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**WHO IS STRONGER?
A COMPARATIVE ANALYSIS ON THE READINESS
AND CAPABILITIES OF THE NORTH
AND SOUTH KOREAN MILITARIES**

Bruce Bechtol Jr.

This paper reports the results of a methodology that conducts an analysis on the readiness and capabilities of the two Korean militaries. The methodology uses a framework for analysis that compares and contrasts key factors that evaluate the effectiveness of militaries and the governments that support them. This methodology was used to reach an assessment on which military - North or South Korea - is most likely to win in a force on force conflict. Results of the analysis suggest that the South Korean military is far more ready to conduct a successful large-scale conflict than the military of North Korea. In addition, regarding readiness and capabilities for using weapons of mass destruction, analysis results suggest that the strength of the US-ROK alliance makes it unlikely that Pyongyang would ever attempt to use these weapons during a conflict.

Introduction

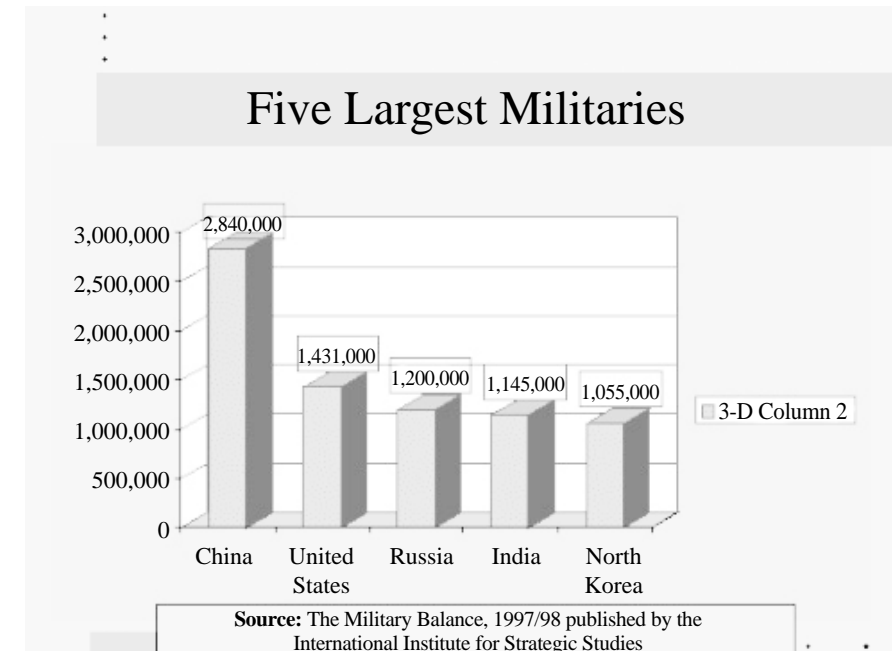
Korea is a country many Americans are hearing more and more about in the press and one that few understand. The cold war ended in 1991 with the collapse of the Soviet empire, but many of the formulations of that empire still remain and continue to threaten the security of United States interests abroad. In Asia, the key remnant of those bad old days is the Democratic People's Republic of Korea.¹

The U.S. foreign policy, national security and defense communities are faced with an interesting dilemma. Looking at North Korea, we see what most defense analysts will agree is the world's fifth largest military.² In fact, as articulated in the November 1999 *Report to the Speaker. U.S. House of Representatives by the North Korean Advisory Group*, and shown as a graphic on page two, this military has not decreased in size at all in an era of shrinking militaries all over the world.³ Dove-tailed with that is the fact that the North Korean economy has been a basket case for at least seven years and the government is dependent on foreign aid just for survival.

The threat of war on the Korean peninsula remains a legitimate, albeit unlikely prospect. North Korea remains a formidable enemy capable of wielding significant military might, yet one, which stands alone, and would probably lose a war fought with the U.S. and Korea in every possible scenario envisioned by the ROK and U.S. planners.⁴

- 1 Edward A. Olsen, "The End of the Cold War and Northeast Asia Security," *Change, Interdependence and Security in the Pacific Basin*, Dora Alves (ed.) (Washington DC: National Defense University Press, 1991), pp. 188-189.
- 2 Edward A. Olsen, *The Military Balance 1997/98*, The Institute for National Strategic Studies (Washington DC: National Defense University Press, 1999), p. 27.
- 3 US Congress, North Korean Advisory Group, *Report to the House of Representatives*, 107th Cong, 2nd session, Washington DC, October 29, 1999.
- 4 Michael O'Hanlon, "Stopping a North Korean Invasion: Why Defending South Korea is Easier than the Pentagon Thinks," *International Security*, Vol. 22, No. 4 (Spring 1998), p. 147.

Graph One



This issue is one which will be important to the security of all of Northeast Asia well into the 21st century. The implications of a resolved or unresolved conflict on the Korean peninsula have an effect on not only the militaries of all the nations in Northeast Asia, but on the economies and social structures as well. This paper will attempt to offer an outline that will show why the situation there is changing and what the ultimate results will be.

Background

There have been many books written on the subject of just how dangerous the North Korean threat is. This is a subject which has been

debated among policy makers, academics and defense analysts since the end of the Korean war in 1953. To exacerbate the process, the condition of both the North and South Korean militaries has been in a constant state of flux since the end of the Korean war. In addition, the political and international situations relating to the two Koreas have also been constantly changing. A key example of the ongoing debate relating to the North Korean threat is the controversy that occurred in the late 1970s. In 1976, one of the components of Jimmy Carter's campaign was the promise to begin troop withdrawing from the Korean peninsula. Despite objections from South Korea, military leaders and intelligence analysts at the Defense Intelligence Agency (among others), President Carter was determined to move troops off the peninsula. Eventually, Congress and public opinion held Carter back. Strong evidence existed that the North Korean military of the time was both qualitatively and quantitatively superior to that of the South. By the time Carter's presidency had ended, less than one battalion had been pulled out of Korea.⁵

The above example illustrates a something very important about the role of the two Korean militaries. Not only are the readiness and capabilities of the two militaries important, but the perceptions held on both sides of the Pacific, by all countries with national security interests on the Korean peninsula, are key as well.

The goal of this paper will be to conduct an examination of the readiness and capabilities of the two Korean militaries. Two key goals will be to compare and contrast the two militaries, and to reach an assessment on which military is most likely to win a large-scale conflict. At the conclusion of the paper, hopefully, the reader will have a solid understanding of the factors that are important to making a military effective and ready to go to combat, the role the government plays

5 William E. Berry Jr., *The Invitation to Struggle: Executive and Legislative Competition over the Military Presence on the Korean Peninsula*, Strategic Studies Institute Monograph (Carlisle Barracks, PA: US Army War College, 1996), pp. 8-12.

in that readiness, and how these two militaries stack up against one another.

Method

The method is based on a model developed the Defense Intelligence Agency. This methodology was originally used to evaluate the effectiveness of insurgent movements against governments in Latin America but was considered to be such a sound, simple and effective one, which began to be used in other areas throughout the Defense Intelligence Agency.⁶ The model is now utilized as a lecture at conferences and symposia throughout the intelligence and military analysis communities. Instead of using this model to compare insurgencies to government forces, I will use it to analyze, compare and contrast the two Korean militaries.

The State

Political History - Political Culture - Social Geography - Ethnic Groups

The Threat

Political Roots - History - Leadership

Goals and Objectives - Capabilities

The Military: Preparation for War

The Soldier - The Leaders - Training

Organization, Equipment and Resources

Execution of War

National Will - National Military Strategy

Levels of War

Strategic Level-Operational Level-Tactical Level

6 Defense Intelligence Agency, "Irregular Warfare Analysis: A Methodology," lecture presented at the Interagency Military Analysis Course (Langley, VA), March 21, 1999.

The data used in this examination will be based on information obtained through conference and symposium attendance, analysis of speeches, press releases and press conferences, U.S. and South Korean government reports, white papers, legislative testimony, and the study of papers, reports and special releases by important think tanks, government agencies, public policy institutes and important universities. This model is used with the expressed written consent of the Defense Intelligence Agency. An outline of the model that will be used is presented above.

Before one can examine the military itself in detail, an examination of the supporting establishment must be made. Thus, it is important to understand the political history and political culture behind the military of the two countries being compared and contrasted. Social geography and ethnic groups are always an important part of any examination of *the state*. Korea is no exception. The social geography and the ethnicity of the two Koreas will be examined as it relates to the radically different political cultures and political histories of the two countries and how that applies to the readiness and capabilities of the forces they field.

The threat will be examined once again beginning with political roots, and then moving into the history of the military being examined. Nearly every war ever fought has proved that the leadership at all levels of an army is in many ways its most important asset. Political leadership as it relates to military leadership will be examined in this portion of the model. Goals and objectives of both North and South Korea will also be examined. How well the capabilities of the leadership in these two countries function, or the *national will*, relating to military capabilities will also be examined in this portion of the model.

Preparation for war is something that has been ongoing in Korea for 48 years now. The war has been over for that long, so analysts focus on the military preparations for war of the two Koreas. In this portion of the model, I will examine the troops, the military leaders and the train-

ing that the two militaries have undergone in the 1990s. I will also compare and contrast the organization, equipment and resources of the two Koreas since it impacts heavily on the readiness and capabilities.

The ability of the two militaries in Korea to *execute a war* will be examined from two perspectives. The first perspective will be national will. How capable is the government and the people of each country of executing a war? How strongly does the government control the ability in each country to fully mobilize in case of war? Will a war or a smaller violent action cause stability problems for the governments in these two countries? These are key questions that address issues important to national will, and will be addressed in the methodology utilized to examine the militaries of the two Koreas. National military strategy is also a key component of the execution of war. How has the national military strategy of the two Koreas changed in the 1990s? How do the two national military strategies differ? How realistic are the two national military strategies? Finally, do the publicly announced military strategies (based on data that will be examined and analyzed) differ from what the assessed real national military strategies are? These issues will be examined in a careful manner.

Finally, the readiness and capabilities of the two Korean militaries will be examined as it relates to their ability to carry out actual combat operations at the strategic, operational and tactical levels. High level exercises will be compared and contrasted at the operational level along with other data to determine the readiness and capabilities. At the strategic level, information available on planning, support and logistical concerns will be examined to analyze and compare the two militaries. Finally, at the tactical level, recent events involving violent clashes between the two forces and their tactical units will be examined and analyzed to determine their current readiness and capabilities.

Results of the Study

The results of the methodology will be shown below. These results will show what came of a detailed examination that evaluated the forces' capabilities and readiness of North and South Korea, using the model shown and described earlier. By comparing and contrasting the two militaries using the model, I was able to make an assessment on which one was most capable of winning a second war between Pyongyang and Seoul.

The State

Because Korea is really one nation split into two pieces, the political history and culture, the social geography and the ethnic groups will be looked at in this model only since 1945. For the purposes of this study, an examination of the items mentioned earlier in this paragraph will occur - from 1945 until the writing of this dissertation.

Korea was really "on the back-burner" during Allied talks that occurred during World War II. At the Cairo summit, Roosevelt, Churchill and Chaing Kai-shek were present - and not Stalin, because the USSR was not yet officially at war with Japan. It was at these talks that Roosevelt suggested (and the others agreed) that a "free and independent" Korea should come into existence after a "short time period" during which the four super powers would run the country in a trusteeship.⁷ There was little talk of Korea after that, even when it became obvious that it would be a free state following the defeat of the Japanese. When the Soviet Union finally officially declared war against Japan in the summer of 1945, two junior officers (for the task they were given) were assigned the task of demarcating US and Soviet occupa-

⁷ Robert Schaeffer, *Warpaths: The Politics of Partition* (New York: Hill and Wang, 1990), pp. 121-122.

tion zones, Colonels Charles Bonesteel and Dean Rusk. The two men hastily divided the country into two roughly even parts, split at the 38th parallel, with the capital in Seoul.⁸ The boundary remained until the eruption of the Korean War and then became the boundary again following the end of that conflict.

The political history and culture of the two Koreas become a very polarized thing at the point of history where they become dominated by two separate and completely different types of governments - the North by the USSR and the South by the US. This has led to a political culture that continues to be dominated by a Korean hybrid version of the "Communist Paradise" known as "Chuje" (self-reliance) in the North, which continues even after the demise of the Iron Curtain.⁹ In Seoul, the eventual result (after several military dominated dictatorships) has turned out to be a democratic capitalist society and political culture in the South.¹⁰

While the political history and culture have been significantly different between the two Koreas since 1945, they have remained relatively unaffected by social geography or ethnic groups. The Korean people have remained as they were for thousands of years before the artificial partition of the country in 1945 - a nation (albeit artificially divided) of one ethnic group, relatively unchanged culturally by social geography or an influx of other ethnic groups into their culture.¹¹

⁸ John Sullivan, *Two Koreas: One Future?* (Lanham, MD: University of America Press, 1987), p. 7.

⁹ *op. cit.*, North Korean Advisory Group, *Report to the House of Representatives*, p. 51.

¹⁰ Chon, Shi-yong, "Chong Wa Dae Aide Defends Kim's Remarks on Kim Jong-il," *Korea Herald*, 15 Feb., 2000, Sec B7.

¹¹ David S. Maxwell, *Catastrophic Collapse of North Korea: Implications for the United States Military* (Fort Leavenworth Kansas: School of Advanced Military Studies, US Army Command and Staff College, 1996), p. 16.

The Threat

The threat, as used in this model, is comprised of political roots, history, leadership goals and objectives, and capabilities. As articulated earlier, the political roots of the government in North Korea are Stalinist Communism. The leadership has not changed since 1945, though Kim Jong-il has some style differences from his father that will be addressed later. The goals and objectives of the regime in Pyongyang now appear to have changed since they proved in 1950 that their ultimate goal was reunification of the peninsula. Evidence now suggests that North Korea's ultimate goal is simply regime survival. The government in Pyongyang apparently believes that its food crisis can and will be solved by international aid. Meanwhile, Pyongyang strives to obtain economic assistance without giving up its ability to control domestic stability.¹²

The capability of the government in Pyongyang to exercise control now appears to be strongly rooted in the military. The enhanced status of the military was highlighted by the results of the 10th Supreme Peoples Assembly held in September of 1998. At that session, three things came out that were very important¹³:

- The National Defense Commission (with Kim Jong-il as Chairman) became the declared, highest policy making organization in the country, replacing the Politburo and making its Chairman the real leader of the country;
- Out of 687 delegates elected to the Supreme Peoples Assembly, 101 were military officials, a huge jump from the 57 elected in 1990 and the highest in the country's history;

12 National Security Affairs Conference, *Summary of the International Game '98 Conference* (Honolulu, HI: Asia-Pacific Center for Security Studies), 27-30 April, 1998, p. 2.

13 Choi, Jinwook, *Changing Relations Between Party, Military, and Their Impact on Policy Direction*, an Asia/Pacific Research Center Paper (Asia/Pacific Research Center, Stanford University: July 1999), pp. 7-8.

- All 10 National Defense Commission members were ranked within the top 20 of the Supreme Peoples Assembly, making military members the de facto leaders at the highest levels of government in North Korea.

This shows a move in style from that of his father. Kim Jong-il likely feels that his only reliable power base is many officers he has promoted personally in the military, the long time vice party members who came to power under his father. These military officers now dominate the power structure at all levels in North Korea and are assessed to be the dominant force running the country - making many of the party functions nothing more than rubber stamp activities.¹⁴

Further evidence that the capability of the government in Pyongyang is exercised through the military is seen when examining the two-day meeting of the political officers of the Peoples Army held on February 26, 2000. The meeting was attended by all the top army leaders including Cho Myong-rok, first vice chairman of the National Defense Commission mentioned earlier. Kim Jong-il's role as leader of the military was emphasized, but very interestingly, there was also emphasis on a "decisive improvement" in the army servicemen's relations with government officials and civilians.¹⁵ This move may indicate that Kim has goals of continuing to use the military as his power base, but wants other powerful entities in the country to be placated, thus the desire to have the military "get along" with civilians.

The government in South Korea could not be more different than the one described in Pyongyang. Kim Dae-jung is now the third President freely elected by the people. The political roots in the system now running South Korea were democratic - though the US encouraged military strongmen into running the country from 1945 until the first

14 Bureau of Asian Research, *North Korea's Most Influential Leaders* (Washington DC: The Bureau of Asian Research, 1998), pp. 1-14.

15 "Meeting of Army Political Officers Focuses on Loyalty to Kim Jong-il," *Yonhap News Agency*, No. 75, Section One, 2 March, 2000.

real election took place in 1988, when Roh Tae-woo was elected President. The capitalist values inherent in a free market system eventually took hold and the country now stands as arguably the most democratic in all of Northeast Asia.¹⁶

In his address to the country in 1998, Kim Dae-jung stated that the goals and objectives of his government were as follows¹⁷:

- Establishing two-way political communication between the people and the government by achieving a great transformation from authoritarian rule to participatory democracy;
- Doing the utmost in undertaking structural reform to enhance the market mechanism in the economy by eliminating government controls;
- Establishing a new value system based on universalism and globalism, shedding the self-righteous nationalism and anachronistic ideas;
- Reinventing the economic system to build a knowledge and information based economy;
- Understanding that historic crossroads existed where a constructive labor-management relationship conducive to a new age of harmony and cooperation must occur;
- A promotion of a new relationship of exchanges and cooperation between the South and North based on a firm national security posture, overcoming the 50 year confrontation on the Korean peninsula.

These goals and objectives contrast with those of the North Korean

16 John A. Wickham, *Korea on the Brink: From the 12/12 Incident to the Kwangju Uprising* (Washington DC: National Defense University Press, 1999), pp. 176-188.

17 Kim Dae Jung, "Let Us Open a New Era: Overcoming National Crisis and Taking A New Leap Forward," Inaugural address by President Kim Dae Jung, Seoul, Korea, 25 February, 1998.

government. The goals of that government continue to be regime survival (mixed with occasional paranoid bursts of brinkmanship). Seoul appears ready and willing to take the lead in moving the peninsula peacefully closer together. The capability of Kim's government to carry out his goals and to run the country is very similar to that of the President of the United States. It is limited by his ability to manipulate the senior legislative body in his country through the power of his political party, and by his ability to move the people through popular initiatives brought forth from the "bully pulpit."

Kim's leadership goals and objectives - and the way he carries them out, are likely often confusing to Pyongyang. In the first four years of his Presidency, Kim met with both allies and adversaries of Pyongyang, easing tension and promoting engagement between Northeast Asia. This has reduced Pyongyang's ability to divide its neighbors, and has given Kim's policy of engagement and the popularity that gives him the capability to carry it out an important boost in South Korea.¹⁸ Finally, Kim's capability and the government of South Korea to carry out its policy are strengthened by the fact that any serious debate about the US military presence in Korea has subsided since the early 1990s, much of it because of the brinkmanship Pyongyang has engaged in.¹⁹

The Military: Preparation for War

The two militaries on the Korean peninsula have been preparing for war since the last war ended in 1953. In the model I am using, the role of the soldier, his leaders and the training, organization equipment and resources of the two militaries will be examined in order to make an assessment. The North Korean military is quantitatively superior to that of the South in every aspect. North Korea has 930,000 men in its

18 Independent Task Force Report. U.S. Policy Toward North Korea: A Second Look, *Council on Foreign Relations* (Washington DC: February 2000), pp. 8-11.

19 *op. cit.*, Berry, p. 7.

army compared to 575,000 for the South. The North's air force numbers 82,000 personnel compared to 53,000 in the South. And the navy number is 60,000 to 46,000.²⁰

In the case of these two countries, this is a time where truly "size does not matter." While the North has an advantage in tanks (3,700 to 1,900), armored personnel carriers (3,500 to 2,300), self-propelled artillery (4,500 to 900), aircraft (770 to 447) and naval surface forces (based on higher numbers of personnel), the South is qualitatively far superior to the North.²¹ The North has been unable to make any significant improvements to its armed forces since the collapse of the Soviet Union. China, Pyongyang's primary benefactor since that time, has done very little to help North Korea militarily since the late 1980s.²² In sharp contrast, South Korea has updated its modern force by building and importing new F-16's, modern tanks, new and modern fighting ships, attack and transport helicopters, and other innovations.²³ In a news release issued in early October of 1999, the Ministry of National Defense also addressed the issues of leadership, training, organization and equipment. In the document, it was stated that the North Korean army "lacks in the ability to run a battle compared to the South Korean army, in physical build, national strength, and combined defense preparedness."²⁴ This is significant because it is the first time since the end of the Korean War that the South Korean Ministry of National Defense has stated publicly that they are more ready to fight than the

20 Library of Congress, *North Korea: A Country Study*, Library of Congress web page, www.lcweb.gov., 1993, pp. 10-12.

21 William Drennan and James Goodby, *Koreapolitik (Strategic Forum Paper 29)*, Institute For National Strategic Studies, Washington DC: 1995), p. 2.

22 Karl W. Eikenberry, *Explaining and Influencing Chinese Arms Transfers (McNair Paper 36)*, Institute for National Strategic Studies, Washington DC: 1995), p. 12.

23 The Republic of Korea Ministry of National Defense, *Mid-Term Defense Program and 1999 Defense Budget* (Office of the Defense Minister, Seoul, Korea: 1999), p. 3.

