International Workshop
Reconstruction of Infrastructure in North Korea and the Framework for Implementation

Agenda(tentative)

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1. Why development assistance?

Humanitarian aid has been the major assistance to North Korea since the DPRK’s famine in the mid 1990s. It is well known that humanitarian aid cannot solve North Korea’s economic crisis. Haggard and Noland (2006) documented reasons why famine continues in North Korea. Ultimately, they claim that the regime is responsible for the famine and economic crisis. Unless North Korea embarks on the path of economic reform and opening, they argue that there is no possibility for North Korea to solve food problems and economic shortages. Haggard and Noland’s point is well taken. But the dilemma is what do we do in the meantime? Should development assistance not be offered until Pyongyang takes economic reform and opening? Or as Eberstadt (2006) argues, do we have wait until North Korea takes “bold switchover.”¹

¹ Eberstadt (2006) explains that “bold switchover” includes two assumptions. 1) that DPRK remains an
What if development assistance brings changes in DPRK’s economic policy towards reform and opening? This is exactly the point of diversion in views between the hawks and the doves, and between South Korea/China and the US/Japan.² It is true that South Korea’s “sunshine policy” did not so far produce significant changes in Pyongyang’s policy and behavior. Changes, however small they are, have occurred during the past decades. These changes could be interpreted as a sign of hope for “engagiers” but of disappointment for “colapists” (see Auton’s recent paper).

We have now at least a preliminary agreement on the nuclear issue. Washington is talking with Pyongyang not only about denuclearization but also the US-DPRK future relations. Is it too naive to assume that denuclearization would entice North Korea toward economic reform and opening? Were colapists not too naïve to assume the collapse of DPRK a few years back? Development assistance, if coordinated with political goals and designed with the objectives of encouraging economic reform and opening, I believe, would bring positive results.

In the email survey conducted in May-June this year, all the nine experts hold the view that a peaceful settlement of DPRK’s nuclear problem is a prerequisite for development assistance. However, nine experts do not share the necessity of economic reform and opening as a precondition for development assistance. A few holds a view that development assistance could be offered if it is expected to bring changes in DPRK’s economic policy.

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² In the email survey conducted in May-June this year, all the nine experts hold the view that a peaceful settlement of DPRK’s nuclear problem is a prerequisite for development assistance. However, nine experts do not share the necessity of economic reform and opening as a precondition for development assistance. A few holds a view that development assistance could be offered if it is expected to bring changes in DPRK’s economic policy.
Another point to be stressed is that development assistance to North Korea is not solely a Korean concern. It is also beneficial to the international community. Developing infrastructure in North Korea is an essential step to construct a region-wide infrastructure networks in Northeast Asia and beyond. If North Korea participates in energy cooperation in Northeast Asia, it would help secure not only its desperately needed energy but also build up integrated energy networks in a larger region. Region-wide transportation networks are another example of why regional neighbors need to participate in the development of North Korea. Therefore, development assistance, in particular infrastructure development, would bring benefits to the regional community and would serve long-term interests of the US and the global community.

2. Who are likely to offer development assistance to North Korea?

Currently, South Korea and China are interested. And they are the two major donors of humanitarian aid. South Korea has already made some investment (rail and road between Paju and Gaesong and between Jeojin and Gosung). South Korea’s interest goes beyond South-North transport connections. Building efficient energy, transportation and communication networks in the peninsula would serve Korea’s long-term interest to play a hub role in Northeast Asia.

China recently made commitments to infrastructure improvement in the border areas (Shinuiju-Dandong new bridge, road between Hunchun and Rajin, and rail between Tumen and Namyang, expansion of Rajin port) in lieu of natural resources development such as coal. Chinese enterprises would benefit greatly by the improvement in transport connections between the two countries because a large quantity of everyday consumer items are supplied by them. In the long run, Beijing-Pyongyang-Seoul-Busan high-speed rail would bring benefits to both Chinese and South Korean enterprises.

Even though Russia is not a major donor country, it is interested in building up transportation connections between the Russian Far East and South Korea via North Korea. And it is willing to pay some portion of the bill for transport connection projects. Russia has already expressed its interest in the projects such as the Khasan-Rajin rail renovation, oil delivery to Sonbong refinery and reimportation, and the electricity export from Vladivostok to Chongjin. Beyond these immediate interests, Russia is very much interested in connecting TSR with TKR and in constructing a Northeast Asian Gas and Oil pipelines. Undoubtedly, all these projects would serve the national interest of
Russia and the objective of regional development in the Russian Far East. Adjacent subnational regions of China, e.g., Northeast China, the east coast region of the Korean peninsula and the west coast region of Japan would also benefit from such region-wide public goods building (Kim 2006).

As revealed in the email survey, most experts agree that major development assistance is unlikely until the DPRK’s nuclear problem is settled. But what if the nuclear problem is resolved? The US, EU, and the international community in general are likely to render political and development aid. According to Eberstadt (2006), the opportunities both for economic transformation and for material advance would be immediate and significant if the DPRK were to pursue a bold switchover in security posture.

Eberstadt explains that two distinct types of funding would be available from the international community: political aid and development aid. The former would be contingent upon a credible change in DPRK security policy, whereas the latter would be conditioned upon changes and reforms in North Korean economic policy. Eberstadt even dares to put price tag.

In terms of political aid, South Korea could be anticipated to approve an additional $2 billion or more per year, while Japan might give as much as $1 billion per year over ten years. With a new and credible leadership in Pyongyang, even the US might offer a few hundred million dollars per year.

Development aid, on the other hand, would depend upon North Korea’s willingness to meet a variety of conditions. Here, economic reform is an essential condition. Aid from multilateral lenders such as the World Bank is contingent upon gaining membership into the organization.

Obviously, both political and development aid by Eberstadt implies a multilateral approach. For political aid, a process similar to the Six-Party Talks coordinated by a country or a group of countries would be required. For development aid, multilateral institutions such as Work Bank and the UN would perhaps be appropriate to lead the process and modality of development aid. As a matter of fact, the experts survey suggests a need for coordination when offering development assistance to DPRK. What form should it take differs by one’s assessment on the past experience regarding humanitarian and development aid to North Korea. International financial institutions
(IFIs) such as the World Bank and Asian Development Bank with their experience and skills no doubt are the most appropriate institutions to manage development assistance.

The question remains, however, regarding the interim period before DPRK joins IFI’s. We also need a sort of mechanism delivering “political aid.” Here, a modified KEDO (Korean Peninsula Energy Development Organization) model as an interim framework can be considered. Although Babson has suggested special trust fund as an interim measure, it is doubtful because the political process, i.e., the Six-Party Talks, is unlikely to reach an agreement fast enough. In any event, we need to discuss possible approaches to mobilizing development assistance to DPRK to facilitate the transformation of the DPRK’s economy.

3. Alternative approaches for development assistance to North Korea

Babson (2004) discussed three options for arranging international cooperation with DPRK aimed at mobilizing public capital. Two factors count the difference. One is leadership and the other is the extent to which political in addition to economic considerations are explicitly addressed in the mandates and processes of the decision-making mechanisms. Three options or approaches are: Korean-led, World Bank/IMF-led, and Core Country Group-led.

1) Korean-led option

If both Koreas agree on the ultimate goal of reunification and international community supports it, then a joint sponsorship framework is one option to consider. In this case, the agenda and process for coordinating mobilization of public capital for DPRK would be guided by the two Koreas together, and reinforce the objectives of reducing the gap between the two economies, deepening inter-Korean economic cooperation and gradually integrating the two economic systems. The advantage of this approach is keeping the reunification goal at center stage and providing a political incentive for the international community to mobilize resources and provide support for the reunification process.

Through inter-Korean framework, the IFIs, EU and bilateral development assistance agencies could be commissioned to work with both Koreas on the program, providing advice and technical assistance to both countries and financial support to DPRK to meet its public investment program requirements. In policy dialogue with the international
donors, the two Koreas would describe what they were each doing individually and doing together to advance the overall economic agenda on the Korean peninsula, and explain where assistance from the international community would be most helpful.

The inter-Korean economic dialogue in operation is a clear advantage. It would be relatively easy to build on this existing inter-Korean economic cooperation framework, both to convene meetings with the international donor community and to monitor and supervise implementation of reforms and projects in DPRK. Capacities that have been built up in ROK could rapidly be mobilized to support the international engagement framework while working with counterpart organs in DPRK to help them build their capacity to engage effectively.

The disadvantage of this approach is that it could place major powers and other donor countries in an awkward position of supporting a joint Korean economic agenda that they find objectionable for one reason or another. If the two Koreas get together and proceed with an agenda that is inimical to the interests of one or more major donors or perceived to be tilted politically, there is less leverage to influence a change of course than would be the case in the other approaches. Babson adds that this potential for preemption could be mitigated if processes were put in place for consultations with donors on major issues on an ongoing basis in both Seoul and Pyongyang.

2) Traditional consultative group
This is a model already alluded and most experts agree on. Setting up a consultative group for DPRK along traditional lines would mean that DPRK would have to become a member of IFI’s at an early stage and work closely with the IFIs in economic and financial reporting and in preparation of reports used as the basis for the consultative group discussions.

The advantage is that it has well established processes known to the donor community and is an efficient mechanism for coordinating policy dialogue and mobilizing formal commitments to finance a well-reasoned macroeconomic framework for economic development. The disadvantage is, however, that: IFIs are forbidden by their Articles of Agreement to take political consultations into account in the conduct of their work. For DPRK, it may be difficult to separate political dialogue from discussions of economic policy and mobilization of resources.
3) Core country group lead

If the Six Party framework for negotiating security agreements for DPRK is successful, it might naturally be expanded to address economic assistance issues as well. The pressure to link economic assistance with progress on political agreements is likely to be strong if a step-by-step road map approach is adopted by this group. In this approach, it would be necessary for the Core Group either to have a rotating chairmanship or elect one country to serve as chair for economic cooperation meetings.

Babson suggests some modifications in the Six Party framework. Since donors to DPRK will include the IFIs, EU, and second circle countries such as Australia and Canada, participation in the economic meetings would need to be expanded beyond the Six Party framework. Conduct of these meetings would be driven by assessment of progress on political agreements and considerations for implications for economic assistance.

The advantage of this approach lies in its linkage to the political framework for international engagement with DPRK. This advantage, however, is the very source of its weakness. DPRK’s economic reform process and development would be shaped by the strong political interests of members of the Core Group and dominance of regional perspectives, and thus delay DPRK’s full integration in the global community and normal workings of the international financial system. Also inter-Korean reconciliation would be given a second row seat to the other interests of the large powers (in particular US), reinforcing a sense of dependency of both Koreas, with potentially negative effects on public opinion in these countries. Some adjustments in the working modalities of the Core Group would also be needed to fit the requirements of economic policy dialogue and coordination between foreign policy and economic agency participation.

In sum, one model is not perfect to satisfy all the considerations. In this respect, the email survey on experts reveals interesting results. Those experts, who stress the importance of DPRK’s economic reform as a precondition, favor the traditional approach represented by multilateral lending institutions. On the other hand, those who are less strict on the economic reform as a precondition, suggest a more flexible approach, either in a modified KEDO model or something new (e.g., a model of European Bank for Reconstruction and Development). In other words, a chicken and egg problem exists here as well. One could use the metaphor that pumping in a little bit of water is necessary to pump up underground water. Depending on one’s principles and
values, headwater may be or may not be acceptable.

Given the scope of the needs, the sensitive political environment, and consideration of the eventual goal of South-North integration, a multinational regime for coordinating and overseeing development assistance to the DPRK should be established in the long run. But it takes time to establish a multilateral framework for development assistance. The question is how to extend development assistance in the mean time, i.e., prior to the complete settlement of North Korea’s nuclear problem and its admission into the international financial institutions. Conservatives argue that there should not be any development assistance. Others argue that limited development assistance should be rendered when DPRK commits the denuclearization process and takes economic reform and opening policies.

Several options for interim period have been suggested. Chae and Zang (2002) suggested an Interim North Korea Development Assistance Group that would coordinate assistance until the DPRK fulfills the requirements to qualify for International Monetary Fund and World Bank membership. This Group would include donor governments, major international financial institutions, the UNDP and other relevant UN agencies, and international aid agencies including NGO representation. Babson suggested an idea of special trust fund, which has been well received by international NGOs (Reed 2005). The logic is as follows.

DPRK requires large-scale public infrastructure investment. Funding for these types of projects comes mainly from the multilateral development banks and bilateral development assistance agencies in the form of loans, not grants, even if the loans are at concessional terms for qualifying countries. Large-scale infrastructure projects require a lot of advance preparation. There needs to be a public investment program, feasibility and engineering studies. For these reasons, there will be a period of several years required to undertake the prerequisite studies and preparation to absorb large amounts of ODA. During this time, high priority will have to be given to funding the studies, technical assistance and training that DPRK will need to prepare and implement a large program of development assistance. Trust fund is suitable here. The creation of such a trust fund could be done quickly, even before DPRK undergoes the process of obtaining membership in the IFIs.

