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International Journal of Korean Unification Studies

Engaging North Korea:
Issues and Challenges

Stephen Blank

Abstract

The six-party agreement of February 13, 2007 opens the way to a sustained multilateral engagement of North Korea by the other five interlocutors, most notably America and Japan, while also obliging North Korea to take steps towards denuclearization and reciprocal engagement with those states. This new framework strongly suggests that the six-party talks have all along been about more than denuclearizing North Korea. Rather they have to a great extent been about engaging it or trying to find a framework for doing so. As a result it has become obvious that engaging the DPRK is essential to any government who wishes to continue to play a meaningful role in the Northeast Asian security agenda. Thus, by refusing to undertake this engagement, the United States has paid a serious price which it only is beginning to rectify since the February agreement. This essay analyzes the extent of that price paid by Washington in this context and also cites the developing international competition among the other parties to the talks to gain access to and influence upon North Korean policy. At the same time though, North Korea must undertake its own long-term engagement with all the parties and especially with the United States as it has long sought to do. Such an engagement cannot but exert substantial impact upon the domestic structures of North Korean politics. Evidence from North Korea points to its becoming a state governed by the rivalry among bureaucratic factions largely split between emphasizing economic reform or military-first policies, among

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them nuclearization. Compliance with the February agreements and the opening of its relations with all the parties, up to and possibly including even normalization with Washington, imposes upon the DPRK the necessity of opening up its politics. In tandem with sustained engagement by the parties, again particularly America, this agreement also creates possibilities for influencing a long-term reorientation of North Korean policy to emphasize economic reform over the military-first program. Thus North Korea too will find that this new multilateral engagement will force it to transform its policies too.

Keywords: North Korea, Asian security, United States, reform (in the DPRK), February 13 agreement

Introduction

The six-party February 13, 2007 agreement on North Korea's denuclearization appears to be holding and even making progress. The parties are complying with its terms despite several technical delays, the working groups that the treaty established are meeting, and final goals for the process, if not a timetable and modalities of reaching them have apparently been agreed upon. Indeed, since then, "North Korea has signed on to an agreement calling for it by the end of this year (i.e., 2007-author) to detail its full nuclear holdings and to shutter facilities at the Yongbyon nuclear complex."[1] North Korea has apparently begun this process of disablement in November 2007 (the time of this writing) and in return the Bush administration is reportedly drawing up a plan for normalizing relations with North Korea, Pyongyang's coveted strategic objective. This would also include removing North Korea from the State Department's list of state sponsors of terrorism.[2]

Meanwhile from August 28-30, 2007 a second inter-Korean summit was to take place in Pyongyang. Due to floods in North Korea

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[1] "North Korea Promises Nuclear Disablement," *Global Security Network*, October 3, 2007, www.nti.org.

[2] Elaine M. Grossman, "Bush Administration Eyes 'Normalizing' Relations With North Korea," *Global Security Network*, November 29, 2007, www.nti.org.

it was rescheduled for October 2-4 and has since led to greater inter-Korean economic ties. Probably more importantly, both sides called for negotiation of a peace treaty among 3-4 nations to end the Korean War, realizing the ROK's pre-summit agenda.[3] So while Seoul advances its engagement of the DPRK, reports suggest that Pyongyang too has as a key motive for participating in the summit, the goals of locking in South Korea's engagement with it no matter who wins the forthcoming ROK elections, and second, using the summit as a platform from which to advance ties to Washington and Tokyo, if not also Moscow and Beijing.[4] These developments, taken together, could generate a new impetus for addressing if not conclusively resolving the issues raised by North Korea's nuclearization and the February accords.

Thus the denuclearization process, if it continues to its full realization, will both rearrange the existing Northeast Asian security order and facilitate progress towards a formal peace treaty ending the Korean war. But obviously progress towards a peace treaty and full inter-Korean reconciliation, not to mention normalization of DPRK-American relations, depends on implementation of the denuclearization agreements.

But for that to happen the six parties themselves must accept and implement the underlying realities of the six-party process by building on what has already been achieved. Similarly for the DPRK's complete denuclearization to occur, North Korea to receive its energy compensation for that denuclearization, and for a peace treaty plus normalization of Pyongyang's foreign relations to take place, it also is arguably necessary

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[3] Open Source Center (OSC), *Foreign Broadcast Information Service Central Eurasia*, (Henceforth *FBIS SOV*); Open Source Analysis, "Analysis: Roh Indicates Economic Cooperation, Not Nuclear Issue Focus of Summit," *FBIS SOV*, August 14, 2007; Sandip Kumar Mishra, "Peace Treaty & Denuclearization," *The Korea Times*, October 31, 2007, www.koreatimes.co.kr/www/new/opinion/2007/11/197_12865.

[4] OSC Analysis, "Analysis: North Korea looking to Bolster South Korean Engagement Policy," *FBIS SOV*, August 8, 2007; Kim Hyun, "N. Korea Eyes Better Relations with US Through Inter-Korean Summit: Experts," Seoul, *Yonhap* in English, August 8, 2007, *FBIS SOV*, August 8, 2007.

that the five other parties to the six-party accords remain unified or at least in harmony. It does appear that South Korea is more eager, perhaps for reasons connected with gaining an advantage in the 2007 elections, than Washington for moving forward on the peace treaty whereas the Bush administration wants to ensure denuclearization first.[5]

Nonetheless the Administration supports a four-party peace treaty to end the Korean War including China, South Korea, North Korea, and the United States based on progress towards denuclearization. It also is thinking seriously about converting the six-party working groups into a more enduring structure of multilateral security in Northeast Asia.[6] In other words there should be no insuperable obstacle to continuing harmony among the other five parties to the existing agreements.

Engaging North Korea

There are many ways to view these processes and realities. At its most basic level this six-party process is an attempt to terminate, or at least reverse the DPRK's nuclear weapons program. Thus Pyongyang must renounce its nuclear program, open the country up to a verification regime, and rejoin the Non-Proliferation Treaty (NPT) and IAEA inspection regime. But for that to happen or while it happens the February and October accords stipulate that North Korea must obtain alternative forms of energy in the form of 1,000,000 tons of heavy oil of which 50,000 tons have already been sent. However, most importantly, the other five parties to the talks must give it a binding security guarantee.

In other words, they must engage North Korea substantively and integrate that engagement into their larger designs for Northeast Asia's

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[5] Mishra.

[6] "Two Koreas, China Should Sign Korean Peace Treaty: US," www.korea.net, October 24, 2007.

security order. As noted above, signs of this engagement towards a reformed regional security order have already begun to appear. But North Korea must also enter into a genuine engagement with all of them as well. In other words, for these accords to work a reciprocal and mutual process of sustained engagement must take place beyond the meetings of six diplomats over the issues involved in the February accords.[7] Only then can these agreements truly open the door to a potential peace regime as stipulated in the February accords. Failing that accomplishment the renovated six-party process could at least begin constructing a new regional order in Northeast Asia based on sustained multilateral engagement among the parties.

Therefore these talks are ultimately not just about denuclearization but also about crafting that new and hopefully more pacific regional order. Many observers share the view that, "regardless of the outcome, the near continuous consultations that arose from the six-party process lead to the natural conclusion that the time is right for formal regional cooperation in Northeast Asia."[8] In building this order North Korea insists, as it has essentially done all along, that this engagement, guarantee, and even energy supplies, are crucial because they signify America's willingness to renounce its "hostile" policy and engage with it. According to its spokesmen this has been and remains its main goal.[9] Energy shipments, though important, necessary, and welcome, are only valuable insofar as they display that willingness to engage the DPRK and reverse previous policies.[10]

Russia, China, and South Korea, all of whom already have a sustained relationship with the DPRK, and have long argued for security

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[7] Grossman.

[8] Charles L. Pritchard, *Failed Diplomacy: The Tragic Story of How North Korea Got the Bomb* (Washington, DC: Brookings Institution Press, 2007), p. x.

[9] "Kim on Six-Party Talks," *Northeast Asian Peace and Security Network (NAPSNET)*, July 23, 2007.

[10] *Ibid*.

guarantees to the DPRK, have substantially increased their economic and political ties to North Korea, and are competing to offer it energy alternatives to its nuclear program.[11] Indeed, their individual engagements actually comprise a competition for influence and access in North Korea. That larger economic and political rivalry can be seen as just another chapter in the unending efforts of major Asian powers and now the ROK to develop a durable relationship with North Korea to influence its direction and policies.[12] Each of these governments has come to understand, each in its own way that engaging Pyongyang is essential to the pursuit of its larger interests in the region.[13] Possibly Washington has also now seen the necessity of this approach. Hence once again the maneuverings of the key Northeast Asian actors center on Korea.[14]

Indeed, the record of the six-party talks clearly shows not just the necessity of such engagement but also that North Korea can compel such engagement. Consequently a state's failure to take that step leads to serious setbacks for its policies. China has known this for years even as it moved to recognize South Korea so it has transformed its stake in North Korea from an ideological one to one based on comprehensive security, i.e., military, political and economic factors. South Korea's sunshine policy is based on a similar assessment. Similarly Russia already understood in 2000 as President Putin began to shape his

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[11] Samuel S. Kim, *The Two Koreas and the Great Powers* (Cambridge: Cambridge University Press, 2006); Samuel S. Kim, *Demystifying North Korea: North Korean Foreign Relations in the Post Cold-War World* (Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2007); Vasily Mikheyev, "Russian Strategic Thinking toward North and South Korea"; Gilbert Rozman, "Russian Strategic Thinking on Asian Regionalism," Gilbert Rozman, Kazuhiko Togo and Joseph P. Ferguson (eds.), *Russian Strategic Thought Toward Asia* (New York: Palgrave, 2006), pp. 187-204 and 229-251 respectively.

[12] *Ibidem*; For historical and contemporary examples, see Charles S. Armstrong, Gilbert Rozman, Samuel S. Kim, and Stephen Kotkin (eds.), *Korea at the Center: Dynamics of Regionalism in Northeast Asia* (Armonk, NY: M.E. Sharpe Inc., 2006).

[13] *Ibid*; Kim, *ops cits*; Mikheyev, pp. 187-204; Rozman, pp. 235-251.

[14] Armstrong, Rozman, Kim, and Kotkin (eds.).

foreign policies, that it could only get somewhere in Northeast Asia by in engaging North Korea. Only because Russia took this step in 2000 can it even take part in the talks since only North Korea insisted on its presence there.[15] In analogous fashion, Japan, which has been the least willing and able of the parties to engage North Korea effectively, now faces isolation within the six-party structure.[16] It is in this context that we must view recent events in these talks.

US Miscalculations

In this context we can see that until the February 13 agreement that Washington was paying a severe price for its refusal to engage North Korea seriously.[17] Washington pays because its refusal to engage Pyongyang has led it to become a nuclear power with more weapons than when the talks started. Meanwhile Washington has incurred many different and significant kinds of costs. Indeed, the record of the six-party talks confirms that Washington's coercive policy could not form a coalition to bring pressure on the DPRK. Rarely, if ever, did it achieve a situation where the parties could reach a consensus that "the failure of enhanced diplomacy should be demonstrably attributable to Pyongyang" as a condition for forming that coalition.[18]

North Korea's nuclear test of October 9, 2006 thus represented

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[15] Elizabeth Wishnick, "Russia in Inter-Korean Relations," Samuel S. Kim (ed.), *Inter-Korean Relations: Problems and Prospects* (New York: Palgrave, 2004), pp. 117-138; Seung Ham-Yang, Woonsang Kim, and Yongho Kim, "Russo-North Korean Relations in the 2000s," *Asian Survey*, XLIX, No. 6 (November-December 2004), pp. 794-814.

[16] OSC Report, "Japan Fears Six-Party Talks Isolation Following Summit Announcement," *FBIS SOV*, August 9, 2007; "Abductions Issue Threatens to Marginalize Japan," *Jane's Foreign Report*, August 23, 2007, www.4janes.com/subscribe/frp/doc.

[17] Pritchard, *passim*.

[18] Kim Sung-han, "(Global Outlook) North Korean Nukes and Counterfeiting," Seoul, *The Korea Herald Internet Version*, in English, February 3, 2006, *FBIS SOV*, February 3, 2006.

a major defeat for US foreign policy.[19] First, Pyongyang called Washington's bluff, i.e., that America can put enough pressure on North Korea - by imposing sanctions on the DPRK's foreign banking after the six-parties' preliminary agreement in September, 2005 and by placing human rights on the negotiating agenda - so that it will collapse, obviating the need for detailed engagement with Pyongyang over proliferation. Even though the sanctions hurt North Korea very much "and got its attention"; the test showed Pyongyang's continuing self-confidence about the future.[20] Analyses based on Pyongyang's desperation or imminent collapse are unlikely to be based on a sound foundation or to achieve any tangible or positive results, especially as so many of its partners have a growing interest in its stability.[21]

Second, this test virtually removed imposed regime change from consideration. As we shall see below, not only Washington entertained thought of North Korea's collapse. At times, Russia and China did so too, mainly because of their fear over what Washington might do or drive North Korea to do with unpredictable consequences. The test also underscored North Korea's significant distrust of Chinese policy and desire to emancipate itself from Chinese tutelage.[22] The February 13

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[19] Thus Assistant Secretary of State Christopher Hill stated that it was North Korea that had failed to see its future, when it would be more accurate to say that it failed to see its future as does Washington and as Washington wanted it to see that future and reacted accordingly, *National Public Radio,* All Things Considered, October 9, 2006.

[20] "White House Considers Broader North Korea Approach," *NTI Global Newswire*, www.nti.org, May 18, 2006.

[21] Andrew Scobell, "North Korea's Strategic Intentions," *Challenges Posed by the DPRK for the Alliance and the Region* (Washington, DC: Korea Economic Institute, 2005), p. 94.

[22] Liu Ming, "China's Role in the Course of North Korea's Transition," Ahn Choong-yong, Nicholas Eberstadt, and Lee Young-sun (eds.), *A New International Engagement Framework for North Korea?: Contending Perspectives* (Washington, DC: Korea Economic Institute of America, 2004), pp. 338-398; Jaeho Hwang, "Measuring China's Influence Over North Korea," *Issues & Studies*, XLVVII, No. 2 (June 2006), pp. 208-210; Selig Harrison, "North Korea From the Inside Out," *Washington Post*, June 21, 1998, p. C1, quoted in Samuel S. Kim, "The Making of China's Korea Policy in the Era of Reform," David M. Lampton (ed.), *The Making of Chinese*

accord confirmed this removal of regime change from the negotiations by requiring the parties to engage with Pyongyang on a comprehensive and detailed agenda.

Third, by testing nuclear weapons North Korea declared its independence from the Nonproliferation Treaty regime and from all the other parties to the talks. It will now be much more difficult for any foreign states to influence its foreign and defense policies by means other than sustained economic and political engagement although North Korea may feel more secure in its approach to negotiation. Even if Pyongyang renounces plutonium completely, it probably has, as US officials have long believed, a uranium program, and it has both the stock and know-how to weaponize its nuclear energy and deliver missiles with nuclear warheads.[23]

Thus the DPRK's proliferation, like preceding other cases, proclaims that it alone will control its destiny. Chinese and/or Russian leverage upon it, which was never as great as Washington imagined, has evidently declined still further. And there are abundant signs that Pyongyang's ties to both Beijing and Moscow have cooled considerably.[24] That trend would also explain these states' heightened interest in supplying it with energy since February 2007 in order to regain some influence there.

Fourth, by testing North Korea has evidently ensured its survival, not just against military threats, but also against internal regime failure.

Foreign and Security Policy in the Era of Reform, 1978-2000 (Stanford, CA: Stanford University Press, 2000), p. 403; Andrew Scobell, *China and North Korea: From Comrades-in Arms to Allies at Arm's Length* (Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2004), *passim*; Patrick M. Morgan, "US Extended Deterrence in East Asia," Tong Whan Park (ed.), *The US and the Two Koreas: A New Triangle* (Boulder, Colorado: Lynne Rienner Publishers, 2000), p. 55.

[23] Pritchard, *passim*.

[24] OSC Analysis, "DPRK Media Portray Signs of Cooling Relations with Moscow," *FBIS SOV*, July 11, 2007; OSC Feature, "Analysis: China-DPRK: Media Diverge on Foreign Minister Yang's Visit," *FBIS SOV*, July 9, 2007; OSC Feature, "Analysis: DPRK Signals Continued Irritation with China," *FBIS SOV*, August 1, 2007.

This is not just because of the internal public and elite acclaim that might have accrued to Kim Jong Il for making the DPRK a nuclear power. For it also is now the case that the greatest potential threat to regional security on the Korean peninsula may no longer be inter-Korean war, but the possibility of a failed North Korean state with inadequately controlled nuclear weapons. Every one of Pyongyang's interlocutors now has a vested interest in preventing that state failure and in helping it to survive and gain solid control over those weapons. And this interest in North Korea's survival is above and beyond the fact that invasion is all but ruled out due to this test.

In this sense the test also marks a major step away as well from foreigners' concern that the regime might collapse and bring about a situation forcing them to take action. Thus,

> in conversations with JIR (Janes's Intelligence Review) in 2003, Russian officials were candid about the scope for a "Ceausescu scenario" if conditions worsened in North Korea and Kim Jong-Il lost control over some of the security forces.[25]

Russian officials also showed their concern about a North Korean collapse by holding maneuvers with Japan and South Korea on a refugee scenario in 2003, and with China under the auspices of the Shanghai Cooperation Organization in 2005 for a scenario that probably was connected to the possibility of either an invasion of the North in response to US threats or the DPRK's state failure.[26] But they also made veiled statements in 2004 indicating their concern for the future of the DPRK's regime.[27] Similarly, Jasper Becker claims that China made

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[25] Mark Galeotti, "Moscow Reforms Its Links With Pyongyang," *Jane's Intelligence Review*, February, 2004, http://www.4janes.com/subscribe/jir/doc.

[26] Sergei Blagov, "War Games Or Word Games?" *Asia Times Online*, August 26, 2005, www.atimes.com.

[27] See the warnings uttered by Russia's chief negotiator in early 2004 Deputy Foreign Minister Aleksandr' Losyukov, Moscow, *Interfax*, in English, February 29, 2004, *FBIS SOV*, February 29, 2004; Moscow, *ITAR-TASS*, in Russian, February 29, 2004, *FBIS SOV*, February 29, 2004.

contingency plans for a possible invasion of North Korea in 2003 when it worried about a US strike against the DPRK's nuclear facilities with the aim of installing a pro-Chinese regime that would forsake nuclearization. But he reported that China's military chiefs said this could not be done.[28] At the same time China's leaders made it clear that they would not accept a unilateral American solution to North Korea's issues. At least three American experts on China also told the author during the 2001-06 period that they strongly felt, based on their contacts with Chinese analysts and officials, that China would not let an American unilateral military operation against North Korea take place with impunity.

Fifth, these tests clearly forced Washington to reverse its course and engage Pyongyang seriously, evidently the DPRK's main goal. Before this test, America did not show the urgency it displayed towards Iraq even though the DPRK was widely believed to have actual nuclear weapons, missiles with which to weaponize them, and has sold missiles to rogue states, behavior and policy that far outstrips even the most pessimistic Iraqi scenarios in 2002-03.[29] Indeed, Washington would not give Pyongyang any "favors to restart the negotiations, thus condemning the talks to stalemate."[30]

America's Korean policy looked to its interlocutors except Japan like an attempt to use nonproliferation negotiations to impose externally directed regime change upon the DPRK.[31] It is not surprising that the other parties, e.g., Russia publicly worried about an American unilateral

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[28] "The Nightmare Comes to Pass," *The Economist*, October 14, 2006, p. 25.

[29] Graham Allison, "North Korean Nuclear Challenge: Bush Administration Failure; China's Opportunity," *Korean Journal of Defense Analysis*, XVIII, No. 3 (Fall 2006), pp. 7-10.

[30] Paul Eckert, US Envoy Rules out "Favors to Get North Korea Talking," *Reuters*, May 3, 2006.

[31] Alexandre Y. Mansourov, "The Time of Reckoning: US Vital Interests on the Korean Peninsula and the Escalation of the North Korean Nuclear Test," *NAPSNET*, October 11, 2006.

effort to undertake actions against North Korea that could push it into war or that would actually be an invasion.[32] America's disinclination to engage North Korea seriously persisted well into 2006. And due to that disinclination America lost ground in Asia among the other five parties and other Asian states who lost confidence in the soundness of American policy approaches to Asia.[33]

For example, in mid-2006 Washington's frustration with the stalemate at the six-party format led it to propose a different multilateral negotiating forum excluding but pressuring North Korea to cease its nuclear program. Not surprisingly, this proposal failed as Moscow and Beijing promptly rebuffed it.[34] Such actions and Washington's refusal to engage North Korea bilaterally within the six-party format despite Russian, Chinese, and South Korean urgings probably reinforced those states' widespread and longheld suspicion as well as the DPRK's apprehensions that America really wanted coerced regime change in the guise of nonproliferation talks and would not negotiate seriously about ending the nuclear threat.[35] This point leads to the sixth cost incurred by Washington as a result of its unwillingness to engage Pyongyang directly. As observers have noted in 2006,

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[32] *Interfax*, in English, February 29, 2004, *FBIS SOV*, February 29, 2004; Moscow, *ITAR-TASS*, in Russian, February 29, 2004, *FBIS SOV*, February 29, 2004.

[33] Robert Carlin, "Talk to Me Later," Phillip W. Yun and Gi-Wook Shin (eds.), *North Korea: 2005 and Beyond* (Palo Alto, California: Walter Shorenstein Asia Pacific Research Center, Stanford University, 2006), pp. 24-35.

[34] Glenn Kessler, "With N. Korea Talks Stalled, US Tries New Approach," *Washington Post*, September 22, 2006, p. A13; Sue Pleming, "China and Russia Sun Asia Security Talks," *Reuters*, September 21, 2006.

[35] Pyongyang, *KCNA* in English, February 10, 2005, *Foreign Broadcast Information Service East Asia* (Henceforth *FBIS EAS*), February 10, 2005; "Seoul Tells US of Concern over Envoy's Remarks," *Chosun Ilbo*, December 15, 2005; Andrew Salmon, "Tougher US Line With Pyongyang Worries South," *Washington Times*, December 10, 2005, p. 6; "US, N.K. Must Solve Issues Bilaterally: Seoul," *Digital Chosun Ilbo*, December 11, 2005, http://english.chosun.com/W21data/html/news/200512/200512050004.html.

> to date, the six-party process has been seen primarily as a vehicle for enhanced negotiation, or, alternatively, for enhanced coercion (in those rare instances when the US has been able to put together a five versus one stand on a particular issue, such as the warning to Pyongyang not to conduct a nuclear test). But despite its limitations and despite the Bush administration's judgment that North Korea is unlikely to negotiate away its nuclear weapons, the six-party framework may still have an important role to play as a mechanism for crisis management, in addition to being (or until such time as circumstances permit it to be) a vehicle for multi-party negotiations.[36]

North Korea's missile and nuclear talks prevented further American use of the six-party talks as a mechanism to avoid bilateral dialogue with North Korea or to coerce it in a five to one confrontation. Instead it has been forced to accept the conversion of this forum into a genuine negotiation process that includes the bilateral dialogue with the DPRK and opens the way to what could be interpreted as a weakening of its alliance structure in Asia, namely a move toward genuinely multilateral security regulation in Northeast Asia. This is because direct bilateralism, Pyongyang's preference and the Bush administration's anathema, is now only possible within the larger multilateral framework. Because Washington outsourced leadership of that framework to China and drove Seoul to carry on its own "Nordpolitik," Washington can no longer control the pace or agenda of a Korean peace process even though both Korean states want its troops to remain there as guard against Chinese hegemonism in the future.[37]

Beyond that failure the United States paid a heavy regional price for its failure to engage North Korea seriously. By 2006, South Korean newspapers were charging that the US-ROK relationship hung by a thread and South Korean public opinion had become increasingly anti-American, as is much of elite opinion in the government.[38] Washington

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[36] Scott Snyder, Ralph A. Cossa, and Brad Glosserman, "Whither the Six-Party Talks?" *PACNET Newsletter*, No. 22, May 18, 2006.

[37] Carlin, pp. 24-35.

[38] Robert Sutter, "The Rise of China and South Korea," *Joint US-Korea Academic*

seemed unwilling or unable to grasp that its continuing refusal to engage with Pyongyang directly only drove Seoul closer to Beijing (much against its will) and strengthened its search for a purely bilateral channel to Pyongyang both as a form of resistance of American policy and in a search for some kind of leverage upon the DPRK.[39] A US policy threatening imposed regime change cannot generate support in South Korea whose main concern is regional stability on the peninsula.[40] Clearly this is also true for Russia and China.

Similarly America's position in the talks only reinforced the Russo-Chinese strategic partnership in Northeast Asia that is founded upon shared resistance to US policy.[41] Whereas China first opposed Russia's inclusion in the six-party talks, today both states share an identical position advocating an end to sanctions, US and multilateral security guarantees to North Korea, and compensation in the form of energy deliveries to it, in return for non-proliferation and a return to the NPT and its accompanying inspection regime. One South Korean columnist, Kim Yo'ng Hu'i, wrote in 2005 that,

> China and Russia are reviving their past strategic partnership to face their strongest rival, the United States. A structure of strategic competition and confrontation between the United States and India on the one side,

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Studies: The Newly Emerging Asian Order and the Korean Peninsula, symposium sponsored by the College of William and Mary, Korea Economic Institute, and Korea Institute for International Economic Policy, August 25-27, 2004, XV (Washington, DC: Korea Economic Institute, 2005); see also the Essays in *The Changing Korean Peninsula and the Future of East Asia*, Panel 1, Brookings Institution Center for Northeast Asian Policy Studies, Seoul, December 1, 2005, Part II, The Future of the ROK-US Alliance.

[39] Jung Sung-ki, "Weakening South Korea-US Alliance Can Benefit China," *The Korea Times*, May 10, 2006, http://times.hankooki.com/1page/nation/200605; *Yonhap* in English, February 6, 2006, *FBIS EAS*, February 6, 2006.

[40] Choe Sang-Hun, "South Korea Proposes Meeting With North Korea," *New York Times*, May 11, 2006.

[41] Scobell, p. 88; David Kerr, "The Sino-Russian Partnership and US Policy toward North Korea: From Hegemony to Concert in Northeast Asia," *International Studies Quarterly*, XXXXIX, No. 3 (September 2005), pp. 411-437.

> and Russia and China on the other is unfolding in the eastern half of the Eurasian continent including the Korean peninsula. Such a situation will definitely bring a huge wave of shock to the Korean peninsula, directly dealing with the strategic flexibility of US forces in Korea. If China and Russia train their military forces together in the sea off the coast of China's Liaodong Peninsula, it will also have an effect on the 21st century strategic plan of Korea.[42]

Certainly Russo-Chinese collaboration at the UN Security Council demonstrates an identity of polices and goals here.[43] This partnership clearly owes much to US policy which both states regard as high-handed and overly unilateral and belligerent and seriously obstructs Washington's efforts to impose its preferences upon North Korea.[44] Yet, given the earlier and continuing divisions between Russia and China and their historic rivalry for influence in Pyongyang, this partnership was hardly a foreordained outcome. Rather it was the result of American policy but it also represents what several eminent experts regard as the greatest geopolitical threat that America could face.[45]

A third cost to Washington is that such an alliance strikes at the heart of Seoul's ambition to play a hub role in Northeast Asia, a role that it can only play if Washington engages North Korea. Any sign of return to something resembling the Cold War's bipolarity is a major setback to South Korean policy and to regional stability in general.[46]

American persistence in this misconceived approach to circumvent the need to negotiate with North Korea continued up to these tests. An

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[42] Kim Yo'ng Hu'i, "The Relevance of Central Asia," *JoongAng Ilbo Internet Version* in English, July 11, 2005, *FBIS SOV*, July 11, 2005.

[43] Moscow, *Interfax* in English, May 25, 2007, *FBIS SOV*, May 25, 2007.

[44] Kerr, pp. 411-437; Constantine C. Menges, *China: The Gathering Threat* (Nashville, Tennessee: Nelson Current Publishers), 2005.

[45] *Ibidem*; Robert Jervis, "US Grand Strategy: Mission Impossible," *Naval War College Review* (Summer 1998), pp. 22-36; Richard K. Betts, "Power, Prospects, and Priorities: Choices for Strategic Change," *Naval War College Review* (Winter 1997), pp. 9-22; John C. Gannon, "Intelligence Challenges Through 2015," http://odci.gov/cia/publicaffairs/speeches/gannon_speech_05022000.html.

[46] Pritchard, pp. 79-80.

effort inspired by hawkish elements of the administration to reinterpret the earlier agreement of September 19, 2005 concerning the provision at an appropriate time of a light water reactor to North Korea as meaning that the DPRK would have to first surrender and stop its nuclear programs before Washington would even *consider* discussing provision of such a reactor similarly misfired.[47] This seemed to return to the position perceived by North Korea since the start of the negotiations in 2003.[48] Accordingly America's negotiating posture for the six-party non-proliferation talks also then added to the agenda human rights and North Korean economic crimes as well as the previous sessions' non-proliferation agenda.[49] This posture ensured stalemate and certainly contributed to the DPRK's nuclear test and refusal to rejoin the negotiations.