24 Yoo, Yong-won, "MND Says the ROK Army Stronger than NK," *Chosun Ilbo*, 13 October, 1999, Sec. A4.

adversary they face to the North. The military problem that North Korea faces when confronting a qualitatively superior force such as the one manned by South Korea is exacerbated by the fact that the Soviet Union no longer exists and as mentioned earlier, Communist China has edged closer to South Korea diplomatically since the early 1990s. In sharp contrast to the fact that the South Korea-US alliance is as rock solid as ever, the South Korea-US Combined Forces Command has been called "the most effective alliance in the world."²⁵

The recently announced and publicly acknowledged superiority of the South Korean military can be best summed up when examining the battle of the Northern Limit Line that occurred between North and South Korean ships in June of 1999. During the battle, the South Korean navy, though outnumbered, showed superior command and control, training and technological capabilities. In the words of a South Korean naval officer who was on the scene,

The DPRK ships could not fire their larger cannons; they could not even aim at a fast moving ROK ships because their guns, like WW II-era ground artillery, were manually operated, compared with the radar-targeted, computer operated guns of the ROK naval ships. You could see North Korean sailors exposed on the deck, because they had to handle the guns manually, while our sailors were inside watching radar screens and computer monitors.²⁶

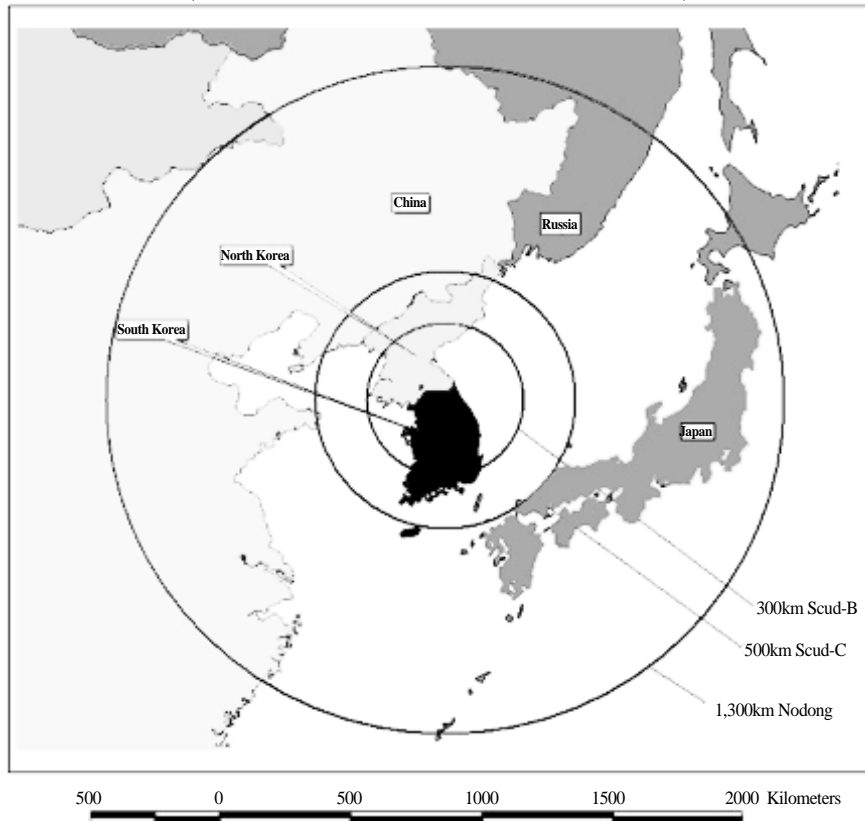
Despite the decline in North Korea's conventional capabilities, Pyongyang still maintains the ability to threaten South Korea with unconventional weapons, particularly (when speaking of threats for just the Korean peninsula) chemical and biological weapons. According to recent reports, North Korea may have stockpiled as much as 5,000 tons of chemical and biological weapons. South Korea has initiat-

25 Conference Report: International Workshop on the ROK-US Alliance, 11 March, 1996 (Carlisle Barracks, PA: Strategic Studies Institute, 1996), p. 10.

26 Lee, Sung-yol, "Antique North Korean Naval Boats No Match for South's New Warships," *Korea Herald*, Section A1, 7 July, 1999.

Graph Two

North Korean Short and Medium Range Missile Capabilities
(Launched from areas near the demilitarized zone)



Library of Congress, Geography and Map Division
October 1999

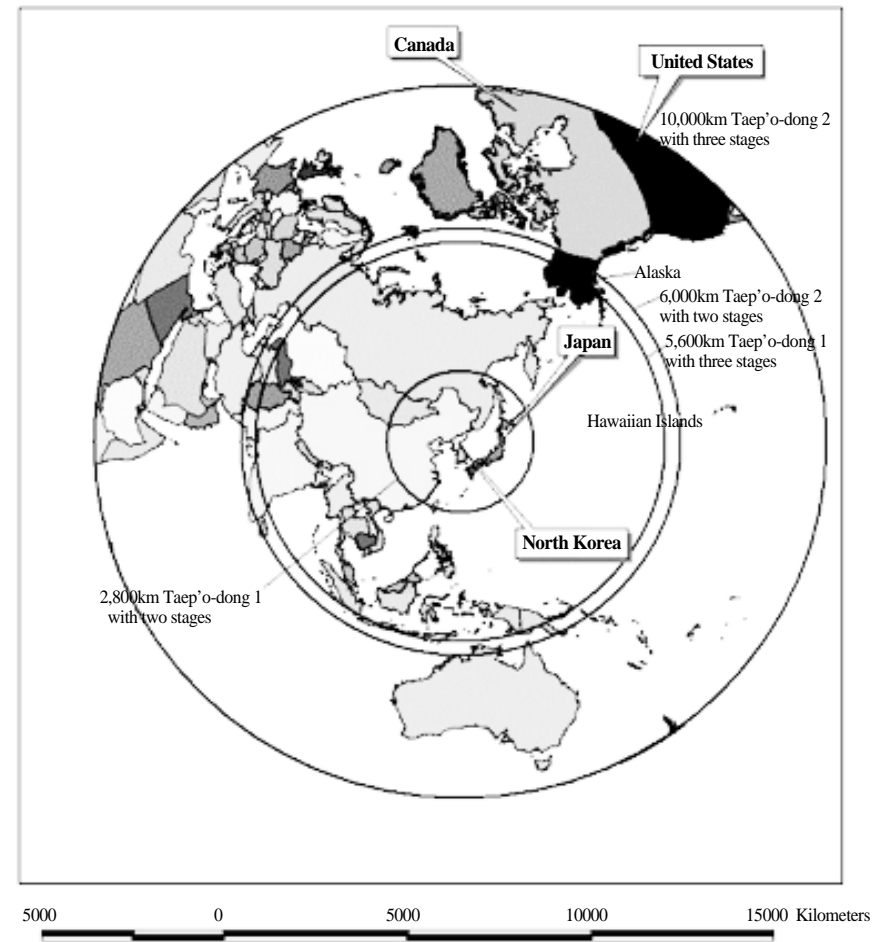
* Projection Point

ed a five-year \$300 million program to counter the threat.²⁷ But there is more that North Korea can do to threaten South Korea, and ultimately all of Northeast Asia - missiles.²⁸

27 Michael Baker, "Despite Appearances, North Korea Still a Security Concern," *Christian Science Monitor*, 22 December, 1999, p. 1.

Graph Three

Potential North Korean Long-Range Missile Capabilities



Library of Congress, Geography and Map Division
October 1999

As shown on the graphs contained on the two previous pages,

28 *op. cit.*, North Korea Advisory Group, Report to the House of Representatives, pp. 24-33.

North Korea has the capability of hitting targets all over Asia, and perhaps even the United States. This capability is the wrench thrown in the works of the evaluation of the two militaries on the Korean peninsula. While the North is sadly deficient in being able to fight the South with conventional forces, clearly, weapons of mass destruction bypass all other factors in many ways. I will address the effect they have on the capabilities and readiness of the two militaries to fight when I discuss levels of war later in this section.

Execution of War

Execution of war as addressed using this methodology will examine the national will and the national military strategy. The primary objective of the North remains regime survival. The government there now appears to be using all means at its disposal to hang on, striving to obtain international assistance without giving up its ability to control domestic stability. The national military strategy of Kim Dae-jung and the South Korean government as articulated in references addressed earlier can best be described as “containment with a release valve.” At a recent war game set in the 2001 on the Korean peninsula, this had not changed. In fact, the South Korean players in the war game articulated South Korean national strategy in the scenario as follows: “South Korea’s national strategy was to emphasize the notion that comprehensive security must include political, economic, and cultural issues to be effective, the importance of maintaining a strong US-Korea alliance, and the importance of outside forces in facilitating inter-Korean dialogue. South Korea underscored throughout the simulation that ultimately, peace must be reached through direct interaction between the North and South. Unlike other countries, South Korea’s approach was not focused on reconciliation *per se*, but prevention of war or implosion.²⁹

Given the evidence described above, it appears that North Korea’s stated strategy of violent reunification of the peninsula is a facade. Further, Kim Jong-il seems to be using his large, outdated military for survival, not conquest. Thus, he continues to have a “military first” commitment to ensure both internal and external security and maximize Pyongyang’s leverage for dealing with the United States and South Korea.³⁰ Given the national strategies of the two Koreas, the evidence suggests that another war on the peninsula would serve the interests of neither country. It would likely mean the end of North Korea as a country, and it would mean countless civilian and military casualties for the South.³¹

Levels of War

For the purposes of this methodology and of the United States national security strategy, I will address the capabilities of the two Koreas at the strategic, operational and tactical levels. As addressed earlier, North Korea has weapons of mass destruction. One of the key concerns for South Korean leaders is the threat of chemical attack by North Korea during war. But just how much of a threat are those chemical weapons? According to respected scholar Michael O’Hanlon, not as bad as it would seem on the surface. He states,

South Korea could lose some troops in the very early stages of a chemical attack, if they were surprised. But most troops keep their

29 *op. cit.*, National Security Affairs Conference, *Summary of the International Game '98 Conference*, p. 3.

30 Kim Jong-il’s “military first revolutionary leadership” is described in detail in the 1 January 1999 editorial issued jointly by the ruling party, the Peoples Army and the Youth League. It was broadcast and released on the Internet on “Pyongyang, Korean Central Broadcasting Network” in Korean from Japan on January 1, 1999.

31 *op. cit.*, North Korea Advisory Group, *Report to the House of Representatives*, p. 5.

masks nearby at all times. Even if nothing else did, the flight of artillery shells (the preferred method of use for chemical weapons) would provide a reasonable amount of initial warning. On the whole, the chemical threat against frontline dig-in troops appears modest in magnitude.³²

The threat of chemical weapons (and of biological ones as well) is still significant. The civilian populace would likely not fare as well as frontline South Korean troops. Nevertheless, the threat would likely be done away with quickly and would probably not affect the outcome of a war. The threat of medium and long-range missiles is a different matter. After the testing of the Taepo-Dong 1 in 1998, Kim Dae-jung proposed talks to serve as a “useful channel for inter-Korean dialogue.”³³ As shown on the charts earlier in this chapter, these missiles can now threaten all of Korea and Asia, as well as parts of the United States. The likelihood of these missiles ever being used is remote at best. Rather, the evidence suggests that Pyongyang will use them as a bargaining tool to gain more concessions from the US, Japan and South Korea, as evidenced by actions taken since 1998.

The operational level of war really involves the movement and coordination (known as command and control or “C2”) of forces at the corps and division level. At this level, South Korea is fully integrated with US forces and uses modern C2 systems rivaled only by Japan in Asia. On the other hand, North Korea has done nothing to advance its C2 since the mid 1980s. It therefore is likely that North Korea’s C2 would suffer a similar fate as the C2 networks of Iraq and Serbia respectively at the operational level of combat.

The lack of training, antiquation of equipment and poor resources mentioned earlier would all have an adverse effect on North Korean forces at the tactical level in combat. The Northern Limit Line battle discussed earlier is probably just a small piece of a much larger picture.

³² *op. cit.*, O’Hanlon, p. 165.

³³ “S. Korea Proposes New Dialogue with N. Korea,” *Reuters*, 14 August, 1999.

The inferior systems and training the North exhibited during the battle are seen throughout the North Korean military. Thus, the quality of the South Korean tactical forces would likely defeat the quantitatively superior yet poorly trained and equipped North Korean tactical forces.

Conclusions on the Readiness and Capabilities of the Korean Militaries

The examination I made of the two North Korean militaries and their ability to go to war provided me with what I consider to be a strong assessment of the ability these two countries have to fight each other. As shown earlier, the North Korean military is one that is using antiquated 1950s and 1960s vintage weapons while the South Korean military continues to strengthen itself with dynamic new programs such as the building of brand new F-16s.³⁴ In addition, the South is superior in other key aspects of military readiness, such as command and control and training. Dr. William Perry, when filing his report on Findings and Policy Recommendations regarding North Korea in 1999, said, “The United States and its allies would swiftly and surely win a second war on the Korean peninsula, but the destruction of life and property would far surpass anything in recent American experience.”³⁵ Clearly, it is now obvious to most observers based on evidence provided by both South Korean and American sources that the South Korean military is the superior one on the Korean peninsula.

An interesting development since the fall of 1999 has been the fact

³⁴ Choe, Seung-chul, “KAI Delivers KF-16 2000; Fighter Jet Force to Air Force,” *Korea Herald*, Section B3, April 20, 2000.

³⁵ William J. Perry, *Review of United States Policy Toward North Korea: Findings And Recommendations*, Unclassified Report by Dr. Perry, U.S. North Korean Policy Coordinator and Special Advisor to the President and Secretary of State (Washington DC: United States Department of State, 12 October, 1999), p. 5.

that the North Korean military, while dealing with the South Koreans on the diplomatic front, has made moves attempting to slow the decline in readiness and capabilities which have been ongoing since the collapse of the Soviet Union. The purchase of 40 MiG-21 fighters in 1999, and a reorganization of existing forces which has put a higher number of long-range artillery pieces and multiple rocket launchers along the DMZ, coupled with an increase in training between 1999 and 2000, shows that Pyongyang is not yet willing to give up the façade of a military that can be used as a bargaining tool with Seoul and Washington.³⁶ The actions taken since 1999, while not being trivial, do nothing to raise any real capabilities of the North Korean military. Though the United States still considers North Korea as a main threat to stability and security in Northeast Asia, Pyongyang is still assessed to place regime survival as its main goal, using the “military first” policy as a means to retain the government currently in power rather than building towards any kind of violent means to unify the peninsula.³⁷

Despite all of the facts discussed above, both South Korea and the United States remain fully dedicated to a continuing policy of a strong US military presence on the Korean peninsula. I would make the argument that this presence is more for stability in Northeast Asia than it is to prevent the South from being conquered by the North. The methodology I used to determine the readiness and capabilities of the two militaries strongly infers that the South is superior in every military way - except strategic weapons of mass destruction. As long as there is a strong US military presence on the Korean peninsula - one which is willing to sacrifice the blood of its men and women to fight for important national security interests, North Korea is probably very

36 “N. Korea Boosts Border Defences,” *BBC World News*, London, England Broadcast, 4 December, 2000.

37 Department of Defense, “2000 Report to Congress: Military Situation on the Korean Peninsula,” *Report by the Secretary of Defense* (Washington DC: Department of Defense), 12 September, 2000.

unlikely to use any of these weapons. To do so would likely mean the end of North Korea as an independent nation in the resulting war. Thus, the impact of the strong bi-lateral relationship between South Korea and the US has an impact on the readiness and capabilities of the two militaries. Maintaining these weapons of mass destruction is the only way Pyongyang feels they have an edge, and yet, this factor keeps the conventional forces’ readiness and capabilities of UN forces at a high level.

The strength of the South Korean military may also be a factor in relationships with Japan, Russia and North Korea. Russia is now closer in many ways to South Korea than to the North. South Korea that is strong both economically and militarily offers a potential market for weapons. In Japan, a strengthened South Korean military means that they now often come into bi-lateral relationships perceived as an equal. For North Korea, it is in Pyongyang’s best interest to play down military confrontation in an environment where high-ranking South Korean military officials are now publicly discussing the weaknesses of the North Korean military.

Alternative Futures for North Korea

I have shown, based on a detailed methodology, that the South Korean military is decidedly superior to that of the North in all aspects except for a capability to use weapons of mass destruction - a capability they probably do not need since their number one ally (the United States) already possesses that capability. Since it has been shown definitively that the South Korean military is superior, the important question is, what does this mean for the future of North Korea as an independent nation? Because of the fact that most in the policy and academic communities do not feel it is a matter of “if” the two Koreas will be reunited, but “when.” The political and military future of North Korea

is very important and now widely discussed. Therefore, it is my goal in this section to examine some alternative futures for North Korea.

It is generally agreed in both the academic and policy communities that there are two basic types of scenarios in which the two Koreas could be united and the economic and military threat problems of North Korea solved. According to a recent paper by William Drennan, recently a fellow at the Institute for National Strategic Studies, the first would, of course, be a “soft landing,” where Korea is reunited by mutual agreement between the North and South. Implicit in this scenario is that unification results from decisions reached by pragmatic negotiators motivated by a common desire to end the artificial division of the nation. Unfortunately, as Drennan points out, “In Pyongyang, even the prospect of widespread famine has not been enough to induce compromise, with the elite more concerned about their future in a united Korea than they are about the suffering of the people.”³⁸ Clearly, with the leadership currently in power in Pyongyang, a “soft landing” is not an option.

The second scenario for unification is a “hard landing,” one that is generally taken to mean that unification results from the collapse of the Kim Jong-il regime, the Kim Il-song system, and/or the North Korean state, leading to the DPRK’s absorption by the ROK.³⁹ Unfortunately, because of the state of the party elite discussed above, the second scenario, at least for the present time, appears to be far more likely to occur than the first. But it is not quite so simple as these two scenarios, often accepted by policy makers in Washington, would make it seem. It is possible that the Kim Jong-il regime would collapse, or have an internal revolution and the leaders of the overthrown sue the South for peace, in exchange for being “taken care of” when unification is complete. If this were to happen, the power would likely have to come

38 William M Drennan, “Prospects and Implications of Korean Unification,” *Northeast Asia Peace and Security Network Policy Forum Online* 9 (August 22, 1997).

39 *op. cit.*, Drennan, *Koreapolitic*, p. 6.

from a region in North Korea outside of Pyongyang. As Choi Jinwook, a respected political scholar in Seoul pointed out in 1999,

North Korean cadres are often subject to close watch when they meet privately. The higher the cadre’s rank, the closer the watch. Thus, high-ranking officials have few friends. North Korea has guarded strictly against factionalism since the consolidation of Kim Il-song’s one-man dictatorship. North Koreans are not allowed to organize in any kind of private meeting such as alumni associations and meetings of people from the same hometown, which have traditionally been very popular in Korea. Needless to say, this is to preempt potential oppositions to the regime from growing and being organized. The inevitable result is the rigidity of North Korean decision making.⁴⁰

Due to the assessment of this paper at least for now, the most likely scenario is a “hard landing,” and even the second type of hard landing mentioned would be very difficult for North and South Korea. It would likely result in a civil war in North Korea, as the party elite would not want to lose their status, power and prestige. In such a spin of the second scenario, if China were to allow it, South Korea would likely take the lead in stepping in and reuniting the peninsula - supported by UN forces led by the United States. If there is a complete collapse in North Korea (one of the more likely scenarios during a civil war), the ROK is going to have the primary responsibility for returning the peninsula to normalcy. This is likely, because at this stage of time, it would be a time for the government of South Korea not to be “ beholden ” to any nation.⁴¹ Seoul would likely want that situation because of all the other Northeast Asian national security concerns that would come to a head now when there was finally a unified Korea.

The information discussed above leads us to the question, how would South Korea be able to handle unification? The South Korean

40 *op. cit.*, Choi, Jinwook, p. 10.

41 *op. cit.*, Maxwell, p. 13.

economy is not nearly as powerful as that of West Germany in 1989. Germany suffered many economic hardships following unification. Goldman Sachs, a world leading financial institution, recently reported that if unification were to happen in 2000, it would cost from \$770 billion to \$3.6 trillion for 10 years due to the enormous gaps between the two economies. If Korean unification were to happen in 2005 (a scenario which now appears rather unlikely), it would cost \$3.6 trillion - just in the beginning.⁴² Given the high cost of unification, at least some of the costs would have to be paid on the backs of the US taxpayer. This has never been mentioned in any research, but it is a *fait accompli* in the eyes of the author. The United Nations would also likely pick up some of the tab. Nevertheless, in any of the scenarios discussed above, the cost will be staggering for the South Korean government - both in manpower and economically.

I have already discussed the disastrously high cost for South Korea and the United States if there was a war. Given the fact that based on the evidence articulated in this paper, Pyongyang's main goal of reunification has been replaced by regime survival and a war is extremely unlikely. Instead, the North will continue to use its large conventional army and its growing arsenal of weapons of mass destruction as bargaining chips to gain concessions from the West.

⁴² Kim, Hyoung-min, "South-North Unification Costs to Reach \$3 Trillion," *Korea Times*, Section B2, 21 April, 2000.

DEALING WITH NORTH KOREA: FROM BILATERALISM TO MULTILATERALISM

Sebastian Harnisch

Conventional international relations wisdom suggests that bilateral and multilateral security institutions are mutually exclusive. In anarchic security environments, as smaller allies try to bind and balance more powerful allies in cooperation with other lesser ones, powerful nations resist multilateral institutions because they constrain their freedom of action. Thus, it is argued that the United States has preferred bilateral security alliances in East Asia rather than multilateral structures to address its security concerns in the region. Yet, in the last decade Washington has increasingly come to favor multilateral fora such as the Korean Peninsula Energy Development Organization (KEDO) and the Trilateral Coordination and Oversight Group (TCOG). To understand this rise of multilateralism and to evaluate its prospects on Korean peninsula, this article analyses the Bush administration's North Korea policy as well as bi- and multilateral arrangements dealing with two crucial security problems: the North Korean ballistic missile program and Pyongyang's Nuclear program. The article concludes by suggesting that bilateral alliances can be and indeed are reinforcing multilateral security arrangements and vice versa.