Another option as a variant of the Core Country Group lead approach is to use a
modified KEDO as the forum for economic discussions, if KEDO (Korea Economic Development Organization) was to be given a new and wider mandate and membership expanded to include China and Russia. In this approach, KEDO would be the instrument linking the political and economic framework for engagement, where it was determined that the political framework would need to tightly guide economic discussions and commitments, not only for the core countries but for the international community more generally.

4. Is a modified KEDO viable model?

1) KEDO History
In October 1994, the US and the DPRK signed the Agreed Framework, under which the DPRK agreed to freeze and ultimately dismantle its nuclear program. In return, the US agreed to finance and construct in the DPRK two light-water reactors of the Korean Standard Nuclear Power Plant model and in so doing; provide the DPRK with an alternative source of energy in the form of 500,000 metric tons of heavy fuel oil each year for heating and electricity production until the first of those reactors is completed.

In support of these goals, KEDO was established on March 9, 1995, when Japan, the ROK, and the US expressed their common desire to implement the key provisions of the Agreed Framework and signed the Agreement on the Establishment of the KEDO. These three countries constituted the Organization’s Executive Board. However, KEDO’s charter allowed for additional states and international organizations that support the purposes of the Organization and offer assistance to also become members of the Organization. In 1995, New Zealand, Australia and Canada joined KEDO. In 1996, Indonesia, Chile, and Argentina also joined. On September 1997, EU joined KEDO with representation on KEDO’s executive board.

In November 2002, following reports that the DPRK was engaged in an undeclared program to enrich uranium, KEDO’s executive board decided to suspend the supply of heavy fuel oil to the DPRK starting in December of that year. On November 21, 2003, KEDO announced that because the DPRK had not met the conditions necessary for continuing the LWR project, KEDO was suspending the construction of the LWRs in the DPRK for a period of one year, beginning December 1.

On November 26, 2004, KEDO’s Board decided to continue the suspension of the LWR
project for another year. On January 8, 2006, KEDO completed the withdrawal of all workers from the project site in Kumho. The Executive Board of KEDO decided on May 31, 2006 to terminate the LWR project.

KEDO got total financial support in cash or in kind from 31 countries from March 1995 through December 2005. Major funds came from ROK ($1455 million), Japan ($498 million), the EAEC ($122 million), and the US ($405 million). ROK took a major share of the bill, amounting about 60%, whereas Japan about 20%, EAEC 5% and the US less than 2%.

2) Assessment
According to Jeon (2006), KEDO contributed to the peace and stability of the peninsula at least for the period from October 1994 till October 2002. It provided a model for inter-Korean economic cooperation. The DPRK learned the potential of inter-Korean cooperation through the LWR project. The LWR project paved a way for Mount Kumgang Tourism and Kaesong Industrial Complex projects. More importantly, KEDO project provided a rare opportunity for experimenting multilateral cooperation in DPRK and Northeast Asia. KEDO was thus the first organization for multilateral assistance to DPRK and provided a ground for the Six-Party Talks.

There are plenty of negative assessments. KEDO was a political project, which did not take into account technical and economic feasibility. Von Hippel and Hayes (1998) and GS Kim (2005) pointed out, North Korean electrical grid needs substantial refurbishment in order to use the electricity generated by the reactors. Even if surplus electricity is generated, it is unrealistic to export the surplus. In sum, KEDO did not address North Korea’s serious domestic energy problems, nor would the LWRs be an efficient source of export earnings. The agreements did not address the real problems that North Korea faces in the energy sector. This is because the US, the actual leader of KEDO, did not have an interest in the energy problem or economic development in the DPRK. Its interest lied in regional security. The LWR project was quid pro quo for its security interest. Furthermore, the US could pull out itself from the project without losing face, while not really committing itself to the completion of the LWR project in terms of resources.

As Babson (2004) and others mentioned, KEDO was never conceived as an economic organization despite its mandate to provide heavy fuel oil and construct two LWRs. As a
political organization KEDO has been managed and staffed primarily by foreign affairs personnel and there were no specialists in economic affairs. Thus the management of KEDO was biased toward security and political concerns.

In sum, a modified KEDO model has a definite advantage over other interim frameworks in the respects that it can be easily established once the Six-Party countries agree because it already has an experience. A caution needs to be kept in mind. Even a modified KEDO with a new mandate of economic assistance may be influenced by political decisions of core countries. In addition, the inter-Korean relationship would be overshadowed by the KEDO organization, potentially causing some inconsistency in the policies adopted by KEDO for economic engagement with DPRK and dynamics of inter-Korean cooperation. To ensure the KEDO not to be overshadowed by political agenda and also reconcile with inter-Korean cooperation, one can think of a mixed model combining the element of the Korea-led model and the Core Country Group-led model. ROK could be the chair of a modified KEDO and devise a program for development assistance to DPRK in close consultation with core countries and other potential donor countries. Obviously, the inter-Korean cooperation channel should be expanded to become a mechanism to discuss economic agenda rather than political agenda. Based on a careful review of inter-Korean economic cooperation in the past, current mechanisms of inter-Korean economic cooperation need to be modified.

5. Inter-Korean economic cooperation

Inter-Korean economic exchange and cooperation had been limited to the private sector prior to the June 2000 inter-Korean summit. It has since expanded to include official cooperation between the South and the North government. Communication channels between officials have been established including discussions over economic cooperation. In spite of temporary interruptions, these lines of communication continue to exist.

The Mount Kumgang tourism and Kaesong Industrial Complex projects began as private ventures. During the process, however, they have been made possible through the support generated by official discussion between Seoul and Pyongyang. The project to reconnect inter-Korean roads and rails has been purely governmental from its inception. The Mount Kumgang project did not produce a profitable model thus far.
Mt. Kumgang project began as a private initiative seeking profits. Total costs up until early 2006 are estimated to be 280 billion won (Hyundai Asan 140 billion, Korea Tourism Corporation 90 billion won, and other companies 45 billion won). Hyundai-Asan recorded losses 129 billion won in 2000, 51 billion won in 2001, 9 billion won in 2002, 6 billion won in 2003, 75 billion won in 2004, and 14 billion won in 2005. Hyundai-Asan requested government assistance in the early 2001 and thus KTC got involved in the project. KTC public corporation supplied 30 billion won in June 2001 and additional 15bw in July from inter-Korean economic cooperation fund and it in return received tourism facilities. In total, KTC borrowed 990 billion won from inter-Korean economic cooperation fund and paid them to Hyundai-Asan (Monthly Chosun December 2006).

As Beck and Reader (2005) aptly pointed out, so long as engagement by loss-leading NGOs and South Korea’s major conglomerates provide the best-known examples of what is possible, there will be little chance of North Korean growth, or generation of wider international interest.

It is evident that inter-Korean economic cooperation is moving toward official cooperation, as private-sector cooperation is difficult to realize due to political circumstances surrounding the Korean peninsula (Yoon and Yang 2005). And yet both government and private enterprises face obstacles and they are:

- North Korea’s reluctance to open up its economy to South Korean investors.
- Pyongyang’s interest in obtaining short-term cash income from Seoul than in long-term capital investment
- A short time horizon of Pyongyang officials, making it difficult to undertake long-term planning or make investments without an immediate payoff3 Public opinion in South Korea does not support expanded economic cooperation prior to the settlement of the nuclear issue.
- Less business-minded South Korean enterprises4

3 Every level of the system is under pressure to show immediate, concrete results (Reed 2005).

4 South Korean enterprises, who are interested in North Korea, tend not to observe market principles and show dependency on the government. The best example is Hyundai, which has been the most prominent
- Nationalist sentiment in ROK with respect to development assistance
- Political risks emanating from the nuclear issue and unstable inter-Korean relations
- Legal and institutional problems, i.e., investment guarantee, communication, travel, dispute resolution, etc.
- High transportation costs
- US restrictions on exports of “strategic goods”
- The issue of a product’s country of origin

6. Reconciling inter-Korean cooperation with international cooperation

As I alluded earlier, inter-Korean cooperation is essential in helping the transformation of the North Korean economy towards economic reform and opening. Encouraging inter-Korean cooperation is a strong motivator for the international community to provide public capital to DPRK. As Babson (2004) pointed out, it is likely that donor countries will be more forthcoming with resources if the two Koreas are pursuing a policy of deepening inter-Korean cooperation in parallel with improving social and political relations within a broadly supported security framework.

However, some kind of mechanisms will be needed to ensure that there is proper coordination between the financing of DPRK’s economic development program and the inter-Korean program. A modified KEDO seems the most appropriate alternative at this juncture. While ROK is expected to lead development assistance program by not only contributing a large share of public capital needed for DPRK but also devising a strategy to entice the DPRK towards economic reform and opening as well as inviting the participation of neighboring countries and the international community in transforming the North Korean economy. The role of the international community will not be just to supplement ROK resources but also to render knowledge and expertise from global experience that will bring value-added to what the two Korean can do by themselves.

in North-South exchange (Noland 2000). Without government assistance, the Mt. Kumgang and Kaesong Industrial Complex projects, which Hyundai had initiated in anticipation of exclusive development right over the two projects, could not have survived.
In this regard, China’s role is essential, especially for the immediate future, say, even before the settlement of DPRK’s nuclear problem. One should be reminded of the fact that, despite the nuclear problem, China and South Korea have been providing both humanitarian and development assistance. China has been the major donor country for economic assistance to DPRK. Now, China is the largest trading partner of North Korea and the number one investor country. China’s economic assistance to DPRK has been operated at a mixed environment. While most trading and investment are done by the private sector, some critical assistance, e.g., oil supply, is rendered with political considerations. In so much as China plays a guardian role of DPRK, official assistance to DPRK does not always observe the rule of transparency. But it has leverages to make changes in North Korea.

Babson is right. China can play a critical facilitator role. China’s economic assistance policy to DPRK needs, however, to be coordinated with the policies of other donors, especially South Korea, to a much greater extent than in the past and also to be more transparent. This can be certainly achieved if China joins a modified KEDO. If China expands participation in multilateral cooperation both through active collaboration with ROK in the DPRK and in regional economic cooperation mechanisms such as TRADP, there will be incentives for other donors to support these initiatives and provide complementary funding. This would indeed bring a positive message to the regional and global community. China’s activism, i.e., willingness to develop more open and coordinated economic assistance with DPRK, will be a clear signal of genuine regional economic cooperation in Northeast Asia.5

Japan’s role would not be discounted in the modified KEDO approach. On the contrary, Japan can be expected to be a major supplier of public capital to DPRK. Estimates run between $5 – 10 billion. Thus the mobilization of public capital for DPRK will be heavily influenced by Japanese policy with regard to the timing of normalization of relations, size and composition of financing package, modalities for transferring resources to DPRK, and conditionalities that may be applied by the Japanese government. The Japanese voice will carry a significant weight both with DPRK and with other donors, whose own policies towards provision of capital to DPRK will need to be coordinated with Japanese priorities. In the immediate future, however, Japan’s

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5 Rozman in his assessment of regional cooperation in Northeast Asia in the past two decades concluded as flawed regionalism, political nationalism in spite of rising economic interdependency among the NEA countries.
role is limited because of its disengagement policy.

All in all, the Korean-led approach with a modified KEDO framework as an interim mechanism would abate the problems involved in the bilateral approach, which tends to be nontransparent and fragmented.

7. Proposed framework

In conclusion, I propose a mixed and gradual approach, collaboration among concerned countries first, then an interim multilateral mechanism targeted for early development assistance (which is quid pro quo for DPRK’s security switchover) to usher DPRK into economic reform and opening, and finally a multilateral framework for normal development assistance. Given the current progress of the six-party-talks, a three- or four-way collaboration can begin at cross-border regions, between North Korea and South Korea/China/ Russia. Such collaboration would help guarantee the effectiveness of project implementation and raise the level of transparency. However, inter-Korean economic cooperation needs to be modified to accommodate three-way or four-way cooperation.

Cross-border region projects would serve the goal of collaborative development assistance to DPRK. Constructing growth points for the DPRK economy with connections of North Korea with neighboring countries would contribute to DPRK’s economic reform and opening. These projects would also be economically justified because there exists demand. Specifically, special economic zones in Shinuiju and Rajin-Sonbong plus cross-border transport connections are key projects (Kim 2006).

6 It is difficult to give a precise timeline on this transition phases. The first phase of three-way collaboration would need about 3-4 years. The second phase of a more structured KEDO would last for ten years. After that, North Korea would satisfy the requirements to join the international financial institutions, i.e., International Monetary Fund, the World Bank and Asian Development Bank.

7 There are three types of demands. The first is demand arising from the two country exchanges, i.e., between China and North Korea or between North and South Korea (type I). The second is transit demand, between China and Korea or between China and Japan (type II). The third is domestic demand within North Korea (type III). Type I demand is most visible at present.
Financing three-way collaboration among China, North Korea and South Korea may not be difficult. Once the national governments of China, DPRK and ROK agree on the collaborative development of the Shinuiju-Dandong special zone or free city, for example, national banks of China and ROK can organize a team and develop a plan for the area in consultation with DPRK experts. Since the Bank of China and Korea Development Bank have already an agreement for collaboration in development financing, it would be relatively easy to finance and implement the project. A similar arrangement can be made for the Rajin-Sonbong area. Another possibility is, however, using an international private consortium.

