

**Special Addresses of World Leaders**  
**세계 지도자 특별연설**

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(during the process of German reunification)

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## Perspectives for Korean Reunification- Lessons of the German Case

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15 years after the end of the bipolar world, an end of the division of the Korean Peninsula is still not in sight. While the former division of Germany was as a result of WWII. an “inter-national type”, the division of Korea additionally contains elements of a “civil war type” which makes reconciliation and reunification even more difficult.

However, compared to other or former cases of divided countries such as China, Cyprus, Vietnam and Yemen, Germany and Korea show the most similarities: Korea and Germany both recognise in their legal systems the concepts of continuity as well as identity. Nevertheless, they have also shown their willingness to improve their own relations in the international legal arena, made particularly clear by the UN memberships of the two competing systems. In political practice the two parts of Korea co-operate as equals under the “roof” of the pre-war united Korean nation. One could say that Korea has reached a stage in its process of “reunification” which seems comparable with the relations which the Federal Republic of Germany maintained at the beginning of the new German “Ostpolitik”. The remarkable increase of interkorean exchanges and cooperation in various fields since the June 2000 Summit clearly underlines this development.

Thus, the German reunification also created new perspectives and inspirations for the discussion about a future Korean reunification. “Korean people feel a sense of solidarity and affection towards Germany” as President Kim Dae-jung expressed it in his famous speech in March 2000 in Berlin.

In my view the Koreans are devoted and hard-working students of the case of the

German reunification which is reflected by a meanwhile uncountable number of research papers, conferences and study tours. Without doubt it will be extremely helpful to draw conclusions from the German experience in order to develop contingency plans for various possible future scenarios. But the Koreans should not be misled by the comfortable assumption that “nothing should happen, what they do not want to happen”.

This cannot be a lesson of German reunification! One cannot plan the timing and the nature of a reunification process. There will be many challenges and problems to be solved which are not clearly predictable or just cannot be seen in advance. This is a core experience of the German reunification.

The process of the German reunification was embedded in bilateral, regional and multilateral cooperation. Despite the impediments caused by the eclipsing cold war, German reunification followed a process of peaceful coexistence. The new “Ostpolitik”, a policy of engagement towards the member countries of the communist bloc in Eastern Europe, which was started by Chancellor Willy Brandt and his foreign minister Walter Scheel in 1969, led to increasing trade and human interaction.

In the “Basic Treaty” between the two Germanys many areas of cooperation were agreed upon. However, in certain fields which were regarded as sensitive by the East German Government negotiations with long interruptions went on for decades until concrete exchanges could be realized.

The process of a gradually increasing German cooperation reduced the people’s pain created by the division of the German nation. Furthermore, it played an important role to keep West Germany’s allies engaged by confronting them with the unsolved problems that arose from the division of Germany.

The German reunification was caused by historical changes that started in the 80ies and finally led to the collapse of the communist regimes. In my view the multilateral

Helsinki-Process for political and humanitarian dialogue, peace building and economic cooperation made a significant contribution to this historical development. On the other hand it was the German reunification which influenced and accelerated the further process of political and economic transformation in Europe and beyond.

One cannot underestimate the crucial importance of the regional and international support given to the German reunification process. I am absolutely convinced that without West Germany's positive role in the European Community, its full integration into the Western alliance including its membership in NATO, a reunification would not have been possible. Immediately after the fall of the Berlin wall the West German government made it very clear that a reunited Germany would not withdraw from the European integration process but would rather pursue a deepening of the process e.g. through a monetary union. The message sent out expressed the wish of the German people to live reunited in a European Germany and not in a German Europe!

The reunification of Germany was effected through three main treaties:

- The Two-plus-Four Treaty
- The Treaty on Monetary, Economic and Social Union between the two Germanies
- The Unification Treaty.

The Two-plus-Four Talks between the two German States and the USA, USSR, France and the UK between May to September 1990 discussed the external aspects of the establishment of German unity, including the issue of security of the neighbouring states.

These talks which led to a final Treaty which reestablished German sovereignty, coincided with three succesful summits:

- 1) The European Council Meeting in Dublin
- 2) The Nato summit in London
- 3) The World Economic summit in Houston

where the Western allies successfully organized the support for Germany's reunification as well as political and financial assistance to the reform process in the USSR.

Chancellor Helmut Kohl stated that the government of the Federal Republic of Germany tried to diminish international concerns by a cautious policy. Foreign Minister Hans-Dietrich Genscher also linked the question of the German reunification to the membership of Germany in the European Union and in the Western alliance.

He stated that in case of a German reunification the political will of the German population to integrate deeper into the European Union was irrevocable. On the other hand he also showed great understanding for the Soviet Union's security interests which would have to be dealt with by the NATO.