I. Introduction

Conventional international relations wisdom suggests that bilateral and multilateral security institutions are mutually exclusive. In anarchic security environments, as smaller allies try to bind and balance more powerful allies in cooperation with other lesser ones, powerful nations resist multilateral institutions because they constrain their freedom of action. Thus, it is argued that the United States has preferred bilateral security alliances in East Asia rather than multilateral structures to address its security concerns in the region.¹ Yet, in the last decade Washington has increasingly come to favor multilateral fora such as the Korean Peninsula Energy Development Organization (KEDO) and the Trilateral Coordination and Oversight Group (TCOG) to manage both its policy vis-à-vis North Korea and its allies South Korea and Japan.

To understand this rise of multilateralism and to evaluate its prospects on the Korean peninsula, this article analyses the Bush administration's North Korea policy as well as bi- and multilateral arrangements dealing with two crucial security problems: the North Korean ballistic missile program and Pyongyang's Nuclear program. It is argued that bilateral alliances can be and indeed are reinforcing multilateral security arrangements and vice versa.

To gauge the mutually reinforcing effects of bi- and multilateral security cooperation on the Korean peninsula, I first outline briefly the historical functions of both bi- and multilateral security arrangements on the Korean peninsula. Secondly, I analyse the North Korea policy of the Bush administration to develop the case for reinforced bi- and multilateral security cooperation. The third section probes the role of bilat-

1 Aaron L. Friedberg, Ripe for Rivalry. Prospects for a Multipolar Peace in East Asia, *International Security* 18 (1993/94) 3, pp. 5-33; Richard K. Betts, Wealth, Power, and Instability. East Asia and the United States after the Cold War, *International Security* 18 (Winter 1993/94) 3, pp. 34-77.

eralism and multilateralism in addressing the North Korean program to develop, test, deploy and export ballistic missiles through bilateral US-DPRK talks and the multilateral arrangements to freeze and eventually end the North Korean Nuclear program under the auspices of KEDO. The final section discusses the chances to jump-start both bi- and multilateral security cooperation on the Korean peninsula. Specifically, I reason that the Bush administration's "à la carte" approach towards multilateralism poses no insurmountable obstacle to increased bi- and multilateral security cooperation between the two Koreas and the parties involved.²

Mutually Reinforcing Bilateral and Multilateral Security Arrangements: A Snapshot

Since the end of the Korean War, both bilateral and multilateral security arrangements have preserved peace on the Korean Peninsula. While the alliance between the United States and the Republic of Korea has served as the central pillar of deterrence, the multilateral UN command structure to maintain the armistice agreement has functioned as an instrument for reducing instability and mistrust between the parties involved. Similarly, in the 1990s bilateral talks between the United States and North Korea have paved the way for multilateral security cooperation in freezing the North Korean nuclear program. The US-ROK alliance still serves its purpose in deterring military action by North Korea, but multilateral cooperation in KEDO has supplemented this function in several ways, thereby stabilizing and furthering several bilateral relationships.

Firstly, KEDO has functioned both as a buffer between North and

2 Richard Haass, Multilateralism for a Global Era, Paper presented to the Conference "After September 11: American Foreign Policy and the Multilateral Agenda," November 14, 2001, Carnegie Endowment for International Peace, <http://www.state.gov/s/p/rem/index.cfm?docid=6134> [22.11.2001].

South Korea thereby providing a multilateral venue for bilateral confidence building. Secondly, KEDO has provided for the integration of Japan in the crucial nuclear realm even though Tokyo has so far not participated in other multilateral security fora such as the Four-Party talks. With regard to bilateralism, talks between Washington and Pyongyang concerning a bilateral inspection regime for the undeclared nuclear site in Kumchang-ri in 1999 have stabilized the multilateral cooperation in KEDO and set a precedent for a similar verification arrangement with regard to ballistic missile production, testing and deployment. In addition, multilateral talks within the TCOG arrangement have certainly reinvigorated bilateral security ties between Seoul and Tokyo although these have come under stress lately.

Hence, there is ample evidence in the 1990s to suggest that bi- and multilateral cooperation can be, and indeed, is mutually beneficial. Therefore, the remainder of this article explores the prospects for reinforced security cooperation on the Korean peninsula against the background of the North Korea policy of the Bush administration and the probable fall-out of the September 11th attacks on the security agenda in the region.

II. Bilateralism: US-DPRK Relations

So far, the Bush administration's policy vis-à-vis Pyongyang has developed in three stages. Two crucial turning points can be identified in the course of events. The first was the failed summit meeting between US President Bush and his South Korean counterpart Kim Dae Jung in early March 2001. The summit highlighted the divisions within the Bush team and between Seoul and Washington with regard to the continuation of the engagement policy towards the DPRK. The second turning point came in June when the Bush administration issued its policy review thereby trying to smooth the internal and

external divisions. Hence, in the third phase the strained Washington-Seoul relationship with regard to North Korea somewhat improved. At the same time, divisions and ambiguities within the Bush administration remained.

In the first phase, the Bush team focussed on the confirmation process of its staff and on policy formation. In addition, the new administration highlighted, at least rhetorically, the difference from the approach of the Clinton administration while South Korean President Kim Dae Jung pressed for more engagement with Pyongyang to keep the momentum of the June 2000 summit meeting. In his confirmation hearing, nominee to be Secretary of State Colin Powell labelled Kim Jong Il publicly a "dictator" although he balanced this view with a call for a renewed dialogue with Pyongyang at an appropriate time.³ This later more moderate view of the regime in Pyongyang was strengthened with the nomination of Richard Armitage, a long-time Asia specialist and old friend of Colin Powell, as Deputy Secretary of State.⁴

Earlier in 1999, Armitage headed a Republican study group that criticized the Perry process as insufficient. Rather than focussing on the prevention of a North Korean collapse, US policy should stress alliance consultations, an integrated package deal, including conventional arms control and North-South reconciliation, as an unambiguous choice for the North. Only if this comprehensive strategy should fail, the US should be prepared to act pre-emptively. Thus and in contrast to the much more sceptic North Korea Advisory Group of the Republican members of the House⁵, the Armitage Report accepted the base line of

3 Nomination of Colin L. Powell To Be Secretary of State, Hearing before the Committee on Foreign Relations, USS, 107th Congr., 1st sess., January 17, 2001, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_senate_hearings&docid=f:71536.pdf [20.07.2001], p. 31.

4 B. Raman, Richard Armitage: His Past, Present and Future (*South Asia Analysis Group, Paper No. 204*), <http://www.saag.org/papers3/paper204.htm> [28.05.2001].

5 North Korea Advisory Group, Report to the Speaker, US House of Representatives, November 1999, <http://209.207.236.112.nuke/guide/dprk/nkag-report.htm>

the Clinton administration's engagement policy although it criticized it.⁶

The more hard-nosed approach of the North Korea Advisory Group is represented in the Bush administration mainly through senior officials in the Defense Department.⁷ Back in 1998, both Defense Secretary Donald Rumsfeld and his Deputy, Paul Wolfowitz, had been leading members of the so called "Rumsfeld Commission," which issued a stern warning on North Korea's ballistic missile capabilities only weeks before the unsuccessful launch of the Taepo Dong I.⁸ This conservative duo is supported by Vice President Dick Cheney, who, as Secretary of Defense under George Bush Sr., froze the US troop reduction in South Korea in 1991 when concerns emerged about a secret North Korean nuclear weapons program.⁹ Reflecting this sceptic turn

[14.11.1999].

- 6 Richard L. Armitage (1999): A Comprehensive Approach to North Korea (*Institute for National Security Studies Strategic Forum, No. 159*, March 1999), <http://www.ndu.edu/inss/strforum/forum159.htm> [24.11.1999].
- 7 Jim Lobe, The Koreas. Welcome to Bush's Hobbesian World, *Asia Times*, 13.03. 2001, <http://www.atimes.com/koreas/CC13Dg01.html> [28.05. 2001]; Uwe Parpart, Bush's lone Superpower vision, *Asia Times*, 16.02. 2001, <http://www.atimes.com/editor/CB16Ba01.html> [19.07. 2001]; Uwe Parpart, Bush's lone Superpower vision: the enemy is China, *Asia Times*, 16.02. 2001, <http://www.atimes.com/editor/CB17Ba01.html> [28.05. 2001]; B. Raman, Donald Rumsfeld: His Past, Present and Future, *South Asia Analysis Group, Paper No. 194*, <http://www.saag.org/papers2/paper194.htm> [28.05.2001]; Tim Shorrocks, Paul Wolfowitz: A man to keep a close eye on, *Asia Times*, March 13, 2001, <http://www.atimes.com/se-asia/CC21Ae01.html> [28.05. 2001]
- 8 Whereas the National Intelligence Estimate 1995 had argued that "[no] country other than the major declared nuclear powers will develop or otherwise acquire a ballistic missile in the next 15 years that will threaten the contiguous 48 states of Canada," the Rumsfeld Commission concluded that the threat to the US was "broader, more mature and evolving more rapidly than has been reported in estimates and reports by the intelligence community," cf. Bradley Graham, Missile Threat to U.S. Greater Than Thought. Report Singles Out Iran and North Korea, *International Herald Tribune*, 17.07. 1998.
- 9 B. Raman, Dick Cheney: His Past, Present and Future, *South Asia Analysis Group*,

in US attitude vis-a-vis Pyongyang, the term "rogue state" for North Korea reappeared in US official statements in early 2001. Under the Clinton administration, the State Department stopped using the term in 1996 when referring to North Korea, abandoning the whole concept in June 2000.¹⁰

The divergent views within the Bush administration first came to the fore in March 2001.¹¹ In February, South Korean President Kim Dae Jung had pressed for an early summit meeting to obtain US backing for his sunshine policy, which had come under attack domestically. With several key policy-makers still locked in the confirmation process such as Richard Armitage and James Kelly from the State, the Kim strategy backfired.¹² While Secretary of State Powell on March 6 indicated that the Bush administration might pick up the dialogue with the North early,¹³ President Bush publicly renounced this course a day later.¹⁴ While giving only rhetorical support to the sunshine policy of the South, President Bush stated that he distrusted the North and that there was indication that North Korea was violating its agreements with the US.¹⁵ When asked during a background briefing if there was

Paper No. 178, <http://www.saag.org/papers2/paper178.htm> [20.07.2001].

- 10 Michael S. Lelyveld, U.S. Removes North Korea from List of "Pariah States," *Journal of Commerce*, February 2, 1996, p. 1; Steven Mufson, For U.S. State Department, Difficult Countries are "Rogues" No More, *International Herald Tribune (IHT)*, 21.06. 2000.
- 11 Jane Perlez, Discord on Bush Team, *IHT*, 13.03. 2001; Leon Sigal, Bush's Tough Line on North Korea is Dangerous, *IHT*, 08.03. 2001.
- 12 In addition, several key conservative Republican law makers had urged the new administration not to assume the engagement policy of the Clinton administration without prior consultation: Henry Hyde et al., Letter to President Bush on North Korea Policy, March 2, 2001, http://www.house.gov/international_relations/nkorp.htm [20.07. 2001].
- 13 Sec. Colin Powell, Press Availability with Her Excellency Anna Lindh, Minister of Foreign Affairs of Sweden, Washington, March 6, 2001, <http://www.state.gov/secretary/rm/2001/index.cfm?docid=1116> [20.07. 2001].
- 14 Brian Knowlton, Bush Tells Korean He Distrusts North, *IHT*, 08.03. 2001.
- 15 Transcript: Presidents Bush, Kim Dae Jung March 7 Press Briefing, *Washington*

more than one agreement - the Geneva agreement - between the US and North Korea and if there was proof that the North was in violation of the Agreed Framework, a senior official resorted to ambiguous even misleading language.¹⁶

In sum, the first phase of the Bush administration's North Korea policy was characterized by divergent views within the administration and the failed US-ROK summit meeting. The early date of the summit as well as the fact that few of the working level officials in US Korea policy had been appointed certainly added to the meagre and ambiguous results of the meeting. As a consequence, the administration announced a policy review process.

International and Domestic Pressure to Stick to Engagement with North Korea

The second phase is associated with rising national and international pressure to continue the engagement policy and a much lower public profile by US officials with regard to Pyongyang. The open disagreement between the two allies and the harsh rhetoric of the President during the summit drew immediate international and domestic criticism.¹⁷ Even before the meeting, opinion leaders in South

File, March 8, 2001, <http://usinfo.state.gov/> [22.03. 2001].

16 Transcript: Background Briefing on Bush-Kim Meeting, *Washington File*, March 9, 2001, <http://usinfo.state.gov/>[22.03. 2001];Ralph Cossa, U.S.-Korea: Summit Aftermath (*PacNet Newsletter*, No. 11, March 16, 2001), <http://www.csis.org/pacfor/pac0111.htm> [20.03. 2001].

17 Che, Eung Jung Cahill & Brad Glosserman (Eds.) (2001), *The Perils of Progress: The U.S.-South Korea Alliance in a Changing Strategic Environment* (Special Annual Issue Comparative Connections), <http://www.csis.org/pacfor/annual/specialJune2001.pdf> [20.07. 2001];Stephen Thibeault, *Issue Focus: South Korea's Hopes for North/South Accord Dimmed But Not Dashed*, <http://www.usinfo.state.gov/admin/005/wwwwh1m27.html> [20.07. 2001];President Bush's Deferral of North Korean Negotiations: A Missed Opportunity to Curb North Korea's Missile Program, ACA Press Conference, March 23, 2001, <http://www.armscontrol.org/Events/march2001>

Korea had urged the Bush team to keep the dialogue channels open.¹⁸ During and after the summit the need was stressed for Washington's support of the sunshine policy and an early conclusion of the policy review.¹⁹ Predictably, the North Korean leadership reacted harshly to the confrontational tone during the US-ROK summit, threatening to end its missile test moratorium and freezing the bilateral talks with the South.²⁰

In this situation, with the US still stuck in its review process, the European Union took the initiative to jump start the Inter-Korean dialogue process, even though several of its member states had opened diplomatic relations with the DPRK without policy coordination within the Union.²¹ Thus, the Presidency of the Union travelled to Pyongyang, offered humanitarian assistance and in return "received" an extension of the ballistic missile test moratorium until 2003.²²

By early summer, the administration had also come under intense pressure from the (liberal) foreign and security policy community in Washington.²³ In a particularly galling criticism, Spurgeon Keeney, the

[press.html](#) [23.03.2001].

18 Han, Sung Joo, A Changed Asia Meets New U.S. Administration, *IHT*, 28.02. 2001; Patrick E. Tyler, What's Behind Seoul's Decision to Cozy Up to Putin on Missile Plan, *IHT*, 01.03. 2001;Don Kirk, Seoul's 'Sunshine' Policy Faces Tough Test in U.S., *IHT*, 03.-0.4.03. 2001.

19 Steven Mufson, South Korean Leader Appeals to U.S. to 'Seize Opportunity' for Peace, *IHT*, 10.-11.03. 2001.

20 Alex Wagner, D.P.R.K. Threatens to End Missile Moratorium, Nuclear Cooperation, *Arms Control Today Online* 3 (2001), http://www.armscontrol.org/act/2001_03/northkorea.asp [20.07.2001];Don Kirk, North Korea Puts Abrupt Halt to Talks, *IHT*, 14.03. 2001.

21 William Drozdiak, EU Acts on Korea As U.S. Pulls Back, *IHT*, 26.03. 2001;Brian Knowlton, EU Mission to Koreas Is Seen As Rebuke to Bush, *IHT*, 28.03. 2001.

22 Alex Wagner, D.P.R.K. Extends Missile Pledge as U.S. Readies to Resume Talks, *Arms Control Today Online* 6 (2001), http://www.armscontrol.org/act/2001_06/konjun01.asp [20.07.2001].

23 Tim Shorrocks, Domestic Opposition builds to Bush's Korea Policy, *Asia Times*, 28.03. 2001;Jon B. Wolfsthal, North Korea: Hard Line Is not the Best Line, *Proliferation*

editor of the Journal “Arms Control Today,” suggested that the Bush team gave the impression that it wanted to preserve the North Korean ballistic missile threat, despite the recent progress in bilateral US-DPRK under the Clinton administration, to legitimise the National Missile Defense program.²⁴ A Council on Foreign Relations Report of a bipartisan Task Force on Korea presented its findings in March, in advance of a larger study, which was subsequently published in June 2001. The report called for the continuation of the engagement policy vis-à-vis North Korea, the continued support of the sunshine policy and the trilateral dialogue with South Korea and Japan within the framework of the Trilateral Coordination and Oversight Group (TCOG). In addition, the report stressed that further implementation or modification of the Agreed Framework should be coordinated closely with both Seoul and Tokyo.²⁵ Critics of the “go slow” approach of the administration in the Democratic Party issued a stern warning. The new administration would miss a “historic moment” if it did not actively pursue a settlement for the North Korean ballistic missile program, following up on the promising talks of the Clinton administration.²⁶

To sum up, the second phase of the new administration’s approach saw an adjustment period in which working-level officials (such as Richard Armitage and James Kelly) took up their work and were immediately faced with harsh domestic and international criticism.

Brief 4 (March 7, 2001) 2, [http://www.ceip.org/files/publications/Proliferationbrief402.asp?=\[16.03.2001\]](http://www.ceip.org/files/publications/Proliferationbrief402.asp?=[16.03.2001]); Ralph A. Cossa, U.S.-Korea: Summit Aftermath, *PacNet Newsletter*, No. 11, March 16, 2001, <http://www.csis.org/pacfor/pac0128A.thm> [20.07.2001].

24 Spurgeon Keeney, Preserving the North Korean Threat, *Arms Control Today Online 4* (2001), http://www.armscontrol.org/act/20001_04/focus01.asp [20.07.2001].

25 Independent Task Force on Korea, Letter to the President, March 22, 2001, http://www.cfr.org/p/pubs/KoreaTF_PresidentLetter.html [20.07.2001].

26 Senate, House, Democratic Leaders Send Bush Letter on Korea, *Washington File*, March 13, 2001, <http://usinfo.state.gov/topical/pol/arms/stories/01031402.htm> [20.07.2001].

This second phase ended when the administration presented the results of its policy review. The review made clear that moderates in the State Department had won the day over more conservative forces in the Pentagon in formulating the North Korea policy of the administration. Thus, the public criticism ebbed and the US policy sailed into smoother waters.

The Bush Administration’s Policy Review

The third phase started with the announcement of the results of the policy review in early June 2001. In contrast to the Clinton administration’s review, the so-called “Perry Report,”²⁷ the Bush administration finished its review in record time of less than six months. First findings were presented by Assistant Secretary of State for Asia and the Pacific, James Kelly, to his counterparts from South Korea and Japan at a TCOG meeting in late May. President Bush publicly announced the results of the review on June 6th.²⁸ Overall, the review mirrors the conclusions of the Armitage report of 1999 and the Council on Foreign Relations Task Force in March 2001. Thus, no dramatic policy shift vis-à-vis North Korea occurred between the Clinton administration and the Bush administration.²⁹

And yet, the Bush policy review calls for a significant toughening of the US position on several key issues, including “old topics” such as the nuclear and ballistic missile program as well as “new ones” such as conventional arms control. First, although the report rejects the idea of

27 Sebastian Harnisch, How much is enough? The normalization of US-DPRK relations, *Korea Forum 2* (1999), <http://www.asienhaus.org/publikat/korea/kofo2-99/usnordk.htm> [01.02.2000], p. 1-7 (in German).

28 Statement of the President, June 6, 2001, The White House, <http://usinfo.state.gov/topical/pol/arms/stories/01060700.htm> [20.07.2001].

29 Ralph A. Cossa, Bush’s ‘Comprehensive Approach’ to Dialogue with Pyongyang, *PacNet Newsletter*, No 28a, July 13, 2001, <http://www.csis.org/pacfor/pac0128A.htm> [20.07.2001].

scrapping or renegotiating the Agreed Framework, as some conservative republican law makers would like to see, it presses for an acceleration of the implementation process, an early conclusion to the talks between the IAEA and North Korea on special inspections at undeclared nuclear sites.³⁰ Second, while the review supports an initiative to end the North Korean ballistic missile program, it also stresses the need for intrusive bilateral verification measures in all phases of the program such as development, testing, deployment and export. Third, in contrast to its predecessor, the Bush administration added conventional arms control to the negotiating agenda. Finally, the review process concluded that the position of a Special Envoy for North Korea should be downgraded from ambassador rank for the time being and that lower level officials should continue to conduct the negotiations. Overall, the administration tried to present a comprehensive package deal as a “take-it-or-leave-it” negotiating position to the North Koreans.³¹

From “go slow” to “no go”

The Bush administration’s reshuffling of the negotiating agenda caused consternation in Pyongyang. The prioritisation of IAEA inspections, the call for an intrusive missile verification regime and bilateral talks on conventional arms control seemed to suggest that Washington had considerably raised the ante for further negotiations.³² In addition, Washington imposed symbolic³³ sanctions on a North Korean firm, the Changgwang Sinyong Corporation, for proliferating Missile Technolo-

30 Larry Niksch, North Korea’s Nuclear Weapons Program, *CRS-Report IB 91141* (Washington, DC: CRS for Congress 2001).

31 James A. Kelly, United States Policy in East Asia and the Pacific: Challenges and Priorities, Testimony before the Subcommittee on East Asia and the Pacific, House Committee on International Relations, June 12, 2001, http://www.house.gov/international_relations/kell0612.pdf [20.07.2001].