This reformulation of the US negotiating posture led to Sino-Russo-ROK agreement concerning the points at issue in the non-proliferation agenda, a Sino-ROK proposal that became the basis for the 2005 agreement, and ultimately a subsequent Sino-ROK proposal to restart the talks.[50] These actions suggest that Washington's demand of total surrender to its agenda before considering the DPRK's issues and its addition of extraneous, if not irrelevant, issues to the negotiating agenda undermined the other parties' confidence in American policy and contributed to their irritation with and obstruction of it. Not only does this apply to Russia and China but the gaps between Washington and Seoul are also quite instructive in this regard.[51]

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[47] Pritchard, pp. 10-15; Sigal.

[48] "DPRK Foreign Ministry on Six-Way Talks," *KCNA*, August 30, 2003, cited in Scobell, p. 88.

[49] Seoul, *Ohmynews Website* in English, February 15, 2006, *FBIS EAS*, February 15, 2006.

[50] "US-North Korea Relations Worry China, South Korea," *SABC News*, May 6, 2005, www.sabcnews.com/world/asia1pacific/0,2172,103705,00.html.

[51] Brendan Howe, "Rationality and Intervention in an Anarchic Society," *Korean Journal of Defense Analysis*, XVII, No. 1 (Spring 2006), pp. 183-184; Seung-Ho

They see Washington as ignoring their vital regional aims and tempting fate. America's apparently self-centered pursuit of its own global interests at the expense of their vital regional interests gave rise to stalemate, if not failure because it gave other states no incentive to build a consensus on those points of non-proliferation with which they agree with Washington. Hence this strategy disregarded elementary lessons of the earlier successful negotiations a decade ago.[52] Thus, as we have seen above, American unilateralism also forced these regimes to consider acting unilaterally or even preemptively to defend their own interests. The ROK's sunshine policy is a case in point. But so too are the aforementioned but less well known Russian and Chinese policy deliberations.

When allies, like South Korea, have choices (due to its growing economic and political ties to Beijing and Moscow), and those other choices seem to provide better alternatives to resolving those allies' interests, they will then gravitate to those other alternatives. Then the US-ROK alliance, notwithstanding official proclamations to the contrary, will surely erode absent corrective action soon.

> An alliance in which one partner treats his own strategic interests as the sole practical issue confers no additional security on its members. For it provides no obligation beyond what considerations of national interest would have impelled in any event.[53]

Finally Washington's efforts to outsource the problem of persuading North Korea to negotiate seriously to China had serious policy consequences. Russian observers, for example, believed that Washington's

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Joo, "South Korea-US Relations in Turbulent Waters," *Pacific Focus*, XX, No. 1 (Spring 2006), pp. 59-103.

[52] Joel S. Wit, Daniel B. Poneman, and Robert L. Galluci, *Going Critical: The First North Korean Nuclear Crisis* (Washington, DC: Brookings Institution Press, 2005), pp. 398-408.

[53] Henry Kissinger, *Diplomacy* (New York: Simon & Schuster, 1994), p. 89.

objective was to induce China to subordinate its Asia policy to an American agenda and initiatives, not deal with North Korea. That outcome of Sino-American cooperation is obviously a threat to Russia whose greatest fear is marginalization in East Asia.[54] Second, depending upon China to carry out a policy in the American interest while Washington could not or would not do so itself entailed compensations for China that probably are not in America's interest and led observers to believe that China "was eating our lunch" in East Asia.[55] As Christoph Bluth noted,

> rather than adapt to the circumstances, the Bush administration stuck to its position and thus let the situation drift. In other words, compellence failed quite spectacularly simply because the United states lacked effective means to implement it. The result was the worst of all possible worlds because North Korea acquired a more convincing nuclear capability, while at the same time continuing to receive economic support from China and South Korea and the prospects of exerting any real pressure on the DPRK continued to diminish. Moreover, the United States became dependent upon China for the success of its policy, to such an extent that spillover into other areas became noticeable.[56]

Thus Pyongyang's missile and nuclear tests struck directly and successfully at America's failed policies. Washington achieved neither non-proliferation nor regime change. Consequently Washington, like the other four parties, is now committed to engaging Pyongyang, indeed it is discussing selling energy and removing it from the State Department's list of terrorist sponsoring states.[57] But this new-found engagement

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[54] Tokyo, *Kyodo*, in English, January 27, 2003, *Foreign Broadcast Information Service Central Eurasia* (Henceforth *FBIS SOV*), January 27, 2003.

[55] David Shambaugh, "Power Shift: China and Asia's New Dynamism," Brookings Institution, January 12, 2006, www.brooking.edu/comm/events/20060112.htm.

[56] Christoph Bluth, "Between a Rock and an Incomprehensible Place: The United States and the Second North Korean Nuclear Crisis," *Korean Journal of Defense Analysis*, XVII, No. 2 (Fall 2005), pp. 107-108.

[57] "US on Removal of DPRK from Terror List," *NAPSNET*, August 21, 2007; "US, North Korea Move Denuclearization Forward," *NTI Global Newswire*, August

now opens up the possibility of a new phase in the international rivalry of the concerned parties to influence both North and South Korea and for both Koreas to influence each other as all six states begin to define a new international order on the Korean peninsula and Northeast Asia. This phase revolves around two questions, whether or not North Korea can truly engage with any or all of these states and how that engagement will affect it; and second, the future course of the rivalry among the other five parties to influence North Korea and what that rivalry will mean for the future of a regional order.

North Korea's Dilemmas of Engagement

Just as the February 13 accords commit everyone to sustained engagement with Pyongyang, they commit North Korea to the same process. Indeed, some observers argue that the October agreements based on the February accord suggest that North Korea is hinting to America that it can be useful to it in a balance of power game vis-à-vis China, a relationship that would require much greater bilateral engagement, trust, intimacy, and collaboration than has ever been the case.[58]

Despite the recent accelerating trend of positive steps, the success of that engagement cannot now be reckoned a foregone conclusion even if North Korea professes to want it. This is not just because Washington and Pyongyang may have opposing definitions of what successful engagement entails or even if they have converging definitions. More important is the fact that following through on this process will impose considerable and quite unforeseeable changes upon the North Korean regime that it may not be able or willing to sustain or accept. Some of this may simply be a question of its capacity to conduct multiple

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14, 2007, www.nti.org; "Latest North Korea Talks conclude in Moscow," *NTI Global Newswire*, August 21, 2007, www.nti.org.

[58] Grossman.

parallel, complex, multilateral negotiations at the same time. At least some analysts have doubts about its capacity to do so.[59]

For example, if it wants to receive large amounts of Russian energy, which makes considerable sense since Russia is the only net exporter of energy among the six, it must devise a mechanism for paying Russia, especially once the other parties' subsidies disappear. This also entails negotiating an end to the DPRK's debts to Russia. Moscow wants to terminate those debts but it insists on fulfillment of all the February accords as a precondition for doing so.[60] As yet no agreement on these debts has been reached, but any substantial long-term economic engagement with Russia and with any or all of the other partners to the talks will force North Korea to undergo economic if not political reform. Moscow, Beijing, and Seoul, not to mention Tokyo, and Washington, all want liberalizing and marketizing reforms, but can North Korea go that route. Even if one argues that reforms since 2002 are irreversible and are making a difference in the nature of the regime and society, it also seems that those reforms have yet to reach the threshold of China's early reforms in 1978, let alone Russian reforms.[61]

The nature of any domestic reform process (or of its absence) in the DPRK will have a profound influence as well on the nature of the other five parties' interaction with North Korea. Pyongyang may well be facing the same dilemma of Lampedusa's prince in his novel *The Leopard*, namely "in order for everything to remain the same everything has to change." Foreign, and particularly American engagement with North Korea, though, may be necessary to jumpstart or at least galvanize the process of the DPRK's reciprocal engagement with other powers and to prevent it from falling into what Samuel Kim calls a bunker

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[59] Carlin, p. 22.

[60] *NAPSNET*, November 30, 2006; Moscow, *RIA Novosti*, in Russian, May 14, 2007, *FBIS SOV*, May 14, 2007.

[61] Andrei Lankov, "The Natural Death of North Korean Stalinism," *Asia Policy*, National Bureau of Research Asia, No. 1, 2007, pp. 95-122.

mentality.[62] Steps under consideration like removing North Korea from the US State Department terror list, progress on disabling the North Korean nuclear weapons program, and serious discussion on normalization of relations could give a substantial boost to those factions inside North Korea who wish to emphasize economic reform over tough confrontation.[63]

Despite these potential reservations there is much evidence that North Korea seeks a wider engagement with the world and in particular with Washington. For example, North Korea, for the first time, has published a defense report or statement that it has disseminated to the members of the ASEAN regional forum. Chinese expert Lu Dunqiu interprets this as an attempt to display greater transparency and elicit more international cooperation than previously was the case.[64]

At the same time, much evidence suggests that North Korea has been seeking to engage America since the end of the Cold War. The problem has been that it does not know how to do so other than by trying to intimidate and browbeat Washington into engagement through its nuclear weapons while the nature of its political process has precluded an easy engagement. Then the vagaries of American politics, its difficulties in dealing with North Korea, Congressional pressure from conservative Republicans, and the antipathy of key elements of the G. W. Bush administration have all contributed to the impasse that may now slowly be lifting.[65] Certainly, as recent North Korean statements

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[62] Kim, *Demystifying North Korea*, p. 62.

[63] "US on Removal of DPRK from Terror List"; "US, North Korea Move Denuclearization Forward"; "Latest North Korea Talks conclude in Moscow."

[64] Lu Dunqiu, "North Korea Has Gained Clear Understanding of Situation," Beijing, *Qingnian Cankao Internet Version*, in Chinese, May 25, 2007, *FBIS SOV*, May 26, 2007.

[65] Pritchard; Carlin, pp. 22-35; C. Kenneth Quinones, "Dualism in the Bush Administration's North Korea Policy," *Asian Perspective*, XXVII, No. 1, 2003, pp. 197-224; Karin Lee and Adam Miles, "North Korea on Capitol Hill," *Asian Perspective*, XXVIII, No. 4, 2004, pp. 185-207; Robert M. Hathaway and Jordan Tama, "The US Congress and North Korea During the Clinton Years," *Asian Survey*, XLIV, No. 5

indicate, the DPRK places a priority on normalization of relations with Washington and an ensuing and continuing engagement with it.[66]

As part of this attempt to engage one can discern, albeit admittedly within a torrent of invective and missed opportunities, some quite astonishing indicators of North Korea's consistent intentions. Kim Jong Il and more recently unidentified North Korean personalities have told both the ROK and eminent Americans like Henry Kissinger that it wants US forces to stay in Korea after a peace treaty, clearly to prevent Chinese suzerainty and hegemony.[67] Second, Kim Jong Il told Secretary of State Madeleine Albright in 2000 that,

> in the 1970s, Deng Xiaoping, the Chinese leader, was able to conclude that China faced no external security threat and could accordingly refocus its resources on economic development. With the appropriate security assurances, Mr. Kim said, he would be able to convince his military that the US was no longer a threat and then be in a similar position to refocus his country's resources.[68]

This statement suggests that North Korea's decision to build the bomb, though one rooted in the 1950s and 1960s, owes much to an abiding perception of threat that was clearly reinforced by the Soviet collapse, the subsequent Russian abandonment of North Korea, and then China's recognition of South Korea in the 1990s. And if taken in the context of North Korea's politics, especially recent efforts at

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(September-October 2004), pp. 711-733; opening statement of Henry J. Hyde before the full committee hearing of the House Committee on International Relations, "Six-Party Talks and the North Korean Nuclear Issue," October 6, 2005; Max Boot, "This Deal is No Bargain," *Los Angeles Times*, September 21, 2005 at www.latimes.com; Nicholas Eberstadt, " A Skeptical View," *Wall Street Journal*, September 21, 2006, p. 26.

[66] "Kim on Six-Party Talks."

[67] Kim Jong Il said this to South Korean President Kim Dae Jung at the 2000 summit, on the opening to Kissinger, see Charles K. Armstrong, "North Korea Takes on the World," *Current History*, September, 2007, p. 267.

[68] Kim, *Demystifying North Korea*, p. 62, citing Charles Pritchard, "A Guarantee to Bring Kim Into Line," *Financial Times*, October 10, 2003.

economic reform, it also suggests a conflict in North Korea between factions wishing to prioritize defense and those wishing to prioritize economic reform. It also may well be the case that in the conditions of the 1990s when South Korea's economic superiority became plainly visible and North Korea was driven to its knees by economic crisis amidst a succession struggle that the nuclear weapons program appeared attractive not just because it compelled the Clinton administration to engage Pyongyang but also because it may have seemed like a cheaper expedient to retain superior local military capability while allowing Kim Jong Il to secure the support of the crucial military constituency and promote his "military-first" program. Since then as his power stabilized and Pyongyang's condition eased somewhat economic reform became both feasible and necessary, indeed many viewed the 2002 reforms as an adaptation to necessity imposed from below not a free policy choice from above.[69] Nevertheless there is a grudging quality to the acceptance of those reforms as the military-first program was formally announced only a year later, no doubt in part due to the downturn in relations with Washington.[70]

Pyongyang's Choices

Today it seems clear that the broad options facing Pyongyang as it has now formally committed to complex multilateral engagement with the parties and to states beyond as in the ARF, boil down to two fundamental policy choices, *relative* economic liberalization or continuing quasi-military diplomatic confrontation based on the military-first policy.[71] Adding to the significance of the choice are the many rumors

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[69] William B. Brown, "North Korea: How to Reform a Broken Economy," in Yun and Shin (eds.), pp. 55-78.

[70] Armstrong, p. 265.

[71] Carlin, pp. 22-35; Brown, pp. 55-79; Haksoon Paik, "North Korea Today: Politics

about a succession to Kim Jong Il and the alleged precariousness of his health. Russian experts, at least, believe that should he die this would be a negative and destabilizing factor in the new process as Kim is a force for stability.[72] They have also pointed to signs of changes in the DPRK's military command structure that concentrate power in the national defense committee that Kim Jong Il heads and that preparations are underway for a time when he no longer will be able to lead this organization and insure a smooth transfer of power to his as yet unnamed successor.[73]

In this context foreign analysts have identified the existence of factions or stakeholders in the missile development program as juxtaposed to those who benefit from and advocate the relative economic liberalization program. Furthermore, it is clear that if one side prevails in policy making, the "societal position and influence" of the other will be reduced.[74] This research also shows rather conclusively that North Korean politics are no longer driven as much by ideology as by bureaucratic politics and that ideology is an ebbing if not spent force.[75]

Under the circumstances North Korea's politics are moving away from the "black box" model towards something more recognizable to political scientists and foreign policy analysts and thus more comparable to other systems. If we consider the *Juche* ideology that has governed North Korea for much of its life as a kind of civil religion we can see coming into being, if not already existing, a disparity if not a cleavage

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Overloaded and Secularized," Yun and Shin (eds.), pp. 37-55.

[72] Moscow, *Interfax*, in English, May 28, 2007, *FBIS SOV*, May 28, 2007.

[73] Moscow, *Kommersant.com* in English, May 23, 2007, *FBIS SOV*, May 23, 2007.

[74] Daniel A. Pinkston, "Domestic Politics and Stakeholders in the North Korean Missile Development Program," *The Nonproliferation Review*, IX, No. 2 (Summer 2003), pp. 1-15; Patrick McEachern, "Interest Groups in North Korean Politics," paper presented to the annual convention of the American Political Science Association, Chicago, Illinois, August 30-September 2, 2007.

[75] *Ibid*; see also the review of A. Z. Zhebin, *The Evolution of the Political System of the DPRK in the Conditions of Global Changes* (Moscow: Panorama Publishers, 2006); *Far Eastern Affairs*, No. 2, 2007, pp. 145-150.

between what might be called a more liberalizing internationalist coalition versus a statist, nationalist, confessional, and military coalition emerging in North Korean politics. This is a way of conceptualizing domestic and foreign policy cleavages across the spectrum of many states.[76] This line of analysis, based on the existence of these competing North Korean factions, and under conditions of enhanced engagement suggest the following possibilities. Under conditions of enhanced engagement from without North Korea's foreign partners, using the instruments of statecraft available in the international economic order to provide surrogates for nuclear energy normalization to reduce Pyongyang's security dilemma, and trade and investment to accelerate its economic development, could exert a significant, perhaps a decisive, influence upon its domestic "correlation of forces" in favor of liberalization and an overall reduction of regional tensions.[77]

External Stimuli for North Korean Engagement

The substantial increase in South Korean economic engagement, added to prospects for normalization and assistance from Washington, plus Sino-Russian assistance can provide a basis for helping economic liberalizers in North Korea to reorient the country's politics towards an emphasis on economic liberalization and greater regional cooperation.[78] This does not mean the end of security issues in or due to North Korean policies, far from it as this process must take a long time and the issues

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[76] Etel Solingen, *Regional Orders at Century's End: Global and Domestic Influence on Grand Strategy* (Princeton: Princeton University Press, 1998), especially pp. 1-117.

[77] *Ibid*. especially pp. 54-61; Wohnyuk Kim, "North Korea's Economic Futures: Internal and External Dimensions," Center for Northeast Asian Policy Studies, Brookings Institution, 2005, www.brookings.edu/fp/cnaps/events/lim_20051102.pdf.

[78] For examples of South Korea's quite large and growing investment in this engagement, see *Ibid*; "S. Korea's Aid to N. Korea Reaches New Record," *NAPSNET*, December 3, 2006; Aidan Foster-Carter, "North Korea-South Korea Relations, on Track?" *Comparative Connections*, July 2007.

at stake are very complex. But such external stimulation could then enable the reformers to move forward with grater security as the main argument of the military-first faction, that the DPRK is at risk, would have been negated.

Hitherto opportunities for an economic reform to break free of the priority of supporting the military-first program have been quite limited. Thus external stimuli are needed to provide both an impetus and an opening for domestic reform.[79] Thus this engagement creates the only conditions that will suffice for North Korea itself to undergo a wrenching change, but to do so with some real sense of security and of prospective economic and political gains to offset demilitarization of its policies and foreign relations.

Moreover, such a series of openings to Pyongyang also fulfill conditions laid out by international analysts as being necessary for the building towards a peace regime on the Korean peninsula. Specifically,

> the most important task for the negotiating parties will be to achieve basic commonality of purpose on the value of a genuine, viable peace and security regime, with the broadest possible network of constructive relationship to overcome the deep-seated mutual suspicions, concerns, and fears of the past. Particularly important is to overcome the suspicion that any such system will be one-sided, coercive, or posited on 'regime change'(as implied by the undertones in some US statements). This could be reaffirmed either in a formal peace treaty, or more realistically in a series of summit political declarations laying down the basic principles to guide relations among the actors. Positive evolution of the DPRK system should be encouraged and rewarded politically and diplomatically, rather than by methods of blackmail or subversion—although clearly the basic conditionality inherent in the February 13 agreement (or any successor) must be respected and enforced. Participation in goodwill by all the six parties is a prerequisite for legitimating the process.[80]

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[79] Brown, pp. 55-79; Haksoon Paik, pp. 37-54; Lee-Dong-Hwi, "The Feb. 13 Agreement and the Prospects for Reforming and Opening the North Korean Economy," *IFANS Policy Brief*, No. 2007-2 (June 2007).

[80] "Tools for Building Confidence on the Korean Peninsula," a report by the Stockholm International Peace Research Institute (SIPRI) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology, Zurich, 2007, pp. 32-33.

The February 13 agreement opens the way for a renewed multilateral discussion about denuclearizing North Korea, normalizing ties with Washington and Tokyo, providing it with energy and assistance, building peace on the peninsula, and forging a new approach to Asian regionalism. But for that to happen it is not enough that the other five parties engage North Korea though this is necessary. They must go beyond that to provide the basis under which North Korea can safely engage them without undergoing an upheaval in its domestic politics or relapsing back into militarism. As North Korea is perhaps the most militarized country on the globe, the possibility of such a relapse is fraught with negative consequences especially as it now has a nuclear capability and may soon undergo a succession scenario which is always and inherently destabilizing in such systems. Yet paradoxically, and thanks to its nuclear tests, North Korea is now more secure than ever before, or should be according to its own calculations.[81]

On the other hand, those nuclear weapons cannot defend against internal threats to security and a climate of continuing militarization ironically promotes the conditions that give rise to those threats while not achieving the diplomatic breakthrough Pyongyang seems to want. Having leveraged nuclear weapons to gain a grater engagement with the world and especially the United States, it now must contemplate giving up those weapons to consolidate and extend that engagement which alone can give North Korea and its interlocutors the greater security it craves. Only by renouncing those weapons can it obtain what it has long sought, otherwise those weapons will actually be of diminishing value over time as they will not be usable in addressing the regime's crises. Foreign engagement on the basis of compliance with the February 13 accords provides a way out of this irony and trap. But this foreign engagement can only succeed in giving North Korea what it wants. Yet it too must engage with those governments to convert

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[81] Kim, *Demystifying North Korea*, p. 3.

those gains into a durable and legitimate status quo. Lampedusa's Prince, if not Machiavelli's undoubtedly are smiling when they consider the deeper implications of the new situation on the Korean peninsula.

International Journal of Korean Unification Studies

Industrial Policy for North Korea: Lessons from Transition

*Paul Hare**

Abstract

Possible directions of industrial policy for North Korea are developed in this paper, drawing on the experience of the European transition economies and focusing on privatization and restructuring, new business formation, and export promotion. North Korea at present is largely closed, and its agriculture is relatively over-developed. Through export promotion and other measures of industrial policy the country will be able to raise living standards and greatly improve food security.

Keywords: North Korea, economic reform, export promotion, industrial policy, food security

Introduction

In this paper I shall sketch out some ideas for a possible industrial policy in North Korea, drawing where relevant on the experience of Central and Eastern Europe (CEE) since the end of communist rule in

* I am grateful to Marcus Noland and three anonymous referees for helpful comments on an earlier draft of this paper. For remaining errors and omissions, I accept full responsibility.

1989, and of the countries of the former Soviet Union since 1991. This is a timely exercise, since the North Korean government has encouraged some market-oriented reforms in the early years of this decade in the wake of the severe famine that afflicted the country in the mid- to late 1990s.[1] Recently, though, as the food situation has improved, there have been signs of some backtracking on reforms by the North Korean leadership as they have sought to reassert central control over the economy.[2] Nevertheless, it remains of interest to think about possible directions that a future industrial policy might take. Uniquely in the world, North Korea is run as a dynastic and autocratic communist state, with much of the economy being state owned or falling under fairly centralized state control, and with large amounts of standard statistical data about the economy still treated as state secrets. Despite that, data from diverse sources can be used to piece together a picture of the North Korean economy - undoubtedly less complete and accurate than we would like, and with some significant *lacunae* - but nevertheless sufficient to permit some useful analysis.[3]

For my purposes, a rough and ready picture of the economy and recent trends within it will be adequate, and these are presented in Section 2. As a writer with only limited familiarity with North Korea, I have found some features of the country extremely surprising. Also in Section 2, I explain why I think it makes sense to elicit some lessons for North Korea from CEE and other transition economy experience.

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[1] See Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University Press, 2007).

[2] See ICG, "North Korea: Can the Iron Fist Accept the Invisible Hand?" International Crisis Group, April 2005, Brussels, www.crisisgroup.org; Marcus Noland, "The Future of North Korea is South Korea (Or Hope Springs Eternal)," *World Economics*, forthcoming 2007.

[3] Stephan Haggard and Marcus Noland, "North Korea's External Economic Relations," *Working Paper WP* 07-7 (Washington, DC: The Peterson Institute for International Economics, August 2007); Dick K. Nanto and Emma Chanlett-Avery, "The North Korean Economy: Overview and Policy Analysis," *CRS Report for Congress* (Washington, DC: Congressional Research Service, 2007).

Section 3 then develops these lessons and examines how an effective industrial policy in North Korea might be conducted, allowing for several possible scenarios. What is feasible, naturally, will depend both on political developments within the North, and on the country's economic and political relationships with major partners, notably South Korea, China, Russia, Japan, and the United States (together with North Korea itself, these countries comprise the 'six parties' involved in negotiations over North Korea's controversial nuclear policies, among other things). Section 4 briefly concludes the paper.

The North Korean Economy

Even without the recent years of famine, North Korea would have to be regarded as one the world's most spectacularly failing economies. From a starting point just after the Korean War when the entire Korean peninsula was devastated by years of intense military action, and when per capita incomes in the North were, if anything, somewhat better than in the South (though both were then very low), North and South diverged dramatically. By the year 2000, North Korean per capita income languished at around $1,000 (in market prices), while that in the South was just over $16,000 (in market prices).[4] The former figure is rather lower than the estimated $1,800-$2,700 per capita income (in PPP terms) for 2005 given in Nanto and Chanlett-Avery (*op. cit*., footnote 3), this being based on an estimated 2006 population of 23.1 million and total GDP (in PPP terms) in the range $40-$68 billion. The corresponding PPP per capita income for South Korea was over $21,000.

The same source estimates North Korean imports in 2005 at $3.6

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[4] Daron Acemoglu, Simon Johnson, and James Robinson, "Institutions as the Fundamental Cause of Long-Run Growth," chapter 6 in *Handbook of Economic Growth*, volume 1A, Philippe Aghion and Steven Durlauf (eds.) (Amsterdam: North Holland, 2005).

billion (of which about half consists of imports from South Korea), and exports of goods and services at $1.8 billion, the difference presumably being funded by a mix of aid, loans (though North Korea has almost no access to world capital markets), modest amounts of FDI, remittances, income from illegal/unrecorded transactions (drugs, counterfeiting US dollars, and probably some arms sales), and running down foreign exchange reserves. In their very careful study of North Korea's external accounts, Haggard and Noland (*op. cit.*, footnote 3) come up with even lower numbers for the country's exports and imports. Regardless of the financing arrangements, and possible errors in the basic data, what seems to me most striking about these numbers is simply how small they are, in both directions of trade, exports being not much greater than 5% of the country's estimated GDP at market prices. This low figure stands in marked contrast to the corresponding figures for South Korea about 37% in 2005; Hungary about 68% in 2005 rising to 77% of GDP in 2006; and Poland 37% of GDP in 2005.[5] Thus North Korea is an exceptionally closed economy, and its lack of engagement with the world economy is partly what keeps it poor.

Unlike China, with which it is sometimes compared, and much more like some of the CEE countries and other transition economies of the former Soviet Union, North Korea is already both highly industrialized and highly urbanized. It is not a predominantly rural economy based on low-productivity peasant agriculture. In addition, it is probably the most militarized society on earth, with over a million men under arms. The military are estimated to account for not far short of 20% of the economy. Correspondingly, fixed investment in the productive sectors of the economy can hardly even be 10% of GDP,

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[5] For details, see *Hungary: 2007 Article IV Consultation - Staff Report*, Country Report 07/250 (Washington, DC: International Monetary Fund, 2007); *Republic of Korea: 2006 Article IV Consultation - Staff Report*, Country Report 06/380 (Washington, DC: International Monetary Fund, 2006); *Republic of Poland: 2006 Article IV Consultation - Staff Report*, Country Report 06/391 (Washington, DC: International Monetary Fund, 2006).

barely enough to maintain the existing capital stock let alone to expand it to support sustained economic growth.

Although far less well suited to productive agriculture than the South, North Korea opted early on for a deliberate policy of agricultural self-sufficiency, resulting in the extension of the cultivated area higher up many mountain slopes, the felling of large areas of trees to make way for farming, and the intensive use of chemical fertilizers, insecticides, and so on. This policy made the country much more vulnerable to flooding, as became evident several times in the mid-1990s, and again as recently as summer 2007. It also created the conditions for the famine referred to above. However, it does seem to me that by allowing the famine to develop as it did, and by responding with such callous incompetence, the North Korean government must have lost a great deal of its credibility and authority. Awareness of this might partly explain the regime's recent attempts to reimpose central controls.

The industrial part of this agricultural strategy relied on the continuing availability of highly subsidized oil and other material inputs from the Soviet Union, the latter being North Korea's principal trade partner until 1990 or so. The Soviet Union also purchased large volumes of North Korean industrial production, despite its poor quality and often out-dated technical level (even by comparison with Soviet production). In the relatively favorable period 1954-1989 North Korean economic growth was in any case slow, with per capita GDP increasing by just 1.9% annually.[6] Such poor performance was attributed to low, or possibly negative growth (i.e., a decline) in North Korea's total factor productivity. To a large extent, this reflects poor quality investment and a general lack of innovation in the country.