Once the six-party-talks find a solution for the security issue, the five nations can arrange mechanisms to facilitate political aid. Following the example of KEDO, KE(I)DO (Korean Peninsula Economic (Infrastructure) Development Organization) can be established to coordinate and implement major development (infrastructure) projects funded largely by public capital. Critical tasks that KE(I)DO should carry out include the following.

One is development planning, to draw up national and sectoral plans on which a country assistance strategy can be based. Given the prominent role that South Korea will play in assisting North Korean development, a preliminary plan can be developed through inter-Korean cooperation in close consultation with the other Six-Party members and international institutions. The development assistance plan would identify the sequencing and priority of various investments and outline the possible roles for various players, including UN agencies and NGOs.

A second major task is capacity building for development. The IFIs in coordination with inter-Korean cooperation framework can provide training programs for the staffs of key DPRK ministries and agencies to equip them to undertake cooperative project identification, implementation, and evaluation.

There have been talks about the need to establish a permanent structure to discuss about the regional security in Northeast Asia. Similar to NATO, a Northeast Asian Security Organization or Conference has been proposed. If the countries in the region including

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8 This agreement was made among the three banks including the Mizhuo Bank of Japan.
9 A suggestion is made by a few specialists including myself that the second inter-Korean summit can begin discussion about the development assistance plan or economic development plan for North Korea.
the US agree on the establishment of NEASO, its agenda should include not just security but also economic issues. Then, the KE(I)DO can be transformed into a NEAIDO (Northeast Asia Infrastructure Development Organization) to carry out its mission to help develop the lagging regions of NEA. Figure 1 illustrates the transition of KE(I)DO into NEAIDO.

![Diagram of economic cooperation schemes in and around the Korean Peninsula](image-url)
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Some Reflections and Comments Related to “Policy Framework for Multilateral Cooperation”

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This workshop, and Dr. Kim Won Bae’s paper in particular, are very timely indeed. Once again seasonal rains on the peninsula have apparently created a major humanitarian crisis in North Korea, and governments and aid agencies are rushing to respond with short-term emergency assistance. Unless the objective of these responders is to keep North Korea in a perpetual state of welfare dependency, the ecological and systemic causes that underlie the recurrent crises in the North must be identified and addressed. In the broader perspective, the policy and structural impediments that have brought about the collapse of the DPRK economy and continue to obstruct its reconstruction must be clearly identified and openly discussed. This workshop is an important step in that direction.

While there have been a number of scholarly papers written on these practical issues, this debate has not been the primary focus of policy making toward North Korean, either by the South Korean government or other governments concerned. In effect, North Korea has not been treated like other “developing” or “least developed countries” (LDC). Instead, it is regarded as a special case that requires a particular, and essentially political, approach. A number of arguments have underlined this perspective:

- There is the argument that assistance to help “fix” the North Korean system through development assistance would strengthen the current regime and allow it to continue with its policies of domestic human rights violations and international threatening behavior.
• A second argument is that development assistance is a reward, a carrot, that should be withheld until North Korea relinquishes its nuclear and missile capability and can no longer constitute a military or proliferation threat.

• Efforts to engage North Korea on the systemic causes of their “poverty-trapped” and crisis-prone economy have been rebuffed by the DPRK authorities, since the suggested remedies strike at the heart of the established structures that are thought to uphold the regime in power.

• Finally, in those exceptional cases where development assistance or expanded economic cooperation has been attempted, external partners quickly learn that practical knowledge about the concepts, processes and requisites for development cooperation are almost totally lacking.

So, we have a situation where North Korea requests, even demands, development assistance while at the same time it is not willing to take those steps that would make assistance forthcoming and effective. They rightly fear what Dr. Kim suggests, namely that development assistance will be the opening wedge toward economic reform and opening which could be the death knell of the regime. Meanwhile, external donors are waiting for those very changes as prerequisites for helping to reconstruct the North Korean economy and take it off of welfare. This stand-off has prevented the initiation of authentic and substantive reconstruction and development efforts in North Korea that would allow it to emerge from crisis.

Progress on the two fronts of the Six-Party Talks and North-South cooperation will not necessarily solve this conundrum and may only bring it into sharper focus. Progress could put more pressure on North Korea to commit to a serious development effort. If North Korea takes the radical step of verifiably relinquishing its nuclear and other WMD programs (not to mention normalizing relations with the United States), it will be weakening one of its main resources for leveraging unconditional humanitarian aid, namely its strategic threat. In that case the world community is more likely to treat the DPRK as a “normal” LDC and to develop policies accordingly.
Treating North Korea as a normal LDC means, first of all, insisting that North Korea work with aid donors to identify development priorities and focus on fundamental solutions. As Dr. Kim suggests, moving from the current stalemate to full development engagement will take place in incremental steps. In the interim period before conditions have been fulfilled for full IFI engagement, projects should build on current forms of engagement with two things in mind.

First, current projects and initiatives should shift to a more development-oriented approach in order to enhance rationality and lay the ground for more comprehensive development programs in the future. Second, projects during this interim phase should be selected and implemented in such a way that they contribute to the North’s long-term development under any of the possible future political scenarios. If, as the regime leaders fear and development experts expect, development engagement accelerates domestic change and international opening, its very success may lead to fundamental change in the political environment. Thus, while planning must be done on the assumption that North Korea can gradually evolve roughly along the path of other transitional states, at the same time planning must take into consideration a significant probability that the political environment will shift dramatically at some point as the process unfolds.

With these guidelines in mind, in the interim phase current engagement efforts might be adjusted as follows:

- Identify and address the proximate causes of the cyclical humanitarian disasters afflicting North Korea as a condition for continued emergency aid. This means attention to ecological (reforestation, terracing, etc.) and structural (waterway dredging, embankments, etc.) infrastructure necessary to limit damage caused by seasonal weather phenomenon.

- Switch decisively from food aid to agricultural rehabilitation. Stabilize domestic food production at an ecologically sustainable level through soil rehabilitation and appropriate
cropping patterns. Rebuild the agricultural supply, inputs, transport and marketing infrastructure.

- Rapidly expand human and institutional capacity building for managing development assistance and investment programs. Put the now scattered knowledge sharing activities on a planned and coordinated basis. Focus on institutions critical for management of development assistance and development planning.

- Promote job-creating activities and industries in the major urban areas outside of Pyongyang (Hamhung, Sariwon, Chongjin, Wonsan) through support for rehabilitation of industries and investments in infrastructure. Creating incentives for the population to stay in place during the potentially disruptive transition period will be critical.

- Support the expansion of all legitimate, market-based enterprises including the Kaesong Industrial Complex and service industries within the Mt. Kumgang resort. Provide physical and institutional support for regularizing and expanding the China-DPRK cross-border trade.

- Strengthen educational institutions at every level, responding to the North’s emphasis on technology, IT, language teaching, law, and business management. Greatly expand the opportunities for officials, scholars and scientists to study outside the country.

- International and South Korean NGOs have a role to play in this phase. Many have already shifted from relief to developmental assistance in their relatively small scale projects. A number of South Korean NGOs and NGO consortia are now engaged in rehabilitating or even constructing facilities such as hospitals, pharmaceutical plants, farm machinery factories, industrial agricultural facilities, and research laboratories. Others, including The Asia Foundation, focus on human and institutional capacity building through training programs, study trips and support for educational institutions. Public funding on a matching basis could enable successful NGOs to expand their programs in coordination with other assistance efforts.
There may be other impacts if North Korea becomes more like a normal least developed country. Could this change affect plans for development assistance to the North? While the political aid tied to a denuclearization agreement may be forthcoming, how much development aid can be expected to follow? To put the point in sharper focus, could a less threatening North Korea become another Burma? There are several factors that put substantial assistance from the United States in doubt. Mired in the disaster it has created in Iraq and facing a faltering economy, the U.S. may look for reasons to wash its hands of North Korea once the nuclear threat is under control. And it will not be difficult to find the rationale in the North Korea’s dismal human rights record which will come into sharper focus once security issues are addressed. The response of Japan to a less threatening North Korea is more difficult to predict, but the lack of any observable progress in bilateral negotiations in the context of progress in the Six-Party process should warn us not to count on major resources from Japan anytime soon.

On the other hand, it is likely that the role of South Korea could increase dramatically. The current Administration speaks of a Marshall Plan or some kind of major surge in cross-DMZ economic cooperation with the North. The leading candidate to succeed him, from the conservative party, has revealed an equally ambitious plan, befitting his former leadership of one of the largest South Korean conglomerates, to rebuild the entire infrastructure base of the North once the nuclear issue is resolved. Whoever becomes the next President of South Korea, there seems to be a new consensus forming that creating economic interdependence (or perhaps dependence) is the best policy for ensuring a peaceful transition in the North and for avoiding disruption of economic advance in the South. Of course, it is a question whether or not the South Korean public will be willing to shoulder the tax burden that these plans imply. Nevertheless, the new atmosphere created by settlement of the nuclear issue and an end to hostility between the North and the U.S. may well tap again the emotional wellspring in South Korea for movement toward peaceful unification.

What does all of this imply for the issue of coordination? As Dr. Kim points out, the primary axis of coordination will be between South Korea and the rest of the willing aid providers. His proposal for a phased approach, building initially on the ongoing engagement initiatives of
South Korea and China, and expanding into a modified KEDO model as part of a
denuclearization settlement seems workable. In this model we should not overlook the potential role of the development-oriented UN agencies that have been working with the North for over a decade. These include in particular the Food and Agricultural Organization (FAO) and the ill-fated United Nations Development Programme (UNDP). A mechanism should be found to bring both of these agencies into the process.

Of course, a lot depends on a number of key unknowns. First and foremost, even with the security guarantees that North Korea seeks, will the Kim Jong Il regime be confident and bold enough to embark on even a gradual policy of domestic economic change and international opening and, if so, what sequence of reforms is the regime most likely to follow. Second, have the ad hoc and essentially illegal market practices on which the North Korean economy has become more and more dependent become so embedded as to be serious obstacles to any process of reform and development management? And to balance the unknowns, can South Korea develop and sustain a model of large-scale development assistance and economic cooperation with the North that balances the need to supply capital, technology and know-how with the requirement that North Koreans themselves must, in the end, be masters of their own development? South Korea must resist the temptation to do for North Korea what only those living in the North must learn to do for themselves. In the end, the North Korean people and leaders must seek sustainable development and a new relationship with the world community as their own challenge and goal and not something alien pressed on them from the outside.
This is a useful approach which reflects both the uncertainties with the current situation and the challenges associated with mobilizing resources and effective action towards reform in North Korea. A major predicament is that without reform of political, economic and social institutions in North Korea, the problems such as vulnerability to natural disasters, famine and other chronic shortages are likely to persist. The notion of focusing on infrastructure is particularly relevant because this may be a subject on which diverse parties and interest groups may be able to reach some kind of accord – even if the political and economic systems are not aligned. Infrastructure development, therefore, may become a pathway for reform. Given the dependency on rail transport in North Korea and given the linkages between rail and energy and the fact that the overriding characteristic of a rail system is its connectivity between various nodes of either production or consumption both internally and externally as well regionally and internationally, the emphasis on this form of infrastructure development is appropriate.
The investment in infrastructure may also help in the short term to resolve some of the food problems and economic shortages as well as move North Korea more towards reform and even the “bold switchover.”

The policy framework suggests three options or approaches for development assistance (Korea-led, World Bank/IMF, and Core Country Group), it should be noted that these are not mutually exclusive options. Perhaps all three approaches can be used together. The Korea-led approach is particularly relevant given political developments especially in South Korea. Since South Korea, Japan, China, and Russia are all members of the World Bank. There is precedent for World Bank/IMF involvement in non-member countries through the use of Special Trust Funds. It may be necessary for the adjacent nations to encourage international financial institutions to support North Korea’s participation in programs such as the Poverty Reduction and Growth Facility of the IMF, the International Association of the World Bank, and the Asian Development Fund of the Asian Development Bank. Perhaps a model to be examined more closely is the case of Vietnam as well as other countries from Yemen, West Bank, East Timor and Kosovo who have received financial and technical support from international financial institutions. The key to unlocking support of the international financial community may also involve resolving the problem of North Korea’s existing outstanding debt – primarily to Russia and China, estimated to be about $12 billion in 1996. It is the core countries which have both the most at stake in terms of the stability and future of North Korea.
In reviewing the ambitious policy framework, it would appear that there are at least three different directions that might be pursued in support of the general goals.

With regard to the Korea-led option, there might be opportunities for increased involvement of NGOs and civil society organizations, especially in South Korea, then extending to China and Russia and other countries. While for the present, all of the initiatives seem largely government-led or filtered through government, another approach is to unleash the power of civil society, encouraging more citizen-to-citizen interaction as the basis for spreading information and encouraging cultural, educational, social, and eventually economic exchange. If South Korean missionaries can venture to Afghanistan, it seems reasonable to expect that they could also travel to closer, if not less hostile destinations. Educational and cultural exchanges based on specific projects related to humanitarian assistance or tourism development or environmental and ecosystem management plans or industrial development schemes might also be more acceptable to both North and South Korea.