32 Don Kirk, North Korea: No Talks Soon With US, *New York Times*, 10.07. 2001.

33 Earlier sanctions dating from April 2000 and January 2001 were still in place.

gy Control Regime (MTCR) category I³⁴ items to Iran.³⁵

In early July, after several months of increasingly harsh rhetoric towards Washington and Seoul, the North Korean side reacted with a clear provocation, testing a missile engine.³⁶ Unsurprisingly, the report of the missile test by Bill Gertz of the *Washington Times*, with close ties to the Pentagon, drew a quick response from moderate policy makers in the State Department. Deputy Secretary of State Richard Armitage declared that “there was nothing wrong” with the test and that the United States did not view this as a breach of the missile test moratorium, which Pyongyang had reaffirmed in late April.³⁷

However, within days the Pentagon second-guessed the State Department’s approach, issuing repeated warnings about North Korean military capabilities in general and its missile program in particular. First, General Thomas Schwartz, Commander US Forces in Korea (CUSFK), stressed that North Korea posed an increasing military threat to South Korea and US interests in the region. Second, in early July, during the hearings for the 2002 Defense Appropriations Bill, Deputy Secretary of Defense, Paul Wolfowitz, emphasized that US troops in South Korea were targets of North Korean short range missiles and that the US homeland was the target of Pyongyang’s long range missile program.³⁸

34 Category I items include complete missile systems with ranges exceeding 300 kilometers and payloads over 500 kilograms, major subsystems, rocket stages or guidance systems, production facilities for MTCR class missiles or technology associated with such missiles.

35 The latest publicly available US report on North Korea’s missile proliferation covers the second half of 2000, cf. Central Intelligence Agency, Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 July Through 31 December 2000, http://www.cia.gov/cia/publications/bian/bian_sep_2001.htm#5 [21.10.2001].

36 Bill Gertz, North Korea Tests Its Missile Engine, *Washington Times*, 03.07. 2001.

37 *Agency France Press*, Nothing Wrong with North Korean Rocket Motor Tests: TOP US Official, Washington, 07.07.2001.

38 Joo, Yong-joong, Wolfowitz Warns Against N.K.’s Missile Capability, *Joongang Ilbo*,

Thus, only two months after the completion of the policy review, the internal divisions that had marked the first phase of the Bush policy reappeared. Although State Department officials reiterated earlier calls for bilateral talks “without preconditions” in late July,³⁹ neither the DPRK-Russian summit in mid-August nor the DPRK-PRC summit in early September brought enough new momentum for direct high-level talks between Washington and Pyongyang.⁴⁰

In the wake of the September 11th attacks, US policy towards Asia switched priorities, with South Asia and the military campaign against Al Qaeda and the Taliban ranging first. As a consequence, the regime in Pyongyang reacted promptly, issuing an unprecedented condemnation of the attacks on the US. Pyongyang also stated that the US had a right to take unspecified countermeasures.⁴¹ In addition, on September 17th an article in the *Rodong Shinmun* appeared and suggested that North Korea may end the production of ballistic missiles if the US had verifiably withdrawn all its nuclear weapons and ballistic missile systems from South Korea.⁴² The State Department reacted cautiously, but visibly, to the North Korean overture. In early October, Washington removed the Japanese Red Army from its list of international terrorist organizations, while keeping North Korea on the list of states

13.07.2001.

39 Testimony of Special Envoy Charles L. Pritchard, Special Envoy for Negotiations with the DPRK and United States Representative to the Korean Peninsula Energy Development Organization (KEDO) before the Subcommittee on East Asia and the Pacific Committee on International Relations, House of Representatives, July 26, 2001, *Washington File 26*, July 2001, <http://usinfo.state.gov> [20.11.2001].

40 According to some sources, lower level contacts through the New York channel continued nevertheless.

41 Christopher Torchia, Koreans Unite to Condemn Attacks, *AP Seoul*, 15.09.2001; Support from North Korea on U.S. Campaign Against Terror, *New York Times*, 25.09.2001; Kim See-sung, DPRK Expresses Regret Toward U.S: Terror at UN Assembly, *Joongang Ilbo*, 10.07.2001.

42 North Korea Hints Conditional Suspension of Missile Production, *Joongang Ilbo*, 17.09.2001.

sponsoring terrorism.⁴³

However, if there had been a chance for a renewed dialogue through piecemeal signalling between Washington and Pyongyang in early October, this chance was put to the test when President Bush, on October 17th, in an interview with editors of Asian newspapers, declared that:

“North Korea should not, in any way, shape or form to think that because we happen to be engaged in Afghanistan, we will not be prepared and ready to fulfil our end of our agreement with the South Korean government. They should not use this as an opportunity to threaten our close friend and ally, South Korea.”⁴⁴

Although the President seemed to backtrack from his earlier confrontational statements when he called for immediate high-level talks without any preconditions during the APEC summit meeting in Shanghai,⁴⁵ the chances for the stabilization of the US-DPRK dyad through direct high-level contact decreased considerably.

In November, the old pattern of a divided administration with an ambiguous approach towards the DPRK reoccurred. Moderates, such as US Ambassador to South Korea, Thomas Hubbard, called for a renewed dialogue, but North Korea sceptics reiterated their earlier argument that North Korea kept on developing weapons of mass destruction while negotiating. On November 19th Undersecretary of State for International Security Affairs, John Bolton, declared that the DPRK had violated its responsibilities under the Biological Weapons Convention by developing biological and chemical agents for warfare.⁴⁶ US Secretary of Defense, Donald Rumsfeld, would not confirm

43 The DPRK Remains A Terror-State, U.S. State Department Announces, *Joongang Ilbo*, 07.10. 2001.

44 Remarks by the President in Roundtable Interview with Asian Editors, The White House Press Office, October 17, 2001, <http://usembassy.state.gov/seoul/wwwwh42xr.html> [21.10.2001].

45 Bush Seeks Meeting With N. Korean Leader, *AP Shanghai*, 19.10. 2001.

that the administration had evidence that Pyongyang had exported chemical and biological weapons to other countries or terrorist networks, but these statements suggest that the Pentagon and other security officials in the administration want to and North Korea's chemical and biological weapons program to the bilateral negotiating agenda as a high priority.⁴⁷

In sum, the third phase is characterized by continuing divisions in the Bush administration over its North Korea Policy.⁴⁸ While the administration has upgraded the status of its special envoy for the DPRK talks, Jack Pritchard, the failure of the inter-Korean talks in mid-November and recent statements by security officials on North Korea's biological and chemical weapons program imply that direct high-level talks between Washington and Pyongyang will not occur in the foreseeable future. This trend is reinforced as the United States turns its attention away from Northeast Asia towards Afghanistan, the Al Qaeda group and possibly other states that harbor terror organizations such as Iraq.

As a consequence, infant multilateral security structures and traditional bilateral alliances on the Korean peninsula may come under pressure in the months and years to come. With the Four-Party talks stalled since August 1999, the Perry Process seemed to reinvigorate multilateralism on the Korean Peninsula through the trilateral coordination among South Korea, Japan and the US. In December 2000,

46 Bolton Says Iraq, North Korea Violate Biological Weapons Pact, *Washington File*, 19.10. 2001, <http://usinfo.state.gov/cgi-bin/washfile/display.pl?p=/products/washfile/topic/intrel&f=01111902.ppo&t=/products/washfile/newsitem.shtml> [22.11.2001].

47 Transcript: Rumsfeld, S. Korean Defense Minister Nov. 15 Briefing, *Washington File*, 15.11. 2001, <http://lists.state.gov/SCRIPTS/WA-USIAINFO.EXE?A2=ind0111c&L=WF-EASIA&P=R4009> [21.11.2001]; Transcript: Bolton Briefing on Biological Weapons Pact, Geneva, 19.11. 2001, <http://lists.state.gov/SCRIPTS/WA-USIAINFO.EXE?A2=ind0111c&L=WF-EASIA&P=R14287> [22.11.2001].

48 David E. Sanger, North Korea: Test Case For New U.S. Fortitude, *IHT*, 26.11. 2001.

North Korea appeared to be prepared to forego the production, testing, deployment and export of long-range missiles in exchange for political and economical inducements. However, the final conclusion of the deal foundered due to the contested outcome of the US Presidential elections. Since then the incoming Bush administration has been hesitant to seriously engage North Korea bilaterally, as outlined above.

In the remainder of this article, I lay out a strategy of how to jump start the dwindling bilateral dialogue between Pyongyang and Washington in two crucial areas: the missile talks and the KEDO process to stop and finally dismantle North Korea's nuclear weapons program. The argument is based on the premise that the basic idea of the Geneva Agreed Framework is still valid. As the North Korean regime complies with international norms, relations with the outside world will be normalized in a tit-for-tat process, politically, economically and militarily. Where the analysis differs from the conventional wisdom is that the Bush administration can and indeed will negotiate viable solutions in these two crucial areas alone. In order to succeed, I reason, US-DPRK bilateral talks have to be complemented through multilateral arrangements. Firstly, multilateralism through division of labor may unburden the bilateral US-DPRK agenda without compromising legitimate US security concerns. Secondly, multilateral cooperation may shelter bilateral negotiating positions from strong and often diverging domestic influences thereby stabilizing the negotiation process. As it frees up new resources for the reconstruction of North Korea, multilateral cooperation prevents the North from taking advantage of differences between the US, South Korea, Japan and other parties involved such as the European Union. In addition, multilateral institutions may - as KEDO and TCOG showed in the past - have beneficial effects on other troubled bilateral relationships such as those between the two Koreas or South Korea and Japan.⁴⁹

However, multilateral arrangements are not viewed as a cure-all. Indeed, without a functioning bilateral component, they are primed to

fail. As the bilateral negotiations to end the North Korean ballistic missile program and the multilateral process to freeze and end the North Korean nuclear program under the auspices of KEDO show, bilateral and multilateral arrangements should be viewed as complementary and mutually beneficial rather than exclusive.

III. Coming to Terms with North Korean Ballistic Missile Program

A simple calculation reveals why multilateralism may be beneficial to security concerns on and vis-a-vis the Korean peninsula. North Korea's ballistic missile program is central to the global proliferation of missile technology. Thus, ending the North Korean program would greatly diminish regional and global security threats including European concerns about missile proliferation to Middle East and Africa. Worldwide 33 nations possess ballistic missiles outside the five nuclear weapons states, but 27 have only short-range missiles with less than 1,000 km reach. Of the six remaining countries, three are friendly to Western nations: India, Israel and Saudi Arabia. Among the last three states of concern, Iran, Pakistan and North Korea, the latter one is the core of a proliferation network, which includes the former two. Without North Korean missile exports, the Iranian program would be considerably slowed down (Teheran still has Russian and Chinese sources), but the Pakistani Ghauri program might not survive without the DPRK assistance.⁵⁰ This is not to suggest that North Korea is

49 Scott Snyder, The Korean Peninsula Energy Development Organization: Implications for Northeast Asian Regional Security Cooperation? (*North Pacific Policy Papers* 3), <http://www.pcaps.iar.ubc.ca/pubs/snyder.pdf> [17.11.2001], pp. 15-17; Victor Cha, Japan-ROK Relations: Seoul-Tokyo Cooperation on North Korea, Tried, Tested, and True (thus far), *Comparative Connections* 1 (October 1999) 2, pp. 65-71.

50 Joseph Cirincione, Secretary of State Madeleine Albright's Visit to North Korea, ACA Press Briefing October 20, 2000, *Arms Control Today Online* (November Issue), <http://www.armscontrol.org/ACTnov00/pressconnk.html> [02.03.2001].

already capable to autonomously produce, deploy and weaponize and deliver long-range ballistic missiles,⁵¹ but it is certainly safe to say that after the Taepo-Dong missile test in August 1998, the North Korean threat, no matter how material it is, has been the prime concern of US policymakers.⁵²

In short, if you eliminate the whole North Korean program not only its export, the main justification for an immediate deployment of a National or Regional Missile defense system would be diminished thereby giving breathing space to diplomatic efforts to contain the political fallout of deploying such systems.⁵³ While this appears to be in the interest of regional powers in East Asia such as the ROK, Japan and the PRC and others like the European Union, recent problems in testing and mounting costs of the system as well as bilateral talks between the US and Russia seem to suggest that the Bush administration may also come to favor an early effort of cooperative threat reduction with regard to North Korea that still leaves space for the deployment of a presumably modified and smaller system later.

According to the latest National Intelligence Estimate, the US should deploy NMD and/or TMD to defend itself against a North Korean capability becoming operational in 2005 and an Iranian capability in 2010. While the push for BMD seems even more unstoppable after the September 11th attacks, Asian and European countries may well be able to shape the implementation process if the North Korean

51 Some sources suggest that private Russian companies or individuals are central to the North Korean missile program, cf. Jim Mann, N. Korean Missile Have Russian Roots, Explosive Theory Suggests, *Los Angeles Times*, 6.9.2000.

52 There have been strong indications that the DPRK threat is used by some experts and policymakers as a token to disguise what they perceive as the real threat in the years to come: the People's Republic of China, cf. Charles D. Ferguson (1999), Bait and Switch. Is Anti-North Korean Missile Defense Designed for China?, *FAS Public Interest Report* 52 (1999) 6, <http://www.fas.org/faspir/v52m6b.htm> [12.03.2001].

53 Sebastian Harnisch, European Responses to the North Korean Threat, Paper presented at the First Ballistic Missile Defense Forum (PRIF), Berlin, September 18, 2000, <http://www.hsfk.de/abm/ak/pdfs/ak1har.pdf> [12.03. 2001].

program is addressed and Washington subsequently takes their interests and concerns into account. Moreover, if the missile issue is brought to a solution, the unfolding US-DPRK normalization drive will be welcomed by Beijing. This may in turn help further stabilize the US-Sino relations, which had been suffering from the EP-3 incident and the decision by the Bush administration to sell advanced military technology to Taiwan.

Is an End to the North Korean Missile Program Still Possible?

To begin with, since 1996 North Korea has consistently offered to end its ballistic missile program such as the production, testing and export of medium- and long-range ballistic missiles. After it sent shock waves around East Asia and the World when it tested a long-range ballistic missile as a launch rocket for a small satellite in August 1998, the North Koreans negotiated a missile test moratorium with the US in September 1999 in exchange for a partial lifting of economic sanctions. In mid-2000, North Korean leader Kim Jong Il suggested a permanent missile test stop in return for a yearly quota of foreign space launches of its satellites. But the outgoing Clinton administration was not able to secure a deal during and after Secretary of State Albright's historic trip to Pyongyang in November 2000 although both parties had already agreed to the following: North Korea would stop the production, testing, deployment and export of ballistic missile with a range above 300 km. Pyongyang also accepted non-monetary compensation such as regular satellite launches. In exchange, Washington was obviously prepared to fund regular satellite launches and agree to a last minute visit of the outgoing President to North Korea.⁵⁴ However, as the domestic situation during the Florida ballot seemed unclear and the incoming

54 Wendy Sherman, Presentation at the Workshop, Perspectives on President Kim Dae-jung's visit to Washington, *United States Institute for Peace*, March 6, 2001, <http://www.usip.org/oc/cibriefing/sherman030601.html> [12.03.2001].

administration signalling concern, the Clinton team did not send Ambassador Sherman to Pyongyang to settle the remaining issues of verification such as onsite-inspection, destruction of operational missiles and the exact terms of non-monetary compensation.⁵⁵

Looking at the prospects of a future missile deal after the Bush administration's policy review, several interrelated approaches come to mind. All of them include multilateral frameworks under US leadership and some of them the European Union. First of all, as the negotiations at the end of the Clinton administration show, a permanent missile test moratorium is within reach without larger cash payments. While the South Korean government had been reluctant in the past to fund any missile related threat reduction program, Seoul changed a course in December 2000 due to the centrality of the missile issue for the US-DPRK normalization, which is in turn vital for a balanced reconstruction effort in North Korea through multilateral development institutions such as ADB, IMF and WB.⁵⁶

As indicated by the advanced stage of the Clinton negotiations, North Korea is willing to end, not only testing, but also exporting, production and deployment of ballistic missiles if it can get the right price. While a presidential visit by George W. Bush is almost certainly not in the cards within the foreseeable future, a first high-level meeting may be possible if the North Korean leadership acts in accordance with its recent Anti-Terrorism rhetoric thereby laying the groundwork for a removal from the State Departments list of terrorist sponsoring countries. Even if the Bush administration is still hesitant to engage the North seriously, or preoccupied with the conflict in Afghanistan, early

55 Michael R. Gordon, Vote Morass in Florida Helped Sink Pyongyang Anti-Missile Accord, *IHT*, 07.03. 2001; Transcript: Background Briefing on Bush-Kim Meeting, *Washington File*, 8 March 2001, <http://www.usinfo.state.gov/cgi-bin/wa..lt&t=/products/washfile/newsitem.shtml> [09.03.2001].

56 Son Key-young, Seoul Might Pay to Stop NK Missile Program, *Korea Times*, 12.12.2000.

signs of North Korean goodwill such as the ratification of the International Convention for the Suppression of the Financing of Terrorism may indeed pave the way for more substantial discussions between Washington and Pyongyang.⁵⁷

As for the multilateral funding of such a comprehensive missile deal, consider the following: in 1992-93, Israel suggested that it might explore the Unsan gold mine in exchange for an export stop of North Korean missile parts to Middle Eastern nations such as Syria, Libya and Iran.⁵⁸ In 1994, when Chief negotiator Robert Gallucci went on a fundraising mission to European and Middle Eastern capitals to enlist support for the soon-to-be the KEDO, several Arab nations noticed that the Agreed Framework excluded the sensitive missile issue. Therefore, they could not contribute to the joint effort.⁵⁹ If European nations could agree to North Korean satellites launched periodically through its Ariane program, Arab nations may be willing to contribute desperately needed oil supplies to North Korea. Thus, a missile deal could occur even without substantial funding from Washington. While European, Middle Eastern and Asian nations could benefit from Washington's negotiating cloud and the subsequent security gains, the Bush administration may contain a serious proliferation problem and thus bolster its regional and global role as a promoter of non-proliferation.

Of course, this more ambitious approach for an agreed-framework-like missile agreement with tight restrictions has some political strings attached. Japan may not be willing to contribute if shorter-range missiles deployed vis-à-vis its coastline are not withdrawn. Europe may be hesitant to invest in a missile test moratorium if missile exports to Iran and/or Libya continue.⁶⁰ South Korea and the US may want to link

57 N.K: Said Committed to Terror Pact, *AP Beijing*, 30.10. 2001.

58 Oded Granot, Background on North Korea-Iran Missile Deal (in Hebrew), *Tel Aviv MA'ARIV*, 14.04.1995, English translation: <http://www.fas.org/news/israel/tac95037.htm> [6. 2.2000].

59 Interview with NSC Official, Washington, 30.08. 1996.

conventional arms control to the missile issue to achieve local security gains immediately.⁶¹ And yet, a concerted effort to end the North Korean missile program would certainly push both multilateral and bilateral processes to engage North Korea and diffuse some of the tensions building up between Washington and Pyongyang and subsequently between Seoul and Pyongyang.

IV. Ending the North Korean Nuclear Weapons Program by Reinvigorating the KEDO Process

As in the case of the North Korean missile program, enhanced bilateral and multilateral cooperation offers to jump-start the KEDO process, which has also suffered from benign neglect recently. Over the last six years, the implementation of the Geneva Agreed Framework (AF) has indeed proved to be a valuable tool to freeze the North Korean nuclear weapons program.⁶² Again, a simple calculation shows the significance of the achievement. Had the North Koreans continued in 1994, by now they could have had enough plutonium separated for 60-80 nuclear weapons. If all three reactors, the one operational at Yongbyon in 1994 plus the two under construction, had been dedicated to making weapons-grade plutonium, then North Korea would have been able to produce and export 40 to 50 nuclear weapons per year.⁶³

60 Recent reports concerning the export of 50 Nodong systems to Libya: Bertil Lindner/Suh-kyung Yoon, North Korea: Coming In from the Cold?, *FEER*, October 25, 2001, http://www.feer.com/2001/!=/_25/p060money.html [24.10.2001].

61 Yong-Sup Han, Paul K. Davis, & Richard E. Derilek (2000), Time for Conventional Arms Control on the Korean Peninsula, *Arms Control Online* (December 2000), <http://www.armscontrol.org/ACT/dec00/handec00.html> [02.03.2001].

62 Sebastian Harnisch & Hanns W. Maull (2000), *Nuclear Weapons in North Korea. Regional stability and Crisis management under the Geneva Agreed Framework*, Bonn (in German).

63 David Albright, Secretary of State Madeleine Albright's Visit to North Korea, ACA

And yet, as impressive as this record is, several key issues, both technical and political, remain unresolved.

To begin with, in the past, the KEDO project has met serious political obstacles along the way, delaying the original delivery schedule for more than 6 years.⁶⁴ While this is due to a mixture of poor conditions at the site in Kumho, including North Korea's crisis strategy and congressional intransigence, the situation certainly holds the potential for deterioration in the months and years to come. From the North Korean perspective, the blame for the delay has to be put on the US. Therefore, Pyongyang has tried to extract compensation such as through higher wages for its workers. From the US perspective, the delay has been caused to a considerable degree by North Korean military provocations such as the submarine crisis in 1996 or the naval incident in 1999. To make matters worse, higher crude oil prices have inflated Washington's share in the project so that congressional critics have tried even harder to torpedo the whole project. In a political environment like this, certain technical aspects will become serious obstacles for the KEDO process. Hence, if KEDO is to succeed, the following problems have to be tackled.