This strategy of dependence on the Soviet Union fell apart completely with the disintegration of the Soviet Union into 15 separate

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[6] Kim Byung-Yeon, Kim Suk Jin, and Lee Keun, "Assessing the Economic Performance of North Korea, 1954-1989: Estimates and Growth Accounting Analysis," *Journal of Comparative Economics*, Vol. 35(3), 2007, pp. 564-582.

states in late 1991. Unfortunately, the North Korean government never really came up with an effective strategy to enable it to manage this 'transition shock,' in which its major market largely vanished. Instead, lacking cheap inputs and the wherewithal to purchase them on commercial terms, industrial output declined, with increasing numbers of factories operating at low levels of production or even standing idle for much of the 1990s. Since 2000 there has been a modest recovery, but growth rates remain slow and output in many sectors remains well below the levels achieved in 1990. One very serious consequence of this industrial collapse is that agriculture no longer receives the volumes of chemicals that it used to, so that even in good years food supplies are much more precarious than they used to be.

In the worst of the famine years, the North Korean government lost control over much of the economy, tolerating the emergence of farmers' markets, the growth of small-scale private production in agriculture, informal production and trading by urban residents, and cross-border trading with China in the North of the country. To a large extent these were survival strategies followed by desperate people, only belatedly ratified by the regime and referred to as 'reforms' as late as 2002. In any event, it has been estimated that 600,000 to 1 million people died during the famine; many more were seriously under-nourished for some years.[7] During the crisis, the state agency that basically distributed food from the state and collective farms to urban residents, the Public Distribution System (PDS), largely ceased to function except to some degree as the agency through which food aid was distributed. Other 'reforms' during this period included half-hearted attempts to establish special industrial zones in which foreign direct investment (mostly from South Korea, to date) was to be encouraged; and more active efforts to seek external assistance.

Moreover, in the period 2002-2005, massive price rises were

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[7] Haggard and Noland, *op. cit*.

brought about. In part, some price increases could be seen as a sensible attempt to improve material incentives, to stimulate higher food deliveries to a reviving PDS, for instance. But the more than ten-fold rise in the general consumer price level, surely not necessary to restore some sort of balance to consumer goods markets, is hard to understand except as a deliberate attempt to confiscate the population's savings and traders' profits accumulated during the famine years. North Korean inflation is also, no doubt, linked to the dreadful state of the country's public finances, with normal tax revenues having virtually collapsed.

In late 2005, as the food situation appeared to be improving, the regime made clear how much it disapproved of the marketization of the economy that had been taking place. Thus it attempted to restrict or even ban private trade in grain, shut down many farmers' markets, and took steps to limit or control other market-related activities. Whether such measures will prove to be sustainable, especially in the light of the recent flooding of summer 2007, remains to be seen; some reports already suggest that the reimposition of central controls has not been wholly effective. What is apparent, though, is that the regime has signaled that its marketization to date is not a credible policy. What private sector or 'quasi-private sector' there is obviously cannot (yet?) trust the regime to maintain stable or settled conditions for doing business. This is very different from the corresponding situations nowadays in China and Vietnam, and indeed even in Russia to a large extent.

Industrial Policy

In this extremely difficult environment, what can be said about possible directions of industrial policy in North Korea? It is not even clear yet what reform path might be feasible, but a few basic options or scenarios can be envisaged:

(a) *Little or no reform*. Then the outlook must be for continuing economic decline, and possibly eventual failure, though sometimes failure can take a long time. This is evident from the experience of other failing economies such as Bolivia and, much more spectacularly, Zimbabwe.

(b) *Gradual reforms under Communist Party control.* What happens then depends on what reforms the current or future leadership can tolerate, how willing/able they are to make credible commitments to support some forms of private sector development, or even market-type developments involving mixed or ambiguous ownership forms. For instance, might the North Korean leadership be prepared to tolerate a gradual, Chinese-style approach to reforms? Currently, this seems doubtful, but it cannot be ruled out.

(c) *Economic/political collapse of North Korea*. Recovery could then come through rebuilding a separate North Korean state, or by moving rapidly towards political and economic reunification with the South. Either way, much more comprehensive reforms could then come onto the agenda.

If we only expect option (a), then there is little to discuss. Hence in what follows I assume that we have either option (b) or (c), in other words some reforms are feasible. Given that, it then becomes important to think about the priorities, drawing on CEE experience as appropriate.

From earlier remarks, it follows that I would be seeking an industrial policy that strongly stimulated manufactured exports, quickly boosting these to at least 25% of GDP, with further strong growth to be expected. Such an export boom would provide the foreign currency to permit substantial regular imports of food on normal commercial terms, with food aid programs running down quite rapidly. Poorer agricultural land

should be withdrawn from cultivation, with some reforestation undertaken to reduce run-off and reduce flood risks in some particularly vulnerable areas. Any workable industrial policy must not only provide employment for most North Koreans - to give them renewed confidence in a future of improving living standards, and to discourage large- scale migration to the South - but it should also facilitate both a scaling down of government, and a gradual demilitarization of the country. These are not easy conditions. Let me now outline how they might nevertheless be achieved.

Initial Steps

First, it is important to get some markets working, with an assurance that they will be allowed to go on doing so. This entails a mix of positive and negative steps. The positive ones might include legalizing markets, permitting new (small) private firms to be set up, and also the quick privatization of existing small businesses such as restaurants, shops, small traders and the like. This type of measure was fast and very popular in the CEE countries. After all, what is the economic sense in small repair and service businesses (e.g., hairdressers, shoe repairers) ever being state run? In practice, full private ownership is not even necessary for reforms in this area to be successful. There could, for instance, be a mix of management contracts, leases, cooperatives, and other intermediate ownership forms, with some business even retaining links to existing state-owned firms. The key is to create a situation in which, regardless of the formal ownership situation, the state no longer intervenes in any of the above.

The negative steps include closing down or massively restricting the role and scope of central planning and resource allocation administrative structures. This need not preclude retaining some central control over a few firms/sectors or even a region or two - but much of the economy has to be freed up. It is worth noting here that in China,

there has been no such reform of central planning simply because the center already controls so little, probably under 20% of production. In contrast, in North Korea as in the CEE countries before 1990, state control formally encompasses almost the entire economy. Hence North Korean official assurances about allowing markets to function will initially not be believed, but in time the government can regain some credibility if it manages to restrain its instinct to reimpose controls.[8]

Second, the macroeconomy must be stabilized to restrain inflation, and to keep the government budget deficit and the balance of payments under control. I expect this to be a very tricky area to manage, since I suspect that the North Korean government has a very poor understanding of the conditions and policies that need to be in place for stabilization to work. Under the right conditions, though, plentiful technical assistance could be provided through the IMF and other international organizations, as was done for the CEE countries for some years. Associated with such stabilization efforts, there are natural concerns over employment levels, and also an urgent need to prevent a total collapse of investment from its existing already low levels. I comment further on these concerns below.

If measures along these lines were implemented rapidly, shortages and queues in consumer goods markets could disappear fast, as in CEE, but the real wage might well be lower for a time, before starting to rise quite quickly. Also, while government spending (including on the military) should probably be cut back to reduce the state share in the economy, taxes are still needed to pay for the remaining spending. Hence just as in CEE, there will almost certainly be a need for tax reform to stabilize government revenues at a new, reduced share of GDP.

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[8] János Kornai, *Economics of Shortage* (Amsterdam: North Holland, 1990); János Kornai, *The Road to a Free Economy* (New York: W.W. Norton, 1980).

What then Needs to be Done?

Here I list some of the key measures that must be considered especially important for North Korea, then discuss selected measures in more detail.

- *Agriculture*. Break up state farms or allow family or larger work-units to produce on a leasehold basis, with long enough leases to make new investment worthwhile; and output - above some minimal level to be supplied to the state at fixed prices - freely marketed. Farmers should be largely free to choose what to produce, food surpluses being exported or used to build up reserves, deficits being filled by imports on normal commercial terms. This approach ends the country's current economically foolish over-emphasis on agricultural self-sufficiency.

- *Scale down the share of the military in GDP*. This will impact on employment, and on the demand for military goods and services (uniforms, trucks, weapons, etc.). Hence it will be important to offset the resulting political and social impact through the creation of many new firms plus employment on diverse construction and infrastructure projects (see next two points).

- *Develop and repair the very poor infrastructure - including IT and telecoms, plus basics like electricity supply, water, other energy; also transport, including roads, railways, ports, airports, etc*. This area might in due course attract FDI, but initially there is likely to be a big role for the government. Since it is impossible to renew everything at once, it will be essential to prioritize by identifying key infrastructure bottlenecks that are genuine barriers to growth, and start by dealing with them. In the CEE countries, much EU funding (via Structural Funds and through the European Investment Bank) and EBRD funding focuses on

improving infrastructure. Some of this funding is in the form of non-repayable grants, much is long-term loans, usually at attractive interest rates. North Korea could expect to obtain comparable support if it became a member of the Asian Development Bank and the World Bank.

- *Legalize various forms of private, quasi-private and cooperative business and encourage new businesses to start up*. In several CEE countries, this step contributed far more to building the new private sector and creating many new jobs than privatization of the existing state-owned enterprises (SOEs), contrary to many experts' initial expectations. This might well be the most difficult step for North Korea. It might be made politically easier by introducing these measures first in two or three selected districts or regions, as an experiment. Then it could be extended more widely if perceived to be a success.

- *Encourage the restructuring and privatisation, or at the very least the commercialization of most SOEs*. This is one of the more complex reform steps, so I elaborate further on it below. It is always politically 'delicate,' since it involves job losses, and anxious governments often seek to avoid these.

- *Bank reform to create a two-tier banking system is urgent, the central bank forming the new top tier, commercial banks the lower tier*. The central bank should concern itself only with the conduct of monetary policy and supervision of the rest of the banking system. The commercial banks should take deposits and provide credit for investment on the basis of expected profitability. This commercialization of the banking system entails an early end to state-directed credits, often used to support poorly performing enterprises. In the CEE countries, ending such credits and dealing with the stock of non-performing credits proved very difficult. In some countries, budgetary measures to

write off the debts, intended to be one-off operations, often lacked credibility, and such expensive rescue operations were sometimes carried out two or even three times before they finally worked - both banks and their borrower firms needed to change their business behavior, and at first this was either not fully understood or not accepted. Most CEE countries have by now privatized the bulk of their banking systems, and the best performing banks are usually those with significant foreign participation. Interestingly, Russia, with an extremely bad banking system, is resisting pressure from various trade partners to open up its banking system to foreign investment as part of its negotiations over WTO membership. In my view, Russia is mistaken.

- *Seek to attract large volumes of FDI both from South Korea and elsewhere - to bring access to markets, including export markets; better technology; and stronger management.* Especially for the small, highly trade dependent CEE countries, such a policy has proved very successful, with over 70% of Hungary's exports of goods and services now emanating from firms with significant foreign participation. As in the Chinese case, this policy could start with the creation of one or two special economic zones (SEZs) in which FDI was especially welcomed - indeed North Korea has already done this in a very modest way. But in a small country, with a relatively weak administration, it is probably best to go for simple rules on FDI applying to the entire country.

- *Promote exports and find new external markets - probably ahead of a more general trade liberalization that would make imports 'too easy' if implemented too early*. The FDI strategy just referred to has a major role to play in fostering trade expansion. To secure the food supply, as noted above, it is vital to earn enough foreign exchange to be able to import food as needed. In the medium-term, North Korea should seek full

membership of the World Trade Organization (WTO).

- *For sustained growth, high rates of investment - probably exceeding 20% of GDP (cf. China's investment at 41% of GDP in 2005; South Korea at 30% of GDP in 2005; Hungary at 24% of GDP in 2005; Poland at 19% of GDP in 2005) - are essential, and this investment should mostly be directed at competitive sectors and the infrastructure that supports them*. It is important to stress that high fixed investment is necessary but not sufficient for sustained growth, as is evident from the 1980s experience of the former Soviet Union; investment was then around 25% of estimated GDP, growth close to zero. Thus it is also crucial to make sure that most of the investment undertaken is efficient and productive, with few economically useless 'white elephants.' For the most part, investment should not be determined or directed by the state, since the latter has an exceptionally poor record of making efficient choices.

I now elaborate on two of the above points: (a) restructuring and privatization; and (b) export promotion. These are key to the success of a new industrial policy for North Korea, in my view.

Restructuring and Privatization

After several decades of state-directed production and investment, mostly involving little reference to any sensible market signals about costs and profitability, it can be expected that a high fraction of North Korea's industrial production capacity will be fundamentally uncompetitive, incapable of surviving in a market environment. The experience of the CEE countries and the former Soviet Union suggests that in the best case, perhaps 25% of industrial production capacity will be essentially worthless. If the situation is worse than that, as it was in

some of the CIS countries, then as much as half of the initial industrial capital stock might need to be scrapped. This sounds like a terrible starting point for a program of economic reform and renewal, but two features of North Korea make it less bad than it appears. First, a good deal of the industrial capital stock has already lain idle for some years, so part of the adjustment has already happened; second, the North Korean workforce has a pretty decent basic education and is willing to work hard, and that is what really matters most for future economic success.

The Eastern European capital stock was in poor shape for two major reasons, both of which apply to North Korea. Irrational pricing was the first reason, with energy prices, land rents, and freight charges all artificially subsidized, other prices often distorted for spurious social reasons, and with no account taken of the prevailing world market prices. Thus to the extent that investment choices paid attention to prices, they were the wrong ones, and many very inefficient choices were made: factories were poorly located, they used far too much energy, and they occupied too much space by treating land as effectively a free good. The second reason had to do with the uncompetitive economic/business environment, and the consequential lack of interest in innovation, either in production processes or product ranges. Firms under socialism generally wanted to invest, but normally just to replicate what they already had rather than to innovate. Despite huge networks of research institutes and impressive looking 'innovation plans,' actual innovation in an economically worthwhile direction was extremely weak, and got worse through the 1970s and 1980s. This is why, when socialism collapsed, the transition economies found themselves lagging so far behind the developed market economies. North Korea will be no better.

At the moment we cannot be sure quite what scale of restructuring North Korean industry will require, so an early task would be to carry out some form of audit, at least in a rough and ready way, to classify firms

into, say, three basic categories: (a) no hopers, namely firms whose output is of such poor quality or whose production is so inefficient that they are beyond any realistic hope of rescue; (b) firms that could potentially be restructured into profitable entities; and (c) firms already capable of operating profitably, at least in the domestic market.

Clearly, firms in group (c) require no immediate intervention. On the other hand, they are the firms likely to prove easiest to privatize, and if privatized the new owners - whether the existing managers and workers as was the case for many Russian firms, or new 'outside' owners as was more often the case in Hungary and Poland - will have incentives to operate the firms as going concerns. If firms of type (a) are privatized, the new owners will not have paid much as the businesses are worth almost nothing, and their only incentive will be to asset-strip as fast as possible, transferring what they can to new viable businesses or simply selling assets for personal profit. In principle, I have nothing against people getting rich, but in Eastern Europe this sort of unregulated asset-stripping generated a great deal of hostility to the whole idea of privatization. In this sense it was politically quite unwise. It might have been better for the various governments not to privatize these really bad firms, but rather to sell off their assets directly, including land, vehicles, buildings and the like; that is how I would advise North Korea to proceed.

The group (b) firms are the most interesting ones from a policy perspective. With some restructuring, they probably have a viable future, so the question is how best to organize the restructuring process. The first aspect of this, controversial in Eastern Europe, is whether restructuring should be undertaken while the firms are still SOEs, or only later, once they have been privatized. Since the state has a history of running firms badly, my view was always to favor post-privatization restructuring, since it was never clear to me how the state might suddenly become capable of doing the job. However, at times I would concede that the state could make sensible decisions, such as hiving off from a

given firm some largely unrelated business. Thus in the UK, hotels formerly owned by the state railways were hived off and privatized long before the main railway privatization - and the hotel privatization is generally regarded as a success, while the railway privatization is not (the chosen model was much too complex). Some firms in North Korea might usefully be split in this way prior to privatization.

The second aspect of dealing with these firms is how to manage their relations with the state. Here what is required is a substantial degree of disengagement, with firms no longer receiving budgetary support, directed credits, price 'favors' and so on, and instead facing what are referred to in the literature as hard budget constraints.[9] These firms will lobby actively for government support to 'help them restructure' and the government has to learn to resist such pleas in most cases. In particular, no firm should be helped by the state until it has made visible efforts of its own to improve its financial position, and even then, any help should be strictly time-limited, and preferably subject to some competition. For example, suppose the state wants to encourage restructuring and productivity improvements in firms making noodles for the consumer market. The state should not care which firms succeed and which fail, so it could encourage firms to submit bids for restructuring aid based on clear business plans and measurable performance targets. It would then allocate funds to achieve the best value for money, with firms that subsequently fail to meet their agreed targets being allowed to exit from the market. Regardless of what is happening to existing firms, there should be no barriers to new firms being established in any line of production, and no barriers to trade between different parts of the country - as was common, and very inefficient, in parts of Russia, as each region sought to protect its 'own' firms. In contrast to the Russian story, such competition between regions and provinces in China has been one of the factors stimulating such fast growth and fast

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[9] See Kornai, *op. cit.*, 1980.

productivity improvements there.

The third aspect of restructuring and privatization concerns the possible impact on employment. Both failing firms and restructuring ones are likely to shed many workers, as part of their problem is usually a high degree of over-manning. However, some existing firms that are already profitable and others that restructure successfully and then start to grow rapidly will quickly generate new jobs. Although helpful, this will probably not be enough to maintain near full employment, especially if, as suggested above, both agriculture and the military establishment are also reducing their manpower demands. This is the point at which improvements in the business environment become absolutely critical, since the way through this impasse is via the formation of many thousands of wholly new businesses. Moreover, the state can play almost no role in determining which sectors these new firms should belong to. Many will be in diverse types of services, both consumer-related and business-related, since these sectors are always under-developed under socialism, and North Korea is no exception. Some new firms will be in manufacturing, either in branches that already exist in the country, or in completely new activities. Again, especially near the start, no one can say which new branches will prove successful for the country - this will largely depend upon the skill and luck of the new entrepreneurs.

Even in the best case, some unemployment is likely in the early years of restructuring, and so North Korea, like other countries, will need to put in place suitable systems of social protection, essentially forms of income support for the early losers from restructuring. This in turn requires taxes to finance the social support, which gives rise to another dilemma. For the faster the pace of restructuring, the more unemployed people there will be, requiring higher taxes to finance their social benefits, and finally the higher taxes can be expected to slow down the emergence and growth of new private sector businesses (or force new firms to operate in the informal sector). Hence if

restructuring proceeds too quickly, the resulting higher taxes could slow down private sector growth and job creation, leading to very high unemployment. But if it proceeds too slowly, perhaps because the state continues to protect bad firms in various ways, that too might deter many potential new firms from setting up, since new firms will perceive that the business environment unfairly favors the established ones. Thus a difficult balance has to be struck in order to find the most suitable rate of restructuring[10]; finding it might require some experimentation with alternative policies, possibly with some regional or sectoral differentiation initially.

Export Promotion

It was emphasized above that North Korea needs to increase its exports several-fold, to enable it to import more goods and services, including foodstuffs to stabilize, finally, the population's food supply. Virtually all the countries that have grown out of extreme poverty in the past 50 years or so have done so on the back of huge increases in exports, so it is relevant here to consider how they have managed this.

Sometimes it is suggested that the fortunate countries are those possessing vast reserves of natural resources, such as oil and gas, coal, metal ores, and other minerals in high demand around the world. However, empirical studies have shown that, on average, countries that have these resources grow more slowly than those that are less well endowed.[11] Many reasons can be cited for this surprizing finding, but the most significant have to do with the linkages between resource

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[10] In the CEE context, this issue was analyzed quite formally in Blanchard (1998). See Olivier Blanchard, *The Economics of Post-Communist Transition*, Clarendon Lectures in Economics (Oxford: Oxford University Press, 1998).

[11] See, for instance, Thorvaldur Gylfason, "Resources, Agriculture and Economic Growth in Economies in Transition," *Kyklos*, Vol. 53(4), pp. 545-580, 2000; Jeffrey Sachs and Andrew Warner, "Natural Resources and Economic Development: The Curse of Natural Resources," *European Economic Review*, Vol. 45, 2001, pp. 827-838.

wealth, rent-seeking behavior, corruption, and governance. Oil-rich countries like Angola and Nigeria, for instance, have diverted many billions of dollars into the bank accounts of political leaders and other corrupt individuals, to the detriment of their country's development. It is only in relatively well-governed countries such as Norway and the UK where wealth generated by oil and gas has not been dissipated so unproductively. From this perspective, North Korea might consider itself fortunate not to have major natural resources.

Likewise, only a few countries such as New Zealand and Denmark have done well economically on the basis of their agricultural exports, and North Korea will not be another such country. It is not that agriculture cannot be profitable, for of course it can. But many of the agricultural products bought by the more developed countries - e.g. coffee, tea, bananas and other tropical fruit, rice, and so on - are subject to vigorous competition *between the supplying countries*, and this seriously limits the gains to individual farmers in any given country. The latter do better if they are able to identify a niche in the market for which there are few or no competing suppliers, but this is usually difficult. Moreover, many agricultural markets are subject to greater price instability from one year to the next than most manufactured goods, and agriculture offers fewer opportunities for innovation and productivity gains. Given these difficulties, it is perhaps just as well that North Korea's future does not lie in striving to become an agricultural exporter.

That leaves services and manufacturing as candidates for a North Korean export drive. I suspect, though, that decades of dictatorship and repression will not exactly have bred a vibrant 'service culture' in the country, and in any event North Korea has so little experience of insurance, modern financial services, business services, IT services and the like, that it can hardly expect to be a credible player in these major sectors of the modern world economy. More likely, as the country starts to develop through marketization, it will need to import

such services on quite a large-scale. Accordingly, if North Korea is to succeed in export markets, at least for first decade or two of renewed development, it will be through the expansion of manufactured exports. Let us therefore consider how such success might be brought about.

What North Korea needs from manufacturing is a broad mix of improved management (including managers who know something about finance and marketing, two areas usually missing from the profiles of socialist managers), new technology, funds for new investment, and improved access to markets. The last is in some ways most critical. However, regardless of North Korea's non-membership of the WTO, traditional partners such as China, Russia, Japan, and South Korea could easily choose to open up their markets more fully to North Korean goods. While South Korea's current relationship with the North is largely non-commercial, based on various forms of aid, it is highly doubtful whether sophisticated consumers and firms in the South would purchase much from the North unless the goods on offer met appropriate quality and technical standards. At present, there is rather little that does. Likewise, there is little prospect of any new trade with the other three neighbors being conducted on anything but the strictest of commercial terms.

It seems to me that there are two main ways for North Korea to improve what it offers onto the world market. The first involves partnership with foreign firms involving FDI and, most likely, significant ownership stakes in North Korean business, both in existing firms undergoing privatization, and in wholly new firms established to use the available labor force in the North. Then the expertise and market access of the partner firms will be available to upgrade North Korean production.

The second route is via the creation of many hundreds, indeed ideally many thousands, of new small firms in virtually all sectors, new and old. Many of these firms will no doubt fail quite rapidly, as is normal in well functioning market-type economies, but some will

survive to become the big firms of the future, providing employment, incomes, and exports to North Korea. This model is not unlike the Chinese experience with TVEs, starting in the 1980s. In the Chinese case, the firms initially had very unclear ownership status, being forms of cooperative or joint venture/partnership supported by the relevant local authorities. They thrived basically because the central government didn't interfere (and was probably quite surprized to see how successful the TVEs quickly became), and because the local authorities saw them as a source of local tax revenue to help fund local public services, local infrastructure and so on. For the most part, TVEs received no subsidies or other special support, and if they were unprofitable (and so generated no tax revenue) they were quickly closed down. In this sense, the TVEs clearly operated right from the start with hard budget constraints, and in an increasingly competitive environment that spurred them to invest, to innovate, and to seek new markets. They did so amazingly successfully. This idea of creating many new firms was also stressed under the heading of 'restructuring,' above, since these firms are key to solving two problems simultaneously: employment creation, and export growth.

North Korea would be well advised, in my view, to follow both the above routes in order to foster a massive and rapid expansion of manufactured exports. To succeed, though, some additional measures will be needed. The state at national level needs to resist the temptation to interfere in new business activity, either in larger firms involving FDI, or in smaller, more locally significant firms. For the existing North Korean state, this will be exceptionally difficult, and initially - given its track record of interference - promises not to intervene will completely lack credibility. But in time, investor confidence should slowly revive. More positively, the business environment needs drastic improvement, both in terms of procedures (bureaucracy, controls, inspections, availability of business premises, etc.) and in terms of physical infrastructure (as emphasized above).

Last, additional measures that specifically help to promote exports

are needed. This includes developing a commercial role for North Korean embassies around the world, so that their core task becomes the gathering of market information in various countries and conveying it back to the North Korean business community. The banking system needs reform to facilitate the international financial transactions associated with foreign trade - this was quite slow to develop in some countries of the former Soviet Union after 1991, and much trade was lost as a result. And the government should establish a scheme of export credit guarantees, of the sort that most successful trading nations operate. All these services, new for North Korea, must be modern, efficient and quick.

Sequencing Reforms

The above list of desirable policy measures to support an effective industrial policy for North Korea is lengthy and quite complex, so it is probably unrealistic to do everything at once. Instead, I would suggest that it is better to start with reforms that can deliver quick and tangible benefits to the population, hence securing their support for further reforms. For instance, liberalizing the conditions for FDI would simultaneously start the process of modernizing production and increasing export capacity, while relaxing the foreign exchange constraint and so permitting food imports on a sufficient scale to achieve complete food security for the population. In the early stages of reform, it is also desirable to take some steps that would not be easy to reverse without high political cost, signaling the state's commitment to the reform process. This would accelerate the process of building credibility and confidence.

Conclusions

The North Korean economy is performing badly, and is an almost closed economy with a relatively over-developed agriculture placing too much emphasis on self-sufficiency. Since the collapse of the Soviet Union in 1991, formerly the country's economic 'lifeline,' North Korea has failed to develop a credible economic strategy. In my view, the country will remain poor - and vulnerable to further food shortages - unless it undertakes a major reform program, including an extensive opening up to the world economy. This paper has sketched out some ideas for the industrial policy component of such an economic reform strategy, drawing on the lessons and mistakes of the countries of Central and Eastern Europe. Of course whatever their problems, the CEE countries were in a rather different political position than North Korea when transition started. Some had already started cautious, market-oriented economic reforms during the 1980s, and all had abandoned communist government and moved to multi-party democracy by the early 1990s, albeit with varying degrees of commitment and enthusiasm. Politically, North Korea is closer to China in that the communist government is still firmly in place, but it is unlike China economically, in that it has not yet shown the same flexibility and willingness to experiment with market-oriented reforms, or to tolerate successful private business activity.

Further, I have argued that an effective industrial policy for North Korea should focus strongly on export promotion, supported by a variety of other measures including the encouragement of substantial inflows of FDI. In parallel, employment creation should be promoted through the formation of large numbers of new small businesses, as happened surprizingly rapidly in the more successful CEE countries as well as in China.

Finally, it might be argued that North Korea is somehow 'different' from other countries and would not respond significantly to

the sorts of reform measure studied and proposed in this paper. This is an argument that I have encountered many times in Central and Eastern Europe in the early phases of reforms, and it was always wrong. North Koreans, too, will respond to sensible market prices and incentives, and will rapidly take steps to enrich themselves when they are allowed to do so. Moreover, at a more formal level, Computable General Equilibrium (CGE) models of North Korea developed by Robinson and Noland show very clearly how the economy can be transformed along a range of possible development paths, in line with the main proposals advanced in this paper, lifting the country out of its present dire poverty.[12] North Korea need no longer be poor.

[12] Marcus Noland, *Avoiding the Apocalypse: The Future of the Two Koreas* (Washington, DC: The Peterson Institute for International Economics, 2000).

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The Peace Regime and Reunification: Antagonism or "Conditio Sine Qua Non"? A Functionalist Approach

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Abstract

In discussing the issue of the peaceful coexistence and eventual reunification of the two Koreas, most of the literature stresses the importance of a peace regime for the Korean peninsula, which will eventually lead to reunification. However, the relationship between a peace regime and the objective of reunification has remained rather obscure. This article explores the possibilities and means which should be included in a peace regime so that it will effectively improve the chances for reunification, instead of merely maintaining the status quo. The article contends that, beside the conclusion of such a peace regime in a visible spirit of reunification, it is of utmost importance that a peace regime deals with common policies, which might prove helpful for a reunification process. This includes policies that will trigger economic and cultural exchanges between the two Koreas, thereby overcoming the current mutual isolation. Consequently, the North Korean economy could be strengthened and the North Korean population could be gradually prepared for the cultural shock, which will inexorably be a major problem in any reunification process. Additionally, it would be advantageous if the peace regime contains provisions which will ensure that further negotiations about intensifying inter-Korean cooperation will take place.

Keywords: peace regime, reunification, common policies, economic exchange, cultural exchange

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For 59 years Korea has been divided into two states. Since the division, a state of war has persisted on the Korean peninsula, despite the existence of a cease-fire which has brought relative stability but which has also led to the creation of one of the most fortified borders in the world.

