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News From KOREA

A Breakthrough for a Nuke-Free Peninsula Various Peace Benefits Taking Shape

North Korea agreed to abandon its nuclear weapons program in September, marking the climax of the six-party talks that included the United States, South Korea, China, Japan and Russia. A nuclear-free Korean peninsula has yet to be realized and is dependent on the implementation and verification process. Nevertheless, the talks achieved a breakthrough toward solving the North Korean nuclear issue as Ambassador Christopher Hill, the lead negotiator for the United States, pronounced the agreement "one of the best examples of multilateral diplomacy in this part of the world."

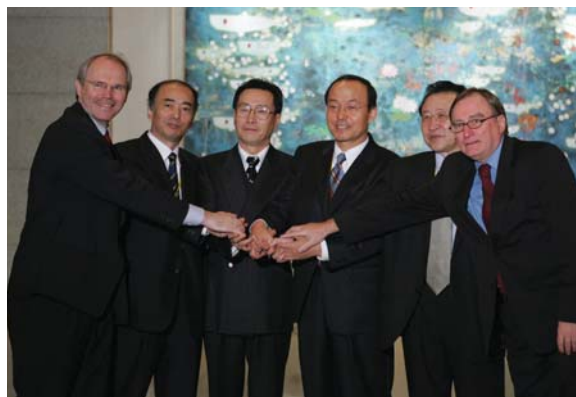
In fact, peace benefits resulting from the dismantlement of the North Korean nuclear program reach deep and wide. In particular, the settling of the issue will lead to an upgrade of South Korea's sovereign credit rating, a decrease in foreign debt interest rates, a stock price boost following the elimination of the 'Korea Discount' factor, and increased economic growth potential prompted by facilitation of inter-Korean economic cooperation. For instance, if the sovereign credit rating is upgraded one level, it will contribute to increasing net exports by US\$54 million and raising annual industrial productivity by 0.8%, according to an estimate by the Ministry of Unification.

Fitch Ratings said on Sept 20 that it is considering raising the sovereign rating on South Korea as geopolitical risks on the Korean peninsula have eased following North Korea's agreement to abandon its nuclear program.

"This is the first significant agreement to emerge from the six-party talks and it goes some way to addressing our concerns regarding the security threat posed by North Korea," said James McCormack, head of Asia Sovereigns at Fitch.

The Ministry of Finance and Economy (MOFE) said that Standard and Poor's (S&P) and Moody's Investors Service are also likely to raise their credit ratings as they have previously cited the North's nuclear brinkmanship as the biggest threat to the peace on the Korean peninsula.

The successful multinational negotiations are expected to ease tension on the Korean peninsula and thus give further



▲ U.S. Assistant Secretary of State Christopher Hill, far left, joins hands with diplomats at the close of talks over the North Korean nuclear issue on September 19 in Beijing, China.

momentum to South-North economic cooperation development projects. In terms of foreign debt relief, lower rates for enterprises' capital borrowings will stimulate the domestic sentiment toward investment. Eventually, it is expected to raise domestic demand, driving the economy on an upward curve. In fact, on the heels of the successful six-party talks, the composite stock price index improved its previous high on successive days. The amicable atmosphere on the peninsula is expected to provide impetus for sound capital investment, healing the nation's ills in speculative real estate investment on apartments and land.

South-North economic cooperation projects like the Gaesung Industrial Complex will also receive a boost with the clearing of the nuclear threat on the peninsula, generating opportunities and benefits for Korean enterprises, particularly small and medium enterprises. Moreover, benefits from the peace will likely spread throughout the region and the world, considering Korea's close relationship with other economies in the era of global management.