In the short-term, KEDO and North Korea will have to negotiate five additional protocols, some of which may prove to be real stumbling blocks. First, a delivery schedule protocol must specify major dates for the completion of the LWRs. It may also contain dates when the North is to perform its commitments under the Agreed Framework vis-à-vis the IAEA. Second, in the nuclear liability protocol, North Korea must accept an indemnity agreement with KEDO, which secures nuclear liability insurances or other financial security for KEDO, its contractors and subcontractors in connection with any third-

Press Briefing, October 20, 2000, *Arms Control Today Online* (November Issue), <http://www.armscontrol.org/ACTnov00/pressconnk.html> [02.03.2001].

64 Originally the first LWR was to be completed in 2003; current estimates are that it will not become operational before 2010.

party claims in the event of a nuclear accident. Furthermore, North Korea and KEDO have to conclude a repayment protocol and two other protocols: one on nuclear safety and regulation of the LWRs and the other on operation and maintenance arrangements for transferring the spent fuel out of North Korea. These required steps on their own involve great potential for delay and crisis because the DPRK-IAEA relationship is still not good. Although the DPRK and the US have recently again agreed on greater transparency and the carrying out of their respectful obligations under the Agreed Framework on October 12, 2000, the IAEA now clearly takes a tougher stance on the obligations of the NPT than in 1994. That is, the IAEA interprets its mandate as to gain confidence in an absence of undeclared nuclear activities.⁶⁵ Also, North Korea's nuclear safety process has gained much attention recently and it is still unclear whether Pyongyang can meet international requirements for a transparent, independent and technically elaborate nuclear safety process.⁶⁶

In the medium-term, the main obstacle will be a lengthy "Preliminary Safety Analysis Report (PSAR)," which North Korea currently discusses with the KEDO and finally must approve. The PSAR will give the KEDO confidence that the ROK is indeed able to operate the LWRs safely.⁶⁷ Further down the implementation road, the US and

65 David Albright, Holly Higgins, & Kevin O'Neill (2000), *Solving the North Korean Puzzle: Epilogue*, <http://www.isis-online.org/publications/dprk/book/epilogue.html> [08.02.2001], p. 11.

66 Henry Sokolski, Implementing the Korean Nuclear Deal: What U.S. Law Requires, Paper presented before the international forum, "Promoting International Scientific, Technological and Economic Cooperation in the Korean Peninsula: Enhancing Stability and Dialogue," Rome, July 1-2, 2000, <http://www.wizard-net/~npec/papers/6-4-00-DPRK-Sokolski.htm> [02.02.2001]; Victor Gilinsky, Plutonium From US-Supplied LWRs for North Korea. Do We have to Worry About it?, Paper presented before the international forum, "Promoting International Scientific, Technological and Economic Cooperation in the Korean Peninsula: Enhancing Stability and Dialogue," Rome, July 1-2, 2000, <http://www.wizard-net/~npec/papers/6-4-00-DPRK-Sokolski.htm> [02.02.2001].

North Korea will have to negotiate an “Agreement for Peaceful Nuclear Cooperation” which requires under US domestic law, among other things, the continuous and full implementation of IAEA safeguards. Also, this agreement includes a provision that the ROK must provide adequate back-up power in the case of an accident. As most international experts agree, so far, North Korea has no viable electrical transmission system and it certainly has no reliable back-up system to prevent a reactor meltdown through a back-up cooling system.⁶⁸

In sum, we face a delayed LWR process that has built-in political and technical stumbling blocks in the coming month and years. As former US negotiator Robert Gallucchi suggested recently in a Congressional hearing, this might not be a bad thing altogether since the construction of the two new LWRs will be held up to the extent that North Korea does not cooperate with the IAEA.⁶⁹ However, this non-proliferation success by delay may be called into question by North Korea anytime. If the North breaks the freeze on its existing facilities, something it has threatened in the past to press the US back to the negotiation table, then Washington must act immediately to prevent the North from going nuclear.

Even if the technical and political hurdles can be overcome in the not too far future, it still is highly unlikely that Pyongyang will be able to safely and effectively operate one of the LWRs. For this, the DPRK needs a substantial modification of its electrical grid and entire transmission system.⁷⁰ In sum, to ensure the freeze and final dismantling of

67 Stephen Milioti, Young-Chul Kang, & Brian Kremer, *KEDO's Nuclear Safety Approach*, <http://www.kedo.org/article.htm> [02.03.2001].

68 David Albright, Holly Higgins, & Kevin O'Neill (2000), *Solving the North Korean Puzzle: Epilogue*, <http://www.isis-online.org/publications/dprk/book/epilogue.html> [08.02.2001], p. 8.

69 An Ambassador Robert Gallucchi Statement, U.S. Policy Toward North Korea: Where do we go from here?, Hearing before the Cmte. on Foreign Relations, USS, 107th Congr., 1st. sess., May 23, 2001, p. 24.

70 One study estimates the costs of transmission and grid reconstruction at 3-5 Bio.

the North Korean nuclear weapons program, the KEDO process has to be either reinvigorated or amended.⁷¹

Reinvigoration means that both the political and technical process are put on a more stable basis. This may include the following: the energy substitution scheme is changed through which the US supplies heavy fuel oil. Arab nations may be willing to support KEDO in this regard, if Pyongyang stops exporting missiles linking nuclear weapons and ballistic missile arrangements. In a related move, South Korea may be willing to directly supply some energy at a later stage if North Korea agrees to confidence building or small-scale conventional arms control measures linking nuclear and conventional arms control. If the US was freed from its heavy fuel oil obligations and if Japanese and European missile proliferation concerns were addressed, KEDO partners may be willing to consider a reinterpretation of the AF with regard to the modernization of the North Korean electrical grid. So far, the KEDO has interpreted the AF not to include grid modernization though promising good offices help the DPRK obtain funding, but it becomes more and more obvious that the whole process is unsustainable without it. Of course, South Korea has made clear time and again that it is sceptical about renegotiating the AF.⁷² These concerns can be addressed legally when grid refurbishment is not incorporated in the KEDO supply agreement. Politically and technically, South Koreans have to come around accepting that the Agreed Framework process is not sustainable without partial substitution or amendment of the AF. To sweeten this bitter pill, costs of this undertaking should be spread equally among KEDO partners and other parties concerned.

USS, cf. David Van Hippel/Peter Hayes/Masami Nakata/Timothy Savage (2001), *Modernizing the US-DPRK Framework: The Energy Imperative (Nautilus Research Paper*, February 16, 2001), <http://www.nautilus.org/papers/energy/ModernizingAF.pdf> [12.03.2001], p. 12.

71 Joel S. Wit (2000): North Korea: The Leader of the Pack, *Washington Quarterly* 24 (2000) 1, pp. 77-92.

72 Cheon Seongwhun, KEDO at the Crossroads, *Korea Focus* 9 (2001) 4, pp. 95-103.

Amending or revamping the KEDO process means that the technical and political basis of the Agreed Framework is changed. To begin with, from the US perspective, the AF was meant to prevent Pyongyang from gaining a substantial nuclear arsenal of 5-6 warheads within a short time frame of 6 to 8 months and to freeze the North Korean program so as to forego any DPRK export capabilities. While stabilizing the strategic situation, the AF was not intended to stabilize the DPRK regime through timely and modern energy facilities. To put it bluntly, some policymakers hoped that North Korea would demise before KEDO nations had to make good on their promise.⁷³ Now that there is only scant hope that this might happen, KEDO is bound to seeing the project through or go back to square one, that is, another confrontation. It is clear that both KEDO partners would not like to renounce the core of the AF deal, the transfer of sensitive nuclear LWR parts against certainty on DPRK's nuclear history and future, and that North Korea would not be willing to reveal its trump card of nuclear history without gaining modern nuclear technology. Hence, an amended AF has to include at least one LWR.

However, to make sure that the LWR transfer becomes a viable option in the mid-term future, the KEDO process should be amended so as to include: 1) the establishment of a multilateral process incorporating several development banks or a multilateral consortium including the EU to modernize the DPRK electronic grid and transmission system; 2) the transfer of several smaller conventional power plants and/or direct transmission service from South Korea to secure a reliable power back-up system for the remaining LWR;⁷⁴ and 3) a concert-

73 Scott Snyder, The Korean Peninsula Energy Development Organization: Implications for Northeast Asian Regional Security Cooperation? (*North Pacific Policy Papers* 3), <http://www.pcaps.iar.ubc.ca/pubs/snyder.pdf> [17.11.2001], p. 31, FN 7.

74 David Van Hippel, Peter Hayes, Masami Nakata, & Timothy Savage (2001), Modernizing the US-DPRK Framework: The Energy Imperative, *Nautilus Research Paper*, February 16, 2001, <http://www.nautilus.org/papers/energy/ModernizingAF.pdf> [12.03.2001].

ed effort to start serious inspections through IAEA and/or South Korean inspectors under the framework of the 1991 Joint Declaration on Denuclearisation of all nuclear facilities.

The first rationale of both reinvigorating or amending the AF is that without resolving these security issues tackled first, political reconciliation and economic reconstruction between the two Koreas and the DPRK and the rest of the world cannot be achieved or even started in earnest. Second, while the odds are not good for a smooth implementation of the AF, as it is today, reinvigoration or amendment can be seen as saving the AF through changing its priorities. An amended AF will certainly fulfil its core function, freezing a significant North Korean capability or program, but it may also be viewed as a tool to further entangle the DPRK in an ever-thicker web of linked norms of appropriate external behaviour. In the security field, this might include a ban on uranium enrichment as included in the Declaration on Denuclearisation of December 1991, a verified ban on the production, deployment and export of ballistic missiles, and a number of bi- and multilateral confidence building or arms control measures. In the political, economic and energy field, this amendment might include the incorporation of electric grid modernization, the partial normalization of the DPRK-US and/or DPRK-Japanese relations, the opening of multilateral aid organizations for North Korean membership, etc. Third, as Washington's recent ambivalences vis-a-vis Pyongyang have shown, bilateral is not inherently stable nor are they primed to be the most effective solutions for the problems at hand.

V. Policy Implications

What are the immediate policy implications of this analysis? First, my analysis of the Bush administration's approach vis-a-vis North Korea suggests that the transition from the Clinton to the Bush admin-

istration has been accompanied by the deterioration of both US-DPRK and US-ROK relationships. As the United States, North and South Korea became ever more entangled through economic, humanitarian, political and security cooperation in the 1990s, any change in the domestic context of one affected the triangular relationship as a whole: Earlier in the 1990s, the ebb and flow of public support in South Korea impacted heavily on Kim Young Sam's stance in the nuclear question thereby putting the US-ROK cooperation to the test. Since the mid-1990s, an increasingly strong opposition from Republican Members of Congress, especially after the August 1998 launch of the Taepo-Dong I medium-range ballistic missile over Japan, forced the Clinton administration to cautiously move toward the normalization of US-DPRK relations, at times frustrating the Kim Dae Jung administration that pressed for a strong US backing of its "sunshine policy" especially after the historic June 2000 summit meeting. Similarly, North Korean leader Kim Jong Il had been reluctant to follow his father's course of brinkmanship and diplomatic engagement. However, after securing his rule in autumn 1998, the younger Kim embarked on a diplomatic offensive that considerably changed the dynamics of triangular US-ROK-DPRK relationship. Thus, any shift in the domestic realm of the parties concerned can, but must not, have serious consequences for the overall security situation on the Korean peninsula.

Second, the loss of cohesion in the Bush administration's policy towards Pyongyang underscores the necessity for an overall reduction and prioritisation of key issues on the US negotiating agenda. A multilateral division of labor may help address the problem of overburdening the bilateral US-DPRK agenda. As in the past, multilateral cooperation can stabilize the course of national policies vis-a-vis North Korea. When Japan threatened to change its engagement policy towards North Korea in the aftermath of the Taepo-Dong Launch in August 1998, multilateral policy coordination helped limit the negative fallout of the test on the overall security situation. Thus, more multilateral

cooperation may also stabilize the ambiguous North Korea policy of the Bush administration. Of course, the administration is well aware of the inclination of its allies to "bind the hegemony multilaterally." And yet, as multilateralism is not presented as an end in itself here, but as a concrete tool to further the interests of all parties involved including the United States, the administration may well come to the conclusion that overall multilateralism brings various benefits and harbors only minor costs.

Third, under the current circumstances, a US focus on the North Korean ballistic missile and nuclear program seems plausible. Most security experts as well as most governments in the region would agree that these programs need immediate attention. To put it bluntly, as long as there is no substantial proof that the North Korean regime exports biological and chemical agents to third countries or terror groups thereby changing the balance of terror in other regions, the two programs that do alter the regional and global security environment and undermine the non-proliferation regime must be tackled first. Thus, if the administration decides to put biological weapons on the bilateral agenda, it may well hamper bilateral and multilateral efforts to tackle the most pressing problems.

Fourth, as the inter-Korean talks finally came to a halt in mid-November, it has become clear that Pyongyang's miscalculations as to the brink of its brinkmanship and Seoul's domestic political considerations with regard to the 2002 Presidential elections have become a stumbling block for enhanced bilateral relations on the Korean peninsula. Thus, to present Pyongyang with clear choices, Seoul must coordinate its bilateral initiatives with the North more closely with its allies in multilateral fora such as TCOG. Tying both bi- and multilateral relations with North Korea will effectively constrain Pyongyang's choices with regard to partners and issue areas, thus allowing rational cost-benefit calculations. If past behaviour is any indicator, North Korea will respond positively, that is, cooperatively to such unambiguous

choices.

Finally, whatever one's view is on North Korea and its programs for weapons of destruction, they will certainly come to haunt us if they are not dealt with. Thus, while the dust seems to settle in Afghanistan and elsewhere, North Korea demands much more attention by key policy makers in the US and in the region.

9/11 TERRORISM: WHAT IT MEANS FOR THE US AND KOREA

*Kongdan Oh**

Although it is too early to understand all the implications of the September 11 terrorist attacks on America, it is clear that the campaign against terrorism will influence domestic and international policies in the United States and many other countries, including the two Koreas. The most notable consequence of the terrorist attacks has been the building of a loose coalition of countries to seek and destroy the perpetrators. In this coalition, South Korea has played a relatively minor role. North Korea has formally condemned the terrorist act, but not supported the coalition, and by failing to provide more convincing support against terrorism, North Korea has further isolated itself in the international community. The anti-terrorism campaign has diverted American attention from Korean matters, further slowing the momentum of inter-Korean relations. If terrorism continues to be high on the international agenda, the two Koreas will have to adopt policies that more clearly define themselves in terms of the anti-terrorism campaign, and continue their dialogue despite events outside the peninsula.

*The opinions expressed in this paper do not necessarily represent those of the Institute for Defense Analyses or the Department of Defense. The contributions of Ralph C. Hassig are gratefully acknowledged.

Enduring Freedom

The US-led campaign against international terrorism, underway for three months, is meeting with considerable success, although none of its major objectives has yet been achieved. Even though it is too early to assess the long-term impact of this campaign on American political and social life, the outlines of a new era are beginning to appear. The immediate shock and anger triggered by the destruction of the World Trade Center in New York and the attack on the Pentagon in Washington are subsiding. Because the perpetrators of the anthrax terrorism have not been identified, the American public does not know whether it constitutes a second-wave terrorism attack or a separate incident. Life in America seems to be getting back to normal for most people except for the inconveniences of tougher security measures at airports. But these measures, while only a small ripple in the life of 300 million Americans, reflect important issues and possible lifestyle changes that may have a fuller impact in the years ahead.

Let's begin with a few vignettes from the airport. During a recent trip to Los Angeles, a small manicure scissors was removed from my carry-on luggage by an airport security official. The sharp tip of the scissors was only a couple of centimeters long, hardly a likely weapon for a terrorist to wield, but the official was taking no chances. On the return flight I carried a nail clippers with a short pointed file attached. Once again, I was stopped. This time the official gave me the choice of throwing away the clippers or having the file attachment cut off. As it turns out, what one can carry on to a plane depends largely on the policies in place at each airport, and how each official interprets those policies. That is to say, airport security policies are still evolving.

Foreign-looking travelers encounter more serious inconveniences. In Los Angeles, I observed a family of four, who appeared to be of Middle Eastern origin, stopped for a "random" security check just before boarding the airplane. The father protested that this was the

fourth time his family had been searched, but the airline official simply replied that the family was chosen "at random" with no bad intentions, and that whatever may have happened elsewhere in the airport, this was the first time that this particular official had encountered the family and so he could hardly know whether or not they had been searched beforehand. It would hardly be surprising if this kind of treatment turned the family, and countless other travelers who feel they are being singled out for scrutiny, against Americans. The United States can hardly afford to make the whole world angry at it. Nor do most Americans want to see their individual freedoms curtailed. Therein lies a serious dilemma.

We are gradually formulating a list of items that cannot be carried on to planes, and we are getting an idea of the likelihood of being searched in various ways at various locations in the airport, but no detailed universal security measures have yet been adopted. Nor will it be easy to institute measures that are maximally effective in deterring terrorists while being completely fair to all air travelers. A case in point is the random search procedure. "Random" of course means that every passenger has an equal chance of being searched. Some airlines announce that their searches just before boarding are guided by an algorithm in the airline computer, and that security officials make no determination of who is to be stopped. Other airlines do not indicate what the search rationale is. For years airport security officials have stopped suspicious passengers based on "terrorist profiles" that have never been made public. Although random searches may be the only fair kind of searches, airplane hijackers hardly constitute a random sample of the population, as the recent 9/11 hijacking incidents suggest. Does the non-randomness of terrorists justify non-random searches? This is a difficult question to answer.

Although life in the United States has largely returned to normal, it will never be quite the same as before September 11th. Even though the shock has worn off, the gravity of the terrorist act will be a mile-

stone in American history. The experience has taught at least some Americans that they cannot live in wealthy isolation immune from the problems faced by other nations. Changes in American lifestyle and attitude are inevitable, but how great those changes will be is difficult to say at this point. An important factor influencing change is whether more serious terrorist attacks follow, creating the sort of siege mentality experienced by many Israelis. In the following pages some thoughts are presented on the definition and incidence of terrorism from the American viewpoint, some speculations about coalition-building to fight terrorism, a few brief comments on the 9/11 impact on US foreign policy, and finally some implications for Korea.

Profile of Terrorism

Patterns of Terrorism

What does terrorism mean to Americans? Since 1983, the US State Department has defined terrorism as “premeditated, politically motivated violence perpetrated against noncombatant targets by subnational or clandestine agents, usually intended to influence an audience.”¹ International terrorism, in contrast to domestic terrorism, is defined as “terrorism involving citizens or the territory of more than one country.” Whereas the immediate goal of a terrorist is to act upon a target, the broader goal, by definition, is to spread terror. The achievement of this broader goal may be an end itself, motivated by hatred, or it may be instrumental to other goals, such as the desire for political power. Since the defining goal is to create terror, the terrorist’s target must be symbolic and capture audience attention. Making a distinction between terrorist acts and other kinds of violence can be difficult,

¹ US State Department, *Patterns of Terrorism*, 2000, <http://www.state.gov/s/ct/rls/pgtrpt/2000/>.

because terror is an audience reaction not a terrorist act. The intention to terrify must often be inferred. If an audience does not react to violence with fear, terrorism fails. To frighten an audience that has become accustomed to terrorist acts, novel or more extreme acts must be committed.

The State Department publishes terrorism statistics in its annual *Patterns of Global Terrorism*, 2000. According to this source, in the 1990s the average number of *international* terrorist attacks fluctuated within the range of 274-565. In the 1980s the average was slightly higher, fluctuating between 375-666. The number of attacks in 2000 was 423. By region, North America suffered from the fewest attacks: in 2000, not a single case of international terrorism was recorded. That same year, Latin America witnessed 193 incidents: Asia, 98; Africa, 55; Eurasia, 31; Western Europe, 30; and Middle East, 16.

Two things should be noted about these statistics. First, since 1989 attacks by Palestinians have not been included in the State Department international terrorism figures, since Palestine is not considered to be a separate state. The other notable point is that although Americans were sometimes the target of terrorism (as will be seen below), no international terrorism attacks occurred on American soil in 2000. Indeed the US has always been one of the safest havens from international terrorism.

Between 1995 and 2000, 62 Americans were victims of international terrorism; 19 of them were killed and 23 were wounded. American-owned buildings (mostly overseas) were attacked more frequently than people. In 2000 alone, 178 businesses; six military installations, three diplomatic installations, two government buildings, and 17 other targets were struck. These attacks occurred wherever international terrorist activity was high: 172 instances in Latin America compared to only nine in Asia, seven in Western Europe, six in Africa, four in Eurasia, and two in the Middle East. Bombings were the most popular means of attacking American targets (179 cases) followed by kidnap-

ping (21), armed attack (4), arson (2), and other means (4).

Comments on the Statistics

Americans and their property were the target of 37 percent of international terrorist attacks in the 1990s.² American targets are popular because they are ubiquitous and often easily accessible. The United States is also targeted for what it does. It supports governments that happen to have fierce enemies (most notably, the Israeli government with their Palestinian enemies); it stations military forces overseas; and it is the leading exponent of capitalism, which many people around the world consider to be a form of economic exploitation. The United States is also seen as the source of “decadent” Western values, especially in the form displayed by the American entertainment media.

Comparatively speaking, terrorism, even in a bad year, is not a major threat to life, limb and property. Each year, approximately 40,000 Americans die in automobile accidents. In most years, more Americans drown in bathtubs than are killed by terrorists.

Nor are terrorists particularly fearsome warriors. Most terrorists are not innovative. Bombing buildings, hijacking airplanes, and kidnapping people are well tested and relatively easy missions to accomplish. Terrorism follows fashions: for example, until September 11, airplane hijackings had been out of favor for a number of years.