There have been efforts since then to overcome both the ongoing state of war and the separation of Korea.[1] In the last few years, hopes have been spreading that the cease-fire may be replaced by a peace regime for the peninsula. These hopes have been nourished by an important, if unsteady, rapprochement of the two Koreas over the last 10 years. The visit of President Roh Moo-hyun this October to North Korea was supposed to be the new starting point for the construction of a stable peace regime.

In this respect, it has been and it remains a very controversial issue as to whether or not a peace regime is a crucial step towards reunification. In South Korea, it was argued for a long time that a peace regime will stabilize the separation of the two Koreas and thus favor the status quo instead of reunification.[2] Nowadays, most, but not all, South Korean politicians see the peace regime as a first and very important part in a reunification process, albeit the exact relationship between the two issues remains rather obscure. The diverging positions bear a resemblance to the controversy caused by the "Grundlagenvertrag" concluded between Western and Eastern Germany in 1972, which, at that time, had been perceived by many as a step towards a petrification of the German division but which could also ultimately be an important

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[1] Until now there were three serious approaches, in 1972, 1991 and 2000, to install a stable peace regime on the Korean peninsula, however, for various reasons none of these approaches can be considered a success. Bruce Cummings, *Korea's Place in the Sun* (New York, NY; W. W. Norton, 2005); Su Hwan Lim, "Is peaceful reunification of Korea possible?" *Institute for National Security Strategy*, http://www.inss.re.kr/Include/common/DownFile.jsp?fileUrl=999.

[2] This was already the reason why South Korea was not party to the Armistice Agreement in 1953. Jang Jungsoo, "How can a peace be achieved on the Korean peninsula?" *The Hankyoreh*, May 10, 2007.

step towards reunification.[3]

This article will attempt to give some hints regarding the relationship between a peace regime and reunification in two steps: First, for what kind of reunification scenario would a peace regime be of importance? Closely connected to this question is the very controversial issue as to what effects a peace regime would have on the chances of reunification. Second, how can a peace regime improve the chances of reunification? This article will argue that the answers to the above questions depend on the spirit in which the peace regime is written but foremost on the common policies that the peace regime will progress from.

Reunification Scenarios and a Peace Regime

For some time, it has been a much-debated issue in South Korea, as to whether a peace regime or any closer cooperation with North Korea encourages or rather prevents reunification.

Classification of Inter-Korean Arrangements

To answer this question one first has to point out what is understood by a peace regime. It should not be confused with a peace treaty which

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[3] See the decision of the German Constitutional Court. To understand this dispute one has to be aware of the historic situation in 1972. Prior to 1969 the federal republic of Germany had always insisted on its "Alleinvertretungsanspruch" for the entire German people. It had never recognized the government of the German Democratic Republic (GDR) to be a relevant representative of the Eastern parts of Germany. This governmental position was fundamentally changed when the new social/liberal coalition came to power. Chancellor Brandt stated in his governmental address in 1969 that there were two states on the German ground, but that Eastern Germany could never be regarded as foreign country. This position was heavily criticized by the conservative parties in Germany at the time, who saw a great threat to reunification in accepting the existence of the GDR. However history shows that the "Grundlagenvertrag," which was the consequent continuation of this position, eventually led to better cooperation between the two Germanys and finally became a milestone on the way to reunification. In the "Grundlagenvertrag," agreements were reached regarding economic and cultural exchanges, inter-German travel, etc.

would put formally an end to the state of war on the Korean peninsula without any further agreements about future coexistence on the Peninsula. Most political observers demand a broader approach which, in addition to the termination of the state of war, should contain provisions on either the strategic stability in Northeast Asia and/or, as this article argues, better cooperation between the two Korean states.[4] These different kinds of arrangements which are discussed in regards to the Korean peninsula can be classified as follows: First, it would be possible to conclude a peace treaty, which would put formally an end to the Korean War. Second, a security framework could be installed in close cooperation with the US, China, Russia, and Japan which puts great emphasis on military arrangements, thus reducing the risk of a military conflict.[5] Third, a "civil" peace regime could be concluded, which might include military arrangements, but which above all will cover areas of civilian exchange between the two Koreas.

This article will focus on the civil "peace regime" and not so much on the necessary military dimensions of an inter-Korean arrangement. If the military arrangements are of utmost importance to reduce the risk of an armed conflict on the Peninsula, the goal of reunification can only be promoted by the emergence of more civil exchanges between the two states. This issue has to be addressed in any future agreement between the two Koreas, if chances of reunification are to be improved. This is not to say that the topics of military détente and civil exchange are two completely distinct issues. They are closely interwoven and in

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[4] Such an arrangement would have an inter-Korean and an international face. This article will limit itself to the question of an inter-Korean peace regime, so that a special focus can be laid on inter-Korean cooperation. The international implications and necessities of a peace regime, especially the six-party talks, will be set aside and will only be mentioned where absolutely necessary. The international dimensions have been the object of recent studies, Su Hwan Lim, "Is peaceful reunification possible?"

[5] For the proposal of such a peace regime, see Lee Sanghee, "Toward a peace regime on the Korean peninsula - A way forward for the ROK-US alliance," CNAPS Presentation, The Brookings Institution, May 2, 2007, http://www.brookings.edu/fp/cnaps/events/20070502.htm.

any negotiations none of these topics can be discussed without having regard to the other. However, given the limited scope of this article, it will limit itself to the civilian arenas which will be the most important in any scenario of peaceful reunification.

Reunification Scenarios

To analyze the relationship between a peace regime and reunification, one has to outline the various possibilities for peaceful reunification of the two Koreas. In public and academic discussions on this issue, two scenarios are by far the most commonly mentioned: Either the reunification of two sovereign and equal states or South Korea absorbing the North, following a collapse of the North Korean state. This case is often compared to German reunification.[6] Neither scenario can be dismissed today and both have some fervent supporters.

The supporters of a reunification of two equal states argue that there have been no signs until now that the North Korean government is on the brink of collapse as it is has been repeatedly argued since the end of the Cold War. It rather seems that the recent developments in the nuclear crisis have strengthened the North Korean position in international relations, thereby also strengthening the North Korean government in terms of internal stability. Furthermore, due to some "reforms" in the North, the North Korean economy has slightly recovered in the last few years and general living standards in the North have improved since the late 1990s.[7] Given these facts, it is argued that one should refrain from believing in a collapse of the North Korean state, since this rather seems to be a metaphysic myth than a

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[6] We will see later that the comparison of this scenario to German reunification is not very exact; for differences see Pollack/Chung Min Lee, *Preparing for Korean Unification, Scenarios and Implications* (Santa Monica, CA: Rand, 1999) p. 57.

[7] See Kenneth Quinones, "Beyond collapse - Continuity and change in North Korea," *International Journal of Korean Unification Studies*, Vol. 11, No. 2, 2002, pp. 25-62.

real possibility.

Many South Korean politicians also seem to prefer a slow reunification thereby preventing the costs and economic problems of a fast and full-fledged reunification as experienced in the case of Germany.[8] In the South Korean discourse on reunification in general, and in Kim Dae Jung's sunshine and Roh Moo-hyun policies in particular, the most frequently mentioned option of reunification is a three-step process going from a confederation to a federal state to a centralized state. The traditional North Korean approach, which has been upheld since the 1960s and which proposes a "Confederal Republic of Koryo" as a first step, bears some resemblances to this three-step process.[9] However, it is hardly conceivable that the South Korean democratic and constitutional state would be able to form a confederation or even a federal state with a dictatorship. Any such cooperation would encounter serious doubts regarding its constitutionality since Art. 4 of the South Korean Constitution states that reunification has to be based on the principles of freedom and democracy. Therefore, in the opinion of most observers, the "three-step" scenario would require a slow change in North Korean politics and institutions leading to a partial democratization of the North Korean government, which will take many years to accomplish.[10] A peace regime would be the first major step of such a development. Moreover, it would be an absolutely crucial step, since no confederation is conceivable between two states which are technically at war.[11]

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[8] Still, it is a much-debated issue as to whether the Korean reunification would pose greater, smaller or other problems than German reunification. For some arguments see Sharif Shuja, "Korean reunification," *Contemporary Review*, January 8, 2003.

[9] See Cummings, *Korea's Place*, p. 501.

[10] This is a rather common assumption for the Korean reunification process, see Cummings, *Korea's Place*, p. 510; Lee Mi-Kyung, "Why 'peace' precedes reunification," September 9, 2007, http://www.korea.net/news/news/newsView.asp?serial_no=20070907004.

[11] One might even doubt the legal validity in international law of a confederation treaty between two states which are technically at war following the general rule of public

Conservatives in the United States and in Korea still believe in the model of a reunification after a collapse of the North Korean regime.[12] They would argue that the plight of the citizens in North Korea still results in many hardships, and that this situation might deteriorate after this year's flooding which has destroyed much of the harvest. Therefore, the future stability of the North Korean government is far from certain. Furthermore, it is doubtful as to what will come after the eventual death of Kim Jong Il or at the moment when North Korean military leaders may refuse to continue their allegiance to Kim.[13] For these reasons, there are still many observers who believe that a collapse of the North Korean government can occur any time. In the case of a collapse of the North Korean government, it seems possible that South Korea will be able to push for a fast process of reunification in the German style.

However, this article argues that a collapse of the North Korean regime is thinkable both in the absence of, as well as with the prior conclusion of a peace regime. In the German case, the "Grundlagenvertrag" was concluded in 1972 and after the collapse of the GDR - 17 years later - reunification took place. If this was to be a model for Korea, a peace regime could be negotiated now and after some years later, reunification may be achieved after the collapse of the North Korean state.

This scenario does not imply that the South will try to destabilize the North Korean government, since the South has no serious interest in a destabilized North. It is, however, a possibility that the North

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international law of interdiction of contradictory behavior ("venire contra factum proprium").

[12] Mark Katz, "Korea after reunification," *United Press International*, July 6, 2007, http://www.upi.com/International_Intelligence/Analysis/2007/07/06/policy_watch_korea_after_unification/4854. This has been the US position under the Bush administration from 2001 to 2005 and only changed when the tensions over the North Korean nuclear program rose and the neoconservative "democracy-building" approach had obviously failed elsewhere. See Jang Jungsoo, "How can a peace be achieved on the Korean peninsula?"

[13] Mark Katz, "Korea after reunification."

Korean state, due to an authoritarian and rigid leadership, will not be able to reform and democratize itself successfully but instead will collapse.[14] In this scenario, cooperation between the two Koreas prior to reunification could certainly have an impact on the economic and political situation of the North Korean state and the mutual understanding between North and South Korean societies. These improvements could pay off in a reunification process.

This indicates that a peace regime should contain provisions, which, in the case of a collapse of the North Korean state, would favor and facilitate negotiations on reunification. A peace regime can thus be of central importance to both main reunification scenarios. It is a question of political conviction as to which of those reunification scenarios one believes in and it is not within the scope of this article to give an extensive answer to this highly controversial problem.

Political Disputes regarding the Effects of a Peace Regime

Nevertheless, one might argue about whether the conclusion of a peace regime would stabilize or destabilize the North Korean government and if, in the case of collapse of the North, the prior conclusion of a peace regime would strengthen or weaken the chances of reunification.

Some argue that any peace regime would stabilize the North Korean government and thereby obstruct reunification. It would probably strengthen the North Korean economy and thus address the most fundamental problem in the North Korean state. Furthermore, the conclusion of a peace regime could be perceived as the recognition of the Korean division instead of an attempt to overcome it. It would thereby relegitimize the North Korean government and thus stabilize it internally.

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[14] Kenneth Quinones, "Beyond collapse."

Other observers see things fundamentally differently.[15] In their view, it is clear that, once a peace regime is established and inter-Korean cooperation is flourishing, the North Korean government will not be able to avoid further changes in its society. In the long run, this would favor the development of a critical civil society which could push for more human rights and democratization.[16] This could result in a slow change of the North Korean institutions or the toppling of the North Korean government, which could then lead to one of the reunification scenario outlined above. In this model, the peace regime is the first necessary, but not in itself sufficient step, towards peaceful reunification.[17]

If one takes a look at the diverging positions, it is possible to find convincing arguments for both of them. Of course, one can argue that it is fundamentally wrong to stabilize a regime which is developing nuclear weapons while its own population is starving to death. Nevertheless, one can argue that the only possibility to achieve real progress in the North and thereby improve the situation for the impoverished North Korean population is better cooperation over the North's devastated economy.[18]

However, this article argues that both views somewhat neglect or underestimate the importance of the exact content of a peace regime. If, as this article argues,[19] a peace regime is understood to be an arrangement which, besides military arrangements, also promotes economic and cultural exchanges, it will inevitably trigger changes in the North. In this case it could be the starting point of an ever-intensifying process of cooperation between the two Koreas, which

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[15] Kwak Tae-Hwan, "The Korean peace progress: Problems and prospects after the summit," *World Affairs*, Washington, 2002; Lee Mi-Kyung, "Why peace."

[16] Lee Mi-Kyung, "Why peace."

[17] Kwak Tae-Hwan, "The Korean peace process."

[18] See Lee Mi-Kyung, "Why peace"; Mark Katz, "Korea after reunification."

[19] See above p. 3f.

will eventually lead to reunification. Therefore, from a functionalist approach, a peace regime should be seen as a means of reaching reunification.

How Could a Peace Regime Favor Reunification?

It is therefore necessary to take a closer look at the possible content of a peace regime to analyze in which ways it could favor reunification.

The Explicit Notion of the Objective of Reunification

First, it is of great interest to conclude a peace regime in a clear spirit of reunification as it has been proposed in the October 2007 agreement. In this way, it should be made clear that the intent of the two Koreas is not to put an end to hopes of Korean reunification. Thus, one of the most often mentioned arguments against a peace regime could be refuted. To show this spirit of reunification, the preamble of the peace regime could mention the sincere determination of the two Koreas to reach peaceful reunification. The preamble of a legal document usually does not contain any autonomous operative parts, but it is often used as an interpretative guideline.[20] Mentioning the ultimate objective of reunification in the preamble would therefore make it clear that no provision of the peace regime shall be interpreted in a way which threatens reunification. Furthermore, it would show the firm determination of the two Koreas to promote peaceful reunification and would thus prevent the slow disappearance of the reunification discourse in the public arena. This would certainly help to keep the idea of reunification alive.

Besides this, to mention the objective of reunification could be

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[20] See, for example, Art. 31.2 of the Vienna Convention on the Right of Treaties.

advantageous in case any unexpected destabilization occurs which could lead to a subsequent collapse of the North Korean government. In this case, Korean reunification will certainly not only depend on the determination of the two Korean states to reunify, but also on international negotiations which will take place. In these negotiations, some of the regional powers will probably be reluctant to accept reunification.[21] If it has been previously made clear by the two Koreas that it is their firm intention to reunify, this might limit the influences of these other states in the reunification process. Above all, it would be a sharp argument against any regional power's intentions to keep Korea divided by all means available in order to avoid a shift in the strategic balance in Northeast Asia.[22] Any such position will have to confront the great problem of credibility when challenged by the Koreans' right and desire for self-determination. A clear, common statement in favor of reunification by both Korean states would be a first hint as to the Koreans' choice regarding their right of self-determination.

A clear statement in favor of reunification could therefore prove advantageous in inter-Korean and in international relations.

Relevant Policies of Cooperation

However, clearly mentioning the will to reunify is not all that a peace regime could do to enhance the chances of reunification. To reach this goal, the operative provisions of the peace regime will be of utmost importance. Beside the termination of the state of war and military arrangements, the peace regime should contain provisions on

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[21] It is widely supported that fewest of the big regional powers have a real strategic interest in Korean reunification. However, here again one might see a parallel to the German reunification where neither France nor Great Britain cherished the idea of German reunification, but still had to accept it.

[22] See the scenario in Steve Fondacaro, *An Alternative Scenario for the Reunification of Korea* (Carisle Barracks, PA, 1997).

several policies of cooperation. The right choice of such policies is crucial to enhance the chances of reunification. Moreover, this is true for both reunification scenarios discussed in this article: reunification of two equal states and reunification after the collapse of the North.

For the reunification of two sovereign and equal states, the right choice of these common policies would be important, because it is very likely that a confederation would continue to operate on the same policies that the peace regime did.[23] Therefore, the policies already included in the peace regime would be at the core of a confederation treaty and thus at the core of any reunification process. Thus, the peace regime will arguably determine the prospective design of a confederation.

However, in the same way as in the case of the second assumption, i.e., the collapse of the North Korean state subsequent to the conclusion of a peace regime, it is essential for the success of prospective reunification to include the right policies in a peace regime. Given the great problems everyone in the South imagines arising in the case of integrating the economically and technologically impoverished North, the peace regime will be one of the rare chances for the South to actively improve the conditions in the North prior to reunification.

This article cannot give an exhaustive analysis of all fields of policy potentially relevant in the case of reunification. However, some policies could prove especially advantageous for both reunification scenarios and shall therefore be outlined in this article. None of these policies is completely new in inter-Korean relations. However, it would be the main task of the South Korean negotiation delegation to make sensible progress on these policies so that they will coherently work in favor of reunification.

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[23] Best example is the history of European integration which rather randomly started with economic integration (it was a refusing vote in the French national assembly which destroyed hopes for cooperation in the field of defence) and then took over 30 years to add further fields of policy to the until then purely "Economic European Community," Haratsch/Koenig/Pechstein, 5th Edition, *Europarecht* (Tübingen, Mohr Siebeck, 2006), p. 5.

Economic Exchange as a Form of Development Cooperation

The first priority for a peace regime should be further strengthening economic exchanges between the two countries.[24] This can be illustrated as follows:

First, as the example of the European Economic Community (later European Community and European Union) has shown in an impressive way, the creation of economic interdependencies is an appropriate measure to reduce the risk of war.[25] If economic exchanges are strengthened and become more and more vital for the recovery of the North Korean economy, South Korea will become indispensable and consequently an unassailable partner to the North. This is true, even though it is very unlikely that North Korea would accept cooperation and interdependencies in key industries for defence, since it will not be ready to depend on South Korea in these industries. However, the existence and the strengthening of economic ties in other areas should be sufficient to reduce the risk of war.

Second, the recovery of the North Korean economy is extremely important to any reunification scenario.[26] Fears are spreading in South Korean society that unification with the North will generate unbearable costs and will make the contemporary flourishing South Korean economy collapse.[27] The risk of such a scenario, which has especially been brought to mind by the economic problems of German reunification, could be reduced, if economic exchange achieves substantial progress before reunification occurs. Deepened economic exchanges would pre-

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[24] Economic exchange is already today, besides humanitarian aid, the central field of contact between the North and the South. The cooperation in the "Kaesong Industrial Complex" is the most visible prove for that. For other examples, see Kenneth Quinones, "Beyond collapse."

[25] This was certainly the main reason to conclude the "Treaties of Rome" in 1957, see Haratsch/Koenig/Pechstein, *Europarecht*, p. 4.

[26] See the interview of the former Minister of Unification, Park Jae-kyu, with *The Korea Times* on September 6, 2007.

[27] See Lee Mi-Kyoung, "Why peace."

dictably strengthen the North Korean economy. This would narrow the economic gap between the two Koreas, something which is considered crucial for reunification.[28] Economic cooperation would furthermore initiate ties between North and South Korean industries which could be an extremely important starting point to help develop the North Korean economy after reunification or in a confederation process.

Thirdly, a slow shift to a market economy in North Korea could have further positive effects. In the first place, it will help the North Korean population to become accustomed to a market economy and thereby be prepared for some of the cultural shock which will inevitably accompany the reunification process.[29] In the second place, many scholars argue that the introduction of elements of a market economy and free trade usually also bring with claims for greater human rights and fundamental freedoms and could thus trigger the change of the political system in North Korea.[30] Even if the latter assumption could be considered too bold, given the development of China which has not yet shown any signs of large-scale democratization, the Chinese example demonstrates that economic exchange inevitably triggers cultural exchanges which will be another crucial point for Korean reunification hopes.[31]

It hence seems obvious that the peace regime should contain the greatest possible number of economic exchange programs.[32] Nevertheless, such programs may be overall unprofitable to South Korea's

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[28] See Park Jae-kyu's interview with *The Korea Times* on September 6, 2007; Sharif Shuja, *Contemporary Review*, 2003.

[29] See Lee Mi-Kyoung, "Why peace."

[30] Moon Chung-In, "Between Kantian peace and Hobbesian anarchy: South Korea's vision for Northeast Asia," prepared for the Mansfield Foundation, http://www.mansfieldfdn.org/programs/program_pdfs/rok_us_moon.pdf, p. 1f.

[31] See below, p. 16.

[32] The plans of President Roh Moo-hyun, which include the installation of several industrial complexes like "Kaesong Industrial Complex," seem in this respect, a step in the right direction.

economy and may prove rather costly. Their long-term benefits require spending a great deal of money on them in the beginning, since they might decrease the costs of later reunification tremendously. From the South Korean perspective, economic cooperation with the North should therefore not be seen as purely an economic issue but instead as a mélange of commercial affairs (especially the advantages of a cheap North Korean labor force for South Korean companies) and development cooperation with the North.

Furthermore, negotiations on economic exchange will probably be consensual since the North Korean government apparently sees economic exchange with the South as a crucial component in improving the North's economic situation. Therefore the North will not be too reluctant in collaborating on this issue. It might even prove that the strengthening of economic exchange can be seen as a concession or benefit to the North Korean government in future negotiations, even though it could also prove vital for the South in case of reunification.

Concrete measures of economic cooperation could also include a simplification of South Korean investments in the North. What this would mean is an increase in the number of areas where South Korean investments are possible and the creation of an atmosphere of mutual confidence between the North Korean state and South Korean investors. This could be achieved by negotiating terms for the protection of investments with the North.

Besides this, it would be crucial to invest heavily in North Korean infrastructure. The recovery of the North Korean economy in general and the improvement of economic exchange in particular largely depend on investing in the heavily degraded North Korean infrastructure. Such investments could be arranged by giving tenders to South Korean enterprises to repair North Korean highways and streets. The improvement of North Korean infrastructure should be closely linked to the issue of connecting South Korea to the "Silk Road." This would enable South Korea for the first time to deliver goods overland to Europe, and

to most parts of Asia and would thus partially compensate for the costs of the investment in infrastructure.

However, one should abstain from exaggerating the level of economic cooperation possible. The European Community can certainly not serve as an example in this regard, since economic cooperation in the EC was always based on free and capitalistic societies which were at comparable economic levels and which guaranteed the freedom of movement and exchange of goods, services, workers, and capital.[33] To reach such conditions, the two Koreas have a long way to go. Therefore, economic exchange as an initial step will mean the simplification of South Korean investments in the North, the introduction of new industrial complexes and better economic cooperation in general, rather than anything close to a FTA.

Inter-Korean Travel

A second issue which is of special interest for a peace regime is the improvement of inter-Korean travel conditions and cultural exchanges between the two Koreas. One of the main problems in any reunification scenario is the enormous cultural gap between the North and the South Korean population. To give an example: While in the North the technological revolutions of the last 20 years are largely unknown to ordinary citizens, the South Korean population is perhaps one of the most progressive populations of the world in regard to the use of modern technologies. The North Korean population would certainly have the utmost difficulties to adapt to the high technology culture of the South. This has been especially brought to mind by the major problems North Korean defectors and refugees encountered in South Korea when trying to adapt to South Korean way of life. This predicament, which

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[33] Even the former socialist states which entered the European Union in 2004 had a GNP level per person which was at least one third of the EU-15 average, while the North Korean economy is generally believed to have a maximum of 1/10 of the GNP per person of the South.

would pose large-scale difficulties especially in the case of reunification after a North Korean collapse, could be reduced firstly by allowing, and then, step by step, intensifying inter-Korean travel. Thereby one could ensure that on the one hand, South Korean citizens could travel through the North. This would certainly generate encounters between North and South Korean citizens, especially if South Koreans were allowed to travel more independently in the North. On the other hand, one should allow North Korean citizens to travel to South Korea in specific circumstances,[34] which would help give them first-hand experience of the high-tech culture of the South.

To promote inter-Korean travel, two obstacles have to be overcome. First, it is necessary to provide the means for transportation between the two Koreas.[35] Since few North Koreans possess an automobile, the already constructed railway line seems to be the most promising way to enable North Koreans to travel to the South.[36] It will be up to the peace regime to set the conditions under which these railways are actually used and how to organize the border controls. Furthermore, it might be possible to open some roads between the North and the South, thus enabling inter-Korean travel by buses and cars.

The second and more complicated obstacle is how to allow North and South Koreans to travel freely on the Korean peninsula by law. It seems obvious that North Korea will not give complete freedom of movement to its citizens, since this would certainly trigger an exodus from the North to the South, which is wanted by neither side. Thus, the only possibility to enhance the opportunities of inter-Korean

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[34] This will certainly be a difficult issue to negotiate and it is only conceivable in exceptional circumstances that North Koreans could be allowed to travel to the South.

[35] For the improvement of North Korean infrastructure, see above.

[36] This railway would furthermore certainly give a boost to economic exchange. See the speech by Alexander Vershbow, US Ambassador to the ROK, "Prospects for US-North Korea Normalization and a Peace Regime in Northeast Asia," on July 11, 2007, http://korea.usembassy.gov/113_071107.html.

travel will be the introduction of a visa system between the two Koreas, allowing citizens in specified circumstances to cross the border. Family reunions, economic activities, tourism, etc. might be some of these circumstances which justify the issue of a visa. Such an agreement in a peace regime should be as detailed as possible to ensure that the North Korean population can really benefit from this new freedom. Furthermore, the two Koreas would have to agree on regular border controls. The possibility of inter-Korean travel would, in some ways, represent an opening of the North, which has been largely isolated up to now.[37]

Cultural Exchange and Strengthening of "One-Korea Patriotism"

Closely connected to the possibility of inter-Korean travel is a common policy of cultural exchange. In this regard, two issues are at stake. First, cultural exchanges would help North Koreans in the case of reunification to accustom themselves to a dynamic South Korean society and would bring greater understanding and knowledge about North Korean tradition and way of life to South Koreans. Such cultural exchanges could be encouraged by establishing a pan-Korean television or radio station which would abstain from any political propaganda but would try to promote a better understanding between the diverging cultures. Another very daring approach would be the introduction of student exchange programs in middle schools, high schools and in universities. Encounters between North and South Korean students could be of major importance in inspiring Korean youth to believe in reunification.[38] These examples show the real potential of such

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[37] In this regard, it is important to note that the planned extension of access to North Korean tourist sites, from a functionalist approach, is to be considered of economic interest rather than as an interest of inter-Korean travel, since this tourism will probably not generate any real contact between North and South Koreans, but will merely take the form of sightseeing tours.

[38] In Europe after the World War II, student exchange programs helped greatly overcome

programs: Both Koreas have to overcome the phase of mutual isolation and have to allow their citizens to form their own opinions as to how the other side lives. This would be the logical continuation of the opening of the two Koreas begun by the inter-Korean travel.

Such an attempt leads to a second much more ambitious goal. In the modern South Korean society and particularly in its youth, there is a wide spread opinion which sees reunification as a risk rather than as a goal. South Koreans are not hostile to the idea of reunification itself, but there are enormous fears about - above all economic - the risks and hardships of eventual reunification. South Koreans, therefore, are theoretically in favor of reunification but realistically they are very reluctant and want to delay the moment of reunification as long as possible.[39] However, for South Korea, in being democracy, important and fundamental decisions about reunification are only thinkable if a majority of the population supports them and is ready to grab any opportunity which arises. Therefore, it is essential to any reunification scenario that a form of "one-Korea patriotism" is strengthened by the political leadership and cooperation between the two Koreas.[40] In this respect, it is worth dwelling upon events such as the common entering of the 2000 Summer Olympics in Sydney. To push it further forward, one might even think about "pan-Korean" teams in some sports such as soccer or baseball.

These attempts would aim at rebuilding the sentiment in the Korean population that Korea still ought to be one state and that it was divided by the Yalta Conference's "divide and rule" - doctrine and by the confrontation between great powers arising out of the Cold War and not by the free will of the Korean people. To keep up and strengthen

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the mutual distrust between Germany and France.

[39] See Jonathan Pollack, "Korean reunification: Illusion or aspiration?" *The Brown Journal of World Affairs*, Volume VIII, Issue 1(Winter/Spring 2001) pp. 77-90.

[40] However, it seems important to avoid the development of a strong nationalism which may be perceived as a threat by both Japan and China.

this "we are one people" sentiment in the population in the North and the South is of the utmost importance for any future reunification process.[41]

Human Rights

A very delicate issue in the negotiations might be better levels of respect for human rights in North Korea.[42] Clearly, North Korea will not be very cooperative in this regard. North Korea has always considered human rights exclusively as a domestic affair. Thus, in its view, these issues are not to be discussed in international negotiations.[43] One might argue that in the already very difficult negotiations with North Korea, the especially controversial question of human rights should be left aside since questions of morality should not complicate the struggle for reunification. Such an argumentation, however, is not convincing for various reasons.