An explicit emphasis on capacity building and technology transfer might also pave the way for more extensive interaction with North Korea. It seems that Russia has led the way in terms of railway construction but more attention to integrating and upgrading hardware, track work, bogies, switching and control systems, and power systems needs to be done. Issues such as station design and opportunities for development around the emerging transportation corridors would also be useful. Here the IFIs could play a major role because of their emphasis on training and capacity building and because of their
project orientation. The international community needs to reach agreement on the so-called “catalytic projects” rail, harbor, airport, power, etc. as well as the specific industrial sectors beyond transport and energy which should be involved. Another dimension involves incorporating North Korean labor into these infrastructure projects and ensuring that in addition to upgrading transport, energy, and communications systems, that workforce capacity is also expanded. While it might be necessary to start with railway and energy projects, expanding next to pipelines and other infrastructure systems, the notion here is that workforce might be able to participate more broadly in other projects in the region.

A third avenue involves focusing more explicitly upon the border towns of Khasan, Sinuiju, Hunchun, Musan, Raijin-Songbong, etc. with an emphasis on urban planning and settlement development. While this is not a new idea and while there have been more delays and setbacks and false starts associated with these crossborder development plans, there is an advantage to concentrating efforts and resources spatially in a location where the different systems – Korean, Russian, Chinese can be blended. A more concerted effort to evaluate the successes and failures of the border town developments, whether seen in terms of the larger SEZ and free trade initiatives may provide more insight into how these border towns are continuing to involve and the potential role that they will play as sites of production, consumption and exchange.

I propose three new initiatives related in part to the policy framework.
1. **Site Visit to Khasan.** There needs to be more exploratory research on the border towns, perhaps beginning with Khasan, Russian town which could serve as the connection point between the TSR and TKR. There should be an assessment of the capability of the railway infrastructure as well as the social, economic, and administrative environment for cross border traffic. This is an opportunity for more close interaction between Korean and Russian railway and settlement planners.

2. **Coordinated Workshops on Disaster Management, Tourism Development, Urban Planning,** and other topics with Korean, Russian, Chinese, Japanese, and U.S. partners, focusing on the critical role of urban infrastructure (transportation systems, energy, and other physical and social support systems. These workshops should be developed in conjunction with research institutes and universities to help build capacity and relationships among the core countries.

3. **International Financial Institutions Project.** Member countries (South Korea, Japan, Russia, China, and the U.S.) should work together to initiate a project related to economic development of North Korea and integration of Northeast Asia. The project should focus initially on securing Special Trust Funds for training and capacity building, but should also be extended to specific infrastructure development projects, including railway and energy projects. The efforts need to be balanced, taken into account the development needs of North Korea, the regional growth issues associated with Northeast Asia, and the larger context of trade relations and integration with other regions of the world. The longer term goal is to secure participation of the World Bank, International Monetary Fund, and the Asian Development Bank as well as the involvement of core country financial institutions.

These are incremental projects which can be initiated as building blocks for larger scale initiatives and organizational structures for facilitating peace, economic development, and reform in North Korea.

The policy framework paper also raises the prospect of a modified KEDO type arrangement to help with economic assistance and infrastructure development as well as contribute to peace and stability on the peninsula. A positive aspect of the KEDO approach was the participation of 31 different countries, although South Korea contributed the most in terms of financial support (60%). The fact that the U.S.
contributed less than 2% is indicative of the lack of interest and involvement in these issues on the part of the U.S. It would seem that a KEDO or KPEDO type organization would need to secure broader participation and deeper involvement and commitments. One of the more difficult aspects of the KEDO arrangement is the explicit linking of security issues and energy and other assistance. Perhaps there may be reason to decouple these issues – because they become, once again, mired in political and security concerns which may serve to trump the economic and development priorities, particularly if a “bold switchover” does not occur.

There are many different pathways to peace and prosperity on the Korean peninsula. Because of the multi-faceted challenges and different perspectives of not just the core countries but also the broader international community, it will take a variety of different approaches to move beyond ideas and plans towards real sustained action. In addition to collecting additional information and synthesizing the possibilities, it is also necessary to create a framework for deliberation.
1. Pleasure of Reading

I have known Dr. Won Bae Kim for more than 10 years, and always enjoyed reading his articles and books. All the time, his papers have been full of insights which we cannot easily acquire. Furthermore, they are filled with enthusiasm for peace and prosperity of the Korean peninsula and Northeast Asian region as well.

This paper is not an exception. It shows the direction where both Koreas and neighboring countries must go if they really want peace and prosperity of the region. Once again, thus, it was great pleasure to have a chance to read his paper.

2. Agreement with His Idea

2.1 The limits of bilateral approach

His paper proposed the Korean-led approach with a modified KEDO framework. He also proposed a mixed and gradual approach, collaboration among concerned countries first, then an interim multilateral mechanism for early development assistance, and finally a multilateral framework for normal development assistance.

I totally agreed with his idea. As he implied in the paper, the bilateral approach between two Koreas has a certain limit. First, North Korea has always put the first priority on the normalization of relations with the US. When I met a high government official of North Korea, he told that “frankly speaking with you, the North regards the South as a colony of the US.” As a result, Pyongyang has treated Seoul as a source of various assistances
not a important consultation partner. Second, South Korea alone cannot finance all the costs required to renovate the North Korean infrastructure. It is very difficult to estimate the renovation costs exactly, however, it is evident that the costs would be far more than those the South Korea can afford by herself if major renovation projects begin in North Korea. Third, there have been cases where the North broke the contracts in inter-Korean projects. For instance, the contract between the North and Korea Electric Power Corporation in the KEDO project defines the wage for North Korean unskilled workers US$ 110 a month. All of sudden, however, the North asked US$ 600 a month and they removed the workers as the South did not accept the new wage level. Thus, we can expect that it would be more difficult for North Korea to break or change the contract if the project is driven multilaterally.

2.2. Revitalization of the North Korean economy

Among the analysts and policymakers of South Korea, the main stream of thought seems to have been that the improvement of inter-Korean economic relations would help North Korean escape form the economic crisis and thereby would induce North Korea to start economic reforms. Such a perception of inter-Korean economic relations is unrealistic and is destined to fail in developing inter-Korean economic relations.

First, the condition of the North Korean economy is too serious to be recovered by the current amounts of trade and investment by South Korea. Second, inter-Korean economic relations cannot be improved significantly unless there is a revitalization of the North Korean economy. Third, the revitalization of the North Korean economy will be impossible without a reform of its economic system. The lessons of the former East Germany, the former Soviet Union, Rumania, and other former socialist countries, however, have led North Korea to worry that economic reforms will eventually bring about the collapse of its regime. Thus, it can hardly be expected that the North Korean authorities will launch economic reforms in the near future, no matter how much inter-Korean economic relations are improved, as long as the North sees the South's endeavors to expand economic cooperation as intentional. Fourth, this has produced futile disputes over the effectiveness of the policies within the South Korean society.

At this juncture, we need to recollect the basic objective of promoting inter-Korean economic relations. It is to contribute to providing the most desirable way to unification, enhancing mutual understanding and developing overall inter-Korean relations. This can only be achieved when North Korea shows a positive attitude toward inter-Korean economic exchanges and cooperation. Without the revitalization of its economy, North Korea cannot be self-confident of developing inter-Korean economic relations.

Therefore, the perception needs to change and should be in contrary order. That is, we should focus on the revitalization of the North Korean economy beforehand. In order to do so, the improvement of inter-Korean economic relations is required. In fact, it is the North's choice whether or not to reform its economic system.

However, the revitalization of the North Korean economy cannot be achieved by South
Korea alone as Dr. Kim pointed out in the paper.

2.3. The comparative advantage of South Korea

Many people say that the North has a comparative advantage in labor while the South in capital and technology. It is not wrong, of course.

However, I do believe that the real comparative advantage of the South over the North lies in economic development experiences. If North Korea needs capital and technology, they are able to import those from other countries, for instance, from China. And it would be safer to North Korea if the North wants to keep the regime untouched.

South Korea was one of four dragons in Asia. After the Korean War, almost nothing was left in South Korea. But South Korea began the economic development plans in the early 1960s, and had shown very rapid economic growth. As a result, South Korea became a success model for many developing countries including China, Vietnam, and Mongolia. Still there exist so many experts and experiences of economic development in South Korea.

In fact, the South has tried to supply technical assistances in various ways. Unfortunately, however, the North did not take the offer in a worry of absorption. Thus, it will be much easier to provide such experiences to North Korea if we can build multilateral mechanism as Dr. Kim suggested.

3. Minor Comments

3.1. Amount of assistance

Dr. Kim cited Eberstadt’s paper concerning the amount of assistance that could be available for North Korea. Eberstadt mentioned US$ 2 billion or more per year from South Korea, about US$ 1 billion per year over 10 years from Japan, and some millions from the US.

According to the estimates of Bank of Korea, GNI of North Korea in recent years has been around US$ 20 billion, which implies per capita income of North Korea is about US$ 1,000. But it is absolutely unlikely. The recent studies by several specialists on the North Korean economy report that per capita income of North Korea is around US$ 200. If this is true, GNI of North Korea drops to about US$ 4 billion.

Then, it leads us to conclude that such an amount of outside assistance will be far above the absorption capacity of the North Korean economy.

2.2. The LWR project and others

Dr. Kim assessed that the “KEDO project provided a rare opportunity for experimenting multilateral cooperation in DPRK and Northeast Asia. KEDO was thus the first organization for multilateral assistance to DPRK and provided a ground for the Six-
Party Talks.” I agree with him.

But he added that “The DPRK learned the potential of inter-Korean cooperation through the LWR project. The LWR project paved a way for Mount Kumgang Tourism and Kaesong Industrial Complex projects.” For me, it is difficult to agree to.

I do not think Mt. Kumkang Tourism or Kaesong Industrial Complex projects could not be launched without the LWR project. What I guess is they are separate projects. Mt. Kumkang Tourism and Kaesong Industrial Complex projects are basically the outcomes of many years of blood-and-tears endeavor by Mr. Chung, the chairman of Hyundai Group. And those projects are his dreams in his entire life.

Thus, I think that Mt. Kumkang Tourism and Kaesong Industrial Complex projects could be possible even without the LWR project.
The work by Dr. Won Bae Kim on policy framework for economic cooperation with North Korea would be a timely contribution as the Six-Party Talks Process has produced a meaningful agreement on the action-to-action exchanges of the disablement of North Korea’s nuclear facilities with economic and energy assistance equivalent to one million tons of heavy oils.

- The working group on the normalization of diplomatic relationship between the US and North Korea met in Geneva early this month has reportedly reached an agreement on the time schedule and qualifications for North Korea to be removed from the list of states sponsoring terrorism, on which it has been since January 1998.

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- Countries in the list are effectively out of the international financial institutions’ financial resources. The US administration is required by law to oppose the provision of financial assistance from the international financial institutions (IFIs) to countries on the terrorism list.

O The removal of North Korea from the list would only be the first step for it to enter the IFIs such as the international monetary fund (IMF), World Bank and Asian Development Bank (ADB).

- Once North Korea joins the IFIs, it will be able to receive financial assistance on concessional terms from them, as well as technical assistance.

- North Korea’s admission to the IFIs is essential, but needs some developments in the process of Six-Party Talks as well as the improvement of the US-DPRK and Japan-DPRK relations.

- North Korea’s being removed from the list will not automatically lead to being admitted to the IFIs.

O For the North Korean economy to take off in a meaningful sense, as South Korea did in the late 1960s, reparation (or compensation) payments from Japan would play only a limited role

- Direct investment by foreign private sectors, in alliance with South Korean enterprises, will become a crucial source of funds for the rehabilitation of the North Korean economy.

- For fostering foreign private investment, it is important to build international assurance that the host country will provide a stable and favorable environment for foreign investors.

- In this regard, the importance of the role of international financial institutions
(IFIs) cannot be underestimated. Without assurance from international financial institutions, foreign private firms will not invest in North Korea.

- Following this train of thought, guiding North Korea to participate in the international community in official terms, by first helping it to join the IFIs, will prove to be the most practical way of meeting the needs of all involved.

- Moreover, to the extent that the various IFIs’ economic support for North Korea could prevent its economic over-dependence on any particular country, the North Korean leadership would find it advantageous to accommodate this inducement because it would help maintain the stability of its political power base.

O Technical assistance can be delivered to even non-member states if mutual parties agree.

- In the case of Vietnam, all IFIs’ lending to Vietnam was suspended following its 1979 invasion into Cambodia. But before its resumption in 1993 it had received, on a number of occasions, technical assistance from the World Bank started in 1991.

- The provision of technical assistance to North Korea such as educational training programs needs to be investigated. The benefits of educational programs, such as an increased knowledge of IFIs and the market economy, as well as recent trends and flows of capital and trade, will altogether assist Pyongyang in becoming a part of the international community.

- The international private sector—including colleges, research institutions, NGOs and the United Nations Development Program (UNDP) — as well as the IFIs could also offer technical assistance.

