



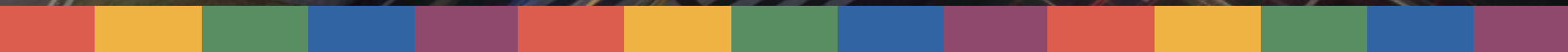
# KOREA'S ECONOMY

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Volume 27





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# NORTH KOREA'S ECONOMIC DEVELOPMENT AND EXTERNAL RELATIONS

## HUMAN RESOURCES AND KOREAN REUNIFICATION

*By Nicholas Eberstadt*

Much has been written over the years on the geopolitical, security, legal, institutional, economic, and policy requisites for success in a hypothetical Korean reunification. One issue that has attracted much less attention is the role that human resources may play in any prospective reintegration of the still-divided Korean nation. The oversight is unfortunate, for it is all too clear that a yawning and still-widening chasm separates North and South with respect to such things as skills, education, health, and other critical human characteristics that shape individual and social potential in a modern and open economy. The staggering human resources gap between North and South today presages major complications for any future unification of the Korean Peninsula—yet these are issues policymakers and scholars in the ROK and the West seem barely to have begun thinking about.

Thanks to the DPRK's enduring state-enforced secrecy, we lack much of the basic data for the North that we would expect to have at hand even for the world's least developed countries. We do know, however, this much: in the two decades since the end of the Cold War, South Korea has managed not only to qualify for membership in the Organization for Economic Cooperation and Development (OECD) but to surpass the United States in life expectancy at birth (according to U.S. Census Bureau projections for 2011) and to catch up to the United States in mean years of adult schooling (according to IIASA-VID projections for 2010). South Korean students, moreover, now rank at the very top of the OECD in internationally standardized testing.

North Korea, on the other hand, has experienced not only a prolonged and catastrophic economic failure, but has suffered the only mass famine ever to befall a literate and urbanized population during peacetime. For more than a decade, moreover, a resumption of the famine has been forestalled only by a more or less permanent flow of "emergency" humanitarian aid shipments from abroad. Thanks to Pyongyang's statistical paranoia, we lack reliable data about the health, nutritional status, educational profile, and technical training of its population—but unfortunately there is strong reason to fear that today's North Koreans compare unfavorably with their predecessors a generation earlier with respect to all of these qualities.

There is no reason to believe that North Koreans are not inherently as ingenious, resourceful, and motivated as their compatriots in the South. But the astonishing human resources disparity that has emerged in the divided peninsula under the Kim family's ruinous dictatorship has cruelly limited the economic potential of their subject population in the DPRK—with inescapable implications for the social and economic contours of a reunified Korea.

When North Korea makes its ultimate shift to an open, market-oriented policy, it will lack the sort of "deep shelf" of well-schooled technocrats that Seoul was able to rely on at the time of its big economic policy shifts in the early 1960s. Because the North will lack such trained talent, it seems increasingly likely that Southerners would perforce play a major administrative, policy, and even entrepreneurial role in the North's reunification transition. More than that: the tremendous differences in human capital endowments between Northern and Southern Koreans that are apparent today even without the data by which to quantify these precisely can only foreshadow correspondingly enormous wage and earnings differences within a unified Korean labor market. To the extent, furthermore, that "social capital" may be considered a productive human asset, North Koreans have been severely disadvantaged in comparison with South Koreans through the six decades of near-perfect police state terror it has

been their fate to endure. And all this would be under the best of circumstances. If extreme nutritional deprivation had affected the cognitive capacities of some fraction of the survivors of the “Great North Korean Famine,” the long-term consequences of the DPRK’s era of severe deprivation could be even more adverse. Indeed, unlike the instance of the German reunification, during which life expectancy (and other measures of human capital) in East and West converged within just over a decade, there is reason to worry that a North-South convergence in human capital profiles will end up being a historical process—requiring many decades, or even generations.

Policy planners in the ROK and elsewhere would be well advised to devote much greater attention to the human resources question in North Korea as an issue bearing directly on the outlook for reunification. To begin: a much more detailed and accurate assessment of the human resources situation in the North is urgently needed, especially for that country’s children and youth who will be the economically active population of tomorrow.<sup>1</sup> Strategic plans for feeding, educating, and training the North Korean population as best can be managed under reunification conditions could influence the social and economic potentialities of a unified Korea—and being ready to assist in human capital development for North Korea as soon as possible after a unification will be no less important. Although every passing year makes the tasks that will attend a Korean reunification more imposing, deliberate and well-considered policy can lessen the toll of the DPRK-era nightmare on future generations of Koreans in both North and South.

*Nick Eberstadt is the Henry Wendt Scholar in Political Economy at the American Enterprise Institute.*

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1. International humanitarian relief organizations engaged in humanitarian relief for North Korea have quite frankly done a miserable job during the past decade and a half in collecting and evaluating such data, though so much—including even their own performance in alleviating distress in the DPRK—arguably depended on precisely such intelligence.





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