

## **The Politics of Inter-Korean Economic Cooperation (1998-2008)**

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It has been ten years since the Democratic Peoples' Republic of Korea (DPRK or North Korea) embarked on a path of changes. As part of this cautious plan for introduction of "economic measures", several enclaves scattered across the country were allocated exclusively for cooperation with the Republic of Korea (ROK or South Korea). Pyongyang's readiness for exchange and collaboration was welcomed and supported by Seoul which, with the ascendance to power of a liberal government in 1998, stopped waiting for North Korea's collapse. Two inter-Korean summits occurred in June 2000 and October 2007, reviving the hope for political reconciliation and closer economic cooperation between the two parts of the divided country.

However the growth of special economic zones and the development of market economy inside North Korea suddenly stalled in 2008, coinciding with the advent of conservative government in South Korea. Special Economic Zones are now getting closed, border-crossing regime is tightening, and communication is interrupted. What was the reason for such abrupt derailment? How likely is the quick restoration of positive dynamics? This paper offers an analysis of links existing between the political factors and socio-economic circumstances of inter-Korean cooperation in the period from 1998 Asian Financial Crisis to the onslaught of 2008 Global Financial Crisis. The policy fluctuations of Pyongyang and Seoul will be examined in conjunction with the changes in global economic climate, regional politics, and popular mood on both sides of the Demilitarised Zone.