O Given the South’s limited ability to support North Korea’s rehabilitation
expenses, and presuming that the North shows sincere efforts to reform its economy, the international community may want to consider a few enhanced options, such as, to establish a 'Trust Fund for North Korea' at the IFIs prior to Pyongyang's membership (Zang et al., 1998)

- Richard Armitage also mentioned the possibility in the famous “Armitage report” saying that “If the North takes the necessary steps, the United States, with its allies, should consider establishing a Korean reconstruction fund within the World Bank or Asian Development Bank.”

- The establishment of this Trust Fund for North Korea would require a close consultation with the World Bank and its major stakeholders.

O Let’s think about establishing a multilateral coordination mechanism for North Korea.

- The mechanism does not initially need to involve substantial financial assistance from the major IFIs and, as such, it would be able to evade the domestic legal problems of the major stakeholders.

- This would be also needed for swift provision of financial and technical assistance needed to North Korea. Even once all the hurdles inhibiting the admission to the IFIs are cleared, the actual disbursement of substantial financial assistance would take some time.

O To this end, there is a need for creating an interim multilateral coordination mechanism for North Korea through which financial as well as technical assistance to North Korea, either bilateral or multilateral, will be channeled and a multilateral policy dialogue with North Korea will be maintained. As North Korea’s involvement in the international community deepens and as IFIs are allowed to participate financially, the multilateral coordination mechanism could easily be transformed into a formal CG led by the World Bank.
It should be clear that the proposal of establishing a multilateral coordination mechanism does not rule out bilateral assistance to or dialogue with North Korea.

Nonetheless, the benefits of a multilateral coordination mechanism are as follows.

- First, assistance through a multilateral mechanism is less susceptible to political concerns for both donor and recipient countries than that through bilateral channels. Prideful countries would prefer receiving aid from the rest of the world rather than from rival countries. On the other hand, donor governments would incur less domestic political resistance against aid (“pumping out taxpayers’ money”) through multilateral channels than through bilateral ones.

- Second, a collective approach for coordinating resource mobilization is cost-effective and compensates for the recipient country’s lack of diplomatic capacities to reach out to many donors.

- Third, and most importantly, a multilateral policy dialogue mechanism is better suited to preventing aid duplication and for assuring the transparency of the economic assistance provided. Most bilateral economic assistance processes operated thus far, including inter-Korean economic cooperation, have been ineffective in verifying due implementations in the recipient country. Under the international norms of prevailing multilateral assistance mechanisms, providing economic assistance in the form of pure cash without attached conditions is simply very unusual. Most multilateral aid, either grant or concessional loans, is provided in kind. When aid-receiving countries need to import necessary capital goods for economic development, the countries order and aid-providing countries pay them only if the import bills do not contain weapons or hazardous goods.
- On the other hand, under the umbrella of the multilateral coordination mechanism, Japanese, the US and European firms, in alliance with South Korean firms, can effectively participate in building much-needed basic infrastructure projects in North Korea and share in the benefits.

O Participants of the mechanism would comprise major donor governments, major IFIs, the UNDP, NGOs and international aid agencies. For the multilateral coordination mechanism to be established, South Korea should take the lead in getting support from the international community.

- In launching the project, North Korea's strong commitment to the stability of the region through -- a moratorium on nuclear development, missile tests and exports -- should be an important benchmark for casting a "go" sign.

- On the other hand, once most of the international community acknowledges that North Korea has sufficiently cooperated, one or two disgruntled nations should not exert undue influence over the international community.

O For the multilateral coordination mechanism to be created and operated effectively, major potential participants should have an incentive to join the group.

- China would be mainly interested in maintaining its vested interests on the northern part of the Korean peninsula. Normalization of diplomatic relations between North Korea and Japan will, sooner or later, result in an increasing economic cooperation between the two countries, notwithstanding the cash inflow via reparation (or compensation) payments. These developments would in most cases imply a relative weakening of Chinese influence over North Korea. As a venue for containing Japan’s growing influence, China would want to utilize a multilateral framework.
- Russia would also have an incentive to join the mechanism. Currently, Russia owes around $1.5 billion to South Korea, a major portion of which has been overdue. It has been reported that Russia wants to swap some of these debts for contribution in kind towards renovating North Korean railways, which would facilitate their connection to the Trans-Siberian railway.

- EU counties would want to reserve political and economic interests in the Far East, as manifested by their eagerness to be included on the KEDO board.

- Japan would be officially interested in resolving apparent obstacles to normalization of diplomatic relations with North Korea, such as missile tests, allegedly kidnapped Japanese, and the reparation/compensation for the colonial occupation. On the presumption that most political obstacles have been resolved, Japan would benefit from a multilateral conduit for providing unofficial reparation (or compensation) payments to North Korea. Any discrepancy in the amounts of official payments negotiated between Japan and North Korea could be dispatched through the multilateral coordination mechanism. The IECOK played a similar role after the normalization between Japan and South Korea in 1965.

- North Korea could get more carrots in the form of development assistance through a multilateral coordination mechanism, while it surely needs to offer more than nuclear concessions in return. The US and its allies could also get more in terms of engaging North Korea in the realm of international community sooner rather than later. The US administration would not want to be excluded in this business.

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This is a challenging topic which involves two different concepts – that is, the notion of catalytic projects and the creation of an effective framework for encouraging international cooperation. Both of these assignments are riddled with difficulty. One of the main obstacles to overcome relates to the lack of capacity and the need to reform social, economic, and political institutions in the region. While South Korea and Japan may have the necessary resources to launch and effectuate a “catalytic project,” others in the region may not have the requisite capital, labor, technical expertise, and experience to carry out these projects. The success will involve the ability to find complementarities for those with either surplus labor (North Korea) but insufficient capital or perhaps abundant natural resources or energy reserves yet declining labor markets (Russia). The problem, of course, with catalytic projects is that they face stiff competition from other more prosperous regions which serve as magnets for capital, labor, and technical expertise. Indeed, the “pull factor” associated with megacities or national centers may be one of the
bigger deterrents to realizing the potential of catalyst projects. Perhaps one way around this particular conundrum is to define these projects in terms of national interest. Herein lies the challenge of creating the common framework. Such a framework involves balancing social, economic, and political benefits and costs which are not only difficult to estimate, but also may have different timeframes. Moreover, if for example, the U.S.’s principal interest involves “resolving the nuclear issue in North Korea,” there will be less attention and emphasis on the longer term developmental assistance goals. While all parties might agree that the region would be better off with more political stability and economic integration, the pathways to prosperity are different, as evidenced by the rather extensive list of potential projects which span many different geographic areas and industrial sectors.

One of the basic difficulties involves understanding the motivations for these “catalyst projects.” It would seem that there should be some identifiable examples of successful projects on which to pattern the efforts in North Korea. Certainly the experiences of Southeast Asia or perhaps the developments in Vietnam and other parts of the world experiencing a transition from planned to market economies may be relevant. At the same time, there are significant differences between China, Russia, and North Korea. Trying to find a model development which is “attractive” or “effective” may be challenging, given the differences in political, economic, and administrative systems. More research is needed in order to better understand the benefits, costs, and risks associated with these projects.
There are many areas in the world that both have needs and potential for these projects. Why is it that this region is ready for reform? While the desire may be there are also significant challenges to overcome. North Korea remains the most uncertain and difficult to anticipate. South Korea is experiencing rapid social and economic change which on the hand could lead to more interest in cooperation with the North, but on the other hand the pattern of economic growth has served to exacerbate tensions between various regions and groups. The rising prosperity of the middle class could create greater demands and competition for public resources. China seems more oriented to growth and development in other areas. Russia, too, seems more preoccupied with regions other than Northeast Asia. Japan has become more conservative, politically, and may be less inclined to support initiatives in North Korea. The United States is deeply involved in other areas of the world and seems somewhat disinterested in the region.

Even within the region itself, there is competition for resources and attention to projects spread across a wide geographic area encompassing a variety of different types of infrastructure, transportation systems, and industrial projects. There does not appear to be a coherent strategy for managing growth and development in the region.

The specific projects should be linked to an overall strategy for economic and social development of the region. It is unclear who the beneficiaries of each project are.

There is room for expansion of criteria for selecting catalytic projects. Perhaps a more explicit demarcation of economic, social, and environmental costs and benefits,
organized both by country and region would serve to show which projects are most worthy. Also, framing the trade-offs both in terms of national and regional interests might also help in terms of clarifying the positions of various stakeholders. The framework would benefit from much of the work that has been conducted on multiparty stakeholder negotiations. Finally, it seems that another direction would be to look more closely into the issue of sustainability – broadly defined to include not just environmental, but also economic and social goals. How would “progress” be measured if these catalytic projects were to be implemented?

The presentation mentions “needs of stakeholders – economic, political considerations.” This point should be expanded. A full inventory of stakeholders – by country and by economic sector should be developed. It would be useful to develop metrics showing level of commitment, available resources, experience with similar projects, and other factors related to the likelihood of participation and sustained involvement.

It is unclear what is meant by “balanced regional development.” Does this preclude the development of growth poles, SEZs, cross border developments, industrial estates, and other concentrations or nodes for investment and accumulation?

The chart entitled, “Selecting Catalyst Projects” needs work. It is unclear why these different projects are included. It seems that some projects have been excluded from the list. What about tourism development? What the development of industries such as agriculture, fisheries or forestry or other resource extractive industries. There may be
opportunity to also include some smaller scale alternative energy programs or even ecosystem or habit protection plans as well. It seems that some are preliminary (“power plants in major cities”) while others are quite specific such as the “Raijin Khassan Railway” are somewhat further along in terms of commitments. Some of the projects are international efforts while others are not. It is unclear what “sector aspect” and “spatial aspect” means and how these “priorities” were evaluated. “Final selecting” is also unclear.

I would include other basic information about each project. What is the cost? How many people would be affected? Which economic sectors are likely to benefit? How much progress has occurred? What commitments have been made? What are the economic, political, and environmental risks associated with each project? The World Bank and other IFIs have developed extensive methods for evaluation of capital projects. Certainly some of these tools and methods of evaluation are applicable. It might be interesting to also compare the evaluation results across core countries because it may be the case that some of the projects have the potential to produce greater benefits.

The chart does offer a useful starting point for more research and further deliberation. It would be useful to think about the staging or sequencing of various projects. Perhaps some are further along than others. Perhaps some can contribute to the success of other projects. I would also look at the projects in terms of some other dimensions. What is the potential for capacity building and training with these projects? Are there existing collaborations between academic, technical and other institutions that could help
facilitate the forward progress of these efforts? How much potential is there for joint participation among donor nations, cross border settlements, and core countries in each of the different aspects of project planning, development, financing, implementation, construction, management and operation. It is one thing to build these projects, it is another to keep them running and sustainable over the long term.

The third section of the presentation “multilateral cooperation framework based on the integrated approach” was the most opaque of the document. Granted, “we need integrated solutions for complicated political and economic issues in North Korea,” yet it is not all apparent how we move from the current situation to the new approach or “package of solutions.”

The justification for focusing on the Rajin Project as the “nexus of integrated infrastructure development” needs to be better developed. It seems as though the elements are there – connections between North Korea, China, and Russia. At the same time, there is need for a more explicit description of the benefits to each country and to the region associated with participation in this infrastructure development project. A more explicit estimation of economic, social, and environmental benefits and costs by stakeholder would also be helpful.

There is a need for more information on the potential for specific sectors energy, transport, trade, manufacturing, tourism, etc. and to develop a more comprehensive strategy for regional development. More information on the spatial location of assets and
the regional needs for labor and capital should also be included. There are also other
groups from each nation as well as international organizations and trade groups that may
be helpful in developing a more comprehensive approach to encouraging development of
the region.

At the heart of the matter, however, is the potential for North Korean social, political, and
administrative units to be involved in the planning, development, financing, management
and operation of these different projects. A project involving training and capacity
building should be a part of this approach.

The multi-lateral framework as depicted in the slide, “Building the Multi-lateral
Framework” seems to be suggesting that the Rajin Project is funded initially by the
governments of North Korea, South Korea, Russia, and South Korea private equity
capital, to be transitioned to the TKR-Corridor Project. It seems like IFIs could play a
role earlier on – especially with regard to training and capacity building. Also the TKR
project should be seen as part of a much larger project connecting to the TSR and to EU.
There are more players and roles for different countries – United States and Japan, as
well as others in the region and in the world who have participated in KEDO and other
activities related to stability on the peninsula. This is a fine start, but there is need to seek
broader support and participation in both the specific projects and in the multi-lateral
cooperation framework.
1. Meaning and Role of Catalyst Projects

Dr. Sangjun Lee points out that an effort to have continuous projects in Northeast Asia region especially in/around the Democratic People’s Republic of Korea (hereinafter referred as North Korea). He also claims that such projects should be implemented as an international cooperation. In Chapter III, he maintains the posture that such international cooperation is to be implemented as multilateral cooperation.

According to his explanation, the main fields of such cooperation projects are building infrastructure in Northeast Region of China and Russian Far East. It is true that in order to utilize energy resources in Russian Far East or Eastern Siberia, more and more oil/gas transferring pipe. It is also essential to build railroads and expressways to pass goods in Northeast Region of China, especially in Southern Part of Liaoning, Jilin and Heilongjiang, and Neimonggu (Inner-Mongolia).
The first question I would like to raise is the reason why Dr. Lee points out the importance of cooperation projects in building infrastructure in these regions. They have many kinds of social/economic/political difficulties and they need help in many fields such as environment, social welfare, demographic shift, unemployment, and falling population. I think that the importance of cooperation in infrastructure in this region is not absolutely obvious. If he add some lines/slides to explain the reason cooperation in this field is important, that will surely make his presentation more persuasive.