The whole negotiation process related to the reunification was made transparent to Germany's allies and neighbouring countries. In my capacity as then Vice Minister of Foreign Affairs in charge of European Affairs I informed on a weekly-basis the Foreign Ministers of the EC as well as the European Parliament which had created a special committee on German Reunification. The EP finally had to approve the Unification Treaty.

It can be concluded that the German Government responded by that time to the challenge of transforming the East by relying on the forces that had made post-war West Germany strong:

Close cooperation in mutual trust with its foreign allies, stable democratic institutions, social peace, national consensus in the policy towards East Germany, a strong economy and a huge social security system that was however already over due to reform.

Since the collapse of the Berlin Wall in November 1989 that brought freedom to 16 million East Germans, more than 1 Trillion Euro has been invested in the reunification. If you look at the approximately four percent of German GNP that will be transferred to the East this year, it is not a very high amount.

We can see the German reunification as a success story as freedom, democracy and peace finally triumph in Europe. With the support of the West, the EU and above all the East German people themselves, the whole political, economic and social system was successfully transformed.

Unfortunately, the rate of unemployment in some disadvantaged regions is still unacceptable high and we are facing, partially because of this, a continuous drain of younger people to the West.

The problems we are facing are in some part challenges Germany as a whole needs to solve; further problems were caused by wrong transformation policies in the past:

In the late 70ies, the clock of globalization was already ticking louder and louder. Instead, West Germany's over-expensive welfare system, its costly federal monetary redistribution mechanisms and the rigid labor market rules, the whole under the aspects of growing global competition outgoing West German model, was completely put over East Germany.

One of the major mistakes was the wrong traditionally western objective to establish equal living conditions on a blanket coverage basis. As we know today, this strategy goes directly against the mobility of the people, leads to high long-term monetary transfers and runs counter to healthy competition between regions.

There is fortunately a growing view that in order to help East Germany, all Germany will have to be reformed substantially, starting with the liberalization of the labor and financial markets. Furthermore state subsidies should be concentrated on regions with high growth potential and on clusters. Monetary transfers from West to East should predominantly promote private investment and not flow mainly into consumption, as it is still today the case. More (tax) autonomy should be given to the state and local level. Public employment programs should be reexamined since they were not successful to bring the

jobless back into regular jobs. And instead of stopping the mobility of the people, incentives should be given where jobs are offered.

The Korean people will have the historical advantage to be in the position to learn from Germany's experience and also mistakes! This is a precious privilege Germany could not enjoy.

As mentioned above, a massive transfer via the security system cannot be recommended, since it runs against transparency on the real reunification costs and creates a far too heavy burden for the private sector.

As Federal Minister for Construction and Regional Planning at a very early stage of reunification (1991-1994) I was facing the enormous task of a more or less complete new construction of modern infrastructure including transport and housing - a major precondition for economic development.

And this had to be done as fast as possible. This could only be done by raising huge amounts of private capital. At that time we successfully implemented various leasing models and the concept of private public partnership. The public sources would not have been sufficient, particularly because of the social expenditures.

In order to gain more support for reunification it would be advisable,

- 1) to be honest and transparent about the expected costs
- 2) to identify and chose ways how these expected costs can be reduced
- 3) to actively reveal the enormous benefits of a peace dividend.

This is extremely important as there still is no consensus among the people in the South on how to deal with the North. The so called "Sunshine policy" has started a new chapter in interkorean relations and a new momentum of engagement but it still has to develop into a mainstream policy. The "Ostpolitik" in Germany became finally mainstream

in the eighties which contributed fundamentally to the overwhelmingly positive attitude of the West Germans towards reunification.

Economic cooperation between the two Koreas, to help speed the growth of productivity in North Korea, could alleviate some of the projected burdens. Reforms of South Korea's fiscal policies, needed to help restore fiscal balance even without reunification, take on added importance in light of the large burdens of reunification.

Without such reforms, the total fiscal burdens faced by South Koreans in the future will be substantially higher than at present, making it likely that the government will face strong resistance from South Korean residents and a difficult road to convergence of the two Korean economies. (Auerbach, Chun, Yoo, 2005)

In this context it is very promising that trade between the two Koreas developed remarkably and that important "light-house" projects for the expansion of future economic cooperation such as the Mount Kumkang Tourism Complex and the Kaesong Industrial Zone are meanwhile on a good track.

The DPRK's diplomatic reach out which followed the historical interkorean summit in June 2000 definitely paved the way for new initiatives and various co-operations. It can not be ignored that during recent years the DPRK undertook efforts to improve political relations with neighboring and other countries and to create an "enabling environment" for reform.

Apart from a careful and gradual opening of the country to the outside world to foster favorable economic cooperation, the government decided to improve the domestic economic situation through policy change. With the introduction of the 2002 economic measures, the move of the North Korean government from the state-led distribution system to a more market oriented approach became evident.

