

WKF Day 1 1:30-2:40

Financing Korean Reunification

Moderator: Byung-Yeon Kim, Seoul National University, Professor in Department of Economics, studies NK and socialist economies

Speakers:

Chi-won Yoon – UBS Group, President Asia-Pacific

Christof Kutscher – AXA Investment Managers S.A., Chairman

Andrei Lankov – Kookmin University Professor, born under Soviet rule, went to Pyongyang Univ, taught there, writes for NK News Site, contributor to other Western newspapers, etc.

Theo Waigel – German Minister of Finance 1989-1998

On the first day of the 16th annual World Knowledge Forum in Seoul, a panel of experts gathered to discuss the complicated prospect of Korean reunification. They focussed largely on what lessons can be learned from the successful reunification of East and West Germany and how South Korea can prepare for the massive financial burden of peaceful reunification.

“Germany was not prepared,” declared Christof Kutscher, Chairman of AXA Investment Managers S.A., who admitted that at the time of German reunification, almost no one thought it would or should happen. Theo Waigel, German Minister of Finance at the time of reunification, agreed. “It came suddenly,” he said. “We had time only for one year.”

Therefore, the speakers concluded, it is essential that South Korea learn from Germany and begin preparation now, especially because the situation on the peninsula is much more difficult.

Dr. Andrei Lankov, a current professor at Kookmin University and an expert on North Korea, explained some of the differences between Germany and Korea, which make reunification significantly more daunting. First of all, he said, the gap in capital between North and South Korea is immense. While the East German economy was by no means robust, it at least had a decent infrastructure and high education levels. Furthermore, at the time of reunification, East Germans had access to West German news and some were even allowed to travel to Western countries on vacation. In other words, there was frequent contact between the concerned peoples. On the other hand, Dr. Lankov explained that in North Korea, radio sets with access to non-state-approved bandwidths are illegal, and even the country’s elite have a highly distorted view of the outside world.

Dr. Lankov also noted that Germany was lucky. “Germany unified at a time when international relations were unusually friendly. Everybody loved everybody,” he said. “For a brief time, we believed that the age of national rivalries was gone forever.”

Korea, on the other hand, has a complicated and sometimes antagonistic relationship with its northern neighbor.

So the question, then, is what South Korea can do to prepare for the possibility of reunification. Mr. Chi-won Yoon, President of UBS Group’s Asia-Pacific region emphasized the need for South Korean government reforms in both the public and private sectors. It is also essential that, should reunification occur, the South Korean government creates a climate to attract foreign private capital. This will lessen the potentially devastating economic effects if South Korea had to bear the cost of reunification by itself.

Every speaker agreed that the key ingredients to successful reunification are a strong South Korean economy and a high level of preparation. Mr. Waigel added, “The freedom of people, the dignity of people is more [important] than Euros or dollars. [That] is the best you can do for your country. If Korea is unified, it will be an example for the whole world.”

There are other challenges to which the speakers briefly eluded. After reunification, Korea must find a way to protect property rights in the north and to stem the inevitable tide of migration from north to south, which would hurt an already struggling economy. However, each panelist felt that reunification was not only possible, but also highly beneficial. According to Mr. Yoon, "Reunification should not be thought of as an extreme view or a political position...Reunification is a human right."