First, it seems possible that at least on some issues progress could be made. As it has been argued above, the possibilities of inter-Korean economic exchange and travel can be improved. This implies at least some progress on fundamental liberties like the freedom of movement of North Koreans.

Second, it might seem possible to make some additional progress, even though this will certainly require a lot of patience and willingness to cooperate on the South Korean side. Progress does not necessarily mean more than a common statement on the respect of human rights on the Korean peninsula. However, such a first step could prove to

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[41] "Wir sind ein volk" was the slogan of the democratic movement in GDR, which finally led to the fall of the Berlin Wall.

[42] For an analysis on the human rights situation in North Korea, see the report by the Korea Institute for National Unification, *White Paper on Human Rights in North Korea 2006*, Seoul, May 2006.

[43] However, in international law, it is a widely supported position that not all human rights violations can be considered as purely internal affairs.

be very important, since the issue of human rights, as difficult as it will be to negotiate, reveals many outstanding interests for any future reunification. Without better respect for human rights in the North, reunification is hardly conceivable. Only if respect for human rights is improved, will slow changes in the North Korean society be possible, which might trigger changes on a larger scale. These changes are required if peaceful reunification is to take place. Therefore, to promote human rights is of central importance to any reunification process.

Nonetheless, it seems obvious that this issue has to be discussed very carefully and not in an accusatory manner. It would be of major importance if not only South Korea but also other countries would put some pressure on North Korea in this respect. Furthermore the issue of human rights is certainly an area where great progress should not be immediately expected all at once. Even a common declaration on the respect of human rights, without any legal character might be a first step worth making. To mention human rights will eventually put pressure on North Korea to better respect them.

Demilitarization

The central military topic in any peace regime which includes military arrangements will certainly be the demilitarization of the Korean peninsula. This is an essential point to reduce the risk of an armed conflict.

It might also turn out to be essential in any reunification process. Demilitarization on the one hand will help lower the military budget in North and South Korea.[44] This will certainly be a key to improve the

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[44] The military budget of both Koreas is way above the global average. See Sharif Shuja, *Contemporary Review*, 2003. However, the military budget of North Korea makes up for about one third of the BIP which prevents any development of the economy in other sectors and thereby leaves the North Korean economy without any real chance of stable growth.

living conditions in the North but also to free resources in the South for economic cooperation with the North. The North Korean economy will not be viable if the military budget is not dramatically reduced. The success of economic cooperation hence also depends on agreements between the two Koreas which lowers the expenses for defence.

On the other hand, disarmament will also be important to create an atmosphere of détente on the Korean peninsula. This aspect also shows the interdependencies between military arrangements and a "civilian" peace regime. Only if the threat of military confrontation is reduced, will the willingness to cooperate grow.

Negotiations on disarmament and demilitarization will certainly have to include the other parties of the six-party talks, as these questions have already been intensely discussed in the talks and have been especially addressed by the Joint Statement released on September 19th, 2005. The recent advances in these negotiations could be of great help when trying to discuss this issue in the context of a peace regime.

In the long run, a disarmament and demilitarization policy will probably require changes of the US-ROK combined forces command. This does not mean a withdrawal of American troops from South Korean soil, but a promising policy will need to find ways to normalize the military situation on the Korean peninsula. This military presence, which is perceived as a threat by the other side, should be reduced reciprocally and step by step. Such a military normalization is needed to improve inter-Korean relations. As it has been argued before, civil and especially economic cooperation will only intensify if an atmosphere of mutual confidence can be created.

Evolution of Politics

Negotiations on all of these issues will be difficult, full success will not be achieved in the beginning. It is therefore vital for any reunification scenario that it is made clear that the progress made in

the peace regime is only the commencement of negotiations which will take place later and which will then seek to further develop the common policies described above. Therefore, the peace regime should contain provisions regarding all these policies to be developed further at later summits or in higher-level diplomatic negotiations between the two governments. The latter approach would have the advantage that negotiations would not always be in the eyes of the media and concessions could be made with fewer difficulties by both sides. One might even raise the issue as to whether a permanent advisory body which could develop cooperation policies could be created.

The crucial point in all this is that the peace regime should not only install "status quo" on the Korean peninsula and leave further progress to later summits. It has to be the peace regime itself which contains the possibilities of strengthening cooperation and moving closer towards reunification.

Conclusion

If one wants to stick to the objective of reunification, and that is what the South Korean Constitution obliges the South Korean government to do, a peace regime can be an appropriate means of reaching this objective. Nonetheless, this is only true if the peace regime not only reduces the risk of military confrontation by stabilizing the strategic situation in Northeast Asia. Besides this, it has to include the objective and means to work on closer civilian cooperation between the two Koreas while affirming a clear view to reunification. Therefore it is crucial to conclude a peace regime which deals with policies vital for any reunification scenario. Furthermore, the peace regime itself should fix the terms of future negotiations and thereby help to develop a rich, prosperous and dynamic dialogue on the Korean peninsula. In

this way, the peace regime can be perceived as a starting point of a process which could then lead to reunification even though the exact path of this process is all but certain.

International Journal of Korean Unification Studies

US Foreign Policy toward the Korean Peninsula: An Anti-Unification Policy or Just Too Many Uncertainties to Account For?

Peter M. Lewis

Abstract

Based on interviews conducted in Seoul in July 2006, the author explores apparent contradictions in South Korean perceptions of the United States' attitude toward Korean unification. These common perceptions regarding international support (or lack thereof) for unification are: the regional powers - China, the US, Japan, and Russia - do not support the unification initiatives proposed by South Korea; reunification is impossible without support from the regional powers, particularly the US and China; North Korea, under the Kim dynasty, will never accept reunification under South Korean terms; North Korea's main concern is survival; cooperating with North Korea is the only sure path toward reunification; and unification will eventually be realized. The author analyzes these perceptions in relationship to US interests in Northeast Asia and the Korean peninsula, and he argues that while Korean unification is not part of an explicit US policy, neither is the US intrinsically opposed to reunification. Rather, the US is more concerned about the proliferation of weapons of mass destruction and power balancing than it is about Korean unification, a fact that will not change in the short term.

Keywords: perceptions, foreign policy, United States, Korean peninsula, unification

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But lasting peace will come to Korea only when Korea is made whole.... only Koreans, North and South, can solve the problem of unification. But all Korea, North and South, should know that the United States stands ready to act in the interests of lasting peace.

President George Bush

Despite the desire of people on both sides of the Demilitarized Zone... to end the division of the peninsula, all efforts to reunify the country have foundered: neither war nor diplomacy has succeeded in putting Korea back together again. The best -- maybe the only -- antidote against an unstable, undemocratic, reunified Korea resulting from unification is time. If the history of South-North relations is any guide, Koreans, by themselves, are unlikely to be able to marshal the political, diplomatic, economic, and psychological resources necessary to bridge the huge chasm separating them.

William M. Drennan

Although there was much to criticize in US policy before North Korea's 1950 invasion of South Korea, the most likely alternative to division of the peninsula would have been a unified communist state. If that had happened, nearly 70 million Koreans today would be living in an impoverished tyranny. And the ability of what we now call the "North" to commit mischief and even mayhem would be magnified dramatically.

Ted Galen Carpenter and Doug Bandow

The Pyongyang people are the same as us, the same nation sharing the same blood... We lived as a unified nation for 1,300 years before we were divided 55 years ago against our will. It is impossible for us to continue to live separated physically and spiritually.

President Kim Dae Jung

Whatever their differences, the five governments that must contend most directly with Pyongyang--Seoul, Washington, Beijing, Tokyo, and Moscow--all assume that a rapid reunification of Korea is not only unlikely, but would run contrary to their national interests if it occurred.

Nicholas Eberstadt

Most US citizens born before 1975 can remember, if vaguely, the heightened nuclear crisis of 1993/94 on the Korean peninsula, or President Kim Il Sung's death in 1994 when hundreds of thousands of North Koreans took to the streets weeping in sadness, or maybe even more clearly the provocations of the Taepodong 1 missiles launched over Japan's territory in 1998. Yet the immediacy of these events has faded and already they seem a distant memory for most Americans. After all, the Democratic People's Republic of Korea could threaten the US' allies, but the range of this threat remained geographically and psychologically distant from the shores of the continental United States.[1] Although North Korea finally began to receive regular coverage by the popular US news outlets in the 1990s because of these events, it had been on the minds of foreign policymakers in Washington and academics throughout the world for over a decade as they predicted a doomsday nuclear face off in Asia or attempted to understand why the Cold War continued to rage on the Korean peninsula in Northeast Asia.

Nonetheless, ever since North Korea tipped its poker hand to the US on October 9, 2006, after the DPRK claimed to have successfully performed its first nuclear test, the bluff game ended and the blame game became the new fad in party politics in Washington. The apparent progress recently made in the six-party talks now has critics wondering if President Bush's policy toward the Korean peninsula is a complete failure or if hope remains that his policy could realize its ends. The current strain on the US-ROK alliance might be mended by the successful completion of these multidimensional bilateral negotiations, including the US-ROK Free Trade Agreement, turning wartime command control over to the ROK, and the relocation of US troops from the Demilitarized Zone (DMZ) to a new cost-sharing base south of

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[1] The Democratic People's Republic of Korea (DPRK) will be referred to as North Korea and the Republic of Korea as South Korea or ROK.

Seoul.

Without a doubt, the ROK-US alliance has seen better days. It has been a trying relationship - especially since the late 1990s. South Korea's consolidated democracy and civil society have shown clear elements of anti-Americanism, and its leftist sunshine policy toward North Korea contrasts starkly with the recent rise of nationalistic sentiment in the US. This sentiment grows out of an eight-year reign by the ideological right in the oval office, which has reverted to an old school containment policy of openly confronting North Korea verbally and attempting to internationally isolate the Kim Jong Il regime.

While the diverging interests and contrasting methods of US and ROK foreign policy toward North Korea do not appear to present a near solution, the blame game and partisan-based academic debate seem to indicate that the George W. Bush (GWB) administration reversed President Clinton's policy, giving us a middle road between no policy and a neoconservative unilateral policy. *How does one determine if the US has no policy; a failed policy; a verbally aggressive containment policy with a military bluff for a backbone, or; a policy with imperialistic means on the verge of nuclear warfare?* Unfortunately, the black and white portrayal of US foreign policy has not been helpful. In addition, these questions cannot fairly be answered because US foreign policy, including GWB's, is far more complex in that it is influenced by multiple interrelated variables, several regional actors, and a US history - not limited just to GWB - of a slow learning curve in its bilateral relations with North Korea.

Within the camp of International Relations and Northeast Asian (NEA) studies, the nuclear crisis is of great interest. The Korean peninsula still hosts many unresolved issues from the Cold War, making it an epicenter for potentially explosive political fireworks. The ROK-US alliance requires major adjustments as South Korea slowly moves away from its former client state status, proving itself to be one of the few US allies which has risen to middle-power status via

industrialization and democratization.[2] While the ROK is unique in that it can now afford to defend itself, remnants of the Cold War live on, and South Korea has yet to make the psychological adjustments necessary to take ownership of its full potential.[3] Beyond the ROK-US difficulties, the Korean peninsula has been called "the dagger aimed at the heart of Japan,"[4] and North Korea has been referred to as "China's fourth northeastern province."[5] All of these factors generate great anxiety for Japan, South Korea, Russia, and the US when considering the possibility of national unification.

The US-North Korea political quandary is *sui generis*, in that few small states have had more success confronting US policy while provoking confusion and instilling fear at the same time. Let's remember North Korea is, as Samuel Kim calls it, "the longest-running political, military, and ideological adversary for the United States, and vice versa."[6] Just as inter-state conflicts seem to be less prevalent in the 21st century, North Korea has achieved exactly what makes non-state actors so threatening to the US - weapons of mass destruction (WMD). Just as North Korea has gained leverage over the US in its bilateral relationship, over time South Korea has enhanced its own clout in peninsular issues. The North Korean dream - held into the 1970s - of forcing unification by war is no longer plausible. But any future

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[2] Jeffrey Robertson, "South Korea as a Middle Power: Capacity, Behavior, and Now Opportunity," *International Journal of Korean Unifications Studies*, Vol. 16, No. 1, 2007, pp. 151-174.

[3] Wonhyuk Lim, "Transforming an Asymmetric Cold War Alliance: Psychological and Strategic Challenges for South Korea and the US," *Policy Forum Online*, 06-30A, April 18, 2006, pp. 1-13.

[4] Katsu Furukawa, "Japan's View of the Korea Crisis," *Center for Nonproliferation Studies*, February 25, 2003, http://cns.miis.edu/research/korea/jpndprk.htm.

[5] "China and North Korea: Comrades Forever?" International Crisis Group, *Crisis Group Asia Report*, No. 112, February 2006, http://www.crisisgroup.org/home/index.cfm?l=1&id=3920.

[6] Samuel S. Kim, *North Korean Foreign Relations in the Post-Cold War World*, Strategic Studies Institute (April 2007), p. 56.

unification will be under South Korea's conditions, whether it be passive through political means or forced by military involvement.

Once the complex regional relationships and geopolitical interests are calculated into the formula, the hope of Korean unification seems to be a farce. Because global, regional, and domestic factors must be considered when analyzing Korean unification, this topic remains one of the most ill-prepared prospective studies among East Asian scenarios. It is almost trite to speak of an event that depends on so many different factors - timing, circumstances, actors, etc. However, for South Koreans, and very possibly for North Koreans, unification is of utmost importance; a foreigner conversing with South Koreans gets the sense that nothing else matters *but* unification.

Even if the main concern of South Korea was, is and always will be national unification, however, the main concern of the US is North Korea's WMD. For this reason, future Korean reunification is an often-neglected topic in the US policy circles. *Accordingly, the argument of the author is that while Korean unification is not part of an explicit US policy, neither is the US intrinsically opposed to reunification. It is essential to understand that the US is more concerned about the proliferation of weapons of mass destruction and power balancing than it is about Korean unification, a fact that will not change in the short term. South Koreans believe the US "owes" them an above and beyond effort in reuniting the peninsula because of its role in dividing the nation, but there is little reason to believe this "debt" plays into the US' geopolitical strategy in that region.*

There is little consensus among scholars on whether or not the US supports Korean unification. In fact, there is not consensus on whether or not unification would be beneficial for US objectives, either short-term or long-term. Strikingly, there is little research that points to concrete data that shows how and where the US has opposed Korean unification any time after the Korean War. The majority of the academic arguments asserting that the US opposes unification points to issues

like forward military presence, the US nuclear umbrella, or its resistance toward having bilateral contacts with North Korea. While this may be a symptom of a US attitude, they can easily be debated as being directly related to US security, and not related to an anti-unification policy. For this reason, the following questions need to be asked and explored: Does the US have a policy regarding unification? Why or why not?[7] In order to answer these questions, the following subtopics will be addressed in this paper: the South Korean perception of unification, US interests in East Asia, US interests in Korea and unification, and the major power interests on the Korean peninsula.

Contradicting Assumptions

Many of the general perceptions held by South Koreans - government officials, academic scholars, and common citizens - paint a bleak picture of the prospects for eventual Korean reunification. These general observations leave little room for hope for unification in the short term due to the opposition by most world powers. In this paper, these observations or hypotheses will be explored and touched upon in their relevance to US foreign policy toward the Korean peninsula and its (lack of) unification policy.

South Korean Observations

- *The regional powers, including China, the US, Japan, and*

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[7] For some in-depth and frequently cited texts on the subject, one should see Robert Dujarric, *Korean Unification and After: The Challenges for US Strategy* (Indianapolis: Hudson Institute, 2000); Selig S. Harrison, *Korean Endgame: A Strategy for Reunification and US Disengagement* (Princeton University Press, 2003); John Feffer, *North Korea, South Korea; US Policy At A Time of Crisis* (New York: Seven Stories Press, 2003); Ted Galen Carpenter and Doug Bandow, *The Korean Conundrum: America's Troubled Relations with North and South Korea* (New York: Palgrave, 2004).

Russia, do not support the unification initiatives proposed by South Korea.

- *Reunification is impossible without support from the regional powers, particularly that of the US and China.*
- *North Korea, under the Kim dynasty, will never accept reunification under South Korean terms.*
- *North Korea's main concern is survival.*
- *Cooperating with North Korea is the only sure way toward reunification.*
- *Unification will be realized.*[8]

If one reads each hypothesis removed from the other five, each one sounds logical, realistic, and indubitable. However, when read together, one asks why South Koreans still hope for unification, and why they might *believe* it will one day be reality? That is the most intriguing aspect of this conundrum - the emotional draw of the sixth hypothesis for South Koreans overrides the realism of the first five hypotheses. For an outsider looking in, the logical jump seems irrational. For a South Korean, the only obstacles preventing national unification are the geostrategic interests of the major regional powers.[9] True or

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[8] Even though not one single interviewee held the opinion that unification might not ever occur, the time period in question varied greatly. When asked directly, interviewees stated that reunification would occur sometime in the next 20-50 years. The short-term estimates (within 3-5 years) of the 1990s seem to have died out as the North Korean regime has shown great resolve. In the 1990s, the general perception was that the end of the Cold War, Kim Il Sung's death or the disastrous famines would bring the totalitarian regime to in an end, or "hard landing" as some call it.

[9] As a disclaimer, the author admittedly believes there is raw emotion that confuses the present US policy with the policies of the past that led to Korea's division. This is to say one cannot assume that because the US facilitated the division, the US is opposed to unification. Furthermore, while these Korean emotions are legitimate, it would be naïve to think a nation-state like the US "owes" and truly "considers" its debts to a divided people from another region, especially in a world of realpolitiks and on a peninsula where so many different interests converge. For example, Selig S. Harrison claims in his textbook *Korean Endgame*, "in charting new policies in Korea to post-Cold War realities, the starting point for the United States should be

untrue, this is the perception.

Of course, there may not be clear-cut answers to the guiding research question proposed above. Of particular interest is that most US presidential administrations have implicitly or explicitly espoused reunification on the Korean peninsula. Even more relevant is the fact that most South Koreans believe the US government is not in favor of a unification scenario. That leaves us asking if there is a policy, either pro or anti, and why do South Koreans perceive the US as a key obstacle to their achieving the most important national goal in the last six decades. From the other side of the globe, some American scholars believe the US has no policy regarding unification, and this explains the confusing messages sent by the US government. *However, the distinction must be made: having no policy is very different from having an anti-unification policy, this later perception is held by South Koreans*.[10]

Without a doubt, perceptions matter.[11] Whether they are accurate or not, South Korean's perception of US foreign policy, both its objectives and strategy, directly affects their bilateral alliance.[12] Perceptions matter even more at the elite level where they affect how Korean

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an expression of regret for the US role in the division of the peninsula addressed to both the South and the North, accompanied by a declaration of support for peaceful reunification much more explicit and much more positive than the 1992 Bush statement," p. 108.

[10] A poll of college students published in 1990 found that 79 percent blamed the US for the past division on the peninsula and 64 percent see the US as being the most reluctant country to see Korea unified. Cited in Harrison, *Korean Endgame*, p. 102, and quoting US Ambassador Donald Gregg in an address before the Korean Council on Foreign Relations, Seoul, November 21, 1990.

[11] Robert Jervis, "Hypotheses on Misperception," *World Politics*, Vol. 20, No. 3 (April 1968), pp. 454-479. For an excellent analysis of how US perceptions of the USSR affected their reasoning for defending South Korea, see Robert Jervis, "The Impact of the Korean War on the Cold War," *The Journal of Conflict Resolution*, Vol. 24, No. 4 (December 1980), pp. 563-592.

[12] For insight on US public opinion regarding foreign policy and the US alliance with the ROK, see Brad Glosserman, "A Foundation for the Future," *Korean Journal of Defense Analysis*, Vol. XV, No. 1 (Spring 2003). pp. 210-211.

leaders interact with US leaders and how these leaders pursue the realization of their objectives - including which goals they believe are realistic. Public opinion carries weight in that it can easily work against the betterment of bilateral relations, i.e., pressure on US troops to withdraw or anti-Japanese sentiment, which might limit confidence-building initiatives. The fact that South Korean elites perceive the US as being opposed to its national objective makes North Korea seem more accommodating than the US.[13]

Possible US Arguments for Opposing Korean Unification

A number of scholars have pointed out why the US is not in favor of national reunification on the Korean peninsula. The reasons vary widely, but they include geopolitical and strategic interests, a stake in current economic ties, and maintaining a forward military presence Northeast Asia. While these arguments are convincing and may even be true, they are based on the assumption that Korean unification would cancel out the current advantages that the US holds under a divided peninsula. The reasons behind this assumption must also be questioned and examined because if they are erroneous, a US anti-unification policy would be just as flawed or the very critics of US policy would be misguiding the debate.

Two convincing reasons for which the US would oppose Korean unification are power balancing (against China) and the need for its forward military presence in the region over the long term.[14]

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[13] Choong Nam Kim "Changing Korean Perceptions of the Post-Cold War Era and the US-ROK Alliance," *Analysis from the East-West Center*, No. 67 (April 2003); Yoo, Dong-ho, "6 in 10 Koreans Back US Military Presence: Nearly Half Say US Biggest Barrier To Unification," *Korea Times*, February 23, 2004; Choe, Song-won "S. Koreans: US A Bigger Threat Than N. Korea," *Stars and Stripes*, January 16, 2004.

[14] Some might argue that the US obstructs unification in the same way it thwarted Korean wishes in the post-World War II period. However, any good historian knows that permanent division was not the US' ultimate or initial goal, even if it did not see

Of course, there is much to be determined about whether the Sino-American relationship will be played out as a competitive or cooperative one.[15] The common logic is that the US wants to assure that a unified Korea would not fall under the influence of what might turn out to be a competitive China, or, in the worse case scenario, a China facing off against the US in a new sort of Cold War. Those who see China as a threat to US national security surely envision a more defiant People's Republic of China (PRC) as it gains more material power, more influence both globally and as a hopeful regional hegemony.[16] Just the same, this assumption is only deduced from unconfirmed beliefs, which are not based on concrete data. Firstly, there is no assurance that China will be a direct and aggressive competitor to the US in the future. In fact, some Chinese scholars assert that China would welcome a continued US presence in Korea, preferably more limited than the present one, so that the US might curb a military buildup or nuclear race between a potentially nationalistic Korea and/or with a "normal" Japanese state. Secondly, the inference that Korea will fall

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or respect the peninsula as a nation-state. Samuel S. Kim, *The Two Koreas and the Great Powers* (Cambridge University Press, 2006), pp. 238-240. Had the US not divided Korea at the 38th parallel with the Soviets, most likely South Korea would have been absorbed by the communist North Korean regime upon Japanese disarmament and US military withdrawal. This is to say, US self-interests in power politics, disrespectful agreements at the Cairo, Yalta, and Potsdam conferences, in one way or another, led to the ultimate division of the peninsula. Accordingly, the US made a client state out of Korea and perpetuated the division. The only real way Korea would be unified today would be if the US had not defended its own interests on the peninsula, and thus Korea would be a unified totalitarian government under the north's control. The fact that Bruce Cumming's in *The Origins of the Korean War*, Studies of the East Asian Institute (1981), pp. 71-91, presents evidence, to the fact that the North was not controlled by communists until the US subsequently incited the non-communists to leave the North, does not guarantee the division would not have persisted or that the communists with Soviet support would not have effectively gained control.

[15] G. John Ikenberry and Michael Mastanduno (eds.), "Conclusion: Images of Order in the Asia Pacific and the Role of the United States," in *International Relations Theory and the Asia Pacific* (Colombia University Press: NY, 2003), pp. 432-435.

[16] *The Quadrennial Defense Review* (QDR) stated that the US "is more susceptible to large-scale military competition," an obvious reference to China, United States Department of Defense, 2001, p. 4.

under Chinese influence is far from certain. The present strengthening of commercial relations between South Korea and China will not prevent a unified Korea from being a new economic competitor with China, nor will Sino-(unified)-Korean ties automatically surpass the meaning of a ROK-US half-century mutual defense treaty, the regular flow of Korean immigrants into the US or the symbolic and deeper importance of the new ROK-US FTA. Even if the ROK-US Mutual Defense Treaty were to be annulled, US influence Northeast Asia would not die out. "With the world's largest and most productive economy and dominant culture, a stable constitutional system and attractive entrepreneurial environment, and the globe's most powerful military, America would remain influential."[17] Far from being a new Chinese client state, a unified Korea will consist of over 75 million habitants, armed forces of great magnitude and will most likely exert itself as a nationalistic upper-middle power wary of political marriage with anybody after six decades of division.[18]

The other common logic for which critics say the US opposes Korean unification is due to its long-term projection of a forward military presence. Following the same line, the 1954 Mutual Defense Treaty is aimed at containing North Korea; a need for US troops on the peninsula would formally cease to exist upon Korea's unification. Legally speaking, the treaty would be nullified, having served its purpose for well over five decades. Notwithstanding, there are many signals that while South Korean civil society may always question the presence of US military, as stated above, even China may welcome a continued US military presence so as to cushion Japanese military rearmament.[19] Without a doubt, Japan in the short term will desire a

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[17] Carpenter and Bandow, *The Korean Conundrum*, p. 132.

[18] For more on a possible Sino-Korean rivalry, see Robert Dujarric, *Korean Unification and After*, pp. 42-50.

[19] For a strong argument that the PRC wants the US troops out now, see Harrison, *Korean Endgame*, pp. 322-327.

continued US military presence to balance China's regional rise. As Niklas L. P. Swanström points out: "Whether or not it is admitted, the US has been a guarantor of stability since the 1950s and in practice kept down military spending. If the US withdrawal takes up phase there will be an increased military expenditure in Northeast Asia to meet new challenges in an uncertain region that risk destabilizing the Korean peninsula." [20]

Ever more surprising, some say Chairman Kim Jong Il has mentioned to US and Chinese diplomats that North Korea (secretly) sees itself eventually as an ally of the US and see a need for the US presence to balance against Russian, Chinese, and Japanese influence.[21] President Kim Dae Jung, in a conversation with Kim Jong Il, was reported as saying: "The peninsula is surrounded by big countries, and if the American military presence were to withdraw, that would create a huge vacuum that would draw these big countries into a fight over hegemony." In response, Kim Jong Il stated: "Yes, we are surrounded by big powers—Russia, China, and Japan, and therefore it is desirable that the American troops continue to stay."[22] Many point to the fact that South Korean civil society has been actively protesting against US military presence on the peninsula, a movement that seems to be

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[20] Niklas L. P. Swanström, "The Korean Peninsula in the US's Post-9/11 Military-Security Paradigm," paper presented at the first ROK-US-China future forum on "The Changing ROK-US-China Relationships and the Future of the Korean Peninsula," Institute for Diplomacy and Security Studies and Center for Contemporary China Studies, Hallym University (October 30, 2004), pp. 13-14.

[21] Tim Beal cites Governor of New Mexico Bill Richardson, journalists of the *Washington Post*, Robert Carlin and John W. Lewis, all as pointing to interactions with North Korean officials who explicitly or implicitly gave this impression. See "The North Korea-China Relationship: Context and Dynamics," working paper series, Centre for Asian Pacific Studies, No. 184 (June 2007), http://www.library.ln.edu.hk/etext/caws/caps_0184.pdf.

[22] Doug Struck, "South Korean Says North Wants US Troops to Stay," *Washington Post*, August 30, 2000; "US Troops to Stay in Korea," *BBC News*, September 20, 2000, http://news.bbc.co.uk/2/hi/asia-pacific/933902.stm; Don Kirk, "A North Korea Shift on Opposing US Troops?" *International Herald Tribune*, August 10, 2000, http://www.iht.com/articles/2000/08/10/korea.2.t.php.

growing in the last decade. However, two clarifications need to be made: Firstly, neither leftist Presidents Kim Dae Jung nor Roh Moo-hyun have pressured the US for a reduction in its military presence, nor have they insinuated that the US presence is transitory. Indeed, a member of South Korea's Foreign Ministry's think tank, the Institute of Foreign Affairs and National Security (IFANS), calls for a US presence just the same: "Even in the absence of a military threat from North Korea," the alliance should be revamped "to focus on promoting stability in Northeast Asia."[23]

In fact, several US administrations have sought to reduce troop numbers in South Korea, most of which have failed due to Korean objection.[24] It is just as relevant to point out that GWB requested and carried out a deployment of US troops from South Korea to reinforce forces in Iraq. There is a reason to believe the reduction in Korea is permanent, and it is noteworthy it was initiated by the US.

So logic follows that if there is no guarantee, perhaps little probability, even that South Korea falls under the Chinese sphere of hegemonic influence, one must question why the US would prefer the status quo with a threatening North Korean regime to a unified Korea. The direct question is: Does the US prefer a DPRK with a WMD or a unified Korea with a number of uncertainties? It is hard to imagine a unified Korea could be more threatening to US global, regional or national interests than is a nuclear-armed North Korean regime on the brink of collapse desperately interested in selling its WMD on the worldwide market.

