

Korean Demilitarized Zone: Opportunity to Help Reduce Economic Asymmetries on the Korean Peninsula

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Abstract. This paper proposes one potential vehicle to help diminish asymmetries between North and South Korea: the natural and cultural resources of the Demilitarized Zone (DMZ). The DMZ contains a treasure trove of cultural and natural resources, including five rivers, hundreds of bird, fish and animal species, forests and historically significant sites. With proper planning, implementation and management, these resources can be used *sustainably* to maintain present biodiversity, develop significant jobs and revenues and help create a viable path towards symmetry between the two Koreas.

JEL Classification: Q34, Q56, Q57, Q58

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1. Introduction

The ROK possesses the eleventh largest economy in the world based on Gross Domestic Product (GDP) in 2006. The GDP of North Korea, its historic brother and neighbor, is a fraction of South Korea's. Both countries lag behind much of the rest of the world in protecting environmental and natural resources. Yale University's Environmental Sustainability Index (ESI) of global environmental stewardship ranks North and South Korea at or near the bottom as of 2005, at #146 and #122 respectively², out of 146 countries. However, the Korean DMZ provides an excellent opportunity to help diminish these disparities, with its many species and habitats, some of which are extremely rare and found nowhere else on the Korean Peninsula or in the world. Conserving resources of the DMZ in a sustainable manner can help energize the North Korean economy, act as a catalyst for peace *and* preserve biodiversity upon which all Koreans depend. The DMZ is a relatively uninhabited 2.4 by 155 mile (4 by 258 kilometer) strip of land that separates a densely populated and economically expansive South Korea from a North Korea seeking its own economic growth. What is the highest and best use of this land? This paper will offer an answer.

The paper focuses on the potential economic value and benefits of sustainably managed DMZ resources to both Koreas. We also examine what economic benefits other natural areas around the globe have garnered for their countries and citizens to serve as examples of what is possible for the DMZ.

2. Asymmetries

After World War II, the two Koreas took different paths toward economic development. In 2006, sixty-one years after freedom from Japanese rule, South Korea had a \$965 billion GDP. In 2005, North Korea's estimated GDP was \$40 billion in Purchasing Power Parity. South Korea had a GDP in 1945 of \$1.3 billion; then it went on to achieve a nearly seven percent annual growth rate in GDP between 1953 and 2004. After World War II, South Korea's exports were primarily labor-intensive items like textiles and wigs. Now they are electronics, telecommunications, automobiles, steel, shipbuilding and petrochemical products. Export growth has fueled much of its prosperity, advancing from \$27.7 billion in 1952 to \$254 billion in 2004.³ In 2005, South Korean exports reached an estimated \$288.2 billion, while North Korea's were an estimated \$1.275 in 2004⁴. North Korea has some exports of agriculture products, chemicals, mining of coal, iron ore, copper, zinc and lead, weapons, counterfeit cigarettes and currency. South Korea's place on the world stage can be symbolized by their Foreign Minister, Ban-ki Moon's appointment as Secretary General of the United Nations in January 2007.

Thomas Friedman's *The World is Flat*⁵ offers another way to look at Korean asymmetries. His thesis suggests there are key ingredients to reduce disparities between economies, such as: popularizing the internet, work flow software, the ability to upload and globalize files, outsourcing and off-shoring of tasks, worldwide supply-chaining-synchronizing of global supply chains and 'in-forming'-having the equivalent of many libraries on your desktop. With all these ingredients, South Korea is helping to make the world flat, to reduce asymmetries through its technologically based economy. While North Korea currently has almost none of these factors, it is augmenting capabilities in software development and networking.

The Demilitarized Zone (DMZ) of Korea (see Figure 1 below) could help reduce asymmetries between these two countries. Since the end of the Korean War in 1953, the DMZ has been part of a geopolitical vacuum and a symbol of war, tension and separation. During this period, nature in the zone has regenerated. The DMZ and contiguous Civilian Control Zone (CCZ) in South Korea-5 to 20 kilometers (3-12 miles) across the peninsula contain five rivers and many ecosystem types, thousands of plant species; dozens of mammal and fish species. Hundreds of bird species live in and migrate through the DMZ. Safeguarding DMZ habitats as a transboundary reserve or series of reserves, like those in South Africa, Central and South America and Southeast Asia will provide: (1) significant jobs and revenues from sustainable agriculture and eco-tourism; (2) water resources for the peninsula; (3) a symbol of peace, a buffer, assistance in economic and environmental sustainability and an example of cooperation; (4) an opportunity to maintain and reintroduce species and habitats largely eliminated from the rest of Korea; (5) a laboratory and a rare chance to study what happens when an area like this is left untouched for over 50 years.

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