The September 11 World Trade Center attack was atypical in a number of respects. The United States is generally immune to terrorist attacks. Most attacks do not kill many people. Most attacks occur in Latin America (pipeline bombings) and do not involve Middle Eastern agents, although several of the more destructive terrorist acts in recent years (Khobar Towers, embassies in Nairobi and Dar es Salaam, USS Cole) have been perpetrated by Middle-Eastern terrorists.

² Paul R. Pillar, *Terrorism and U.S. Foreign Policy* (Brookings Institution Press, 2001), p. 57.

Collateral Damage

Most of the terrorist impact comes not from the direct damage accomplished by a terrorist attack, but by “collateral damage” in the form of social or political disruptions. Some of this damage is mediated by fear, as when a frightened citizenry retreats from its everyday activities. Other damage arises from confusion and social disorder. Still other damage can be attributed to over-reactions to terrorist acts. Terrorists realize that the immediate consequences of their acts will be almost negligible, but they count on audiences either to become fearful and refrain from doing what they usually do, or over-react and incur high costs or provoke other actors to violence, as Osama bin Laden hoped to do by stirring up anger toward the US counter-terrorism offensive. In this respect, terrorism is a win-win proposition. Terrorists get a lot of bang for their buck: in recent years the American government has spent approximately \$10 billion every year combating terrorism, far more than terrorists spend to perpetrate their acts of terror.

Terrorist Objectives

Terrorists seek many different goals. Some seek to gain leverage for future negotiations, for example by taking hostages. Others hope to disrupt social, political, or economic activities. Others set out to provoke stronger powers to engage in reckless counterattacks. Terrorism may also be used as a warning to deter an actor from taking future actions. Some of the more destructive terrorist acts seem to be motivated largely by hatred or revenge seeking. Terrorists may believe they are acting on religious principles, or serving as weapons of God. Frequently, terrorists seek publicity for their acts. And finally, it seems likely that some terrorists simply do this for a living: they are terrorists by occupation.

Psychologists have yet to discover a single psychological “terrorist

profile,” but it is known that most terrorists come from economically disadvantaged backgrounds. They have suffered, they are angry, and they are frustrated by their relative powerlessness against richer and stronger people. Many of them consider their terrorist acts to be a means of obtaining justice for the poor and powerless. The terrorist’s clandestine acts must by necessity be asymmetric to the more traditional means of influence employed by powerful actors.

Concluding Comments about Terrorists

What do the statistics tell us about international terrorism and how to combat it? First, it must be recognized that terrorism can be managed but never eliminated, for the simple reason that it is an easily performed aggressive response to the common emotions of anger and frustration. Because terrorists have an inexhaustible supply of targets and few time constraints, they can use the element of surprise to their great advantage. Not all potential targets can be protected from terrorists. In widely-cited testimony by the US General Accounting Office (GAO), other government agencies are warned against relying on “worst case scenarios to generate countermeasures or establish their programs.”³ The GAO suggests instead that only “credible threats” be prepared for, with the understanding that it is too costly to protect against all possible vulnerabilities, hence the value of consulting terrorism statistics to generate threat scenarios.

One important consideration in assessing the impact of terrorism is the role of audience reaction, which is necessary for terrorism to succeed. Audience (public) reaction to terrorist acts is directly shaped by how leaders react to terrorism and how terrorism is reported in the news media. The leaders and the media in effect do more to spread terror than do the terrorists. Part of the solution to terrorism may lie in

³ Norman J. Rabkin to a House Subcommittee on July 26, 2000.

shaping public opinion rather than in protecting public buildings.

Coalition-Building for Anti-Terrorism

Global Responses

The global community’s responses to September 11 have been largely supportive of the US counter-terrorism campaign. Prime Minister Tony Blair has perhaps provided the strongest support, even surpassing President Bush in terms of defining the campaign against Osama bin Laden and al-Qaeda terrorists as a great battle, in the tradition of Churchill and Thatcher. Britain’s unflinching support for the US-led anti-terrorism war is not a surprise because Britain has always been America’s closest and most important ally. Prime Minister Blair’s trip to New York and Washington in the days immediately following the September attacks was a special sign of the deep friendship between America and Britain.

Turkey was not far behind Britain in offering its support. Turkey indeed was the first “third power” to declare its willing participation in the terrorism combat. A half century ago, Turkey’s decision to send troops to the Korean War enabled Turkey to be accepted as a NATO member. Turkey has once again proved that it would stand firm behind the United States combat terrorism. The Turkish government declared that it would send a contingent of its well-trained special forces to fight the Taliban in Afghanistan. The statement of support was firm and convincing, and the US felt grateful for Turkey’s solid support.

The cooperation of Uzbekistan, which shares a border with Afghanistan, thus providing important logistical supply routes to freedom fighters in Afghanistan, was an unexpected boon. As a Muslim country and a former member of the Soviet Union, Uzbekistan’s

announcement was an encouraging sign that the coalition against terrorism would be diverse. For its assistance, Uzbekistan received the promise of much-needed US aid and foreign investment for its fragile economy. The country's top leaders went to great lengths to explain that Islam is not monolithic. For example, they pointed out that Taliban leaders confined their women to a cave-dweller's life, whereas Uzbekistan's leaders allowed their daughters and wives to live in harmony with modern technology and life styles.

In Asia the two countries most active in supporting the anti-terrorism war were Japan and Pakistan. Japanese Prime Minister Junichiro Koizumi's stock value in Washington rose when he arrived in town to stand side-by-side with President Bush. More importantly, Japan passed a significant Anti-Terrorism Special Measures Law on October 29, and Japan announced that its Aegis destroyers were available for deployment to trouble spots as a backup for the US air defense to prevent further terrorism. Pakistan was a wild card for coalition building. Without Pakistan's cooperation the course of the war in Afghanistan would likely have been far more costly for the United States. In Pakistan, pro-Taliban elements and Osama bin Laden followers staged demonstrations in the early days of the conflict, but President Pervez Musharaaf cast his lot with the United States against the Taliban, whose regime had formerly been supported in various ways by Pakistan. For his act of political courage or calculation, Musharaaf received promises of substantial economic aid from the United States and Japan. In the space of a fortnight, Musharaaf transformed himself from a military coup leader to a respectable participant in the global war on terrorism.

From the American viewpoint, perhaps the most interesting aspect of coalition building was how it brought in countries that have traditionally been competitors, if not adversaries, of the United States. The most notable cases are China and Russia. The EP-3 surveillance incident in the waters off China had recently poured cold water over the

US-China relationship. Yet at the Shanghai APEC meeting in November 2001, China publicly acquiesced to America's air strikes on Afghanistan. Given the fact that China has been the victim of the US air aggression (as illustrated by the accidental bombing of the Chinese Embassy in Belgrade during the Kosovo operation and the EP-3 incident), China's acquiescence was an unprecedented gesture. The US entry into Afghanistan provides a caution to the Chinese, who are loath to accept US intervention in the "domestic" politics of foreign nations, but President Jiang presumably saw which way the wind was blowing and decided that China could benefit most by offering public support for the Bush counter-terrorism campaign.

Russian President Putin demonstrated his support by traveling to the Bush ranch in Texas. Putin proved himself an agile, worldly diplomat and political leader by casting off the image of the typically stiff Russian leader. His timing has been excellent. Pragmatism marks his every move, as he seeks to enhance Russia's image and power in the global community. What Russia can do for the war and in support of a post-Taliban Afghanistan is difficult to determine given the poor image of Russians in Afghanistan, but at relatively little cost Russia has emerged rather nicely in this new international arena on the coattails of the war on terrorism.

Coalition as Strategy or Tactic?

Critical questions about the anti-terrorism campaign are a continuing source of debate in the Washington, DC policy community. How long will the current coalition continue to work together and how effectively will it operate over the long term? Since the Korean War, the United States has often found it difficult to work with other nations on military matters. Even coalition successes such as Kosovo were marked by disagreements. As a matter of fact, many policy makers in Washington believe that unilateral action often serves the US interest better than

multilateral action. In this believe they are heeding the famous words of Lord Palmerston, a British leader of the nineteenth century, who said, "We have no eternal allies and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow."

It is widely recognized that the war on terrorism, which is much larger than the war in Afghanistan, requires new methods, virtually forcing the United States to become a team player rather than a lonely warrior. If the United States is to deal a blow to international terrorism, it must seek the assistance of other nations in information sharing, intelligence exchanges, control of terrorist financial transactions, the imposition of economic sanctions on terrorism-harboring regimes, and international police and security work. To fight a continuing war on terrorism, an anti-terrorism coalition must be seen as a long-term rather than a short-term tool. If the United States mismanages the coalition and becomes an arrogant conductor who does not consult with his orchestra members, the anti-terror symphony will create noise but not music, and the orchestra members will desert the music hall as soon as they have been paid.

Currently, the coalition seems to be reaching its immediate objectives of defeating the Taliban and eliminating the top leadership of the al-Qaeda terrorist organization, but some faint voices of frustration are beginning to make themselves heard, both in the United States and overseas. What happens to Afghanistan after the defeat of the Taliban has not yet been decided, and in fact the situation is too complicated to be solved by a single decision. The first Bush administration never figured out how to capitalize on its military victories in Iraq to eliminate threats posed by Saddam Hussein. And for that matter, the Clinton administration was able to freeze but not eliminate the North Korean threat. After Afghanistan, should the "Iraq problem" be tackled next? and then the "North Korea problem"?⁴ Many countries will desert the coalition if Washington turns its guns on other states that have links to

terrorism or are suspected of being potential sources of nuclear, chemical, or biological terrorism.⁵

Coalition building and maintenance require considerable work, not only on the part of the coalition leader, the United States, but by the other coalition members as well. For allies like Great Britain, Japan, and South Korea, 9/11 terrorism was a major test of their willingness to support and work together with the United States. Coalition success requires extensive military and intelligence cooperation, which must be based on a sense of mutual trust. The United States is wary of sharing critical intelligence information, even with its allies. And the allies do not always approve of American methods of pursuing terrorists. A great amount of trust and cooperation will have to be developed if any kind of coalition can be sustained for years to come to combat the ever-present and perhaps even growing threat of international terrorism. Many of those changes will have to be initiated by the coalition leader, the United States.

US National Security and Foreign Policy after 9/11

Immediate Responses to Terrorism

After September 11, opinions on how to combat terrorism were as plentiful in Washington as the falling leaves of autumn. Terrorism touched many people in many ways, and it raised a host of social, economic, political, and military issues.

In the US Quadrennial Defense Review Report, released on Septem-

4 Richard Perle, "Next Stop: Iraq?," Speech at the Foreign Policy Research, November 30, 2001, www.fpri.org; David Sanger, "After the Taliban, Who? Don't Forget North Korea," *New York Times*, November 25, 2001.

5 Ivo H. Daalder and James M. Lindsay, "Next Stop: Iraq?," *San Jose Mercury News*, December 2, 2001.

ber 30, 2001, the foreword includes the following statement: “On September 11, 2001, the United States came under vicious, bloody attack. Americans *died* in their *places of work*. They *died* on *American soil*. They *died* not as combatants, but as *innocent victims*. They died not from traditional armies waging traditional campaigns, but from the *brutal, faceless weapons of terror*. They died as the victims of war—a war that many had feared but whose sheer horror took America by surprise.⁶

This strong statement carries with it a number of implications for the direction of US policy in the near term. First, terrorism has become the number one foreign policy problem to be addressed. Second, homeland security has become a high priority domestic issue, even surpassing the state of the ailing economy. Not since the second World War has air, coastline and national border defense been of such concern to Americans. Third, the United States realizes that to defeat or contain terrorism it must cooperate not just with allies and friends, but with states it has previously had bad relationships with. Fourth, although fighting the war against terrorism is the first priority, the possibility that weapons of mass destruction could fall into the hands of terrorists means that counter-proliferation and non-proliferation policies must continue to be pursued. Fifth, the Bush administration believes that a variety of new legal measures need to be adopted, but some of these measures conflict with the traditional American values of individual freedom and rights.

The threat of terrorism, rather than lowering American morale, has drawn Americans together. Patriotism is high. American flags are fluttering everywhere. Young people are eager to join the armed forces. In Washington, Republicans and Democrats have found new ground to work together. In his assault on America, Osama bin Laden sowed a wind and reaped a whirlwind. But this may be only the first round in the battle between America and its terrorist enemies. Long-term

6 *Quadrennial Defense Review Report*, The United States of America, Department of Defense, September 30, 2001, p. III.

changes in American policies must be made to fight a continuing battle, and these changes are more complex and difficult than the changes that immediately followed September 11.

Long-term Responses to Terrorism

Terrorists are not constrained by national boundaries, nor do they have to maintain a large presence in any one place. They can operate with small isolated cells that communicate with each other in cyberspace. After planning for action, they can gather, “swarm” over a target, and quickly disperse to other countries.⁷ To combat terrorists, the United States, perhaps for the first time in its history, has to pay attention to its long-term relationships with countries in every region of the world. Unquestionably, long-term US security and foreign policy needs to be adjusted and to cope with international terrorism and address other security concerns.

First, the United States needs to cultivate educational and cultural exchanges as a basis for anti-terrorist cooperation. Second, it follows that so-called “regionalists” or “area specialists,” with their local contacts and special skills in language, cultural understanding, history, and local knowledge, must play a more important role in policy formulation and implementation. For example, after 9/11 many agencies of the US government eagerly sought specialists in Afghanistan.

Third, the traditional American focus on Europe and Northeast Asia must be broadened. US power must be projected to all regions of the globe. But this does not mean US troops should be everywhere. A more effective form of power projection is in the form of political, economic and social “soft power.” In particular, the United States must pay more attention to the nations in south Asia and to the former Soviet republics, some of which have large Muslim populations. The

7 John Arquilla and David Ronfeldt (eds.), *Networks and Netwars: The Future of Terror, Crime and Militancy* (Santa Monica: RAND, 2001).

India-Pakistan nuclear confrontation must also be closely monitored.

Fourth, the United States will want to maintain a robust capability to project its military power around the globe. To do this, better cooperation is needed with diverse countries, including military host agreements and joint training exercises. Also, the US military must reorganize itself to fight a new kind of enemy.

Fifth, America's allies must also make long-term adjustments to combat global terrorism. Their military forces must be able to keep the peace in their neighborhoods, and fill any vacuum created when US regional forces are called away for duty elsewhere. Better intelligence sharing is also needed.

The consequences of the September 11 terrorist attacks were truly terrible and terrifying. But by rising to meet challenges, the United States will become a stronger nation, gaining valuable experience in working more closely with other nations, thus honoring the pledge to pursue globalization, not just Americanization.

Implications for Korea

South Korea

The 9/11 terrorist attacks cannot help but influence events on the Korean peninsula. For South Korea, the new US focus on terrorism jeopardizes President Kim Dae Jung's sunshine engagement policy toward North Korea, a policy that has very much monopolized the president's attention. Of course the sunshine policy was in trouble long before the terrorist attacks, but in two respects the new US focus on terrorism directly complicates President Kim's engagement plans. First, to the extent that engagement includes the provision to North Korea of non-humanitarian aid, the United States may object that this aid is going to support a potential enemy (remembering that North Korea is

still on the US list of states supporting terrorism). Second, the United States is unlikely to devote many diplomatic resources in the near future to promoting inter-Korean engagement, because those resources will be focused elsewhere.

Devoted as it is to furthering the sunshine policy, President Kim's administration did not become one of the strongest supporters of the anti-terrorism campaign. This is hardly surprising, because North Korea has severely criticized the US anti-terrorist response and those nations that support it. President Kim understandably does not want to jeopardize South Korea's already rocky relations with North Korea. These relations had cooled considerably within several months of the June 2000 inter-Korean summit, although North Korea's reasons for drawing back have never been made clear. After the terrorist attacks, the United States shifted some of its regional forces from East Asia to Middle East and reinforced US forces in South Korea with some new weapons. This reinforcement, coupled with a heightened state of readiness of South Korean troops, angered North Korea, putting frost on top of snow (*solsang kasang* in Korean) in inter-Korean relations.

North Korea

North Korea's response to 9/11 was made at two levels. The official government response, made for foreign consumption and not necessarily reflecting the sentiments of the North Korean leadership, was constrained. On September 12, the North Korean foreign ministry called the attacks a "very regretful and tragic incident" [chigukhi yugamsuropgo p'igukchokin], and reminded the foreign community of North Korea's position of "opposing all forms of terrorism and any support to it."⁸ On October 5, North Korea's representative to the United Nations said that the terrorist attacks "greatly

8 Korean Central News Agency (KCNA), <http://www.kcna.co.jp>, September 12, 2001.

shocked the international community and were a very regrettable and tragic incident.”⁹

Two days after the attacks, the North Korean domestic audience, which has been taught to hate the United States as the ring leader of Western imperialists, was informed the domestic radio network of the 9/11 attacks, which were described not as terrorism but as “unprecedented surprise attacks” [supkyok sagon]. The broadcast went on to quote various international news media reports on the incident, including the statement from the *Washington Post*, taken out of context, that the United States “brought international isolation on to itself by practicing arrogant foreign policies” and suggesting that the “root of this incident lay in Bush’s unilateral foreign policy of putting only US interests above all else.”¹⁰ Subsequent domestic reports on the US campaign in Afghanistan have played up the civilian casualties of the war, while the official coverage has warned that as a consequence of the US response, “the world faces another war.”¹¹

The US-North Korea relationship, such as it is, has always been marked by suspicion and hostility. Since the advent of the second Bush administration, which has less patience with the benighted policies of the North Korean regime than did the Clinton administration, relations have worsened. The US anti-terrorism campaign is likely to further worsen relations with North Korea. In a recent issue of the prestigious journal *Foreign Affairs*, former Secretary of Defense William Perry suggested that the next wave of terrorist attacks might involve weapons of mass destruction. Surely North Korea was mentioned.¹² In the minds of many people, North Korea is intimately linked to such weapons.

When all is said and done, North Korea, despite its formal protests

9 According to the South Korean news agency, *Yonhap*, October 6, 2001.

10 *Korean Central Broadcasting Station (KCBN)* in Korean on September 14, 2001.

11 See for example *KCBN* on October 8, 2001 and *KCNA* on October 9, 2001.

12 William Perry, “Preparing for the Next Attack,” *Foreign Affairs*, November/December 2001, pp. 31-45.

against international terrorism, shares with the terrorists a hatred of the United States and a willingness to resort to asymmetric warfare to counter American military power. The North maintains an arsenal of chemical and biological weapons, and perhaps a few nuclear weapons as well. It follows a policy of seclusion and secrecy to protect its authoritarian regime. In short, it is the very type of state that would seem to support the idea of terrorist attacks against its adversaries, even if it has not engaged in such attacks in recent years.

North Korea is also affected by the 9/11 terrorist incident insofar as it depends on foreign aid to feed its people and rejuvenate its economy. As the world turns its attention to rebuilding Afghanistan, there will be fewer resources to aid North Korea. In the past, the North Korean regime has staged provocative incidents to attract attention to its demands, and may do so in the future if attention is shifted to another region.

The US military assault on the Taliban and terrorists in Afghanistan also poses an indirect military threat to North Korea. The successful intervention of US forces to alter the government of a foreign state opens the door (once again) to the possibility of an American military intervention in North Korea. Although this possibility may seem remote to most Americans, it is probably a very real threat to the North Koreans. To deter such a threat, they have adopted a more belligerent attitude toward the United States.

As a failed state, North Korea needs political and economic support from other nations in order to maintain some semblance of ordinary life. The anti-terrorism campaign has not only worsened its relationship with the United States, but also its tenuous relationship with Japan because of Japanese support for the anti-terrorism campaign. Nor is the anti-terrorism campaign, for which both China and Russia have offered their support, endearing North Korea to these two traditional supporters. It would seem that 9/11 has further isolated North Korea. Only South Korea, for which inter-Korean relations are more

important than the anti-terrorist campaign in Afghanistan, might be willing to come to North Korea's aid, but this is the very direction in which North Korea refuses to look.

At the outset, the United States declared that a nation was either for or against the anti-terrorist campaign—there could be no fence sitting. It is too early to tell how long and strong the impact of 9/11 will be, but in the coming months and years, both Koreas will have to consider how they fit into a somewhat altered world order.

NORTH KOREA'S DIPLOMATIC STRATEGIES IN THE POST-COLD WAR ERA: FISHING IN TROUBLED WATERS

To-hai Liou

There is a Chinese saying that weak countries have no diplomacy at all. Realists in the West, particularly neo-realists, also believe that international environment is largely shaped by major powers. Minor and middle powers have no choice but to follow the rules of game as constructed by major powers. Most of the time this is true, but not without exception. North Korea's diplomacy in the post-Cold War era is the best example of a minor power making a difference in world politics. What makes a minor power like North Korea dare challenge a superpower like the U.S.? Why has North Korea's crisis diplomacy succeeded the majority of the time? What are North Korea's goals? What are North Korea's available means and tactics to achieve these goals? How effectively are means? These are the central questions that this paper attempts to answer. In conclusion, taking advantage of its geostrategic location, strategic advantage vis-a-vis South Korea and Japan, as well as Kim Jong Il's adroit diplomatic skills, North Korea, dissimilar to other minor powers, has been able to make a remarkable achievement in foreign relations. Nevertheless, North Korea has only succeeded in achieving its immediate

foreign policy goal, economic gains but fails to reach its mid- and long-term goals, to establish diplomatic relations with the U.S. and Japan and to reshape a triangular relationship favorable to Pyongyang to extract steady benefit from two competing major powers. What is more, the success of its diplomacy inevitably depends on big countries' positive response.

Introduction

There is a Chinese saying that weak countries have no diplomacy at all. Realists in the West, particularly neo-realists, also believe that the international environment is largely shaped by major powers. Minor and middle powers have no choice but to follow the rules of game as constructed by the major powers. Most of the time this is true, but not without exception. North Korea's diplomacy in the post-Cold War era is the best example of a minor power making a difference in world politics.