2. Building Catalyst Projects

Dr. Lee points out that as a methodology of designing catalyst projects there are two main aspects; one is a sectoral aspect, which is economic and political feasibility and the other is the spatial aspect, which is balanced regional development. I agree his points. However, what I would like to ask him is the reason he puts priority on energy sector and transportation sector. This question is related to my former question, which may be one of the key questions on this presentation.

As for the priority projects in a transportation sector in the Korean Peninsula, Dr. Lee maintains that Rajin-Khasan railroad and highway project is the ones. It is often argued that the construction of Rajin-Wonjong (Chinese border) highway is important. I would like to ask Dr. Lee the importance of connecting Rajin and Khasan with highway. I would also like to raise a question about the difference in importance between the Rajin-Namyang (Chinese border) railroad and the Rajin-Khasan railroad. I would like to have some more explanation on the necessity and the importance of establishing a link between North Korea and Russian Far East will be needed because I suppose there may be a lot of factors which made Dr. Lee puts priority on the links between North Korea and Russian Far East despite the flow of people or goods is more frequent between North Korea and China for the moment.
Regarding the priority projects in an energy sector, Dr. Lee points out that gas (PNG) pipeline the route of which is Sakhalin-Vladivostok-North Korea-the Republic of Korea (hereinafter referred as South Korea) and connecting power grid from Russian Far East to the Korean Peninsula. I basically agree the importance of gas pipeline and power grid connection through the Korean Peninsula. Based on that, I would like to ask him whether there is economic feasibility of connecting Russian power grid (50Hz) to South Korean power grid (60Hz). Converting frequency in power grid is one of the most costly options. Even in Japan, where we have both 50Hz region and 60Hz region, we only have 900,000 kilowatts of capacity for frequency conversion. Does South Korea have to buy electricity from Russia with the entire burden incurred from conversion of frequency? I suppose there may or may not be another reason to build a power grid from Russian Far East all the way to South Korea. It results in building a power grid all the way down to the South through North Korea.

As for the table of selecting catalyst projects, I would like to ask Dr. Lee the criteria by which he picked up projects in the table from many projects in each sector, although there may be some explanation in oral presentation by him. For example, why did he choose Rajin Port as a priority project whilst he put no mark on Cheongjin Port.? Is there any military oriented consideration or is it simply based on economic perspective?

I would also like to ask him whether there is excess supply capacity for China to send electricity to North Korea when Dandong-Sinuiju power grid is constructed. Or is this merely a symbolic project or a part of a project to connect power grid between China and South Korea via North Korea west coast? In my opinion granting aid for renovation on some of the hydro power plants on Yalu River, for example Supung and Unbong, is also effective for supplying electricity to North Korea because North Korea is selling out almost all of the electricity generated from China-North Korea jointly operating power plants in lieu of earning foreign currency.

3. Multilateral Cooperation Framework for Catalyst Projects
In Chapter III Dr. Lee points out that building multilateral cooperation framework based on international approach is required. I totally agree on this assertion. Current political and economic environment of North Korea requires some kind of solid institutional framework to prevent a project from retrograding. However, some more explanation on efficacy of multilateral cooperation framework in North Korea might be needed in order to persuade ordinary public who do not realize the difficulty in running an economic related program in North Korea.

Dr. Lee also maintains that mobilizing cooperation potential focusing on “the Six Party Talks” is essential. I am also for this point of view. Current framework of the Six Party Talks should not be terminated when the North Korea’s nuclear crisis is over. It would become one of the most important multilateral cooperation networks among the nations of Northeast Asia. The United States may not be a member of East Asian Community but is surely a member of a six-party-talk-oriented framework. Participation of the United States is required at least in the multilateral cooperation framework in the first quarter of this century.

The question I would like to raise for this chapter is as follows; (1) why does Dr. Lee put priority on Rajin Project? Major light industry base, which would be one of the major foreign currency earning power, is situated in west coast area (Nampo-Pyongyang-Anju-Chongju-Shinwiju), not in east coast area. Is it based on spatial consideration or is there any other reason for that? (2) what is the advantage of building power transmission line from Vladivostok to Chongjin? Would it be an alternative to light-water reactor?

Regarding the importance of the project in Rason Economic Trade Zone (ETR), the effect of opening up the Rajin Port should not be overlooked. It will be not only an important link between Northeast Region of China and Japan but that between Northeast Asia and the North Pacific Region, which includes the United States and Canada. The strategic location of Rajin is so important that I am favor for building a good port and light industrial base in Rason area.
4. Some Policy Issues on Implementation Process

For the moment, there are so many difficulty in making private investment to Rason Area. Pyongyang does not give enough power to Rason in order to determine whether or not they should accept investment. Pyongyang does not have power to inject investment into provinces other than the city of Pyongyang either. In many other countries in East Asia (or maybe in most countries in the world), when a industrial zone or a special economic zone is built, minimum infrastructure is constructed by the government. However in Rason it is different. That is one of the main reasons why many companies were unable to enjoy one of the best taxation policy in East Asia.

The potential of development in Rason ETZ is not small. So, if some investment project can surely make a catalyst function, the project is worth trying. However, in order to persuade ordinary public in South Korea, it might be require to explain some more concrete reason for the necessity and importance to make an investment to Rason ETZ. The last slide shows a lot of important factors in Rason ETZ. So, if there is some more assessment of the magnitude of possible active private sector investment to Rason ETZ toward South Korean economy or Northeast Asian economy in the future, the conclusion of this presentation would be a brilliant one.
국토연 국제워크샵(2007.9.13) 토론자료

국제협력을 통한 북한 인프라 개발
양문수(북한대학원대학교)

1. 다자간협력의 전망과 과제

(1) 남북러 삼각협력의 전망

① 여건

□ 현재 남북한과 러시아가 처해 있는 상황으로 볼 때, 양자간 협력을 통해 교역과 투자를 확대하기는 어려운 실정
- 북한은 경제난에 처해 있고 러시아는 재정적 여력이 없으며 한국은 지리적으로 불리한 위치에 있음.
- 여기에서 남북러 3국간 협력의 필요성과 당위성이 도출

□ 하지만 삼각협력이 말처럼 용이하지는 않아
- 북한의 대외 개방 확대에 대한 정치적 부담감
- 삼자간 협상 경험의 부족
- 사업 추진을 위한 재원조달 방안 및 재원분담 문제

□ 다만 최근 러시아의 태도 변화는 남북러 삼각협력에 새로운 변수로 등장
- 대외정책에서 북한의 전략적 지위가 상승
- 북한과의 경제협력에 훨씬 적극적
- 자신들이 일정 정도 재정 문제를 부담할 용의가 있음을 내비쳐

□ 2·13 합의도 유사
- 북핵문제가 해결의 가닥을 잡아가면 한국정부의 운신의 폭도 확대 가능

② 러시아의 입장

□ 러시아로서는 북한이 장기적으로는 활용가치가 있는 대상
북한의 입장

북한으로서는 현재 사실상 붕괴한 산업기반을 재건하기 위해서는 러시아의 지원이 절대적으로 필요하다.
- 철강, 금속, 기계, 화학 등 북한의 주요 기간산업들은 대부분이 구소련의 시설 및 기술 지원에 의해 건설, 운영되었다.
- 북한의 입장에서는 자신의 산업시설 복구 문제를 가장 저렴한 비용으로 해결할 수 있는 국가는 다름 아닌 러시아
- 하지만 현재 북한의 상황으로는 러시아에 대가를 지불할 만한 여력이 없음.

따라서 북한으로서는 북한의 거리적 이점을 활용, 러시아가 원하고 있고 이익이 나는 여러 가지 연계개발 프로젝트를 추진하고 그 대가로 러시아로부터 산업협력을 받고 현금수입도 확보한다는 구상
- 동북아 철도협력이나 에너지 협력 등이 그 대표적 사례

동시에 중국에 대한 과도한 의존에도 탈피하고 싶은 욕구도 존재
- 이는 정치적으로뿐만 아니라 경제적으로도 마찬가지

다만 북한의 입장에서는 다자협력보다는 양자협력을 선호
- 북한은 남북러 삼각협력구도하에서는 자신의 입지가 약화될 가능성이 높
기 때문에 소극적인 태도
- 북러협력과 남북협력을 분리하여 추진하며 다른 국가들의 경쟁관계를 활용하는 것이 자신의 주도권 유지 및 실익 극대화에 도움이 될 것이라고 판단.
- 동시에 러시아를 매개로 하더라도 남한과의 경협 확대에는 근본적인 달레마가 존재

(2) 남북중 삼각협력의 전망

□ 중국은 남북중 삼각협력구도에 소극적 태도
  - 기본적으로 자국의 영토 내의 사업에 대한 다자협력이라는 방식으로 외부가 참여하는 것을 수용하지는 않을 것
  - 특히 동북지역에 가지고 있는 안보적 측면에서의 전략적 중요성을 고려하면 이러한 태도가 단기간 내에 바 внешне는 않을 것으로 보임.

□ 동북지역을 매개로 하는 외부와의 협력사업을 추진한다고 하더라도 이는 중국-북한-러시아라는 삼각구도를 중심으로 진행할 가능성이 높음.
  - 이들 국가들은 국경을 직접적으로 접하고 있기 때문에 공동사업 추진의 객관적인 필요성이 있음.
  - 예를 들면 러시아와는 훈춘개발사업, 북한과는 신의주-단동 연계개발 등

□ 북한은 외부와의 협력사업에 적극적이기보다는 자신의 경제발전을 뒷받침할 수 있는 자금과 기술의 도입에 더욱 많은 관심을 가지고 있음.

□ 북한 역시 남북중 삼각협력구도는 자신의 입지가 약화될 가능기 때문에 소극적인 태도를 취할 가능성이 높음.

(3) 다자간 협력의 과제: 한국의 인식 재정립 필요성

① 남북통합과 국제협력

□ 긴 호흡에서 보았을 때 남북통합에서 국제적 변수는 결정적으로 중요
  - 군이 독일의 예를 들지 않더라도
  - 현재에도 남북관계는 독립변수로서의 색채는 약하고 국제정치적 여건에
종속되어 있다시피 한 변수
- 동시에 지적해야 할 것은 지금은 세계화가 진행되고 있는 시기라는 점

따라서 남한 정부는 목적의식적으로 국제협력을 추구해야 할 필요성
- 민간에게 맡겨두어야 할 차원의 것이 아님

대북 지원·경협은 국제적 관계 속에서 다변화 전략을 추구하는 것이 바람직
- 남북한 양측의 노력만으로 남북경협을 발전시키는 데에는 한계가 존재
- 남북경협의 본격적 추진을 위한 재원 조달의 측면에서 유리함
- 대북 지원·경협의 안정적이고 지속적인 추진에 유리함

② 남북경협과 동북아경제협력의 연계 필요성

남북경협과 동북아경제협력의 연계 필요성은 여러 측면에서 제기

첫째, 이른바 북한문제의 다차원적 성격에 따른, 북한문제 해결에 대한 포괄적 접근의 필요성
- 즉 안보와 경제의 병행 추진, 평화와 번영의 선순환 구조 창출

둘째, 향후 북한의 경제개발 방향과 관련, 고려되어야 할 중요한 변수가 북한의 지정학적·지경학적 위치
- 북한은 중국 동북 3성과 러시아 극동, 일본, 한국을 잇는 권역의 가운데에 위치
- 특히 북한의 지정학적 위치는 장기적으로 남북 경제공동체의 형성방안을 모색함에 있어서 고려되어야 할 매우 중요한 요인
- 북한의 제조업 기반은 사실상 봉쇄되어 있어 향후 남북한 제조업 분야의 협력이 제한적이 될 수밖에 없는 현실을 감안하면 더욱 그러함.