What critics do not understand is that it is not a question of A or B: Nuclear DPRK or unified Korea. Rather, a non-nuclear peninsula

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[23] Doug Bandow and Kim Sung-han, "Seoul Searching: Ending the US-Korean Alliance," *The National Interest* (Fall 2005); See Harrison, *Korean Endgame*, pp. 174-189.

[24] Under President Nixon's "Guan Doctrine," the US reduced troop numbers from 60,000 to 40,000. Carter later announced a withdrawal of another 26,000 troops, but after much objection, only pulled 3,000 troops from the peninsula.

is the first objective, but this cannot be realized simply because it is the US' desire. As stated in the first five hypotheses, the US is not the only nation perceived as obstructing unification, rather China, Japan *and*, most importantly, North Korea must be on board for South Korea's goal to be realized. North Korea's goal is not unification under South Korea's conditions; rather its primary interest is survival.[25] The US would be extremely naïve to think pushing for unification would solve the nuclear issue in the short term.

In order to understand why the US does not push for national unification, one must look at what are US interests and strategy in East Asia, and more specifically on the Korean peninsula.

US Interests in East Asia

Like any country with a foreign policy and military with global reach, the international and regional interests of the US are directly related to its national interests. A summary of US vital national interests could be summarized in the following manner[26]:

- To prevent, deter, and reduce the threat of nuclear, biological, and chemical weapons attacks on the US or its military forces (*note: prevent attacks on the US, not prevent others from obtaining nuclear weapons*);
- To ensure US allies' survival (Korea and Japan) and their active cooperation with the US in shaping the international system;
- To prevent the emergence of hostile major powers or failed states on US borders (*note: not prevent the emergence of hostile powers abroad; while this may be important, it is not vital*);

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[25] Samuel S. Kim, *North Korean Foreign Relations*, p. 19.

[26] Graham T. Allison, Dimitri K. Simes, and James Thomson, *America's National Interests*, a report from the Commission on America's National Interests, 2000, http://www.belfercenter.org/publication/2058/americas_national_interests.html.

- To ensure the viability and stability of major global systems (trade, financial markets, supplies of energy, and the environment);
- To establish productive relations, consistent with American national interests, with nations that could become strategic adversaries (*note: China, Russia*).

US security concerns in East Asia, including the Korean peninsula, are consistent with these national security interests. Without falling into the debate on what is "vital," US principal interests in East Asia have been two-fold since the start of the Cold War:

- Holding backing a hostile hegemony, to prevent a rival nation from rising up to control the region's resources or its people;
- Maintaining the status quo, to ensure and promote regional stability via peace and prosperity, freedom of navigation, and open sea lines of communication with access to open markets.[27]

Since the Spanish-American war in 1898, the US has maintained significant military forces in the region. Furthermore, between 1941 and 1973, the US fought in three major conflicts to protect what were

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[27] *America's National Interests* (2000) is more specific in formulating its list of vital, extremely important, and important national interests in East Asia. They are worth noting: Vital that the US establish productive relations with China, America's major potential strategic adversary in East Asia; that South Korea and Japan survive as free and independent states, and cooperate actively with the US to resolve important global and regional problems. Extremely important that peace be maintained in the Taiwan Strait and on the Korean peninsula; that China and Japan achieve lasting reconciliation under terms that benefit America. Important that the East Asian countries, including China, continue on the path toward democracy and free markets; that East Asian markets grow more open to US goods, services, and investment; that a peaceful solution is reached to secondary territorial disputes such as those in the South China Sea or Senkaku Islands. Also see Andrew Scobell, "The US Army and the Asia Pacific," in Brian Loveman (ed.), *Strategy for Empire: US Regional Security Policy in the Post-Cold War Era* (Lanham MD: SR Books, 2004), pp. 69-100; Norman D. Levin, "US Interests in Korean Security in the Post-Cold War World," in Andrew Mack (ed.), *Asian Flashpoint: Security and the Korean Peninsula* (Canberra: Allen & Unwin, 1993), pp. 21-28.

considered at the time vital interests. US considers itself a Pacific nation, and its economic and security ties are clear examples of how the US has strengthened its relations in the region.

While there has been a lot of fanfare about US interests changing dramatically since the September 11 attacks, East Asia is probably the region where the US interests have seen the fewest changes in relation to its new war on terror. In specific terms, the US continues to work to meet China's rise, to curb nuclear proliferation and control an unpredictable North Korea. Due to the fact that Iraq continues to bog down the US economically, attention on East Asia has been of second tier. It is worth remembering that East Asia did not harbor any of the terrorists involved in the September 11 attacks. Niklas L. P. Swanström points to four important changes in US tactics that have affected the region.[28] Without a doubt, 9/11 has given Japan the opportunity to make adjustments toward becoming a "normal" state and also positively affected the US-Japanese alliance. President Bush's hard-line stance in the post-9/11 period has also made flexibility with North Korea more difficult when needed, even as North Korea continues to represent a traditional security threat to the US and its neighbors while acquiring WMD to become a non-traditional threat as well.[29] Of greatest relevance, the US has withdrawn several thousands of troops from South Korea to deploy them to Iraq and accorded an agreement with South Korea to relocate its DMZ troops to south of Seoul in Osan and Pyongtaek.[30] By 2008, there is expected to be 24,500 troops, a drastic reduction

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[28] Swanström, p. 10.

[29] Victor Cha points to the North Korea's ground invasion threat in the Cold War as compared to its proliferation threat and bargaining leverage with coercive deterrence. "The upshot of this for US security interests is that the current threat posed by North Korea is more complex and problematic than during the Cold War," "The Continuity Behind the Change in Korea," *Orbis*, No. 44 (Fall 2000), pp. 585-598.

[30] 5,000 troops will leave South Korea this year, 3,000 in 2005, 2,000 in 2006, and 2,500 in 2007 and 2008, "US agrees to slow S. Korea pull-out," *BBC News*, October 6, 2004.

from the traditional 37,000. Indeed, US foreign policy in the post-9/11 era has seen fewer changes in East Asia, but this is not to say its few changes have not had an indirect affect on the Korean peninsula.

US Interests and Support for Korean Unification

The strategic goals of US policy toward the Korean peninsula has been subject to very little change since it was first spelled out in 1953 under President Eisenhower's administration by the National Security Council (NSC).[31] While its means and methods have fluctuated, formally speaking, the US' two main objectives for the last 53 years have been:

- Create and maintain an effective containment system against North Korea;
- Encourage and cultivate cooperative relations within the ROK-US alliance via economic assistance, the reduction of tensions on the peninsula, and support of an inter-Korean dialogue and unification.

It could be argued that considering the greatest of North Korea's present-day WMD threat, a third objective should be added as a compliment to the goal of effective containment. The fact that the second objective, the betterment of inter-Korean relations may have hindered the realization of the first objective, does not necessarily mean neither of these were not US objectives in the past or in the present. Rather, the US did not foresee what might be a logically internal contraction or simply did not anticipate that North Korea could play South Korea's soft engagement policy against the US fear of the

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[31] NSC 170/1, as stated in Chae-jin Lee, *A Troubled Peace: US Policy and the Two Koreas* (Johns Hopkins University Press, 2006), p. 275. The NSC helped formulate and execute US policy on military, international, and internal security affairs.

proliferation of WMD. This is to say, North Korea has effectively driven a wedge between the ROK-US alliance by utilizing South Korea's sunshine policy (an approach to achieve the second objective) to weaken the traditional hard-hand of containment. Strategically speaking, containment was and continues to be the guiding principle in US foreign policy toward North Korea. Without a communist North Korea, there would be no ROK-US alliance.

In its attempts to contain the North Korean regime over the last half century, the US-ROK strategic relationship has rested on three basic pillars: The 1954 Mutual Defense Treaty, continuous bilateral consultations, and combined military forces. Further complementing this strategic relationship are the economic ties, shared values, and significant immigrant flows that have served to deepen the security binds over the last half century.

With an inverse relationship in regards to the ROK-US alliance, US-North Korean contact was basically non-existent for over four decades, except for a variety of critical crisis escalations, from the end of the Korean War until President Reagan's "modest initiative" in 1988, which allowed for unofficial non-governmental visits by North Koreans to the US and the relaxing of some stringent financial regulations on the North Korean government. After years of having no contact, the US government eventually realized that engagement was necessary: "We came to the conclusion that if you're really going to achieve some sort of semblance of peace on the Korean peninsula, the only way to do that is to take steps to try to open the place."[32] A "comprehensive approach" was recommended by the State Department during the Bush administration from 1990-1994 in which the normalization of diplomatic relations would be a good trade-off for North Korea's complying with the Non-Proliferation Treaty. In effect, this approach, although varying

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[32] Gaston Sigur, Assistant Secretary of State for East Asia and the Pacific in the Reagan administration. See Don Oberdorfer, *The Two Koreas: A Contemporary History* (Mass.: Addison-Wesley, 1997), p. 194.

in shape and size, became the basis for US foreign policy toward North Korea for the next 11 years until President GWB called for "complete, verifiable, irreversible dismantlement (CVID)" of all nuclear activities *before* the US would consider bilateral engagement, loans, aid, and security guarantees.[33] Just because US foreign policy in the post-9/11 era seems more aggressive toward North Korea does not mean the US is opting for pressure with the aim of collapse. It is misleading to propose that the US seek a regime collapse: "Regardless of what some neo-conservatives in the US have argued for, the policy of President Bush is not to destroy or force North Korea to a collapse. This simply out of a realist calculation of the possible consequences of such an incident, i.e., a preventive attack on South Korea and Japan by a North Korea in chaos."[34] William M. Drennan agrees that the US does not seek a North Korean collapse: "The US objective is neither to prop up the regime or system in the North, nor to seek its collapse; rather, the US shares South Korea's stated goal of seeking a manageable and peaceful process of change resulting in a reunified peninsula that contributes to peace and stability in the region."[35]

As Robyn Lim argued in 2003 for a withdrawal of US troops from South Korea, he points out the only US vital interest is the balance of power: "This presence is a relic of the Cold War, which now represents a hostage to North Korea, and inhibits the United States from pursuing a hostile policy towards Pyongyang. After all, America's only vital interest in the Korean peninsula is the defense of the US homeland against North Korean missiles - a capacity Pyongyang is expected to possess quite soon... After all, America's only vital interest in East

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[33] Clinton utilized what some have called "congagement" and even contemplated a possible armed conflict with North Korea in 1994. John Ferrer, *North Korea South Korea: US Policy at a Time of Crisis* (Seven Stories Press, 2003), p. 96.

[34] Swanström, p. 10.

[35] William M. Drennan, "Prospects and Implications of Korean Unification," *Policy Forum Online*, The Nautilus Institute, August 22, 1997, http://www.nautilus.org/fora/security/9a_Drennan.html.

Asia is to maintain a balance of power that suits its interests."[36]

Even as US presidents have modified their foreign policy toward North Korea over time, tuning and adjusting all of its deficiencies, the final objective is a non-nuclear peninsula. GWB and Clinton had strikingly different approaches to peninsular issues; but the goal never was out of sight - a nuclear free peninsula.[37]

US interests in East Asia and on the Korean peninsula are based on the need for stability. *One could define stability as the status quo if needed, but stability is more than that.* The status quo is one dimension of the stability, but maintaining and increasing stability might also necessitate changes to the status quo. Korean unification might be just that scenario change. Again, the fact that the US does not work *toward* unification is not the same as being opposed to it. The means cannot be confused with the end. Nonetheless, some scholars still insist that the US is opposed to Korean unification:

> Despite rhetoric about creating a 'permanent peace' on the Korean peninsula, Washington has no near-/medium-term interest in promoting reunification—and insiders will tell you so 'off-the-record.'[38]

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[36] Robyn Lim, "Korea in the Vortex," *China Brief*, Vol. 3, Issue 1, January 14, 2003, http://jamestown.org/china_brief/article.php?articleid=2372790; Carpenter and Bandow, *The Korean Conundrum*, pp. 128-130. These authors argue that we have no vital interests on the Korean peninsula to protect, thus we should withdrawal our troops. They state what is vital for South Korea is necessarily vital for the US, and even if protecting the ROK were vital, tens of thousands of troops are not necessary to protect the vital interests, i.e., we have vital interests in other parts of the world without stationing over 30,000 troops there. Furthermore, the logic goes that protecting vital interests does not require subsidizing the defense of South Korea forever.

[37] Jihwan Hwang, "Realism and US Foreign Policy toward North Korea: The Clinton and Bush Administrations in Comparative Perspective," *World Affairs*, Vol. 167, No. 1 (Summer 2004).

[38] "Great Power Interests in Korean Reunification," CSIS (October 1998), cited in Charles L. Pritchard, "Korean Reunification: Implications for the United States and Northeast Asia," presented at international symposium on peace and prosperity in Northeast Asia, January 13-14, 2005, pp. 6-7, http://www.brookings.edu/views/papers/fellows/pritchard20050114.pdf.

Although the South Korean perception and many a scholar's assertion that the US never had a unification policy, publicly the White House has a long list of public declarations sharing the same goal of unification as do the South Koreans.[39]

President Truman on New Year's Day 1949 states: "The United States government will endeavor to afford every assistance and facility to the new United Nations Commission on Korea established there under in its efforts to help the Korean people and their lawful government to achieve the goal of a free and united Korea."[40]

President Eisenhower wrote to President Syngmam Rhee in a 1953 letter concerning the Panmunjom Armistice:

> The moment has now come when we must decide whether to carry on by warfare a struggle for the unification of Korea or whether to pursue this goal by political and other methods...
>
> The unification of Korea is an end to which the United States is committed, not once but many times, through its World War II declarations and through its acceptance of the principles enunciated in reference to Korea by the United Nations. Korea is unhappily not the only country which remains divided after World War II. We remain determined to play our part in achieving the political union of all countries so divided. But we do not intend to employ war as an instrument to accomplish the worldwide political settlements to which we are dedicated and which we believe to be just. It was indeed a crime that those who attacked from the North invoked violence to unite Korea under their rule. Not only as your official friend but as a personal friend.
>
> The United States will not renounce its efforts by all peaceful means to effect the unification of Korea.[41]

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[39] Harrison, *Korean Endgame*, states, p. 107, "until 1992, the United States was not explicitly committed to reunification as a goal of US policy." According to Harrison, President Bush only publicly supported Korea's unification policy to cool the rising anti-American sentiment in South Korea.

[40] Harry S. Truman, White House statement announcing recognition of the government of Korea, January 1, 1949, http://www.presidency.ucsb.edu/ws/index.php?pid=13182&st=korea&st1=united.

[41] Dwight D. Eisenhower, letter to President Syngman Rhee of Korea concerning acceptance of the Panmunjom Armistice, June 7, 1953, http://www.presidency.ucsb.edu/ws/index.php?pid=9869&st=korea&st1=unification.

Along with a number of US documents and US presidential speeches throughout the second half of the 20th century,[42] President Carter's well-know assistant on National Security Affairs, Zbigniew Brzezinski, touched upon unification:

> ... during the recent visit to Seoul, President Park and President Carter jointly announced their desire to explore possibilities for reducing tensions in Korea with representatives of North Korea. Only through authoritative discussions between representatives of the North and South Korean governments can a framework for peaceful coexistence between the North and the South be established and progress toward eventual reunification of Korea be achieved. The United States is prepared to assist in that diplomatic effort.[43]

Ten days later, President Carter commented along the same lines in a dinner party with South Korean President Park in 1979: "We must take advantage of changes in the international environment to lower tensions between the South and the North and, ultimately, to bring permanent peace and reunification to the Korean peninsula."[44] Throughout the Cold War, there was a bipartisan agreement in Washington that the reduction in tensions on the peninsula is directly related to inter-Korean dialogue.

In a speech at the White House, President Reagan commented on President Chun Doo Hwan's visit to Washington:

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[42] Lyndon B. Johnson, joint statement following discussions with President Park of Korea, November 2, 1966, http://www.presidency.ucsb.edu/ws/index.php?pid=27977&st=korea&st1=unification; Lyndon B. Johnson, joint statement following discussions with the President of Korea, May 18, 1965, http://www.presidency.ucsb.edu/ws/index.php?pid=26971&st=korea&st1=united.

[43] Jimmy Carter, "United States Troop Withdrawals from the Republic of Korea," statement by the President, July 20, 1979, http://www.presidency.ucsb.edu/ws/index.php?pid=32622&st=korea&st1=unification.

[44] Jimmy Carter, Seoul, Republic of Korea, toasts at the state dinner, June 30, 1979, http://www.presidency.ucsb.edu/ws/index.php?pid=32564&st=korea&st1=unification.

> We also shared views that the endeavor to resolve the Korean question through direct dialogue between South and North Korea are more important now than ever before. At the same time we exchanged views on a wide range of diplomatic cooperation with a view to maintaining and strengthening peace on the Korean peninsula. The Korean government is making, in good faith, efforts through direct dialogue to do something about the antagonism and mutual distrust that have been allowed to accumulate over the years. We must ultimately achieve peaceful reunification of the divided land through democratic means.[45]

In the 1990s post-Cold War period, US documents or public speeches were quite a bit more eloquent in their formulation of long-term goals related to national unification, expressing them in optimistic language familiar and inspiring for the Korean peoples, as stated by President George Bush in 1992 in front of the Korean National Assembly,

> For 40 years, the people of Korea have prayed for an end to this unnatural division. For 40 years, you have kept alive the dream of one Korea. The winds of change are with us now. My friends, the day will inevitably come when this last wound of the Cold War struggle will heal. Korea will be whole again, I am absolutely convinced of it.
>
> For our part, I will repeat what I said here three years ago: The American people share your goal of peaceful reunification on terms acceptable to the Korean people. This is clear. This is simple. This is our policy.[46]

As stated by President Clinton in 1993,

> As the Cold War recedes into history, a divided Korea remains one of its most bitter legacies. Our nation has always joined yours in believing that one day Korea's artificial division will end. We support Korea's peaceful unification on terms acceptable to the Korean people. And when

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[45] Ronald Reagan, remarks following discussions with President Chun Doo Hwan of the Republic of Korea, April 26, 1985, http://www.presidency.ucsb.edu/ws/index.php?pid=38554&st=korea&st1=unification.

[46] "Korea Will Be Reunited, Bush Assures Lawmakers," President Bush's address to the Korean National Assembly in Seoul, South Korea, January 6, 1992, http://www.fas.org/news/skorea/1992/921006-rok-usia.htm.

> the reunification comes, we will stand beside you in making the transition on the terms that you have outlined. But that day has not yet arrived. The demilitarized zone still traces a stark line between safety and danger. North Korea's million men in arms, most stationed within 30 miles of the DMZ, continue to pose a threat. Its troubling nuclear program raises questions about its intentions. Its internal repression and irresponsible weapons sales show North Korea is not yet willing to be a responsible member of the community of nations.
>
> So let me say clearly: Our commitment to Korea's security remains undiminished. The Korean peninsula remains a vital American interest. Our troops will stay here as long as the Korean people want and need us here.[47]

As stated by President Clinton's US Secretary of State Winston Lord in 1996: "What are those long-term objectives on the Korean peninsula? US policy seeks to achieve a durable peace and to facilitate progress by the Korean people toward achieving national reunification. We look forward to the day when all Koreans will enjoy peace, prosperity, and freedom as well as constructive relations with their neighbors."[48]

Definitely President GWB has been more guarded in using optimistic references to the Korean peninsula, considering his distrusting disposition of the North Korean regime and undoubtedly for all the attention his "axis of evil" comments received. Nonetheless, President Bush has stated on a number of occasions his support for inter-Korean dialogue and for a reduction of tensions:

> And of course, we talked about North Korea. And I made it very clear to the President that I support his sunshine policy. And I'm disappointed that the other side, the North Koreans, will not accept the spirit of the sunshine policy...
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> In order to make sure there's sunshine, there needs to be two people, two sides involved. And I praised the President's efforts. And I wonder

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[47] William J. Clinton, remarks to the Korean National Assembly in Seoul, July 10, 1993, http://www.presidency.ucsb.edu/ws/index.php?pid=46829.

[48] Winston Lord speech on US policy toward the Korean peninsula, February 8, 1996, http://www.fas.org/news/dprk/1996/960208-dprk-usia.htm.

> out loud why the North Korean President won't accept the gesture of good will that the South Korean President has so rightfully offered. And I told him that we, too, would be happy to have a dialogue with the North Koreans. I've made that offer, and yet there has been no response.

There is no lack of diplomatic rhetoric supporting Korean unification. *It is the ordering of interests that truly highlights why South Koreans perceive the US as obstructing their primary national objective.* The US and ROK have shared one common interest since the end of the Cold War: Avoid another Korean War, or actively discourage any North Korean threat. As the DPRK became a real potential threat due to its search for nuclear weapons, preventing North Korea from obtaining nuclear technology also became of utmost importance. Because of a shared primary objective, the US and ROK were able to work together in the 1980s and 1990s to hinder North Korea's nuclear ambitions. However, as North Korea's military reach improved and South Korea's perception of its neighbor's true threat changed, the US and ROK secondary interests slowly drifted apart. The ROK secondary interests differ from the US secondary interests, and they could be crudely summarized in the following manner.[49]

ROK Interests	US Interests
· Avoid another Korean War · Discourage DPRK threat · Discourage DPRK WMD program	· Avoid another Korean War · Discourage DPRK threat · Discourage DPRK WMD program
Achievement of peaceful unification	Protect long-time allies (ROK and Japan)
Preventing the emergence of a regional superpower	· Maintain influence as regional superpower · Prevent any other power (Russia or China) from acquiring more influence over the Korean peninsula

[49] Young-Kil Suh VADM, "The Future of the US-South Korea Alliance," *Strategic Insights*, Vol. II, Issue 10 (October 2003), pp. 1-7.

This is to say, unification could be favorable for US' interest; at the same time, unification could work contrary to US' interests. *If US cannot assure its first, second, and third interests can be guaranteed, it will waiver before investing in a different and less important goal, i.e., unification.* Because so many variables affect the final outcome of unification, and unification is not clearly advantageous, the US will never actively push for that process to begin until the potencial outcome can be better calculated. In a word, the US only acts out of self-interest.

Major Power Interests

The interests of other major powers concerning the Korean peninsula do not differ much from those of the US. These shared interests look to maintain the status quo - save a concrete desire to "foster" economic growth - and include:

- Avoiding a renewal of the Korean War;
- Preserving peace and stability on the peninsula;
- Fostering continued economic growth;
- Preventing the proliferation of weapons of mass destruction;
- Preventing Korea from being dominated by, or aligned with, a hostile power.[50]

Any change in the status quo could also be detrimental to the interests of the other major powers, most specifically China and Japan, due to the economic competition, nationalist sentiment, and large middle-power status that a unified Korea would represent.[51] Ronald

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[50] Drennan, "Prospects and Implications of Korean Unification."

[51] Samuel S. Kim, *North Korean Foreign Relations*, believes China's main concerns are North Korea's survival and reform, then a non-nuclear peninsula, p. 50. Also see Carl E. Haselden Jr., "The Effects of Korean Unification on the US Military Presence in Northeast Asia," *Parameters* (Winter 2002-03), pp. 120-132; Christopher P. Twomey, "China Policy Towards North Korea and Its Implications for the

N. Montaperto states: "Because of domestic economic and political priorities, no nation - with the possible exception of North Korea - has an interest in disrupting the overall stability [or status quo] that prevails in the region."[52] Adding to the argument, Robyn Lim claims: "Therein lies the rub. It's illusory to think that Beijing will cooperate. China's vital interest in relation to the Koreas is to exert dominant influence over the process of reunification. Thus Beijing has every reason to keep propping up the regime in Pyongyang, lest it collapse and events spin out of control."[53]

Victor Cha, an extremely influential advisor to GWB, and Director for Asian Affairs at the National Security Council, goes one step further in his dead-on analysis:

> The peninsula's location in Northeast Asia and Korea's status as a small power surrounded by larger ones make Korea geostrategically critical to the major powers. One need only look at the past century, during which the United States, Japan, China, and Russia all fought at least one major war over control of the peninsula. So long as states vie for power and influence in the region, therefore, Korea will suffer the fate of the "shrimp crushed between whales." If the peninsula were located at the North Pole, unification through independent means might be possible, but its pivotal position is such that major-power interests are bound to be engaged in any changes on the peninsula.
>
> The complementary argument to *chajusong* [independence] is that all the major powers, their rhetoric to the contrary notwithstanding, wish to prevent Korean unification lest it upset the regional balance of power. Koreans are so indoctrinated in this view that it has become an unquestioned fact, and any evidence to the contrary is dismissed or simply ignored. This is a terribly overstated myth. The major powers, in particular the United States and Japan, do not oppose unification per se. They simply prefer the known status quo to an unknown and

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United States: Balancing Competing Concerns," *Strategic Insights*, Vol. V, Issue 7 (September 2006).

[52] Ronald N. Montaperto, "Asia Pacific," in Peter L. Hays, Brenda J. Vallance, and Alan R. Van Tassel (eds.), *American Defense Policy*, 7th edition (Johns Hopkins University Press, 1997), pp. 515, 514-522.

[53] Robyn Lim, "Korea in the Vortex."

> potentially destabilizing future. The primary objective of each major power on the peninsula with regard to its own security is to maintain the strange form of stability that has emerged since 1953 based on deterrence and stalemate. A suboptimal outcome, in the minds of all concerned with the peninsula, is still preferable to a change in the status quo that may lead in unpredictable and unpleasant directions.
>
> Nevertheless, were the two Koreas to begin a process of unification tomorrow, it would be wholly within the interests of the major powers to support it without prevarication. This is so because any actions to the contrary would risk making an enemy of the newly united and more powerful Korea. Thus, while the impetus for changing the status quo is not likely to come from the major powers, Koreans can be assured that once they start the process themselves the external powers would be obliged to support it, not out of affinity, goodwill, or loyalty (although these factors may be present), but because it is in their respective interests to do so.[54]

Under South Korea's unified conditions, even a change in the status quo would be detrimental to the Kim dynasty in North Korea. Considering that the US is the *least* Pacific country with interests in the peninsula, the possibility exists it could gain most - apart from South Korea - in future unification.

The fact that unification on the peninsula is not part of US interests does not mean it is opposed or obstructing the process. Rather, it could be argued just the opposite for the other major regional powers. It could be argued that the US is the only major power not predisposed to opposing unification.

> In comparison to the regional major powers such as Japan, China, and Russia, the US, being a distant interested party, does not face any immediate threat from Korean unification. China, Russia, and Japan could face refugee flows, economic disruption or even the possibility of armed conflict on or near their territory. In the longer term, a unified state of 74 million Koreans (UN estimates, 2006 revision) with all the nationalist sentiment of a recently divided state, presents a much bigger problem to China, Russia, and Japan, all of which have territorial disputes with one of the Koreas, than it does to the United States.

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[54] Cha, "The Continuity Behind the Change in Korea."

> Possibly, a liberated North Korea would be predisposed to good relations with the United States as has occurred in Eastern Europe. [55]

It is quite easy to argue that the US, amidst the rest of the major powers, is the ultimate obstacle to South Korea's desire for unification. However, its emphasis on the US as the primary snag is misguided, based on the fact that the US is not innately or directly opposed to Korean unification. Neither the US nor China will urgently push for unification, nor allow the Koreans to control their own destiny without some interference. Drennan correctively asserts: "In any case, while no outsider can impose a unification solution on Korea - and would be foolish to try - the major powers have significant stakes in the future of Korea, and are likely to see the fate of the peninsula as too important to be left for the Koreans alone to resolve."

South Korean emphasis should contemplate all the factors and variables that leave future planning uncertain for the US. These uncertainties, related to influence, power balancing, WMD, troop withdrawal, and regime collapse, are not only part of the vested interests of the United States, but rather play into the strategic planning, both for the present and future, of all the major powers involved on the Korean peninsula. Times have not changed so much on the Korean peninsula since the bipolar power struggle during the Cold War. Just as it was then, the major powers prefer the status quo to instability.

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[55] Conversation via email with the administrator of the webpage, http://www.korea-unification.net.

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A Vision of Asia

Victor D. Cha

Abstract

In a quiet and unassuming way, seven years of the Bush administration has left Asia in fairly good shape. Relations with China and Japan are strong. There is a multilateral process in place to denuclearize North Korea. Engagement with ASEAN countries has been deep. The United States is still viewed as the region's key provider of the public good. Academics who wrote about Asia as a "cauldron of conflict" after the Cold War predicted the complete obverse of this outcome. Bush-bashers will never give the administration credit, nor even acknowledge that there was a conscious strategy in place. But few would be willing to trade the current situation in Asia for any other period in recent history. Asia will be the fastest growing and most dynamic region of the world for generations to come. America is and will remain a Pacific nation drawn by trade, values, and history to be a part of the region's bright future. It will be incumbent on a new administration, Democrat or Republican, to keep Asia on an even keel by building on the accomplishments of the past seven years.