However, a reform within the system leading above all to short-term effects will

not be sufficient to improve the economy. Hence, a reform of the economic system seems necessary. And here, Pyongyang is facing a dilemma: fundamental economic reforms are needed for the development of the economy but they may threaten the political status quo.

The North Korean government has carefully studied the process of transformation in the former communist East European countries as well as China and Vietnam. Every move in adopting reforms will be taken cautiously and slowly and evaluated carefully before proceeding with further initiatives.

During the past twenty months our Foundation co-organized three training seminars to transfer knowledge on the functioning of a market economy and a workshop on the conditions for economic reform and foreign investment were prepared and organized in Pyongyang, involving in total more than three hundred experts from the DPRK's leading governmental and scientific institutions dealing with the economy and public finance. By doing this, the Friedrich Naumann Foundation (FNF) responded to special requests expressed by North Korean institutions such as the Ministry of Finance and the Foreign Trade Bank.

The former regime of the GDR had never allowed to hold seminars on market economy in their country. On the contrary, they stubbornly opposed any economic reform even when East Germany's economy was already going downhill. It is my understanding that the leadership of the DPRK has drawn its own conclusions from this historical example.

The modest economic adjustments are still inconsistent and produced also painful side effects such as high inflation and new unemployment. This does not leave the regime much leverage with the exception of a real reform or change. Continued foreign investment is needed that however has to find positive domestic conditions and a favorable international climate.

Therefore, a peaceful resolution to the nuclear arms conflict is without doubt a crucial condition for sustainable economic development.

Furthermore, the nuclear conflict also limits the options of the South Korean Government for its reunification policy. Hence, the international embedment of the Korean reunification process becomes even more crucial.

The first major challenge will be to dissolve the old structures of the Cold War era and to establish a sustainable regime of peaceful coexistence that will create feelings of trust to replace the feelings of confrontation and suspicion.

Korea remains bound-up by the political influence of the four Eastern “Great Powers”:

**The United States** as the major force to guarantee stability in the region and as the most important ally of South Korea;

**Japan** as the still most significant economic power in the region with a strong interest in the denuclearization of the Korean Peninsula and possible willingness to finance to some extent the Korean unification;

**China** as a rapidly expanding economic and political power in the region and beyond, that exercises an increasing influence (also economically) on the DPRK;

**Russia** that has rediscovered its interest in the region as a “Eurasian” power.

Given this geopolitical environment one can see Korea’s strategic alliances as concentric circles with the alliance between the ROK and the US in the center, the second circle including Japan, the third China and so on.

In the 21<sup>st</sup> century, East Asia has the potential to become a powerhouse of the global economy. However, unsolved regional conflicts could spread out in the same way that in the last century two World Wars and the cold war evolved from regional power struggles in Europe.

Europe has learned its lesson from this painful experience; but in East Asia, confidence-building measures, normalization of relations with neighbouring countries, reconciliation, and gradual integration are far from being reality.

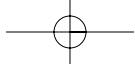
This is indeed worthy of regret, since there would be an urgent need for these, particularly on the Korean peninsula. Europe's past must not become East Asia's future.

It is true there have been visible developments in reducing tensions during the past decade, but the North is again trying to create an atmosphere of crisis to yield concessions. The current escalation of confrontation shows a lack of sustainability in the existing regional security order. But this could be an historic opportunity for a multilateral approach that would allow South Korea to play a far more active role rather than being again reduced to an object of the game.

The format of the Six-Party-Talks is already pointing in the right direction. Of course, this particular regime of negotiations and cooperation needs to produce results. If it will do so, it has the potential to serve as the nucleus for a collective regional security framework engaging actively all major players in the region.

This could be achieved by responding to a variety of fundamental interests of the North, while verifying nuclear disarmament, economic opening and an improvement in human rights will be implemented by the DPRK in return. This "more-for-more" approach, based on positive reciprocity and verification, could lead North Korea into detente and make the country more interdependent within the international system. It would also give South Korea's sunshine policy much more room to work.

The North is fighting for regime survival. A real opening of the North can only take place under a verifiable and a sustainable security framework. Furthermore, incentives creating a win-win-situation need to be offered to the North in order to get the country out of its self-chosen isolation. This approach sometimes demands a flexible interpretation of reciprocity and the ability to compromise.



It is surely an inconsistent and ineffective strategy to demand disarmament and pursue “regime change” simultaneously (McNamara, 2005). It must be accepted that neither side is going to take over the other side by force.

Also containment policies have not proven to be successful in the past and will definitely not succeed in this case. On the other hand the DPRK leadership will realize that regime survival in the long-term cannot rely mainly on nuclear arms as the example of the former Soviet Union has clearly shown.

Therefore the North will finally have to respond to an integrative approach from the international community by abandoning its nuclear weapons programme in a verifiable way and by pursuing reforms of its economy and political system as the foundations for sustainable peace and mutual prosperity all over the Korean Peninsula.