셋째, 남한의 입장에서도 북한의 존재 및 미개방 상태로 인해 상실한 동북아 경제협력의 공간 복원 필요
- 한국은 대륙에 연해있는 반도이면서도 실질적으로는 육지에서 멀리 떨어진 섬과 같은 존재로 전략
- 외국과의 인적 교류 및 상품과 용역 등 모든 분야의 혼란은 육지가 아니
라 바다와 하늘을 통해서만 가능하게 되었음.
- 한국과 동북3성의 교류는 이러한 물리적 제약을 받게 되었고 이에 따라 거래비용이 크게 증가

□ 넷째, 북한의 경제체제를 위한 막대한 재원을 남한 혼자서 부담하는 데는 무리가 있다는 점
  - 남한정부 단독으로 조달할 수 있으리라 생각하는 사람은 아무도 없을 것
  - 하지만 다른 국가들을 어떻게 참여시키킬 것인가, 어떤 방안을 제시하며 그들의 참여를 유도할 것인가 하는 문제는 누구보다도 남한정부가 고민해야 할 문제

□ 한편 동북아의 공간적 제법주를 고려해야
  - 크게 보아 3가지
    - 한국, 중국, 일본 등 3개국
    - 남북한, 일본, 중국 동북3성, 극동 러시아, 몽골
    - 남북한, 일본, 중국, 러시아, 몽골, 대만, 미국
  - 각각의 범주에 따라 상이한 전략 필요성

③ 한국의 입장

□ 북한 관련 국제적인 경제 협력을 어떻게 볼 것이냐
  - 순수하게 경제적인 관점에서만 접근할 것이냐
  - 경제적 관점을 넘어서는 국가 전략 관점에서 접근할 것이냐 1) 2)

□ 한국으로서는 주변 국가들과의 실질적인 협력을 통한 대북 지원/경협에 보다 많은 관심을 기울일 필요성
  - 우선 남북통합과 관련, 기존의 한국이 국제사회에 제시했던 메시지, 접근 방법에 대해 성찰할 필요성
  - 지금까지 한국이 남북통합에 있어서 주변국가들에게 기대했던 것은 편익

1) 물론 경제적 타당성의 중요성을 부정하는 것은 아님. 하지만 지금까지 남북문, 남북중 협력이 부진했던 요인의 하나가 경제적 타당성 조사 자체의 어려움에 기인한 경제적 타당성 여부 판단 곤란을 내세웠던 한국정부의 소극적 태도였다는 비판의 목소리도 있음을 상기할 필요가 있음.
2) 참여정부에서 동북아 협력이 결국은 남의 성과에 그쳤던 요인의 하나로서 정부 차원에서 동북아 협력에 대한 확신이 없었다는 점을 지적하는 견해도 있음을 상기할 필요가 있음.
공유기보다는 비용 분담의 차원. 특히 통일비용, 북한경제 재건 비용 분담의 차원
- 군이 따진다면 외국에 대해 의무만 요구하고 권리는 인정하지 않으려 했던 것
- 하지만 이러한 한국측의 자세가 국제사회에 얼마나만큼 설득력이 있었을지 는 미지수

□ 남북관계 개선, 나아가 남북통합의 과실에 대해서도 주변국과 공유하려는 태도 보여주어야
  - 예컨대 동북아지역의 평화 담론은 의의가 있음에도 불구하고 그것만으로는 부족
  - 북한의 개방, 북한의 개발, 한반도의 경제통합이 주변국들에게 경제적으 로 어떤 이득이 될 수 있고
  - 또한 남과 북은 주변국들에게 어떠한 방식으로 경제적 유인을 제공할 수 있는지 적극적으로 제시해야

□ 동시에 남한은 북한을 두고 주변국과 실질적으로 협력하는 경험의 축적 이 필요
  - 특히 다자간 협력은 현실적 어려움이 많기에 더욱 그러함.

□ 남한의 입장에서는 남북중 삼각 협력과 남북러 삼각 협력에 대해 달리 접근해야 할 필요성
  - 남한의 입장에서도 북중밀착에 대한 견제의 필요성
  - 중국 정부는 러시아 정부보다 삼각협력에 소극적
  - 남북러 협력 진전은 남북중 협력 진전에 대한 압력으로 작동 가능

2. 한반도 경제 구상의 개념, 체계와 특징

(1) 개념

□ 한반도경제 구상이란
  - ‘개방적 한반도 경제권’을 형성하기 위한 제반 구상
  - 개방적 한반도 경제권이란 남한경제, 북한경제, 동북아경제의 연관성 제
고를 통해 형성되는 경제권

□ 한반도 경제권의 요체는
- 기본적으로 남과 북이 자율적인 국민경제체제를 유지
- 경제활동에 있어서 남과 북을 하나의 단위로 사고하는 것이 아니라 한반도를 하나의 단위로 사고
- 동시에 한반도 주변국가들, 특히 동북아 국가들에 대한 개방과 협력의 수준을 대폭 제고
- 아울러 남북한 경제간에 낮은 수준의 통합에서 출발해 점차 높은 수준으로의 통합을 목표로 상당기간 동안 그 조건을 축적

□ 동북아의 지리적인 포괄범위
- 협의: 남북한, 중국의 산동성과 동북3성, 러시아 극동, 일본의 환동해 지역
- 광의: 남북한, 일본, 중국, 러시아, 그리고 미국

<그림> 한반도 경제권의 개념도
(2) 체계

① 남한경제와 북한경제의 관계
- 남과 북이 자율적인 국민경제 관리체제를 유지
- 다만 경제활동에 있어서 남과 북을 별개의 단위로 사고하는 것이 아니라 한반도를 하나의 단위로 사고

② 경제통합의 수준
- 자유무역협정과 관세동맹의 수준을 목표로 하는 경제통합을 추진
- 남북간에는 시장뿐 아니라 정책, 제도의 협력, 통합이 중요

③ 경제협력과 통합의 방식
- 선진국과 개도국간에 전형적으로 나타나는 수직적 통합에서 출발해 상호 의존관계에 있는 수평적 통합으로 서서히 전환
- 지역과 지역, 도시와 도시, 기업과 기업을 연계·결합하는 미시적 차원의 협력과 국가차원의 시장통합, 정책협조 등 거시적 협력도 병행 추진

④ 한반도경제와 대외개방의 관계
- 적극적인 대외개방, 특히 동북아에 대한 개방의 수준을 대폭 재고함과 동시에 경제권의 주체로서의 외국자본의 지위를 인정해야
- 동북아 지역의 중앙 및 지방 정부, 기업들도 보조적 주체로서의 지위를 부여해야

⑤ 경제통합에서 정부의 역할
- 한반도 경제는 여러 이유로 정부의 적극적 역할이 긴요
- 산업정책의 전개, 나아가 한반도 차원에서의 종합적인 개발계획 수립
- 공동시장이 형성되기 이전 단계에서 재화와 서비스, 생산요소의 이동에 대한 정부의 조정

(3) 특징

□ 첫째, 한반도 경제권은 대외적 측면에서 보면 기존의 (민주)경제공동체 개념이 가지고 있는 폐쇄적 이미지를 씻을 수 있음.
둘째, 한반도 경제권은 한국경제의 차원, 북한경제의 차원, 남북관계의 차원, 동북아협력의 차원 등 네 가지 차원을 포괄.

셋째, 남북관계의 측면에서 보면 남북연합 단계에 부합하는 남북 경제통합을 가리킨다.

넷째, 한반도 경제권은 북한에 대한 인식의 지평을 넓혀주는데 특히 북한을 민족뿐만 아니라 지역(region)의 차원에서도 접근할 필요성과 중요성을 제기.

다섯째, 한반도 경제권은 기본적으로 지역주의의 범주에 속하지만 전 세계를 향해 열려 있는 개방적 지역주의(open regionalism)를 지향하는 역할을 할 수 있다.

3. 북한개발 및 남북협력 방식: 프로젝트 방식과 프로그램 방식

개발경제론(원조경제론) 차원의 논의
- 프로젝트 지원(원조)와 프로그램 지원(원조)
- 전자는 보다 구체적, 후자는 보다 포괄적
- 종전에는 전자가 중심, 최근에는 후자에 대한 선호도 높음

남북협력 차원의 논의
- 엄밀히 따지면 프로젝트 방식과 프로그램 방식이라기보다는 단일 프로젝트와 패키지 개념
- 보편화된 개념들은 아니나 이 개념들은 사용하는 전문가들, 특히 남북협력이 전자 중심에서 후자 중심으로 옮겨가야 한다는 주장 하나둘씩 늘고 있는 추세

대표적인 것이 SOC
- 그동안 논의는 한 가지 운송수단에 대한 하나의 프로젝트에 초점
- 예컨대 철도와 도로는 경의선, 동해선, 항만은 남포항 등
- 그런데 철도, 도로는 남북연결 및 현대화가 이루어진다고 해도 북한의 심각한 물자부족, 수송수요의 부족 등으로 효과성에 제약
따라서 배후 도시, 배후 산업시설 등을 고려해 관련 사업의 패키지로 복합 개발 및 남북협력이 이루어져야 한다는 주장
- 대표적인 것이 단천지역의 지하자원 개발
  - 지하자원 개발 + 자원개발을 위한 발전시설 개보수 + 남측반입에 필요한 철도, 도로, 항만 개보수
- 또 다른 예는 나진선봉 개발
  - 나진~하산 철도사업 + 나진~원정 도로사업 + 나진항 개발사업

다른 측면에서 보면 남북경협에서의 연계의 문제
- 예컨대 협력주체간 연계, 협력사업간 연계, 협력공간간 연계 등
- 협력 주체의 차원에서는 개별 국가의 중앙 정부와 지방 정부, 국제금융 기구, 민간기업 등 다양한 협력주체들이 특정 과제에 대해 협력
- 협력사업의 차원에서는 상호연관성이 높은 사업의 공동추진, 예컨대 철도망 확충과 지역 개발 사업의 연계
- 공간의 측면에서는 국경을 마주보고 있는 두 국가 혹은 세 국가의 각 지방을 연계하는 것이 대표적

4. 나진선봉 인프라 개발사업에 대한 음미

지금까지 논의만 무성했을 뿐 실질적인 진전을 보지 못했던 원인들에 대한 성찰이 우선되어야
- 북한측 요인, 러시아측 요인, 남한측 요인으로 나누어서
- 각각의 요인들에 대한 평가가 필요
- 그럼으로써 장애요인과 극복방안에 대한 논의로 연결

일각에서는 이러한 유형의 다자간 협력이 국제적 관점에서 일반적이지 않다는 점을 지적
- 국제금융기구 등 일종의 초법적 존재로서의 제3자가 존재하지 않는 경우 이해관계의 조정이 어렵다는 것

또 다른 쪽에서는 이런 사업은 진정한 삼각협력이 아니라는 지적도
- 무엇보다도 한국의 역할이 애매모호하고 한국의 편익이 불명확하다는 것

아울러 논의의 주체를 각국의 철도공사 차원이 아니라 각국의 중앙정부
INTER-KOREAN ECONOMIC COOPERATION AND INTERNATIONAL COLLABORATION

International variables are definitively important to inter-Korean relations when looking at the mid- to long-term. In fact, presently, independent variables in the inter-Korean relationship are weak and subordinate to international factors. It is necessary to recognize that now is the era of globalization.

Therefore, there is a very strong need for the South Korean government to purposely pursue international cooperation. In particular, it is preferable that South Korea pursue diverse strategies within international relations when regarding economic cooperation with the DPRK. This is because there are limits to the amount of development possible for inter-Korean economic development if based on North and South Korean efforts alone. When procuring funding necessary for full-fledged inter-Korean economic cooperation, and ensuring the ongoing stability of such cooperation, international collaboration is valuable.

The South Korean government needs to show much more interest in discussions regarding multi-lateral cooperation in the DPRK-PRC and DPRK-Russian border areas, and take a more active, specific role. The fact is, there is a lack of multilateral cooperative experience on the Korean Peninsula, and because such cooperation is, in reality, extremely difficult, building multilateral cooperative experience is extremely important.

In addition, from South Korea’s perspective, for the time being there is a need to set a different priority between ROK-DPRK-PRC trilateral cooperation and ROK-DPRK-Russia trilateral cooperation. This is because Russia has pursued such trilateral cooperation relatively more actively than China.
SUMMARY

South and North Koreas are putting forth efforts to overcome the distrust and animosity of the past 50 years to open an era of harmony and cooperation where the two halves can work together for mutual benefits. As part of those efforts, both parties are working now to reconnect the railways between the North and the South that remained broken for the past 60 years. In addition, the restoration of Trans-Korean railway paves the way for the “Silk Road Railway” which links European continent to Asian regions and Pacific Rim. The restoration project acts as a conduit for cooperation within the Northeast Asian continent, hence, an important tool for facilitating peace and prosperity within the Northeast Asian region.

Notably, the Railway project is regarded as the cardinal future-oriented peace building project for cultivating constructive, cooperative relations (Trans-Korean Railway and Trans-Asian Railway works) by stimulating human resources and commodity flows through railroad transportations. Northeast Asian region takes on a similar instance to the unification of European continent through its astounding development in railroad transportation, i.e., the international re-construction of Railroad lines will act as a catalyst to link Eurasian areas into one regional community for cooperation and peace.

At present, the government is creating a momentum to bind trans-Eurasian railroad works and an initiative for “Northeast Asia Railroad networks and consultative organization”. The South Korean administration paves the way to develop railroad network within South-North Korean, Russia and Eurasian region. It also fosters railroad cooperation with China for people and goods transports. To achieve such objectives, the project requires wide publicity and cross-border cooperation from concerned countries. The blueprint would have to be drafted up for Northeast Asian railroad train demonstration runs, Northeast Asian transportation agreements, with a bid to promote constitute Northeast Asian Railroad Consultation body. Moreover, the government would also have to prepare both, a draft of the linkage and the mandated standardized
In the latter’s context, joining the Trans-Korean Railway with the Trans-Siberian Railway is a prospective business model with top priority. The repair and improvement of Najin–Khasan railway and the opening of Najin–Busan coastal route could make a model business for the first phase of the TKR–TSR connection for transporting containers via TSR to Europe. Last February, the Russo–North Korean Joint Economic Commission talked about the debt exemption totaling 8 billion US dollars that North Korea owed to Russia, a green light for the TKR–TSR connection. Transporting containers via TSR, after they are carried on board a regular liner from Busan to Najin, will make a promising business. It will create a new driving force for the TKR–TSR link as well as for renewed public debate on modernizing the North Korean railroad system.