Keywords: Bush administration, China, Japan, ASEAN, the United States

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It has become commonplace to lament the demise of the US position in Asia. The conventional wisdom shared among pundits is that a confluence of trends, including power transitions, rising Asian nationalism, and bad US policy choices will be read at the eulogy of lost American leadership in Asia. This charge, while directed against all recent US administrations, has been most harshly made against the Bush administration. Critics argue that the administration has failed to deal with China's economic and political rise. Washington's singular focus on counter-terrorism has alienated many Asians. Distracted by self-inflicted wounds in Iraq, the administration has chosen not to participate in new regional groupings like the East Asia Summit, which reflects Asia's desire for a new political and security architecture. China has sought to position itself at the center of this growing economic and security regionalism; the United States, by contrast, has clung to an outdated bilateral alliance structure serving narrow US needs while not addressing larger regional issues or demands. Academics argued that weak US leadership would be compounded by Sino-Japanese power competition, the lack of institutions, and unresolved historical animosities to plunge the region into unmitigated rivalry.

The conventional wisdom on both counts is greatly exaggerated. The unconventional truth is that the US position in Asia is stronger than ever and Asia remains at peace. Purposefully or unwittingly, the United States is turning over to the next administration an Asia policy that is in fairly good shape. This is not only with respect to sustained US leadership but also in terms of managing balanced relations with key powers in North and Southeast Asia. The United States has achieved a pragmatic, results-oriented cooperative relationship with China. At the same time, it has deepened and strengthened the US-Japan alliance, effecting the biggest realignment of forces in Okinawa in over three decades while expanding the scope of US-Japan global cooperation. Moreover, Japan and China are improving bilateral relations creating a US-Japan-China triangular formula that is unique and beneficial to

regional stability. On the Korean peninsula, Washington has made significant improvements in the bilateral defense relationship with ally South Korea. In North Korea, a multilateral six-party process is in place that has achieved the shutdown of the DPRK's bomb-making capabilities and offers the potential for deeper cuts in the DPRK nuclear programs. And in Southeast Asia, the United States has managed a steady improvement in relations following from its leadership in responding to the 2004 tsunami.

Electoral histrionics in Japan, the United States, and South Korea dictate that few will give incumbent administrations any credit for these outcomes. In the US case, critics may even attribute Asia's good fortune to benign neglect as the administration's neoconservatives were focused on the Middle East and Iraq. Nevertheless, President Bush and his national security team can associate themselves with an Asia policy that overall has worked. The policy trap is that just as Asia is in a good place after seven years, it has the potential for getting worse. Election season in the United States has already begun to polarize the discussion on Asia between the two extremes of military competition (with China) and trade protectionism. Responsible candidates on both sides of the aisle must be mindful of several key policy parameters to avoid sending Asia off the rails.

Asia's Benefactor?

Pundits have made a career out of claiming that China is "eating our lunch" in Asia. As Beijing builds its military capabilities, it is pressing for free trade agreements with ASEAN nations, Australia, New Zealand and others; at the same time, it is occupying central positions in different regional arrangements including the ASEAN Plus-Three (Japan, Korea, China), the Shanghai Cooperation Organization (China, Russia, Kazakhstan, Tajikistan, Kyrgystan), and the East Asia

Summit (everyone except the US). International relations theorists define this as a power transition where China displaces the US as the region's new benefactor.

A power transition may come to Asia someday, but not anytime soon. What gets missed in all the hand-wringing about who becomes Asia's next number one is this -- in order to be the region's benefactor, the lead power must be willing and capable of providing for the public good. What made the United States the hegemon in the west after World War II was not just that it provided markets for the recovering European and Asian economies, but also that it provided the collective good of security. In Asia today, China offers a vast market, but it has not demonstrated the capability as a public goods provider. Nowhere was this more apparent than in the response to the Tsunami disaster that swept South and Southeast Asia in December 2004, where China's response was slow and meager.

The world was unprepared for the scale of this natural disaster which took over 280,000 lives and displaced over 1.8 million people. When no one had the infrastructure or mandate to coordinate a response (especially in devastated Aceh), the United States responded within 48 hours through the formation of a "Tsunami Core Group" of key bilateral allies, Japan, Australia, and India, and organized the largest emergency disaster relief mission in modern history which included over 16,000 US military personnel, two dozen ships, and 100 aircraft for rescue and relief operations (at a cost of some $5 million per day) providing some 24 million pounds of relief supplies and equipment.[1] These efforts provided both the time and the infrastructure for UN agencies to mobilize and get on the ground. In the aftermath of the tsunami, the United States also worked with regional players on a tsunami early warning system and in rebuilding devastated areas.

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[1] Ralph Cossa, "South Asian Tsunami: US Military Provides 'Logistical Backbone' for Relief Operation," *Ejournal USA*, March 2005, http://usinfo.state.gov/journals/itps/1104/ijpe/cossa.htm, accessed July 30, 2007.

When a crisis of the tsunami's magnitude occurred, the automatic reflexive reaction of everyone was to look to the US for leadership. When the White House communicated with Asian leaders, they all sought out US capability and will to provide the collective good. Despite the hype about China's economic and political weight in Southeast Asia, Beijing was not expected nor willing to lead beyond small contributions of relief assistance and a medical team. There is still only one true leader in Asia, whether the United States covets this role or not.

China as a Responsible Stakeholder

This is not to argue that the United States basks in the triumph of a zero-sum competition for influence in Asia with China. On the contrary, the Bush administration has moved from a China policy that was confrontational at the start (marked by a difficult altercation over a US EP-3 spy plane in April 2001) to a hard-nosed yet cooperative dialogue resting on three bilateral channels: the Senior Dialogue, the Strategic Economic Dialogue (SED), and the relationship between the two leaders. The key concept for the relationship is China as a "responsible stakeholder." Coined by former Deputy Secretary of State Robert Zoellick, the stakeholder principle calls for China to become a more responsible player on regional and global issues. The Chinese leadership has welcomed the concept because it connotes American acceptance of China's rightful place in the world, and because it accepts that China's growth is not a zero-sum game, and can lead to cooperation on numerous global issues. This has even allowed for Washington and Beijing's discussion on democratic values in ways that are not meant to isolate China, but demonstrate the benefits of greater political liberties as China seeks its proper place in the world. Asia's future is always better when the United States can accept that there are benefits to

China's rise; and China can view a discussion of democratic values in constructive rather than confrontational terms.

In this regard, the four meetings of the Senior Dialogue, led at the Deputy Secretary level by John Negroponte and Dai Bingguo, have covered a broad range of global issues, and produced good cooperation on counter-proliferation problems like North Korea and Iran, and on devising a post-Kyoto climate policy. The Senior Dialogue has been less successful on human rights and Chinese policy toward Africa. But in both cases, deliberate and continuous US persuasion coupled with the spotlight of the Beijing Olympics is likely to compel improved Chinese behavior over the coming year.[2]

The SED, newly created by Treasury Secretary Paulson, seeks to manage difficult issues like intellectual property rights and currency valuation at a high political level, not just at the bureaucratic working-level. This dialogue has been criticized as ineffective, which is unfair given that it has only met twice. It has made modest progress on pushing Beijing for currency revaluation (the reminbi has appreciated 9.4% seen mid-2005), and some progress on China's clampdown against software piracy. Trade tensions with China are now undeniably high - 27% of current commerce anti-dumping orders are on Chinese goods; USTR has authorized four cases against China in the WTO since last year; and Congress threatens legislation to slap tariff on all goods made in China - but the SED signals to the region the US commitment to manage trade tensions through high-level negotiations, rather than through trade wars. Paulson's July 2007 trip to Beijing represented part of this effort to deal with currency reform and the recent concerns over food safety. The SED will never solve every economic problem we have with China, but it has the full backing of the White House, and will show greater gains in the future.

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[2] See Victor Cha, *Sports Diplomacy in Asia and the Beijing Olympics,* book ms., (forthcoming 2008).

Discussions between Presidents Bush and Hu constitute the least formal, but the most important aspect of relations. From early on, the White House understood that the most effective way to get things done in China is at the very top, and so the administration worked to cultivate relations with Jiang Zemin and then Hu Jintao. The two leaders can pick up the phone and hold frank conversations when real action is needed on pressing issues. While these relations are not trustworthy, one could say that both sides deeply value the need to deliver on commitments made through this channel. This channel was particularly important to forge a firm UN Security Council resolution in response to North Korea's October 2006 nuclear test, and to laying out the diplomatic path that eventually resulted in the February 13 denuclearization agreement shutting down the North's only known operating nuclear reactor.

The strength of the relationship pays dividends in other quiet but critical ways. Despite Chen Shuibian's efforts to push the envelope on independence in the run-up to the March 2008 Taiwan elections (including the recent application for UN membership), China has for the most part avoided a belligerent response because it remains assured that Washington harbors no goodwill towards these electoral antics and considers them a risk to the peaceful status quo in the Straits. Contrary to academic predictions of Sino-Japan rivalry, Beijing has remained conspicuously quiet in the face of Japanese Prime Minister Abe's much-publicized steps to make Japan a more "normal" military nation. At the core of China's non-response again, is confidence in US-China relations, and an understanding that the United States views any changes in Japan's security profile as being bounded by the US-Japan alliance. These significant non-events reflect a stable US-Japan-China triangle that contributes to regional stability in a way unforeseen by those who predicted postwar conflict in Asia. The US still engages in a tough dialogue with China on the arms buildup against Taiwan, the expanding defense budget, and its drive for an anti-satellite capability.

The difference today is that these hard-nosed discussions constitute one part rather than the entirety of the relationship. After seven years, a good balance has been struck between the competitive aspects of US-China relations and pragmatic cooperation on global issues. The destabilizing structural forces cited by power transition theorists in Asia never accounted for good policy choices by the US, Japan, and China.

Japan's Global Alliance

The improvements in US-China relations take place at a time when US-Japan alliance relations have reached unprecedented heights. Pundits are incorrect to characterize the closeness only in terms of the Bush-Koizumi friendship. While there was an uncanny chemistry between the two men (unhindered by language and bolstered by Elvis!), these leadership ties reflected a decision by the White House to reinvest in Japan as the key ally in Asia. One aspect of this investment has been the Pentagon's overhaul of US force posture in Japan. This base realignment -- the most significant in 30 years - includes moving the Marines (3rd MEF) in Okinawa to Guam, the transplanting of certain key but dangerously congested facilities in Okinawa, including Futenma air base, and the creation of joint training facilities in Guam. The changes will enable greater interoperability between the two militaries, will give the US a more mobile force posture in the Pacific (including a nuclear carrier at Yokosuka), and will reduce civil-military tensions with Japanese host communities, thereby ensuring long-term domestic support for the alliance.

The second aspect of the investment in the Japan alliance has been to broaden its political scope based on common values. Showcased at the Bush-Koizumi summit in June 2006 and Bush-Abe summit in April 2007, the "global alliance" concept states that American and

Japanese values of liberal democracy, free markets, rule of law, and human rights cause the two countries to share common objectives globally. This has resulted in unprecedented steps by Japan into the international arena, including the deployment of ground forces in Iraq for humanitarian operations, flying C-130 coalition supply missions, and taking on the second largest donor role in Iraqi reconstruction with an assistance package valued near $5 billion USD. In support of Operation Enduring Freedom, Japan has deployed two naval vessels in the Indian Ocean that provide critical water and refueling services for coalition countries fighting in Afghanistan. At the Bush-Abe summit in April, Japan committed to continuing both operations as well as stepping up assistance to the FATA region in Pakistan. Japan has also participated with the United States to improve the business climate in Indonesia, to refurbish schools in Pakistan, and to supporting the EU-3 in negotiations with Iran. These constitute hugely important and unprecedented steps by Japan that need to be held out as the new norm in Japanese foreign policy.

Critics would see Japan's commitment to the US-Japan global alliance as a fig leaf for resurgent nationalism, given Abe's unapologetic views on history and his drive to remove taboos on use of the military. But as Japan grows its security profile to become more of a global player, it does so wholly within the context of the US-Japan alliance, which should be comforting to the region. Moreover, Abe's October 2006 visit to Beijing followed by Premier Wen Jiabao's wildly popular visit to Japan in April 2007 helped thaw Sino-Japan relations that had gone chilly under Koizumi. Abe's precipitous collapse from power does not undercut his foreign policy accomplishments with Beijing. It cannot be over-emphasized how the current algorithm of US-China-Japan relations is both unique and beneficial to regional stability. Historically, Asian states grow concerned whenever the United States grows too close to Japan (to contain China), or too close to China (i.e., power condominium) at the expense of smaller regional powers. The best

choice is what has attained after seven years: a cooperative US-China relationship, a strong US-Japan alliance, and good relations between Japan and China.[3]

"Bush Lost Korea?"

Five years ago, policy pundits and academics were openly predicting the end of the US-ROK alliance. Anti-American demonstrations in the streets of Seoul in 2002; and the election of a leftist South Korean president conveyed that the two allies have just grown too far apart. Critics further blamed President Bush's "axis of evil" designation of North Korea as leading young South Koreans to define the United States as a greater threat to peace on the peninsula than North Korea. The verdict was that Bush would lose Korea -- an ally in the South, and the non-proliferation battle in the North.

However, the United States appears to be handing over a Korean peninsula that falls far short of these gloomy predictions. The alliance has seen more positive changes in the past five years than in any half-decade period in the alliance's history. Washington and Seoul agreed on a major base realignment and restructuring agreement including the return of over 60 camps to the ROK; and the move of US Army headquarters (Yongsan Garrison) out of the center of Seoul. Another watershed agreement was reached on the return of wartime operational control to the ROK by 2012. As is the case in Japan, these changes maintain the US treaty commitments to defend its ally while reducing civil military tensions with the host nation. The two governments also

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[3] The point often made about Japan's need to handle history issues more like Germany seems ever more appropriate given Japan's more ambitious foreign policy aspirations. The US can and has quietly advised all parties to take a more forthright view on resolving historical issues through dialogue, and has reminded all that historical issues by definition are intractable; hence sensibilities must prevail among all parties to cooperate pragmatically when needed.

inked a free trade agreement (FTA) in June 2007 that defied everyone's expectations. Although congressional support is weakening (discussed below), this stands as the largest bilateral FTA yet for the US and has sparked interest by other regional players in a FTA.

On the diplomatic front, the White House oversaw the creation of an informal but highly effective channel between the two national security councils, and the creation of a formal new Strategic Consultation for Allied Partnership (SCAP) dialogue between Secretary Rice and her counterpart. These new institutions expanded the scope of US-ROK alliance beyond the peninsula to areas of mutual global concern. Akin to the "global alliance" concept for Japan, the ROK proved to be an important coalition partner in Iraq, providing the third largest contingent of troops that performed everything from humanitarian operations to protective missions for USAID and UN offices. The ROK provides logistics support and a field hospital in Afghanistan. And in Lebanon, the ROK contributed some 350 troops for PKO operations. These alliance accomplishments are impressive when one considers the starting point. Anyone who had bet in 2002, that Roh and Bush would be working together in Iraq and Afghanistan, completing base moves, and concluding a bilateral FTA would indeed be rich today.

Testing DPRK Intentions

The next US administration will find a diplomatic process firmly in place to denuclearize North Korea. Under Secretary Rice, National Security Advisor Hadley, and negotiator Christopher Hill, the US has worked with China, South Korea, Japan, Russia and the DPRK to create a denuclearization roadmap, known as the September 2005 Joint Statement. The first implementation step was taken with the July 2007 shutdown of the Yongbyon nuclear facility from which the DPRK made plutonium for nuclear bombs, and the reintroduction of the

IAEA for the first time in five years. The six parties aim to achieve by the end of 2007 a full declaration (including HEU, plutonium, and nuclear devices) and permanent disablement of all DPRK nuclear facilities and activities, effectively taking us further in denuclearizing the DPRK than ever before. The goal by the end of 2008 would be to dismantle the existing weapons. At the same time, concerned parties would provide energy assistance, and the US and Japan would begin normalization discussions with the DPRK. At an appropriate time, concerned parties would begin a discussion on a permanent peace regime for the peninsula and the subject of a light water reactor for the DPRK.

Despite these accomplishments, widespread criticism of the policy abounds. For liberals Bush labeled the DPRK leader as "evil" and pursued a policy of "regime change" that tried to pressure the regime into obedience, but led ultimately to the October 2006 nuclear test, after which Bush reversed course. The conservatives criticize Bush for inconsistency. The administration had the right get-tough mindset for dealing with Pyongyang, but gave up its strong financial instruments and a UN security council resolution to pressure Kim Jong Il for a temporary shutdown of Yongbyon - a symbolic victory that guarantees nothing in terms of validating the DPRK's denuclearization intentions. In short, the administration has been both unilateral and inconsistent.

These criticisms however mistake tactical shifts for strategy. In fact, three core principles have systematically guided US policy toward the DPRK over the past seven years. First, the United States remains committed to a peaceful diplomatic solution. Despite speculation that the administration was considering coercive options and/or regime change, and notwithstanding the obligatory proclamations by any responsible leader that all options, including military, must be on the table, peaceful diplomacy was always the only practical solution. At no time did any high-level White House official advocate or present in six-party capitals the option of regime change, contrary to the pundits'

views.

The second principle is that the DPRK nuclear problem must be dealt through a multilateral approach. After the breakdown of the 1994 US-DPRK nuclear agreement, the view was that a return to diplomacy must integrally involve key regional players that have material influence on the DPRK, especially China. The United States could not afford another bilateral negotiation with the DPRK in which China would free-ride on US efforts to solve the problem, but refuse to support any pressure while providing backchannel aid to Pyongyang to avoid regime collapse. China's hosting of the six-party talks has forced them to take ownership of the problem as "Chinese face" has become intertwined with preventing a nuclear North Korea. At each critical point in the crisis, US-China cooperation has been important to achieving the desired outcome. This was the case with regard to Chinese unprecedented support for two UN Security Council resolutions 1695 and 1718 in response to the DPRK's missile and nuclear tests in 2006. China has pressed the DPRK, moreover, in material ways that will never show up in trade figures but have had a real impact. Pyongyang's palpable distrust of Beijing is perhaps the most credible indicator of this new dynamic. A relationship once described "as close as lips and teeth" is no longer the case. Any future administration would be wise to maintain this cooperation.[4]

The third principle behind US policy has been to negotiate with the purpose of testing DPRK denuclearization intentions. The popular

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[4] The emphasis on multilateral talks has never precluded direct contacts with the DPRK. Bilateral contacts have always been authorized as part of the six-party talks; extensive meetings with the DPRK took place during all six-party sessions as well as during intersessional periods. There is no denying that Bush's second term has seen more direct contacts, but this is hardly a policy reversal. Any understandings reached in DPRK bilaterals are always brought back to China and the six parties for formal deliberation and agreement. For critics to focus on the modalities of meetings, moreover, misses the core driver of policy outcomes which was the DPRK's unwillingness to engage and negotiate seriously. Once they did so, the five other parties remained willing to move forward.

criticism is that Washington only started to negotiate seriously after the October 2006 nuclear test. This inaccurately reflects the record of past diplomatic outreach to the DPRK. As early as October 2002 when Assistant Secretary Jim Kelly confronted the DPRK about their covert HEU acquisitions, he did so in the context of a larger proposal - a bold approach - that explained how denuclearization could bring Pyongyang an entirely new relationship with the US. In June 2004, another proposal by the US, Japan, and South Korea was put forward at six-party talks which the DPRK rejected after a 14-month delay. When the DPRK finally agreed to the September 2005 Joint Statement, the administration's singular focus has been to methodically test whether Pyongyang is serious about its commitment made for the first time to all six parties that it would verifiably and promptly "abandon all nuclear weapons and existing nuclear programs."

In this regard, the December 2006 US-DPRK meetings in Berlin, Germany remained consistent with the strategy of systematically deciphering DPRK intentions. The instructions were to negotiate a test of whether DPRK is serious or just trying to wait out the administration. The venue was different (i.e., not Beijing), but this reflected less any US concession and much more the DPRK's palpable distrust of China - a reflection of the success of the strategy. The Berlin meetings provided the basis for the Chinese to put together the February 13 Initial Actions agreement at the ensuing round of six-party talks. This agreement, even the critics acknowledge, represents a good test of DPRK intentions with clear timelines and clear actions to be taken by Pyongyang. Granted there have been delays, but the parties have achieved as of summer 2007 a shutdown of Yongbyon, and the reintroduction of IAEA monitors. The October 2007 "Second Phase" agreement should result in a disablement of the Yongbyon reactor and a nuclear declaration by the DPRK.

Demonstrating US Political Will

Conservatives in Washington were outraged in April-May 2007 when the Bush administration succumbed to DPRK's demands for the release of $25 million in assets held at Banco Delta Asia (BDA) in Macao without which Pyongyang refused to shut down Yongbyon in accordance with the February 13 agreement.[5] The United States agreed to facilitate the transfer of the money out of BDA through the US Federal Reserve to a North Korean Foreign Trade Bank account in Russia. All attributed this flexibility to a weak administration, distracted by Iraq, and desperate for a foreign policy victory.

These steps, though controversial, remained consistent with a strategy of systematically testing DPRK intentions. One way to test the other side is to exhibit political will. Some may argue that US backtracking on the BDA issue followed by Hill's visit to Pyongyang shows American weakness. But what Asia has always asked of the United States is to show true political will to deal with the country. Despite missed deadlines by the DPRK, the US has exhibited unusual political will and patience informed by a longer-term view to move beyond an IAEA-monitored temporary shutdown of Yongbyon to a permanent disablement of the facility by the end of the year, which would take us farther than any previous administration has gotten in shutting down plutonium production permanently. However little DPRK plutonium can be produced at Yongbyon still has a half-life of over 100,000 years; it is in no one's interest for the DPRK to make any more fissile material. The same actions that an ideological few at home have seen as weakness are widely interpreted in Asia as US leadership.

How far will the US go to "test" the DPRK? As is often the case in the policy world, this is a judgment call made by the President and

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[5] The funds were frozen by the Macao monetary authority in response to legitimate actions by the Treasury Department to protect US financial institutions against DPRK money-laundering activities at the bank.

his national security team as events evolve. The administration may engage in normalization talks with the DPRK or four-party discussions on a peace treaty ending the Korean War, but will never conclude either of these discussions without the final phase of nuclear dismantlement. This is because no US administration, Republican or Democrat, will normalize relations or conclude a peace treaty with a North Korean nuclear weapons state. Conservatives should have no gripe with that. The Roh government' inter-Korean summit agreement of October 2007 features the idea of a leaders' meeting to end the Korean War. The concept of ending the war is something the Bush administration believes in, but as the President stated at the 2007 Sydney APEC meeting, the likelihood of this happening without full denuclearization by the DPRK is small. As we enter the "final phase" of the negotiation in 2008, it will be critical for the new ROK administration to ensure that the $11 billion in economic projects promised by the Roh government to the North is carefully coordinated with progress in six-party talks. If inter-Korean cooperation is meted out in this fashion, then the parties will have a very powerful bargaining chip to end the North's nuclear weapons programs.

In sum, the Bush administration has not suddenly become wide-eyed optimists on North Korea. Instead, it pursues a systematic diplomatic strategy designed to test the DPRK. If Pyongyang proves to be serious, then the six-party partners will press the negotiation harder, moving to the final phase of nuclear dismantlement in 2008. However, if Pyongyang does not implement the February 13 agreement, then it will be clear to all where the blame sits for the breakdown of the agreement, and all five parties must be prepared for tougher measures.

The New Regional Architecture of Asia

Academics have long argued that the United States lacks serious

thinking on a future regional architecture. Over the past several years, however, a US vision for a new architecture has begun to emerge and take root. It has none of the fanfare of organizations like the EAS, which are shiny, new regionwide structures in search of a purpose. The US-sponsored vision is quiet, incremental, and less formal but very real. The emerging new architecture is a patchwork constituted of deep engagement with Southeast Asia, a regional security system in Northeast Asia, and a network of interconnecting US bilateral, trilateral, and multilateral institutions that deal with extant security problems. Moreover, it is a vision that includes China, and seeks to operate in spite of residual historical animosities.

The American view on membership in regional organizations in Asia has always been one based on results rather than rhetoric. In this regard, APEC remains the premier regionwide institution in the Asia Pacific devoted to trade liberalization, sustainable development, environment, and security, which is why the US has recently significantly increased its financial commitment to the organization. Washington's reticence in joining EAS stems not from disinterest, but because the organization has not yet demonstrated how it is differentiated from, or adds value to, existing regional groupings. US interest in the EAS may grow as its role becomes clearer and is not duplicative of APEC, but in the meantime, the US can still work through proxies like Australia, New Zealand, and Japan.

Rather than EAS, Washington has bolstered its regionwide engagement with ASEAN. The pundit criticism that US focus on counter-terrorism has alienated the United States in Southeast Asia is about three years out of date. US policy immediately after September 11 did indeed focus on counter-terrorism and succeeded in disrupting planned terrorist attacks and the operations of Jemaah Islamiya, the Abu Sayaf Group, and other Al Qaeda-related organizations in Southeast Asia, saving an untold number of American, Indonesian, and Filipino lives. But any serious analyst will notice that more recently the United States

has avoided the one-note counter-terrorist label and has presented a strong record of ASEAN engagement. President Bush inaugurated on the sidelines of APEC an annual meeting of attending ASEAN leaders, and established the US-ASEAN Enhanced Partnership as a multilateral framework for partnership on issues ranging from counter-narcotics to good governance. To expand trade, the US has created a network of bilateral Trade and Investment Framework Agreements (TIFAs) and FTAs with Singapore and other ASEAN nations known as the Enterprise for ASEAN Initiative. The US led a multilateral effort to contain Avian Influenza (including in Burma), and to cope with HIV/AIDS in Vietnam. It signed a Strategic Framework Agreement on security cooperation with Singapore in 2004, and utterly transformed ties with Indonesia after the 2004 tsunami with the restart of comprehensive military-to-military ties and a $156 million Education Initiative. US-Vietnam relations have been bolstered by President Bush's visit to Hanoi in November 2006, and the recent visit of President Triet to Washington. Thailand and the Philippines under Bush were both declared major non-NATO allies. The Pentagon continues to provide top-quality military training including Cobra Gold which is the premier multilateral exercise in Asia. Power transition theorists might argue that these US efforts clash with that of the Chinese in Southeast Asia. Absolutely not. Washington welcomes China to step up and play a role as a real problem-solver. The decision by Bush to forgo a 30th anniversary US-ASEAN summit in Singapore en route to the September 2007 APEC in Sydney is unfortunate, but serious ASEANs would still agree that no administration in recent history has done more to engage with them.

Networks and Patchworks-Multilateralism...in 2's, 3's, 4's and 5's

Skeptics complain that the US fixation on its bilateral alliance structure is "prehistoric" and stands at odds with efforts to build Asian

multilateralism. But as noted above, when the 2004 tsunami put hundreds of thousands of lives at risk, the only "institution" that worked was a multilateral response and relief effort fashioned out of US key bilateral allies Japan, Australia, and India. Not bad for a dinosaur.

The US alliance network is a necessary part of the future regional architecture. But the United States has been experimenting quietly with a "networking" of the alliance structure. This entails a branching out of partnerships among and between existing bilateral alliances in Asia in order to pool resources to address various extant problems. For example, the US-Japan alliance and US-Australia alliance have both undergone revisions in their own right to help prepare the alliance for the future (FTA and missile defense in Australia), but the new innovation has been Canberra's promotion of a US-Japan-Australia trilateral strategic dialogue (TSD) in 2005 to address issues like missile defense; counter-proliferation; maritime piracy; climate and environment; disaster relief; and UN reform. Japan and Australia also signed their first-ever bilateral security declaration. In a similar vein, former Prime Minister Abe personally took to Singh, Howard, and Bush his idea of a "quadrilateral" grouping of the US, Japan, India, and Australia focused on regional disaster preparation and relief based on the experience of the tsunami core group. There have also been discussions on the formation of a partnership of Asian democracies involving the Quad countries plus South Korea and Indonesia. The largest and most well-established of these networks is the six-party talks, chaired by China. This is the first multilateral security forum in Northeast Asia, and the hope of the US, China, Russia, and the others is that it could become the basis of a broader regional security regime. One component of this regime would be a four-party forum to discuss an end to the Korean War. The other would be to transform the six-party talks into a Northeast Asian Peace and Security Regime - the first of its kind in the region.

Academics predicting regional rivalry in Asia after the Cold War never anticipated the adaptability and centrality of US alliances to a new

regional architecture. What will work in Asia is not a shiny new structure like EAS, but a combination of deep US engagement with ASEAN, the continued importance of APEC, and an evolving regionalization or networking of the US alliance architecture in Asia. Increasingly, the latter will not be defined only in pairings of two (i.e., bilateral). The new regional architecture in Asia will see a patchwork of bilaterals, trilaterals, quadrilaterals, five-party, and six-party networks that will overlap and interconnect as they deal with different issues. China, moreover, is an integral part of these overlapping structures. Regional architectures in Asia are not a zero-sum game in which US involvement means China's exclusion or vice versa. Critics erroneously point to ASEAN Plus-Three (i.e., Japan, ROK, and China) as showing that the US is losing out in Asia and is against such structures. On the contrary, the US welcomes groupings like the Plus-Three as part of the region's patchwork that promote better relations among the key Northeast Asian powers despite historical animosities.