Since the end of the Cold War, North Korea has been in a desperate situation without historical precedent. Its socialist allies in Eastern Europe, which used to be a traditional diplomatic stronghold of North Korea, all established diplomatic relations with South Korea in less than a year in spite of Pyongyang's strong opposition. Worst of all, its socialist mentors, the Soviet Union and China, normalized their relations with Seoul in September of 1990 and in August of 1992, respectively. Nevertheless, North Korea was able to show some diplomatic successes, signing the Geneva Agreement with the United States in October of 1994. Since early 2000, North Korea has made a great leap forward in foreign relations, opening diplomatic relations with more than a dozen countries.¹ Moreover, the Pyongyang summit between North Korea's Supreme Leader Kim Jong Il and South Korean Presi-

dent Kim Dae-jung in June of 2000 not only briefly made North Korea the center of world politics, but also brought Pyongyang huge economic benefits from Seoul. This was followed by a breakthrough in U.S.-North Korea relations culminated by U.S. Secretary of States Madeleine Albright's historic trip to Pyongyang in October of the same year. These events clearly demonstrate that the Democratic People's Republic of Korea (DPRK) has successfully survived in adverse circumstances.

In term of size, population, and the scale of its economy,² without a doubt North Korea belongs to the category of minor powers. The DPRK has a territory of 1,222,370 square kilometers. Moreover, according to the United Nations Population Fund's State of World Population 2001 Report, North Korea's population stood at 22.4 million as of December 2000.³ With regard to its economy, North Korea's economic growth was negative throughout the 1990s. Based on sources at the Korea Institute for National Unification, North Korea's GNP was estimated around US\$23.3 billion with a trade deficit of US\$500 million in 1995 and foreign debt totaling US\$11.6 billion as of December 1995.⁴ The DPRK's total trade volume was US\$183 million in 1994, a 30 percent drop from that of the previous year.⁵ Because of its extremely

1 Those countries included Italy (January 2000), Australia (May 2000), the Philippines (July 2000), the United Kingdom (December 2000), Spain (December 2000), Holland (January 2001), Belgium (January 2001), Canada (February 2001), Germany (March 2001), Luxembourg (March 2001), Greece (March 2001), Brazil (March 2001), New Zealand (March 2001), Kuwait (April 2001), European Union (May 2001), Bahrain (May 2001), and Turkey (June 2001), <http://www.vuw.ac.nz/~caplabtb/dprk/index.html>.

2 Rosenau points out that size, population, and the level of economic development are three variables to categorize countries. James N. Rosenau, "Comparing Foreign Policies: Why, What, How," in James N. Rosenau (ed.), *Comparing Foreign Policies: Theories, Findings, and Methods* (New York: Sage Publications), 1974, pp. 3-22.

3 <http://www.koreatimes.co.kr/times/200111/t2001110716582640110.htm>.

4 *China Post*, July 13, 1996, p. 5.

5 *Nihon Keizai Shimbun*, March 16, 1995.

limited economic capacity, North Korea has no choice but to focus on strengthening its military capabilities in an attempt to negotiate from strength.

Surprisingly enough, North Korea, despite being a minor power mired in economic difficulties, has a history of threatening its powerful rivals with military action, and as a matter of fact has deliberately and repeatedly resorted to brinkmanship in an attempt to benefit from the crises it creates. In most cases, Pyongyang escapes with large economic benefits.⁶ For example, during the 1993-94 North Korean nuclear crisis, North Korea overtly threatened to wage an all-out war with South Korea if the U.S. dared to initiate any military actions against the North. In the end, Pyongyang obtained two light water nuclear reactors (to replace the DPRK's old graphite reactors which can produce nuclear weapons-grade plutonium) worth US\$4.6 billion plus 500,000 tons (worth US\$60 million) of heavy oil supplied annually from the U.S. until 2003, by merely freezing its nuclear weapons program. What makes a minor power like North Korea dare challenge a superpower like the U.S.? Why has North Korea's crisis diplomacy succeeded the majority of the time? What are North Korea's goals? What are North Korea's available means and tactics to achieve these goals? How effectively are they able to use these means? These are the central questions that this paper attempts to answer.

Goals

By and large, North Korea's post-Cold War foreign policy goals can be classified into two categories: short-term goals and mid- to long-term goals. The short-term goal is to gain as much economic assistance

6 Alvin Magid, "Contemplating Survivalist North Korea," *Asian Perspective*, Vol. 24, No. 1, 2000, pp. 108-109, <http://ifes.kyungnam.ac.kr/ifes-kor/publish/publish1/Ap24-1/article/240104-Magid.pdf>.

as possible. North Koreans never hesitate to ask for economic assistance. And almost every diplomatic move by North Korea is aimed at obtaining economic benefits. Moreover, North Korea has succeeded in extracting huge economic benefits from major powers and South Korea. For example, the DPRK received aid worth US\$950.98 million from the Republic of Korea (ROK), foreign countries, and international organizations from 1995 to September 1998. The ROK alone provided US\$307.97 million—US\$273.42 million from the government and US\$34.55 million from non-governmental organizations.⁷ In 2000, South Korea sent 500,000 tons of rice and corn, worth \$90 million, as well as 300,000 tons of fertilizer to Pyongyang. On the other hand, the U.S. has been the largest contributor to the Rome-based World Food Program (WFP) support for North Korea.⁸ North Korea obtained half a million tons of food from the U.S. in 1998 and 1999.⁹ It is worth mentioning that a large part of the donations made by the U.S. and South Korea was requested by Pyongyang with the promise that it would participate in the four-party talks and would allow inspection of a suspect underground construction site in the DPRK in 1999. In the latter half of 1998, there were several new underground sites under construction in Kumchang-ri discovered by Washington's satellites. The U.S. asked the DPRK to open the sites for inspection. Initially North Korea refused to do so, claiming it was a matter of sovereignty. Later, Pyongyang implicitly demanded compensation (US\$300 million or one million tons of food) in exchange for access to its suspected underground construction site.¹⁰ The U.S. rejected North Korean demands for food aid in return for allowing the inspections.¹¹ However,

7 <http://www.nautilus.org/napsnet/dr/9810/OCT06.html#item8>.

8 <http://www.nautilus.org/napsnet/dr/9902/FEB10.html#item2>.

9 *Korea Times*, February 9, 1999; *NAPSNet Daily Report*, February 9, 1999, <http://www.nautilus.org/napsnet/latest.html>.

10 <http://www.nautilus.org/napsnet/dr/9811/NOV19.html#item1>.

11 <http://www.nautilus.org/napsnet/dr/9811/NOV27.html#item1>.

in early March 1999, the US pledged 500,000 tons of additional foodstuffs in response to an appeal by the UN World Food Program. This donation is widely regarded as an attempt to obtain North Korea's permission to inspect the underground construction site in Kumchang-ri.¹² In the end, the site was found to be nothing more than a large hole in the ground. Obviously, North Korea successfully took advantage of American suspicion and political differences between the Clinton Administration and Republicans who took issue with Clinton over his engagement policy toward North Korea.¹³ Despite Republican opposition, the Clinton Administration was forced to give incentives to elicit Pyongyang's cooperation (on participation in the four-parties talks and compliance with the 1994 Geneva Agreement) in the name of humanitarian aid.

In addition to South Korea and the U.S., China has been a generous and regular donor to Pyongyang since the 1950s to maintain its influence in North Korea. In 1998, China donated 80,000 tons of crude oil, 20,000 tons of fertilizer and 100,000 tons of food to North Korea.¹⁴ While visiting Pyongyang in September of 2001, Chinese President Jiang Zemin promised to provide the DPRK with a grant-in-aid of 200,000 tons of food and 30,000 tons of diesel oil.¹⁵ Furthermore, since 1995, Japan has emerged as another major food provider to North Korea, giving half a million tons of food to North Korea through the UN World Food Program in October of 2000.¹⁶ It is reported that North Korea again asked Japan to provide more food as a precondition for resuming normalization talks when their officials met in Beijing to discuss ways of restarting negotiations, which have remained dead-

12 <http://www.nautilus.org/napsnet/dr/9903/MAR17.html#item11>.

13 <http://www.nautilus.org/napsnet/dr/9908/AUG25.html#item1>.

14 *Renmin Ribao*, January 21, 1999, p. 6.

15 President Jiang Zemin Revisits the DPRK in 11 Years; Traditional Ties Revived to Match New Century, <http://www.korea-np.co.jp/pk/>.

16 "Food Aid to North Korea: No More Unconditional Donation," an editorial, <http://www.yomiuri.co.jp/08/20011105ig90.htm>.

locked since October of 2000.¹⁷ Interestingly enough, if North Korea is not satisfied with the size of its counterpart's offer, it will decline and press for more until it is satisfied. For example, North Korea's normalization talks were stalled partly because Pyongyang asked Japan to provide US\$6 billion in war compensation, which Japan refused to pay.

Regarding its mid- and long-term goals, there are two. North Korea's first goal is to restore the balance of power on the Korean peninsula, that is, to establish diplomatic relations with the U.S. and Japan with a priority on the former. North Korean Supreme Leader Kim Il Sung made an abortive attempt to set up diplomatic relations with Japan in September of 1990, when the Soviet Union was about to establish diplomatic relations with the Republic of Korea. He surprised his Japanese guests, who were led by Shin Kanemaru, the king maker of the Liberal Democratic Party at the time, by straightforwardly proposing to initiate DPRK-Japan normalization talks immediately. The talks started in early 1991 and completed eight rounds without reaching any agreement mainly because of a diplomatic coalition of Washington, Seoul, and Tokyo, requesting North Korea to open its suspected nuclear facilities for international inspection before offering any tangible political and economic carrots.¹⁸ Kim Il Sung then shifted his primary target from Japan to the U.S. by initiating a nuclear crisis in March of 1993.

Second is to promote a bipolar system surrounding the Korean peninsula, namely to have the U.S. and China compete for influence in North Korea and on the Korean peninsula as a whole; thereby allowing North Korea to fish in the troubled waters that it has created. A salient example is North Korea's launching of its Taepodong I missile in August of 1998. This event is the most important independent variable to reshape the international environment in Northeast Asia since

17 <http://www.koreatimes.co.kr/times/200111/t2001112516424140110.htm>.

18 To-hai Liou, "North Korea-Japanese Relations in the Post-Cold War Era," *Asian Studies* (Hong Kong), No. 19, September 1996, pp. 86-89.

the 1994 Geneva Agreement. The launch intensified competition and confrontation among surrounding major powers over missile defense as well as South Korea's conflict with its allies over how to deal with North Korea and the arms race in Northeast Asia.

Means and Tactics

What means does North Korea have? First, North Korea's geostrategic importance encourages the major powers to involve themselves in Korean affairs. As a bridge between sea and land, the Korean peninsula has been a strategic post where surrounding major powers have competed for influence ever since the 7th Century when China and Japan involved themselves in a power struggle among the three kingdoms on the peninsula (Shilla, Paikche, and Koguryo). The Korean War in the 1950s caused a head-on collision between China and the U.S. During the Cold War, taking advantage of the Sino-Soviet confrontation, North Korea was able to extort a large amount of economic assistance from the two Communist giants. In the post-Cold War era, China continues to regard North Korea as its natural shield for Manchuria while the U.S. sees North Korea as a potential strategic partner to contain China and even a sometimes rebellious South Korea.

Secondly, North Korea enjoys strategic advantages vis-a-vis South Korea. In terms of geography, the Northern part of the Korean peninsula is mountainous while the Southern part is flatter, exposing South Korea to a possible blitzkrieg by North Korea. This North Korean strategic advantage has been greatly reinforced by Pyongyang's more than 1.1 million man armed forces (the 5th largest army in the world),¹⁹ biochemical weapons,²⁰ Pyongyang's concealment of its major military

19 *China News*, March 4, 1999, p. 5.

20 North Korea is the third greatest producer of chemical weapons in the world, <http://english.chosun.com/w21data/html/news/200112/200112050388.html>;

facilities underground, and its deployment of 75 percent of its combat capabilities in areas adjacent to the Demilitarized Zone (DMZ). In addition, North Korea's annual military expenditure has hovered between 25 percent and 30 percent of GNP. According to the Royal Institute of International Strategic Studies, the DPRK's total military expenditure in 1997 was estimated at around US\$5.4 billion, or 27 percent of its annual GDP.²¹ Owing to diplomatic setbacks, the DPRK has pursued the development of nuclear weapons and long-range ballistic missiles since the late 1980s. As a result, South Korea is vulnerable to North Korea's attack and is a hostage to Pyongyang's brinkmanship and attempts to get the U.S. to the negotiation table. What is more, North Korea's successful test-firing of its Rodong-1 missile, with a range of 1,000 to 1,300 kilometers, in May of 1993 followed by the launching of its Taepodong I missile, with an estimated range of 2,000 kilometers, which passed over Japan in August of 1998, has extended Pyongyang's strategic advantage to Japan,²² making that country another hostage of North Korea. In January of 1999, the *Rodong Sinmun*, the official newspaper of the nation's ruling Workers' Party, said that recent militant speeches delivered by Japanese reactionaries since the New Year and the escalation of hostile anti-North Korea behavior in Japan were tantamount to a declaration of war against North Korea. The newspaper wrapped up the article with a warning that Japan was in range of the DPRK's attack.²³

South Korean Defense Minister Kim Dong-shin indicated that "North Korea stockpiles between 2,500 and 5,000 tons of biochemical weapons in six different facilities and has the capability to wage germ warfare." He also said that the DPRK is believed to have stores of anthrax, smallpox and eight other types of diseases, <http://www.nautilus.org/napsnet/dr/0111/NOV20.html#item1>.

21 *Central Daily News*, February 27, 1999, p. 9.

22 Lim Eul-chul, "North Korea's Missile Program: Assessment and Future Outlook," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=76&title=VOL0705&category=ess.

23 *Nihon Keizai Shimbun*, January 23, 1999, p.6; <http://www.nautilus.org/napsnet/dr/>

With the aforementioned strategic advantages, North Korea has from time to time boldly resorted to brinkmanship.²⁴ Every time that a conflict occurred, North Korea tends to intentionally push the conflict to the brink of war. The maneuver is designed to force its counterpart to back down (to sit down and negotiate with Pyongyang), as the high cost of war is strategically favorable to North Korea. Once negotiations resume, North Korea will press its counterpart to make economic concessions in exchange for political reconciliation. Scott Snyder, a Korea analyst at the US Institute of Peace, argues that the North Korea regime needs to rely on crises to carry out its diplomatic strategy.²⁵ In addition, crises also have the function of consolidating domestic solidarity and of increasing revolutionary spirit.

When the U.S. and the DPRK were approaching a confrontation that might jeopardize the 1994 Agreed Framework in November of 1998, William Taylor Jr., a specialist in international security affairs at the Center for Strategic and International Studies, argued, "The North Korean pattern of diplomacy is pure brinkmanship. If we push, the North Koreans will threaten to pull out of the Nuclear Non-proliferation Treaty (NPT) or to launch another missile over Japan."²⁶ The representative example is the 1993-94 North Korea's nuclear crisis. The U.S., South Korea and Japan insisted that North Korea opened its suspected nuclear facilities for inspection by the International Atomic Energy Agency (IAEA). Washington and Tokyo would not give Pyongyang economic assistance, nor establish diplomatic relations with Pyongyang until it was confirmed that North Korea had no nuclear weapons. In response, North Korea announced its withdrawal

9809/SEP18.html#item2.

24 Scott Snyder, "Negotiating on the Edge: Patterns in North Korea's Diplomatic Style," a paper presented at American Political Science Association Annual Meeting, September 3, 1999.

25 <http://www.nautilus.org/napsnet/dr/9908/AUG17.html#item1>.

26 <http://www.nautilus.org/napsnet/dr/9811/NOV23.html#item3>.

from the NPT in March of 1993. Initially, Washington took a hard line, employing international pressure and economic sanctions to force North Korea to comply with their requests. The U.S. even suggested the possibility of launching a surgical strike against North Korea's suspected nuclear facilities. On the other hand, believing that international pressure and sanctions would only make things worse, China urged Washington to hold direct talks with Pyongyang and to solve the problem through negotiation.²⁷ Partly because South Korea, Japan and China did not support U.S. military actions against North Korea and partly because economic sanctions against Pyongyang could not succeed without China and Japan's cooperation, Washington had no alternative but to negotiate directly with Pyongyang. The crisis concluded with the Geneva Agreement from which North Korea gained more than US\$5 billion. Moreover, the talks themselves were a diplomatic advance for North Korea. Pyongyang had long requested one-on-one talks with Washington since the early 1970s, but these talks did not materialize because of South Korea's opposition. Obviously, this was a triumph for North Korea. Again in 1999, the DPRK attempted to use threats to squeeze concessions out of the US and its allies. North Korea made people believe that it was about to test its Taepodong II missile, a new long-range missile with a range of 4,000 to 6,000 kilometers.²⁸ At the last moment, Washington and Pyongyang reached the Berlin agreement in September of 1999 in which North Korea agreed with the U.S. to suspend missile tests in return for the U.S. lifting of decades-old economic sanctions, i.e., removing the DPRK

27 *The People's Daily*, May 29, 1993.

28 Bruce Bennett of the Rand Corporation in Washington stated at an international seminar in Seoul that North Korea would be able to deploy its Taepodong-2, capable of reaching Alaska and the western region of the U.S. mainland by 2002. Some experts say that Pyongyang may also be developing a Taepodong-3 missile, whose estimated range of 8,000 kilometers could reach the west coast of the United States, http://www.kf.or.kr/koreafocus/focus_detail.asp?no=76&title=VOL0705&category=ess.

from the provisions of the Trading With the Enemy Act.²⁹

In addition, North Korean National Defense Commission Chairman Kim Jong Il is particularly good at taking advantage of psychological conflicts and clashes of national interests among surrounding powers, as well as South Korea's differences with her allies over approaches to North Korea. Since Kim Jong Il came to power after his father's death in July of 1994, he has made normalizing relations with the U.S. as the first priority of his foreign policy. One of his objectives is to establish a U.S.-North Korea-China triangular relationship, much like the China-North Korea-Soviet Union relationship in the days of Sino-Soviet rivalry, so that he can maximize his gains from Sino-American competition for influence in his country and the Korean peninsula as a whole. He has successfully driven a wedge between Beijing and Washington since 1998. The warm atmosphere of Sino-American relations fostered during U.S. President Bill Clinton's visit to China in June of 1998 suddenly evaporated when Pyongyang launched a Taepodong I missile less than two months later. Since then, China and the US have fought over missile defense systems.³⁰ The U.S.-China confrontation intensified with the inauguration of the Bush administration last January. President Bush views China as a strategic competitor and North Korea as a rogue state. His decision to develop National Missile Defense (NMD) served as a driving force pushing Beijing, Pyongyang and Moscow together. Taking advantage of the Korea Summit, Russian President Vladimir Putin visited Beijing and Pyongyang right before the Group of Eight Summit in Okinawa in July of 2000 to consolidate their opposition to NMD. Chinese President Jiang Zemin's trip to

29 <http://www.nautilus.org/napsnet/dr/9909/SEP27.html#item11>.

30 *China Daily* indicated that the success of NMD missile test, a violation of the 1972 Anti-Ballistic Missile treaty, "will not only trigger a new arms race, but will also stimulate a proliferation of weapons of mass destruction. This eventually will undermine world peace and security in the 21st century," <http://www1.chinadaily.com.cn/cndy/2001-12-06/46867.html>.

Pyongyang in early September of 2001 also served this function. What is particularly worth noting is that Jiang's trip followed his summit with Russian President Putin in July and Kim Jong Il's meetings with Putin in Moscow in August, of the same year, when Kim and Putin made a joint statement opposing the U.S. missile defense shield plan by calling the 1972 Anti-ballistic Missile Treaty a "cornerstone of strategic stability and a basis for a further reduction in strategic offensive weapons."³¹ This signified the forging of a Beijing-Pyongyang-Moscow axis against Washington.³² The alliance was in fact engineered by Kim Jong Il to increase his bargaining position in missile negotiations with the U.S.

On the other hand, in order to push the U.S. taking the initiative toward normalization, Kim Jong Il has employed all possible means and tactics. The most innovative move was to shift his strategy from isolating South Korea by engaging the U.S.³³ and from isolating the U.S. by engaging South Korea and U.S. allies in the West. Since Kim Jong Il took power in 1994, he has made every possible effort to isolate South Korea by courting the U.S. and by intentionally stoking conflicts between Seoul and Washington. One notable instance was in September of 1996 when a North Korean submarine was found in South Korean waters. The U.S. was convinced that it was an accident while South Korea regarded it as an abortive North Korean spy mission against the South. Hence, the Kim Young Sam Government insisted that North Korea made a formal apology and promised not to intrude into ROK waters again, or South Korea would terminate the construction of two light water nuclear reactors agreed to under the 1994

31 DPRK, Russia Reconfirm Revitalized Traditional Ties; Kim Jong Il Meets V. Putin Again in Moscow, <http://www.korea-np.co.jp/pk/>.

32 Rhee Sang-woo, "China-North Korea-Russia coalition versus the U.S.," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=439&title=VOL0904&category=com.

33 Paik Jin-hyun, "Pyongyang's Maneuvering against Seoul and Washington," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=20&title=VOL0704&category=com.

