Executive Vice President and Director of Studies, Peterson Institute for International Economics

Choi Young-Jin, Professor at Yonsei University Graduate School of International Studies, former Ambassador to the US, former Head of the UN Mission in Côte d'Ivoire

Now we have Marcus Noland from the United States. Marcus is now currently Executive Vice President and Director of Studies at the Peterson Institute. Previously, he was a senior economist at the Council of Economic Advisers in the Office of the President of the United States. He wrote numerous articles on Northeast Asia and the Korean Peninsula and gave lectures at Yale University, Johns Hopkins and other forums. Mr Noland, you have the floor.

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Thank you very much. It is a great honour to be invited to participate in this gathering. South Korea is the development success story of the last 50 years. 50 years ago, this country was poorer than Mozambique or Bolivia. Today it is richer than Spain or New Zealand, and last night at dinner, one of my French colleagues predicted that it will catch France within 10 years. Please, please keep in mind that was the prediction of a French colleague, not my prediction.

As spectacular as South Korea's economic development has been, its political development has been as impressive, if not more so. In a period of roughly 10 years between 1987 and 1997, it went from leadership passing from a military authoritarian strongman to his elected but handpicked military successor, to an elected centrist civilian politician, to a former dissident getting elected President. These accomplishments on both the economic and political fronts have been recognised internationally, as was alluded to by a previous speaker. A South Korean national is now the Secretary-General of the United Nations. South Korea was the first Asian and first non-G7 country to host the G20 summit. South Korea hosted the second nuclear summit, a truly impressive history of accomplishment.

If you want to see a contrast, look north. North Korea is mired in the third generation of a Stalinist dynasty. As President Park remarked in her speech this morning, it was the subject of an absolutely devastating comprehensive 400-page report by UN Commission of Inquiry into its human rights abuses, which led the General Assembly to recently recommend referral of the regime to the International Criminal Court. Its economy is characterised by growing inequality and corruption. It experienced one of the worst famines of the 20th century and even now, a significant part of its population remains chronically food insecure.

Looking forward, the best case option for the United States is the peaceful unification of the Korean Peninsula on Seoul's terms. The questions are how do we get there and under what conditions should we settle for second-best alternatives? A permanent division of the peninsula is clearly a possibility, but when people think about unification, it basically boils down to three scenarios.

The first one is one side conquers the other one militarily. The second one is that the peninsula experiences a peaceful, gradual consensual unification that is measured in decades, and that is the official position of the two governments. The third possibility is the one that is usually talked about the most, which is an abrupt German-style collapse of the North and its absorption by the South. Normally, the Korean equivalent of the peaceful disappearance of East Germany is assumed, but there are no guarantees, and I will come back to this point in a moment.

Now, the first possibility is horrific and given the maintenance of deterrence on the peninsula that has prevented large-scale conflicts for 60 years, hopefully it will not eventuate. That leaves the second and third possibilities. Which of these two scenarios, a prolonged consensual unification or an abrupt collapse and absorption scenario, prevails revolves around whether North Korea can successfully address its economic, political and diplomatic challenges and survive permanently as an independent political entity or whether multiple stresses that the regime confronts create an unmanageable situation and it experiences an abrupt change, culminating in absorption by South Korea.

Earlier this year, the Ilmin Institute of International Relations surveyed 135 experts, a term I use advisedly in this context, with respect to the future of North Korea. Obviously, there was a range of views among this multinational cast of experts, but the consensus from the survey was the life expectancy of the Kim Jong-un regime was something in the order of 10 to 20 years. A majority expected it to fall from an internal power struggle and that unification with South Korea would be the final endpoint. This implies that the consensus among the experts at least is towards that abrupt unification scenario.

With respect to that scenario, establishment of civil order is essential, as the US learned, or was reminded, in Afghanistan and Iraq. If there is prolonged violent political opposition to South Korean rule, then quarantine or something akin to the situation with respect to Israel and the West Bank and Gaza territories could obtain. The predictions on the economic side of subsequent development of the peninsula would obviously be dampened or attenuated.

The good news is that recent planning by the South Korean government shows a new sense of seriousness and unification would accelerate peninsular growth and lead to a dramatic reduction in poverty. The bad news is that the price tag could easily exceed USD 1 trillion or less, as the South Korean government planning assumes, if the DMZ is maintained as a mechanism of population influx control, permitting very disparate levels of per capita income in the two parts of the peninsula for an extended period of time, but that scenario itself raises political issues that I will skip over in the interests of time.

Ultimately, the key determinant of which of these scenarios eventuates is the capacity of the North Korean leadership, and the rest of the world, and that means all of us, can influence incentives at the margin, but we should not exaggerate how much influence we have on these internal developments. In this respect, the key issue for us, and especially for South Korea, is how we frame engagement. South Korean political history provides alternative conceptions.

As was alluded to by my predecessor, President Kim Dae-jung had a policy called Sunshine Policy, derived from the Aesop fable of the sun and the wind. They bet on who can make the traveller disrobe. The wind blows and blows, but that only makes the traveller cover up more tightly. The sun warms the traveller and he takes off his robe. The key point here is that the Sunshine Policy was conceived as an instrumental policy. Kim Dae jung did not want to pursue Sunshine with North Korea because he was very nice or he liked North Korea; he wanted to pursue it to transform North Korea in a way that would make national reconciliation more feasible and ultimately set the stage for unification.

His successor government, the government of President Roh Moo-hyun, drifted into a different conception of engagement, where the point of engagement was engagement for engagement's sake. The idea was that if you engage with North Korea, it would feel less humiliated, it would feel greater status, it would have less likelihood of lashing out as a result, and so engagement as a kind of reassurance that turns the heat down and permits peaceful coexistence.

For this line of argument to be persuasive, in the case at hand, one has to have in mind some sort of turning point in North Korean behaviour so that these hand-outs are justifiable appeasement and not simply self-destructive enablement of a hostile state. North Korean threats of a nuclear first strike against the United States make this line of reasoning hard to sustain diplomatically, and the South Korean public are not willing to go along with a one-way street of hand-outs any more. We are back to a world of reciprocity and the issue is how we should structure engagement. President Park this morning outlined her policy of trustpolitik, which recognises this domestic political imperative explicitly.

The goal of engagement should be to encourage the evolution of the North Korean state in desirable directions, encouraging less threatening and bellicose behaviour externally, less repressive practices internally, while encouraging the rehabilitation of the North Korean economy as a hedge against possible collapse. The question of which of these concepts of engagement will prevail, whether it is a means to an end or an end in and of itself, will impact not only the nature of North/South relations, but the relations of each respective state's relationship with the United States, relationships in Northeast Asia more broadly, and ultimately the future of North and South Korea themselves. Thank you.

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Thank you, Marcus, for very clearly presenting those two scenarios of the possible evolution of North Korea. The first one is a prolonged but peaceful process of integration. The second one is reunification by default, in other words by the collapse of North Korea. I particularly advise the audience to take note of his explanation that we should not exaggerate the level of influence we can possibly have on North Korean evolution.