The South Korean government should be prepared for the future of inter-Korean economic cooperation following the denuclearization of North Korea. In order to continue with TKR–TSR business, the Korean government needs to set up a committee for railroad cooperation with a permanent body of decision-makers, specialists and administrators. The committee shall decide the TKR route and form a consortium to collect funds for North Korean railroad modernization. This will make the TKR–TSR connection a success both as a form of joint infrastructure of the two Koreas and as a model case for Northeast Asian economic cooperation. It is like extending the existing framework of bilateral cooperation to tripartite- and multipartite-cooperation.

The joining of the TKR with the TSR is a business beneficial to all three parties. North Korea will get a modernized railroad system, a revitalized economy, and reinvigorated Russo-North Korea relations. Russia can improve competitiveness of the TSR and enjoy an invigorated Eurasian distribution network. Russia will also expect an extended political and economic influence in Northeast Asia as a major power in energy and transportation. South Korea, in her turn, expects to strengthen inter-Korean economic cooperation while forming its own economic sphere on and around the Korean peninsula. Many here hope the test run will be extended to a regular railway service with mutually beneficial synergic effects between Korean unification and peace and prosperity in Northeast Asia.

- 동북아 철도협력의 의미
  ○ 남북철도 연결은 분단 60여년의 아픔을 씻고 한반도에 화해와 협력의 시대를 여는 기념비적 사업임
  - 특히 남북 · 대륙철도연결사업은 철도수송을 통해 물적 · 인적 교류를 촉진시켜 동북아에 새로운 우호와 협력의 기회를 제공하고 동반자적
협력관계를 미래지향적으로 발전시켜 나가는 가장 실질적이고 중요한 협력사업
- 경의선(2000년)・동해선(2002년) 연결공사 착공이후 북측에 자체·장비를 지원하고, 남북간 열차운행협의를 체결하는 등 시험운행단계
- 남북철도 연결로 물류비가 감소하고 직교역이 활성화되어 국제 경쟁력이 크게 향상될 것임
- 남북철도 연결에 따른 인적·물적 교류 증가는 남북간 이질성을 완화시키며, 사회, 문화, 예술, 체육 등 제 분야의 교류를 증가시켜 민족의 동질성 회복에 기여

○ 철도연결사업은 남북간 분단된 국토를 연결하는 상징성과 함께 기존의 남북관계를 한 차원 더 높이고, 새로운 동북아협력시대를 여는 중요한 정책과제중 하나임

- 남북철도가 시베리아횡단철도(TSR), 중국횡단철도(TCR), 몽골횡단철도(TMGR), 만주횡단철도(TMR) 등과 연결되면 단절되었던 동북아공간이 복원될 것이며, 남북한 및 동북아의 인적·물적 교류가 활성화될 것임
- 유럽철도망이 교통망으로서의 역할뿐만 아니라 유럽의 경제·사회·문화를 통합하여 EU결성을 앞당겼듯이, 동북아지역의 철도협력인프라는 “평화와 번영의 동북아시대” 구상 실현에 기여

○ 남북철도 연결은 동북아철도의 연계선상에서 이해해야 하며, 또한 우리의 정치적・경제적 발전을 도모할 수 있는 새로운 패러다임을 제시할 필요가 있음

- 동북아철도협력이라는 것은 단지 철도연결에만 국한되는 것이 아니라 동북아지역에서 우리의 위상 또한 확보할 수 있게 되는 포괄적이고 광범위한 프로젝트임
- 철도가 연결되면 수송시간 및 비용 절감 등으로 남북간의 경제협력뿐만 아니라 동북아경제협력확대에 크게 기여하게 될 것임
- 또한 러시아의 극동 및 시베리아지역의 풍부한 자원과 에너지를 실어나르는 수송로가 확보되고, 극동 및 시베리아의 자원과 에너지개발에 양극협력의 가능성도 높아지는 것을 의미함
동북아 철도협력 구상과 추진

○ 현재 추진하고 있는 남북·대륙철도연결 사업은 중장기적으로 차별화·특화된 지역을 따라 신규 수요를 창출하면서, 유라시아 지역을 잇는 국제화물철도망과 동북아를 통합하는 국제 승객철도망으로 병행 발전할 것임

남북 철도가 연결되면 두 개의 국제철도망이 형성, 동쪽(김의선, 경원선)으로는 시베리아 철도와 연결된 유라시아 화물철도망이 형성되고, 서쪽(경의선)으로는 중국과 연결되는 인적·물적 동북아철도망이 완성될 것임

남북·대륙철도연결 사업은 단기적으로 TSR을 이용한 유라시아 화물사업이 우선 진행되고, 장기적으로 평양·베이징·심양 간 동북아 여객·물류수송사업이 전개될 것으로 예상

○ 유라시아 화물철도망 사업은 남·북·러간의 TKR-TSR 연결 사업으로 추진하고, 동북아철도망사업은 초기에 한·중간 철도협력사업으로 추진하되 중장기적으로 남·북·러·중을 포함하는 동북아철도협력 모델로 확대발전하는 것이 바람직

이를 위해 남·북·러간 철도협력회의를 정례화하고, TKR-TSR 연계를 위한 북한철도 현대화를 지속적으로 논의해야 함

특히 국제 컨테이너 시범운송 사업과 남북 철도 시범운송은 국제사회에서 북한철도 현대화 및 대륙철도연결사업을 가시화하고, 본 사업을 “동북아평화사업”으로 인식하여 국제 협력 분위기를 조성하는 긍정적인 효과로 작용할 것이며

동북아철도의 통합운영을 위한 법적, 제도적, 기술적인 보완이 필요하며, 이를 위해 동북아철도의 시범운송을 제안하고, 동북아의 철도운송 효율을 제고하기 위한 동북아철도운송협정을 마련하여, 동북아철도협의체를 구성

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동북아철도협의체 구성을 위한 단계적 로드맵

□ TKR-TSR 철도협력 현황

○ 러시아의 시베리아・극동지역 개발전략에는 동시베리아・극동지역의 석유・가스 개발 및 통합 에너지망 구축, 그리고 TSR 활성화를 통한 아시아-유럽 간의 land bridge 건설이 주요 개념으로 자리잡고 있음

○ 경제 이익의 증대라는 측면 외에 연해주의 철도, 항만, 화물터미널 등의 건설을 촉진하고, 시베리아・극동 경제를 활성화하여 동북아 국가들에 대한 정치・경제적 영향력을 확대하려는 움직임

○ 2001년 2월 김대중/푸틴대통령의 서울 정상회담에서 TKR-TSR 연결을 위한 협력문제 논의, 시베리아횡단철도와 한반도중단철도를 연결하는 사업을 추진할 교통협력위원회와 철도대표부의 설치에 합의

○ 이후 2001년 12월 한국과 러시아는 「한・러 철도협력 약정」과 「한・러 교통협력위원회 약정」에 양국이 정식 서명하였고, 제1,2차 한・러 교통협력위원회 개최
【교통협력위원회의 기능】
- 한·러간 여객 및 화물 수송수요를 충족시키기 위한 철도의 기능조정에 관한 권고안 개발
- 수출·입 화물 및 통과화물을 포함한 철도수송량 분석
- 수송효율을 증진하기 위한 제도 개발
- 철도수송분야의 향후 기술적·과학적 협력을 위한 기본지침 개발

【철도협력약정의 주요내용】
- 양국간 철도협력 증진을 위한 정보 및 자료의 교환
- 철도분야의 경쟁력 제고를 위한 협력방안 협의
- 철도와 관련된 양국의 현안 해결을 위한 협의
- 한반도중단철도와 시베리아횡단철도의 연결에 관한 협의
- 고속철도 개발에 관한 협력 등

○ 2003년 10월 APEC 정상회담에서 노무현/푸틴 대통령이 「3자 철도연구기 관간 공동연구 추진」에 합의함에 따라 2004년 4월 남·북·러간 3자 철 도전문가회의를 개최

○ 2005. 10 제14차 CCTST(시베리아철도운영협의회) 서울 개최

□ 최근 TKR-TSR 철도협력과 주요성과

○ 남·북·러 철도운영자 대표회의(’06. 3. 17-18)
  - 주요성과 : 남·북·러는 3자간 TKR-TSR연계 프로젝트의 중요성을 인식하고, 본 사업의 실질적인 문제에 대해 3자 실무자간에 지속적 으로 논의하기로 함
  - 주요내용 :
    - 국영러시아철도는 조만간 나진-하산구간의 개량사업에 착수할 준비가 되어 있음을 밝힘
북측은 TKR의 개량을 위한 투자유치를 러측 개량에 따라 진행 필요 강조
3자는 TKR-TSR 경쟁력제고를 위한 TKR 통과노선의 추가적인 연구 필요 공감

○ 한·러 철도운영자간 양해각서(MOU)체결(’06. 3. 17)
- 주요성과 : 한·러철도운영자간 분야별 상호협력을 위한 실무협의체 구성 함의
- 주요내용 : 분야별 협력(운영정책 상호정보 공유, 철도과학기술교류, TSR 경쟁력제고방안연구 등), 전세열차운영(유라시아철도 운영), 인적교류(실무자 파견)

○ 의 미
- 한국과 러시아철도공사가 민영화됨에 따라 남·북·러 3자간 철도협력의 틀이 확대
- 나진-하산구간의 개량사업은 TKR-TSR사업의 시범사업성격이며, 나진-하산구간의 개량사업이 완성되고, 「부산-나진간 해상수송 후 TSR 경유 컨테이너 사업」이 상업적으로 성공한다면 국제사회에 북한철도 현대화 및 TKR-TSR사업의 공론화에 매우 긍정적인 효과로 작용할 것임
- 최근까지 러시아는 “a. 유가 상승에 따른 경제호전 b. 이에 따른 내부 및 국제 물동량 급증 c. 신규 국제철도 프로젝트 수행 d. 24억불에 달하는 북한철도철도협력의 재원마련 방안의 불투명”등으로 TKR-TSR사업에 대한 관심도가 약화되었으나, 최근 양국의 철도협력의 의지가 어느 때 보다 높음
- 본 사업을 합의함으로써 북·러간의 신뢰감을 회복하고, TKR-TSR 연계의 전망을 밝게 함
- 특히 부산-보스토니치에서 부산-나진으로 항로 변경시, 경쟁력을 확
보하는 운임체계, 국경통관절차 간소화 및 서비스개선 등의 남·북·러 3자간 협력 필요

- TKR 통과노선에서 러시아는 북한철도 실태조사를 경원선/TSR 위주로 조사한 반면, 북한은 동해선/TSR연결노선을 주장하고 있어 가장 효율적인 노선의 추가적 논의가 있을 것으로 예상

의장성명은 4항에서 “가장 효율적인 TKR의 통과 노선에 대한 추가적인 연구를 할 용의가 있음”을 명시

□ 남·북·러 철도협력의 기대효과

○ 북한은 금번 사업을 통해 노후 된 철도의 복원, 나선지역 경제 활성화, 북·러협력 강화 등의 실익기대

○ 러시아는 포화상태의 극동항 해결, 극동의 물류활성화, 북·중관계 심화에 따른 균형추 역할을 기대하고, 동북아 국가들에 대한 정치·경제적 영향력을 확대

○ 한국은 물류사업을 통한 실질적 남·북·러 3각협력사업 추진하고, 남북경제협력의 선순환적 시너지효과를 기대

□ 전망

○ 지난 6년간 북한 핵 실험과 이에 따른 국내·외적 환경변화에 따라 북한 인프라협력사업의 속도조절이 불가피한 상황이었음

○ 하지만 최근 2·13합의 이후 북핵 해법이 가시화되면서, 북한 인프라지 원 협력이 예상되는바, TKR-TSR 연계를 위한 남·북·러간 구체적이고 발전적인 교통협력이 요구됨

- 한반도인프라개발이면서 동북아 경협프로그램인 ‘TKR-TSR 연계 사업’을 성공사례로 만들어 그동안의 양자협력을 3자 협력, 다자협력으로 그 틀을 확대해가야 함
○ 특히 핵불능화 단계에서 북한은 태러지원국 해제를 요구할 것이며, 속단하기는 이르지만 북미간 태러지원국 해제논의는 남북경협사업에 새로운 패러다임을 제공할 것으로 예상

- 북한이 국제금융체제에 편입되고, 경제특구 및 교통인프라에 대한 국제금융지원도 가능함
- 이 시기에 동북아 관련국은 동북아의 경협프로그램으로 한반도인프라개발을 주목할 것임

○ 남북접경지역의 경제특구와 연계한 인프라시설 확충 및 북·러, 북·중접경지역의 경협특구에 추동력을 제공할 수 있는 인프라시설 개발의 추진 필요

○ 이번 시험운행이 개통·대륙철도와의 운행으로 이어져 한반도 통일과 동북아 통합 그리고 “평화와 번영의 동북아시대”로 이어지는 상호 선순환 구조로 발전하도록 노력