Election 2008 and Asia Policy

In a quiet and unassuming way, seven years of the Bush administration has left Asia in fairly good shape. Relations with China and Japan are strong. There is a multilateral process in place to denuclearize North Korea. Engagement with ASEAN countries has been deep. The United States is still viewed as the region's key provider of the public good. Academics who wrote about Asia as a "cauldron of conflict" after the Cold War predicted the complete obverse of this outcome. Bush-bashers will never give the administration credit, nor even acknowledge that there was a conscious strategy in place. But few would be willing to trade the current situation in Asia for any other period in recent history.

The policy trap is that just as things are pretty good, they can get

quite bad. Presidential primary season in the US threatens to undo the delicate balances that have been struck as the candidates' view of Asia gravitates to two extremes. On the Republican side the focus will turn to China's attempt to displace the US in Asia, and its threat to Taiwan. Discussions of stakeholder cooperation with Beijing will be overtaken by discussions of China's defense budget, missile buildup, growing submarine fleet, and anti-satellite capabilities all designed to deny the US military's ability to flow forces to the region.

At the other extreme will be the view of Asia in terms of trade protectionism. The focus, in particular, will be on China's $233 billion trade surplus with the United States, its $1 trillion-plus in foreign exchange reserves, its undervalued currency, the safety of its exports, and the perceived threat to American jobs. This has already become apparent since the November congressional elections with legislation that attempts to designate China as a currency manipulator and slap a uniform tariff on all Chinese goods. Moreover, this protectionist view of Asia will not spare US allies. Earlier versions of the China currency legislation also lumped Japan in; and at least two Democratic presidential candidates have already come out opposed to the FTA with South Korea.

This electoral posturing could have real unintended consequences in Asia. The polarized debate in the US could be viewed as the new reality in Asia. Couple this with Beijing's assessment that the current administration is a lame duck, then Beijing may feel the need to lay down some markers with the future US leadership. It may, for example, abandon its restrained position on Taiwan and react as it had done in the past. In a new environment of disintegrating US-China relations, it may feel the need to oppose more openly Abe's attempts at growing Japan's military. Debates on Asia need to move back to a pragmatic political center after the primaries and hopefully before any lasting damage is done.

Keeping Asia on an Even Keel

By every demographic metric, Asia will be the fastest growing and most dynamic region of the world for generations to come. America is and will remain a Pacific nation drawn by trade, values, and history to be a part of the region's bright future. It will be incumbent on a new administration, Democrat or Republican, to keep Asia on an even keel by building on the accomplishments of the past seven years:

Assert that America is an Asia Pacific power - The guiding principle of a future administration's Asia policy should be that Asian and American interests are best advanced by investing in our bilateral alliances based on common values; pursuing free and fair trade with the region; and enlisting regional partners for multilateral solutions to difficult security problems.

Encourage Chinese stakeholding, Japanese global relevance - US interests and Asian stability will be best served in the future by maintaining the balance between a pragmatic, working relationship with China and deepening alliance cooperation with Japan. With China, it will be critical to forge a broad-based relationship in which the US can have a tough dialogue on military issues but at the same time push China to contribute to resolving global issues like counter-proliferation, climate and energy. The United States should continue to encourage Japan to step up its international involvement as it has done in Afghanistan and Iraq. A future administration might also quietly press for more deregulation and economic reform in Japan, which has helped spur Japan's economic recovery.

Press for free and fair trade - A future administration will need to support current FTAs in Asia as well as seek a renewal of trade promotion authority to negotiate new ones. A key component of US leadership in

Asia is our support of free trade. The Bush administration at APEC in Hanoi in 2006 announced US interest in a free trade area for the Asia Pacific. It has also negotiated FTAs with Singapore, Australia, and most recently South Korea that have raised US exports to Asia in everything from dog food to airplanes. Congress is opposing the Korea FTA and presidential candidates are playing to campaign crowds. The fact is that breaking down trade barriers in Asia (particularly in service sectors which accounts for some 80 percent of US GDP versus manufacturing at 14 percent) creates new high-skill jobs and helps the US economy. Without these FTAs, the US will operate at a comparative disadvantage as the EU and China negotiate their own agreements in Asia. It's also a fact that Congress supported the Korea FTA, then asked for revisions (which US negotiators achieved), and then changed their mind. A more responsible position is needed than what is coming out of Congress and some of the presidential candidates on trade.

Build a Northeast Asia security institution - A future administration should carry through with aspirations to turn the six-party forum into an embryonic Northeast Asia Peace and Security regime. The first critical step in this regard is the creation of a Northeast Asian Security Charter - a statement of core security principles, norms, and understandings about the promotion of peace and prosperity. A historic accomplishment, these principles could include, for example, mutual respect for sovereignty; support for a non-nuclear Asia (outside current Perm Five states); and a commitment to strive for pragmatic cooperation despite historical animosities.

Encourage trilaterals, quadrilaterals and other multilateral groupings to grow out of the existing bilateral alliance structure - A future administration can contribute to the new architecture of Asia by viewing positive sum links between US bilateral alliances and regional multilateralism. The key for these groupings is that they must serve

some extant purpose whether this be tension-reduction or confidence-building. Three in particular that might prove useful are US-Japan-South Korea discussions OPCON transition, base realignments, and a Seoul-Tokyo security declaration; US-Japan-China to discuss Abe's national security agenda and China's military budget; and US-China-South Korea to discuss the future of the Korean peninsula.

Give face to Southeast Asia - A future administration needs to allot the appropriate time to meet with Southeast Asian leaders where a small investment in summitry pays enormous dividends. In the crunch of scheduling an already over-scheduled President and Secretary of State, events like this can drop off. Yet as both Clinton and Bush showed in their trips, the payoff is huge in terms of goodwill and support for the American agenda from this collection of states that play at the core of the region's multilateral initiatives.

Inject values in Asian institutions - The United States should not be bashful about discussing common values in Asia, and promoting an Asia Pacific partnership of democracies (with China as an observer). Such a discussion in the past had been seen as self-alienating. Today, however, some of the world's most successful democratic transitions have taken place in Asia, including South Korea and Indonesia. Even China acknowledges the relevance of these ideas to its own rise in the world. The United States should encourage the view that this trend is inexorable and will eventually touch all of Asia.

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Southwest Asia and Korean Unification

Robert Dujarric

Abstract

Due to its invasion of Iraq, the overemphasis on the threat posed by Al Qaeda, the ongoing war Afghanistan, and the possibility of other confrontations in Southwest Asia, the United States has cut down on its commitments in Northeast Asia. It is possible that in the future the US will further scale back its military and diplomatic assets the region. Therefore, if and when Korean unification takes place, the United States may be unwilling, or incapable, of playing the leading role. This could make the political and economic management of the unification process even more difficult.

Keywords: Korean unification, Southwest Asia, US security policy, Al Qaeda, unification process

The policy debate in the United States since the Al Qaeda strikes of 2001 and the American invasion of Iraq in 2003 has two characteristics. First, there is an obsession, equally shared by Republicans and Democrats, about Southwest Asia (Southwest Asia, a recently new term in the American strategic vocabulary, is a somewhat ill-defined region).

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Broadly speaking it includes the area of responsibility of the US Central Command that ranges from Kenya to Kazakhstan and from Egypt to as far as Pakistan (US Central Command (Centcom).[1] This area also includes Turkey, Lebanon, Israel, and the Palestinian polities in Gaza and the West Bank which are included in the European Command area). Second, there is a lack of focus on the possibility of Korean unification.

On the surface, the American preoccupation with Iraq and "Islamic terrorism" is unrelated to a decline in US interest regarding the timing and nature of the absorption of the northern half of the peninsula into the Republic of Korea (ROK).

Nevertheless, there is to some extent, a causal relationship between the latter (the concentration of both military and intellectual resources on Southwest Asia) and the former (a lack of interest in Korea's future). More ominously, the nature of the American commitment to the region between the Indian Ocean and the Mediterranean Sea will make it harder for the United States to play a constructive role in the unification of Korea. Fundamentally, US policies in Southwest Asia have several nefarious consequences in regards to America's commitment to Korea. First, American military and diplomatic resources are stretched to the limit, constraining the ability of the United States to deploy assets (military as well as diplomatic) in other regions. Second, the catastrophic consequences of the Iraqi war may deter the American electorate from supporting ambitious foreign policy goals in the future, thereby making it harder to secure the support of the American people for US economic and political assistance in handling Korean unification.

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[1] http://www.centcom.mil/sites/uscentcom2/Misc/centcom_aor.aspx.

The Obsession with "Terrorism" and Southwest Asia

Although this article is principally about Korea, we first need to understand the nature of America's fixation with Southwest Asia. In 2001, Osama Bin Laden, leader of Al Qaeda, launched a successful operation to simultaneously hijack four US airliners. His men managed to hit the World Trade Center twin towers in New York and the Pentagon with three aircraft, while the fourth plane crashed in Pennsylvania. The strikes killed about three thousand Americans. Compared to American fatalities in Vietnam War and Korea, not to mention the World Wars and the Civil War, the number of victims was comparatively low. Seen in the context of deaths due to domestic circumstances, Al Qaeda's victims were far less numerous than the 43,000 fatalities due to road accidents during the same year, the 15,000 Americans who killed themselves in falls,[2] not to mention the 16,000 homicides of 2001.[3]

Moreover, it was obvious from the day of the attacks, that Al Qaeda had very limited resources. Thus, those who compared "9/11" with Pearl Harbor totally missed the point. The Japanese strike was backed by the considerably military and naval power of Asia's strongest nation. In addition, the United States had to confront the even more dangerous German military machine. Bin Laden, on the other hand, had a small number of followers, no advanced weaponry, and only counted Afghanistan as an ally. There is no doubt that he was a menace to American interests, but his was a very feeble challenge to American security compared to the threats posed in previous decades by Soviet and Nazi power. As for those who see the "post-9/11 world" as another type of Cold War, they forget that the Soviet Union had the capacity to wipe out entire American, European, and Asian cities, and

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[2] http://www.nsc.org/library/report_table_2.htm, August 18, 2007.

[3] http://www.ojp.usdoj.gov/bjs/homicide/tables/totalstab.htm, August 18, 2007.

had the ability to kill tens of millions of American and allied citizens in a few hours.

Nevertheless, for reasons that are beyond the scope of this paper, the American reaction to the Al Qaeda skyjackings quickly turned into hysteria about "Islamic terrorism." "Hysteria" is not a term of contempt for the feelings of the "man on the street." It applies to the mental transformation of most American policymakers, politicians, and intellectuals in the period that followed September 11. This disequilibrium in the American psyche then allowed President Bush, for reasons that are still ill-understood, to obtain broad bipartisan support for his invasion of Iraq.

Therefore, by 2003, the United States found itself in a catastrophic situation entirely of its own making. The war in Iraq absorbed large military and financial resources in a conflict that can only end with the defeat of the United States. It diminished assets available for the struggle in Afghanistan while empowering Iran and other foes of the United States.

As of now (November 2007), there is little chance that the United States will quickly find a way improve its situation in Southwest Asia. There is no sign of an American consensus to withdraw from Iraq. Many politicians, including Democrats, seem to accept the idea of war with Iran. The conflict against the Taliban and Al Qaeda in Afghanistan is far from over. Finally, depending on how it develops, the possible implosion of Pakistan could open an additional front in the region.

Korean Unification

If America is both badly and over-invested in Southwest Asia, it suffers from under-investment in Korea. One reason for this state of affair is the focus on Southwest Asia. As a consequence, military units that are normally based in Korea or Japan, or in the United States but

earmarked for East Asian contingencies, are deployed in the Centcom area of responsibility.

As Zbigniew Brzezinski has noted, America may be dominant but it is not omnipotent. The Bush administration decided to eschew putting the United States on a war footing. It took no action to increase the size of US ground forces, did not even consider introducing conscription, and went so far as to implement tax cuts. Therefore, America reached a point where its military and political commitments to Southwest Asia forced it to curtail resources available to other regions of the globe. Diplomatic resources also began to flow away from East Asia. The State Department gives priority to staffing the elephantine American mission in Bagdad. Learning Arabic has priority over Korean, Japanese, or Chinese. The six-party talks are a symbol of the lack of focus on Korea and East Asia. These negotiations, involving Japan (the world's second largest economy and America's biggest ally), China (both a major partner and rival of the United States), South Korea (America's ally and home to US forces), North Korea (the most advanced WMD "proliferator" in the world), and Russia (a weak but not totally insignificant player), are led by Assistant Secretary of State Christopher Hill. Though no one questions his qualities, it is noteworthy that whereas the Secretary of State and her senior deputies devote all their waking hours to Southwest Asia, they delegate Northeast Asian affairs to a fairly junior official. In this particular case, it is probably good that Hill is in charge. He is generally believed to have had a good record as a diplomat and negotiator in Europe. Unlike senior administration officials, he bears no responsibility for the Iraqi catastrophe.

However, there are other factors which explain the lack of critical thought applied to Korea in general and the issue of its possible future unification in particular. President Roh Moo-hyun has not exhibited the degree of anti-Americanism as some had feared. His administration negotiated a trade pact with the United States, despite the opposition

of his more left-wing supporters. Yet, on balance, Roh's positions North Korea, Japan, and the role of Korea in international affairs, have not made him popular in the United States. His views, and even more those of some of the more radical elements among his backers, indicate that he does not see the security relationship with the United States as the lodestar of Korean strategy.

Unfortunately, President Roh, like many of his compatriots, misread the nature of America's interest in Korea. Besides his dislike of American support for Presidents Park and Chun, he seems to think that it is obvious to all Americans that Korea is vital to American interests. It may be true, but the fact is that the United States is a vast country with global responsibilities. Many Americans, including their politicians, know little about foreign affairs. Others think that other countries or regions matter more than Korea. Therefore, unless South Korea is seen as a reliable US ally, some American policymakers will favor minimizing the importance of the relationship with Seoul. Unfortunately for Korea, the Roh presidency convinced quite a few Americans that Korea was not a reliable ally and should be written off as an important American partner.

Finally, American thinking about North Korea has evolved. The collapse of Soviet communism, the unification of Germany, and the death of Kim Il Sung all put Korean unification on the agenda. The assumption, perhaps simplistic, was that the dominos would keep falling, bringing about the end of the Democratic People's Republic of Korea (DPRK).

However, despite low expectations about his chances of survival, Kim Jong Il has kept his inheritance (relatively) intact. His ability to obtain humanitarian and economic aid from South Korea, China, and even from the United States, as well as from international organizations and NGOs is sufficient to convince many that North Korea is here to stay. His success in extracting the February 2007 Agreement from Washington reinforces the assumption that North Korea is here to stay.

However, to paraphrase a warning often issued to investors, "past performance does not predict future performance." The DPRK might last another 50 years, but we should not forget that it is fundamentally a very fragile construction. At any time, the regime could break down. In most countries regime collapse does not equal state collapse. Communism fell in countries such as Poland and Hungary, but the nations themselves still exist, with the same borders though under different regimes. In the case of North Korea's, however, the regime is the only justification for the state. If the Kim dynasty and the ruling party were to lose control, it is hard to imagine a North Korean state without them. Like East Germany, if it were not for the imposition of communist rule by Soviet occupation, North Korea would never have existed. We can imagine scenarios where a post-Kim DPRK continues to exist. Since South Koreans are aware of the enormous costs of unification, they might seek to allow North Korea to survive, perhaps under the control of elements of the KWP receiving ROK - and Chinese - aid to avoid state collapse. However, it would be unwise to bet on such an outcome. Korea, unlike Germany, is not a relatively recent creation with ill-defined boundaries. Moreover, both post-war German states downplayed nationalism. Yet, within days of the demise of communist rule in East Berlin, it was clear that Germany would be soon unified. In both Koreas, however, all political actors, conservatives, progressives, and communists, have emphasized a virulent form of nationalism and ethnic pride. Therefore, it is even more likely than in Germany that when the current DPRK regime falls the forces of nationalism will not overcome all obstacles and force unification upon reluctant leaders.

Planning for Unification

Korean unification could result from various scenarios. The most peaceful one would be the product of a breakdown in Pyongyang's

authority, followed by the downfall of the regime. Such a development would be quite similar to that of East Germany in 1989-90. On the other end of the spectrum, the DPRK could initiate a war, be defeated, and then collapse. The end of the North Korean state could also come about as a result of factional fighting within the elite, or be caused by events we have not yet foreseen.

There is obviously a great difference between a bloodless overthrow of the dictatorship, as happened in Berlin in 1989, and uniting Korea in the aftermath of a war. Yet, regardless of the process of unification, the Republic of Korea will face enormous challenges in absorbing the former DPRK. Incorporating over 20 million citizens raised in a grotesque, impoverished tyranny into a modern first-world liberal polity could well destroy the ROK as we know it. The strains will be stronger or weaker depending on the process of unification, however, regardless of how the South absorbs the North, the difficulties will be enormous.

The consequences of unification on Korea's international posture will depend even more on the circumstances surrounding the end of North Korea. One could imagine Seoul, Washington, and Beijing, possibly with some input from other capitals, negotiating a peaceful end to the DPRK state, say in the aftermath of the death of Kim Jong Il. However, the last days of North Korea could as well be brought about by Pyongyang launching an attack on its foes, leading to a US-led invasion to solve once and for all the North Korean problem. This looks highly unlikely but history teaches us that sometimes fact is stranger than fiction.

Despite all these imponderables, one thing is certain. The ROK will need foreign support if its victory (unification) is not to be followed by a failure to manage the takeover of the northern half of the country. On the domestic front, Korea will require economic assistance. The record of foreign aid programs is debatable, in some cases they have done more harm than good when they serve as narcotics that harm the

development of effective state institutions.[4] In Korea's case, however, there are good grounds for massive external economic and financial support. First, South Korea has strong and effective institutions. Therefore, like the western European states during the Marshal Plan, it has the political and administrative capacity to manage a development program for the North. Second, the collapse of North Korea will be a sort of natural disaster which, like a tsunami wave, will strike the ROK. Like all such events, it will call for immediate government assistance. Since the amounts involved will be far beyond the capacity of the ROK alone, Seoul will have to rely on help from other nations.

As noted above, the implications of unification for Korea's international position are much harder to predict until we actually see what process has brought unification about. Nevertheless, we already do know that unification will bring about several changes. The division of Korea transformed (South) Korea into an island. Since for all practical purposes the DMZ was an impenetrable barrier, the ROK became, like Japan and Taiwan, an insular capitalist nation on the mainland of communist Asia.

The past two decades have altered this situation. South Korea now has extensive economic, political, and cultural links with China. There is now an interaction between the North and the South, though still very minimal and well below the intensity of inter-German relations during the Cold War. However, the fact remains that the ROK is separated from China by the DPRK, which to this day remains closed to overland communications, thereby forcing Chinese and South Koreans who wish to visit each other's country to fly or take a ferry.

Unification will radically alter the relationship with China. There will be a long, and presumably open, border between the newly enlarged

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[4] See William E. Odom, *On Internal War: American and Soviet Approaches to Third World Clients and Insurgents* (Duke University Press, 1922) for a detailed argument on the impact of foreign assistance on states that need to build their institutional capacity.

Republic of Korea and China. This will facilitate contact between the two societies but could also bring about tensions. As of now, the ethnic Korean citizens of China in Jilin province border North Korea. Following unification, they will suddenly be next to a successful Korean state. There is currently no unrest in Jilin province, and unlike Uigurs and some other minorities, the Korean-Chinese do not appear to be victims of any discrimination. Yet, this new situation could worry China's leadership, which has always be hypersensitive to foreign influences, stemming from ethnic or religious ties, on its population. Moreover, some Korean irredentists could renew claims to Chinese territory beyond the Yalu which they consider to be historically Korean.

The impact of the end of Korean division on Japan is very hard to predict. It could make Koreans, realizing that they need Japanese aid, very accommodating to Japan. It could, however, also fuel a nationalist reaction, which would have elements of anti-Japanism. In Japan, one of the most obvious preoccupations following the demise of the DPRK, will be the fate of the North's remaining WMD arsenal. It may be that by the time of unification Pyongyang will have accepted total and verifiable nuclear and missile disarmament (though that is unlikely) or that its weapons will have been either destroyed or confiscated by the United States after a war. However, it may also well be that a unified Korea will inherit the North's atomic bombs and rockets. If this is the case, Japan's priority will be the dismantlement of these military assets.

The US Role

This analysis brings us back to our starting point, the role of the United States. The United States has a special role in East Asia. It is, by far, both the largest economy in the world and boasts the stronger military. In Asia alone, it operates land, air, and naval forces stationed

in Japan and Korea, as well as bases in Guam. Moreover, it has the ability to project reinforcements rapidly from the other theaters to augment its power in the region. It also has alliances with (South) Korea and Japan. Its relationship with China is complex, but despite - and in some ways because of - their rivalry, Washington is by far Beijing's most important partner in both the political and economic arenas.

Therefore, it is logical to assume that the United States would take the leading role in coordinating and leading the international effort to stabilize both Koreas and the region following unification. This would entail working with Seoul to create a Korean Rehabilitation Organization which, under Korean chairmanship, would arrange for large amounts of economic assistance from the United States, Japan, China, other countries, and international organizations. As befits a country with the planet's biggest GDP and essential political-military interests in Asia, America would be expected to be the biggest contributor. Such a role would require a major investment of capital. It would also take a lot of diplomatic skill on the part of Washington to extract pledges from other countries, to manage the petty and more substantive conflicts between the participants, and to steer a well-balanced equilibrium between American leadership, Korean pride, Chinese ambitions and fears, Japanese ambivalence about Korea, and bureaucratic inertia in all participating countries and international organizations. On the domestic side, the US administration would also have to convince Congress to vote large appropriations for the program. Harry Truman and George Marshall achieved similar goals as they steered the Marshal Plan, but not every American president is a Truman nor are all secretaries of State Marshall's.

Beyond the management of the Korean Rehabilitation Organization, the United States would have to create a new security mechanism in Northeast Asia. Though small and wretchedly poor, North Korea exerts an influence on the Asian system out of proportion to its size. Its

disappearance will, of course, be welcome news to its people. It will also lessen the risk of war. As noted earlier, however, the dynamic of ROK-China and ROK-Japan relations will be altered, but almost all bilateral and multilateral relations involving the US, Japan, China, and Korea in East Asia, including Taiwan's position, will be affected by the end of Korean division.

Therefore, to ensure that, as in the case of German unification, the unification of the peninsula improves rather than damages the Asian security environment, the United States will have to take the initiative in setting up a system that simultaneously ensures that Korea can remain a productive member of the US-led system of alliances while keeping all the regional actors sufficiently happy to give them a stake in the new system or render them unable to challenge it. This is not an impossible task. As of now, we can conceive of a post-DPRK order that would be beneficial not only for Korea but also for the United States, Japan, China, Taiwan, and other regional players. Achieving such a goal, however, will not be easy, and it will take a large investment of US political, diplomatic, and economic resources to achieve.

Southwest Asia and the US Role

The nature of America's involvement in Southwest Asia has truly put the ability of the United States to the test in being able to fulfill these tasks in the aftermath of Korean unification. On paper, the United States has the resources to simultaneously continue its hopeless war in Iraq, attack Iran, and fight the Taliban and Al Qaeda in Afghanistan (and maybe tomorrow Pakistan). Although the Pentagon spends well over $1 million a minute, defense spending in 2007 was a little above 5%. In 1960, when the United States was involved in no major armed conflict, it was at 9.3%. In 1970, during the Vietnam War, it was at

8.1%.[5] These numbers are not necessarily perfect, and budgetary appropriations, especially for defense, are a complex and opaque process, but it is quite clear that the United States could devote more resources to East Asia without reducing its activities in Southwest Asia. For example, if only 0.5% of GDP were allocated to programs for East Asia (economic aid to unified Korea, additional military expenditures if needed, etc.), it would represent an amount equal to around $65 billion.

In politics, however, the ability to merely write checks is not always what matters. Here the situation is different. Having already approved ever-increasing budgets for defense, Congress may well reach the conclusion that voters do not want their elected representatives to support a massive "foreign aid" initiative.

Moreover, there is no indication that either the current US executive branch leadership, nor for that matter any of the candidates who might succeed George W. Bush and their potential advisers, realize the strategic importance of getting Korean unification right. Unless there is an effective effort, led by the President, it is hard to see how the sort of American involvement which is needed will actually take place.

Of course, the collapse of North Korea might occur after US commitments to Southwest Asia have already been diminished by a withdrawal from Iraq, and a lessening of the concern over Iran. However, even after the last American soldiers have left Iraq, the American electorate may remain wary of extensive foreign involvement. Appeals to bring the benefits of democracy and freedom to the people of northern Korea may well ring on deaf ears following the Iraqi fiasco.

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[5] http://www.whitehouse.gov/omb/budget/fy2008/pdf/08msr.pdf, tables S-2 (October 21, 2007); http://www.cia.gov/library/publications/the-world-factbook/geos/us/html (October 21, 2007); William E. Odom and Robert Dujarric, *America's Inadvertent Empire* (Yale University Press, 2007), p. 92.

An Alternative to US Leadership?

It may be that some of the premises of this paper will turn out to be wrong. By the time Korean unification comes around, the United States might be able and willing to play its role in the creation of a post-DPRK order. We should nevertheless think about alternatives to a US-led process.

Even if the United States refuses to lead the process, it will still be around as an Asian power. Rather than be the conductor of the orchestra, it may well be only one of the players, albeit an important one. Consequently, governments in the region will have to think about organizing a sort of "concert of Northeast Asia" to manage the issues surrounding Korean unification. The six-party talks process may be the best framework from which to start building the institutions which are necessary for this task. As noted earlier in this article, there are two distinct aspects of the unification challenge. The first one is economic. This would require an expanded membership compared to the six-party talks. Obviously, the International Monetary Fund, the World Bank, and the Asian Development Bank should be involved. Leading NGOs with experience that could be useful in post-Kim northern Korea also have a role to play. The European Union, Australia, Singapore, and possibly some oil-rich Middle Eastern states should all be encouraged to contribute financially and thus to participate, along with the members of the six-party talks (or rather five of them, since obviously the DPRK would not be at the table).

The second issue, that of security, concerns principally the five parties. Russia is somewhat peripheral, but as long as it does not create obstacles to a solution, there is no reason to humiliate it by excluding it. Taiwan has a strong stake in the situation, but its interests will have to be represented by the United States since Beijing would obviously not accept Taipei as a member.

Ideally, these structures should be in place before a North Korean

collapse. Unfortunately, doing so would be difficult unless the South Korean government changes its attitude towards Pyongyang. Seoul is understandably keen to develop ties with the North and to avoid regime collapse. This is a legitimate and logical goal. Even hard-core South Korean conservatives are not opposed to negotiating with the DPRK (in fact Park Chung-hee initiated the first so-called "Red Cross talks" between both states). Nor do they wish to see the DPRK break down, since they realize the costs and dangers of such a situation. However, the Roh administration has shown an enormous degree of reluctance to even publicly discuss the issue for fear of displeasing the Dear Leader.

Regardless of its wishes, the ROK might not be able to avert regime disintegration in the North. Refusing to focus on this issue is akin to not wearing a seat belt because one doesn't want to be in an accident or not wishing to insult the driver. Kim Jong Il will indeed not be happy to see that the ROK and its partners are planning for his funeral. What, however, could he do? He needs aid from the South and other countries. Some of the planning for a post-Kim Korea can be done covertly. It is not possible, however, to assemble the resources of numerous countries and organizations in total secrecy. Moreover, the more analysts and experts, inside and outside the government, are involved in developing ideas about a Korean Rehabilitation Organization, the better prepared the parties will be when "D-Day" actually arrives. Therefore, Seoul will have to accept that Kim will be aware of what is going on. He will not be happy. Overall, however, the ROK's position will be strengthened. Part of Pyongyang's negotiating strength derives from the implicit threat that it might collapse and bring the entire peninsula down with it. The better Korea and the world are prepared for a world without the DPRK, the weaker Pyongyang's negotiating leverage will be. The day the South Korean president can tell Kim Jong Il "we're ready if your regime dies," he will greatly enhance his power relative to his northern counterpart. Therefore, it is clearly in Seoul's

interest to openly lead the way, with its major partners, in creating this "concert of Asia" to handle the economic and security risks inherent in any future demise of the DPRK.

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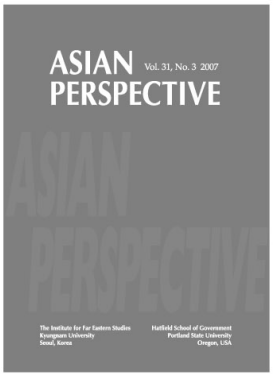

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