Geneva Agreement. Notwithstanding the fact that Washington acknowledged the necessity of an apology from North Korea and Pyongyang's promise not to commit the same mistake, the U.S. could not agree with Seoul's approach linking the incident to the construction of the nuclear reactors. The Clinton Administration did not want to see the hard-won Geneva framework damaged by South Korea's tough stance toward Pyongyang.³⁴ As a result, North Korea was persuaded to apologize for the incident. Pyongyang apologized to show Washington that North Korea was conciliatory in contrast with South Korea's intransigence. It was the first time that North Korea had ever made a public apology for its actions. This event also made evident differences between Washington and Seoul over how to approach Pyongyang. The Clinton Administration, in response to the changing post-Cold War international environment, tended to view Korean affairs as a perspective of its national interests as well as global peace and security. Washington favored engagement with Pyongyang so as to attain the goal of preventing the proliferation of nuclear weapons and weapons of mass destruction, whereas the Kim Young Sam government remained in the Cold War mindset, focusing on the North Korean threat and North-South diplomatic competition. An article in *New York Times* in September of that year stated that South Korea, rather than North Korea, was viewed by some members of the Clinton Administration as a troublemaker.³⁵

However, unsatisfied with actions by the U.S.,³⁶ and the Perry

34 *Joongang Ilbo*, September 30, 1996, p. 16.

35 *Joongang Ilbo*, September 30, 1996, p. 16.

36 The U.S. did not fulfill its promise to provide North Korea with heavy oil on time. After the North's missile test and suspicion over its underground facilities at Kumchang-ri, the U.S. Congress applied a brake on the disbursement of funds to finance the delivery of heavy oil to North Korea through the KEDO, requesting periodical review of North Korea's behavior. The funds can be ceased at any time if there is no any noticeable improvement of North Korea's behavior, <http://www.nautilus.org/napsnet/dr/9810/OCT01.html#item10>;

Report in October of 1999,³⁷ Kim Jong Il embarrassed the Clinton Administration by striking a secret deal with South Koreans in China to hold the first-ever inter-Korean Summit in June of 2000. Though President Clinton himself favored engagement with North Korea, he did not fully support South Korean President Kim Dae-jung's Sunshine Policy, believing it to be too soft and somewhat naive. In his eyes, Sunshine Policy's unilateral economic concessions to Pyongyang without regard to the North-South political situation would not elicit any tangible and positive response from the North, let alone an inter-Korean Summit. Therefore, President Kim Dae-jung turned to China for help. The Korea Summit not only brought North Korea millions of dollars from South Korea, but also greatly raised North Korea's international profile as well as increasing its leverage in dealing with the U.S. and Japan. The historic exchange visits between North Korea's second most powerful man, Vice Marshal Jo Myong-rok (first Vice Chairman of the DPRK National Defense Commission) and U.S. Secretary of State Albright, later the same year obviously were a function of the Korea Summit. When Kim Jong Il met Albright in Pyongyang in October of 2000, Kim said his country was ready to open diplomatic ties with the United States immediately if Washington removed Pyongyang from the list of nations that sponsor terrorism.³⁸ At present,

Lee Hun-kyung, "Inter-Korean Relations in Aftermath of Perry Report," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=8&title=VOL0704&category=ess.

At the time, the U.S. suspected that North Korea was building a new underground nuclear facility and asked North Korea to open it for inspection. Pyongyang requested US\$300 million or one million tons of food in exchange for inspection. In the same time, North Korea asked the U.S. to provide US\$1 billion annually in compensation for terminating its missile exports requested by the U.S.

37 Perry Report asked North Korea to abandon its nuclear weapons program and to stop the development, sale, and proliferation of medium- and long-range missiles in exchange for improving US-DPRK relations and for receiving large scale economic assistance from the U.S. Otherwise, Washington will cut all the relations with Pyongyang. Kim Jong Il hates to follow others' order but rather do his own way in order to control the negotiation agenda.

North Korea is linking Kim Jong-il's return visit to Seoul to the Bush administration's hawkish policy.³⁹ North Korea stated that it would not deal with Seoul until the Americans resumed serious dialogue.⁴⁰ The EU delegation visiting Pyongyang in May of 2001 reported that Pyongyang believed the U.S. to be the biggest obstacle to reconciliation with Seoul, and that Washington exercised excessive influence over Seoul.⁴¹ North Korea's maneuver was designed to make those who favored the engagement policy with Pyongyang blaming the Bush Administration for hindering the North-South Korea rapprochement, thus complicating the existing disagreement between Presidents Kim and Bush.⁴² Kim Jong Il also hoped to see the Kim Dae-jung government lobbying the U.S. to soften its attitude toward North Korea.

There is another example of North Korea's actions causing friction between Washington and Seoul. North Korean chief delegate Kim Ryong Song requested that his South Korean counterpart should supply the North with electricity as part of South-North economic cooperation at the 5th inter-Korean ministerial talks in September of 2000. The North raised the issue again in early February of 2001.⁴³ North Korea was attempting to take advantage of South Korea's eagerness to bring about Kim Jong Il's promised return visit to Seoul. As South Korea was seriously considering the DPRK's proposal, the U.S. protested to Seoul. Washington opposed Seoul's energy assistance to

38 The North has been on the list of countries sponsoring terrorism since it was involved in the terrorist bombing of a Korean Air passenger jet that killed hundreds of people in 1987. "N.K. leader deeply concerned about U.S. stance," *Korea Herald*, May 7, 2001.

39 Editorial, "Now, Ball Is In US Court," *Korea Times*, May 4, 2001.

40 Morton Abramowitz and James T. Laney, "U.S. must regain initiative in N.K. ties," *Japan Times*, cited by *Korea Herald*, September 10, 2001.

41 <http://www.nautilus.org/napsnet/dr/0105/MAY08.html#item10>.

42 Moon Chung-in, "Gap in South Korea-U.S. Perceptions of North Korea," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=370&title=VOL0902&category=com.

43 "Energy Assistance to North Depends on U.S.," President Kim Faces Pressures from Conservatives and Bush, <http://www.korea-np.co.jp/pk/>.

North Korea because the assistance might help improve its energy situation and undermine U.S. calls for early nuclear inspections. President Bush's June 6, 2001 statement stressed that improved implementation of the Agreed Geneva Framework through early nuclear inspections should be a "precondition" to improved Washington-Pyongyang relations.

Apart from the South Korean card, Kim Jong Il has also played other cards to stimulate the U.S. to take a softer approach towards Pyongyang. The China card is another trump played by Kim. In order to make the U.S. feel uncomfortable and jealous, Kim Jong Il deliberately paid a visit to Beijing immediately before the Korea Summit in May of 2000 and again in January of 2001, prior to George Bush's inauguration. During his second trip, Kim Jong Il sent a message to the incoming American President that he was reform-minded by visiting Shanghai, a symbol of the success of China's economic reforms, and by touring the modern factories of General Motors and NEC.⁴⁴

Furthermore, Kim Jong Il took the initiative in improving relations with Western countries, including Italy, Australia, the United Kingdom, Canada, Germany, and the European Union. As a result, France and Ireland are the only countries who have yet to recognize North Korea among the 15 member states of the European Union.⁴⁵ In addition to gaining economic benefits from those countries, Kim also wants to have U.S. allies persuade Washington to improve relations with Pyongyang, thereby putting pressure on the U.S. to normalize relations with North Korea. For instance, Kim Jong Il repeatedly emphasized during his talks with EU leaders that the North does not regard the United States as an enemy.

Without exception, North Korea's moves have been an attempt to create conflicts between the U.S. and its allies over their approach to North Korea. It was reported that Kim Yong Nam, in a speech honor-

44 <http://www.fmprc.gov.cn/chn/7842.html>.

45 *Korea Herald*, September 21, 2001.

ing the EU delegation, hailed the EU's decision to normalize and improve relations with North Korea as being a wise and good decision by the European Union. Additionally, *Rodong Sinmun*, in a May 2nd editorial, cited independence as one of the things in common between the DPRK and the EU member states. The editorial also emphasized that, "The DPRK has pursued an independent foreign policy and the European Union has strongly asserted its independence in view of the historical background and life experience." The article also went on to state that, "Now the EU is increasing the validity of its existence and role as a dynamic and viable regional organization."⁴⁶ Conceivably, the editorial was insinuating that the EU should make decisions independently from Washington's influence. Since the collapse of the Eastern bloc in 1989, the European Union has tried to establish some sort of independent role in international affairs against the wishes of the U.S., which has insisted on exercising leadership over the EU. A European delegation's visit to Pyongyang in May of 2001, led by Swedish Prime Minister and European Council President Goran Persson, made Washington uneasy not only because Persson was the first Western leader to visit Pyongyang but because his trip came at a time when inter-Korean dialogue had bogged down. The relations between North Korea and the United States were confrontational. The EU's active involvement in Korean affairs could undermine U.S. role on the Korean peninsula as well as Washington's tough stance toward Pyongyang, and could be used by North Korea as a counterweight to the U.S., an alternative source of aid, trade and political leverage.⁴⁷

Surprisingly, when a severe flood hit North Korea in the late 1990s,

46 Top EU Delegation Visits DPRK First Summit with West Marks New Departure from Cold War Legacy, <http://www.korea-np.co.jp/pk/>.

47 For alleviating the U.S. concerns, Persson and other EU officials were reported to signal no bid to upstage the United States while saying their visit to the North aims to promote reconciliation on the Korean Peninsula and help the Pyongyang regime out of its isolation, *Korea Herald*, May 3, 2001.

Kim Jong Il used food aid as a tool to drive a wedge between South Korea and its allies. The famine-stricken country deliberately shunned South Korea and asked for food donations from the U.S. and Japan. South Korea requested the U.S. and Japan not to give any food aid to North Korea, claiming that North Korea's food shortage was not that serious. However, the U.S. and Japan believed that North Korea's famine was true and they should give Pyongyang food aid for humanitarian reasons.⁴⁸ Under both external and domestic pressure, the Kim Young Sam regime finally decided to follow suit, giving aid to the North.

However, he was not happy with Japan because it overshadowed South Korea. He complained that Japan gave more food to North Korea than South Korea did and that Tokyo managed to send food to Pyongyang earlier than the arrival of South Korean food aid. Hence, Kim Young Sam warned Tokyo that Japan's eagerness to improve relations with North Korea in spite of stalled North-South Korean relations made people think that Japan was hindering Korean unification.⁴⁹ Immediately after North Korea's launching of a Taepodong missile in August of 1998, Japan retaliated by freezing a promised donation of US\$1 billion to the Korean Peninsula Energy Development Organization (KEDO). However, Japan was soon forced to honor its promise because the U.S. and South Korea did not want Tokyo to undermine the framework of the Geneva Agreement.⁵⁰ On the other hand, the missile crisis also caused a friction between South Korea and its allies as well as China's conflicts with the U.S. and Japan over missile defense. The U.S. and Japan have accelerated the development of the Theater Missile Defense (TMD) program, while South Korea refused to join the TMD because the program might provoke an arms race in

48 *Joongang Ilbo*, January 23, 1996; *China News*, February 5, 1996.

49 *Korea and World Affairs*, Winter 1995, p. 749.

50 <http://www.nautilus.org/napsnet/dr/9809/SEP16.html#item2>; <http://www.nautilus.org/napsnet/dr/9809/SEP25.html#item6>.

Northeast Asia. South Korea also opposed the U.S. and Japan's plans to launch a preemptive strike on the DPRK if there are imminent signs of an attack because it would trigger an all-out war. ROK Minister of National Defense Chun Yong-taek said in March of 1999 that, "such preemptive attacks are feared to develop into an all-out war on the Korean Peninsula, so we determinedly oppose preemptive attacks without prior consultation."⁵¹ In addition, Japan's armed forces⁵² buildup and expanding military role in the international arena since late 1998 have brought to the fore China and South Korea's concerns about possible Japanese militarism.⁵³ It was reported that sharing resources and research for the TMD system were viewed by the Chinese as a start of a revival of Japan's military ambitions.⁵⁴ China also expressed concerns that a US-Japan agreement to conduct research on an anti-missile defense system could set off an arms race in Northeast Asia.⁵⁵ Moreover, China and Japan have debated whether Taiwan should be included in the US-Japan security cooperation and TMD program. Zhang Wannian, Vice Chairman of the PRC Central Military Commission, told Director-General of the Japanese Defense Agency Fukushima Nukaga a clear declaration that Taiwan should not be included in the new Japan-US defense cooperation guidelines, which would be conducive to the elimination of the PRC's suspicions over Japan-US security cooperation and would further the development of Sino-Japanese relations.⁵⁶ A PRC Foreign Ministry spokesman said in

51 *NAPSNet Daily Report*, March 5, 1999, <http://www.nautilus.org/napsnet/latest.html> & <http://www.nautilus.org/napsnet/dr/9903/MAR11.html#item17>.

52 Japan decided to develop its own multi-purpose reconnaissance satellite, to involve in TMD, and to purchase aircrafts with air-fueling capacity, <http://www.nautilus.org/napsnet/dr/9810/OCT02.html#item8> & <http://www.nautilus.org/napsnet/dr/9810/OCT09.html#item16>.

53 Yun Duk-min, "Seoul and Tokyo need Channel for Security Talk," http://www.kf.or.kr/koreafocus/focus_detail.asp?no=59&title=VOL0703&category=com.

54 "Japan's Military Ambition Fueled by Cohen's Visit," *China Daily*, January 18, 1999, A4, <http://www.nautilus.org/napsnet/dr/9901/JAN21.html#item23>.

55 <http://www.nautilus.org/napsnet/dr/9809/SEP22.html#item1>.

the January 1999 press briefing in Beijing that - whether directly or indirectly - including Taiwan in a Japan-US Defense Cooperation Guideline would be an infringement of China's sovereignty.⁵⁷ Beijing wanted Tokyo to specify Taiwan would not be included in the US-Japan military operations but Tokyo refused to spell it out. A People's Liberation Army Daily commentary specifically indicated that "the US and Japan have other reasons for enhancing the development of a TMD system rather than their excuse of the DPRK's rocket launch. The US is trying to include Taiwan into the scope of the TMD system. That is a severe interference in China's internal affairs and is unacceptable."⁵⁸ Referring to the success of a U.S. NMD test in December of 2001, Chinese Foreign Ministry spokeswoman Zhang Qiyue Zhang stated, "Our position on missile defense is very clear and consistent: We are opposed to the United States building a missile defense system." She added, "We believe that relevant sides should, through sincere and serious dialogue, seek a solution that does not compromise any side's security interests, nor harm international arms control and disarmament efforts."⁵⁹

Conclusion

Unquestionably, North Korea is a minor power. Nonetheless, dissimilar to other minor powers, North Korea in the post-Cold War period has taken a unique approach mixed with military means and diplomatic maneuvers to attain its foreign policy goals. By taking advantage of its geostrategic location, strategic advantage vis-à-vis

56 <http://www.nautilus.org/napsnet/dr/9809/SEP30.html#item22>.

57 "Inclusion of Taiwan in Japan-US Pact Opposed," *China Daily*, January 20, 1999, A1, <http://www.nautilus.org/napsnet/dr/9901/JAN21.html#item23>.

58 <http://www.nautilus.org/napsnet/dr/9810/OCT22.html#item17>.

59 <http://www.nautilus.org/napsnet/dr/0112/DEC04.html#item3>.

South Korea and Japan, as well as Kim Jong Il's adroit diplomatic skills, North Korea has been able to make a remarkable achievement in foreign relations. What worth noting is that North Korea's totalitarian regime is also another factor contributing to its diplomatic advances because it enables Kim Jong Il to have a free hand in diplomatic maneuvers. On the other hand, without South Korean President Kim Dae-jung's insistence on implementing his Sunshine policy, North Korea might not have made diplomatic breakthroughs so easily, particularly in its relations with Western Europe. This research proves a previous study done by Michael D. Ward and Lewis S. House, who evaluated activities of countries on the world stage between 1948 and 1978, finding that North and South Korea were the most powerful countries in terms of behavioral power, because they were most able to get other countries to engage and interact with them.⁶⁰

Though North Korea is a tough bargainer and has succeeded in its foreign policy behavior to maximizing its economic gains, the country has not been able to attain its mid- and long-term goal of redressing the unfavorable balance of power on the Korean peninsula. Furthermore, North Korea's extortion of aid from other countries may yield aid fatigue and cause a backlash against North Korea as well. For example, Japanese public opinion has become reluctant to respond toward appeals by the WFP. Both *Sankei Shimbun* and *Yomiuri Shimbun* called for the Japanese government not to provide food to North Korea.⁶¹ As a result, in November 2001 the Japanese government decided to postpone its promised 200,000 tons of rice aid to the DPRK.⁶²

North Korea is a minor power whose foreign policy is inevitably conditioned by the international environment shaped by the major

60 Michael D. Ward and Lewis S. House, "A Theory of Behavioral Power of Nations," *Journal of Conflict Resolution* 32, March 1988, pp. 19-20.

61 Editorial, "Abduction issue has to be solved first," *Sankei Shimbun*, November 2, 2001, <http://www.yomiuri.co.jp/08/20011105ig90.htm>.

62 <http://www.nautilus.org/napsnet/dr/0111/NOV07.html#item9>.

powers. Hence, the success of its diplomacy depends on the response of powerful countries. Without China's support, North Korea's brinkmanship would have not succeeded in getting the U.S. to the negotiating table during the 1993-94 nuclear crisis let alone the signing of the Geneva Agreement. Likewise, North Korea can do nothing if it fails to attract America's attention or if the U.S. is indifferent to its threats. For the majority of past five decades, North Korea has not been important enough to be on the U.S. diplomatic agenda.⁶³ In order for the U.S. to be interested in Pyongyang in the post-Cold War period, North Korea deliberately picked issues that Washington is most concerned about in the post-Cold War era. Since the inauguration of the Clinton administration in 1993, Washington spelled out the prevention of proliferation of weapons of mass destruction and nuclear arsenals as its foreign policy priority. North Korea's timing showed that it was a well-planned maneuver to get Washington's attention. At that time, both President Clinton and Kim Young Sam had been in office less than a month and were busy accommodating themselves to the new task. However, since President George Bush came to office in March 2001, the DPRK has run into the old problem, which has failed to get the Bush Administration's attention. Since September, this problem has been exacerbated by Bush's preoccupation with the war on terrorism. However, as the war on terrorism is approaching an end, Washington has targeted some other countries for its anti-terrorism campaign. North Korea has been targeted by the U.S. Defense Department as the third greatest threat to security after Iran and Iraq.⁶⁴ The U.S. President Bush's warning, linking missile proliferation and weapons of mass destruction to the war on terror, raised a speculation that North Korea was on the short list of targets in the post-Afghanistan anti-terrorist

63 Mitchell B. Reiss, "Avoiding De jure All Over Again: Lessons from U.S.-DPRK Engagement," <http://english.joins.com/nk/article.asp?aid=20010730175231&sid=F00>.

64 <http://english.chosun.com/w21data/html/news/200112/200112050388.html>.

campaign.⁶⁵ It remains to be seen whether Bush's warning is merely rhetoric or a serious threat that will result in a concrete action.

Based on the characteristics of North Korea's negotiation behavior, Kim Jong Il will not sit down with the Bush Administration for negotiation until he feels satisfied with the U.S. attitude and becomes familiar with his counterpart.⁶⁶ That is why the process of negotiations with North Korea is usually extremely time-consuming. *Rodong Sinmun's* article in October of 2001 said that North Korea does not oppose dialogue with the US. However, the Bush administration has to drop its demand to widen discussions on DPRK's conventional arms in addition to its missile program.⁶⁷ Ri Hyong-chol, North Korea's ambassador to the UN, also reiterated in his keynote speech at the UN General Assembly in November of 2001 that the DPRK would only resume dialogue with the US when the incumbent US administration adopts policies.⁶⁸ Even if North Korea and the Bush Administration did come to the negotiation table, it would probably come only after Washington drops its demand to discuss conventional weapons, which would be a start signal of a protracted bargaining. It is conceivable that North Korea will request U.S. compensation for delays in the provision of two nuclear reactors and include other non-starters.

As a rule, Kim Jong Il will not negotiate with his counterparts until he is able to control the agenda. He is sure that the other negotiating party is willing to make concessions. Moreover, his past behavior

shows that he has enormous patience, and will wait for his counterparts to give in or comply with his rules. He also has a strong sense of dignity, and wishes to make his counterparts come to negotiations even though he needs them more than the other side does. Perhaps, this is also a part of his strategy to outmaneuver his counterparts psychologically.

65 N. Korea's Old Tactics May Backfire Post-Sept. 11, December 7, 2001, <http://www.stratfor.com/asia/commentary/0112072100.htm>.

66 A good example is that Kim Jong Il spent more than two years to have a summit with Kim Dae-jung. He did not agree with the summit till he believed that Kim Dae-jung did have sincerity. During the period, President D. J. Kim went through a variety of tests and challenges (notably the submarine incident in September 1996, missile tests in August 1998 and the military conflict between North-South Korean naval ships in June 1999) set by Kim Jong Il.

67 <http://www.nautilus.org/napsnet/dr/0110/OCT29.html#item2>.

68 <http://english.joins.com/article.asp?aid=20011114201641&sid=E00>.

THE AMERICAN, SOUTH KOREAN AND JAPANESE NORTH KOREA POLICY AND THE DPRK'S RESPONSE

Ming Liu

The year 2000 will probably be remembered as a year in which a historic milestone occurred on the Korean peninsula - the breakup of the Cold War structure that has existed since the end of World War II, which was caused by the heads of the two long-opposed states sitting together for the first time for dialogue, while several allied countries and North Korea simultaneously began to advance the rapprochement process. As a matter of fact, the Korean Peninsula issue is about North Korea's external military posture and the status of its domestic economy, and involves the related policies of all countries concerned, which includes South Korea, the US, China, Russia and Japan. This paper will be confined to research on the current American, South Korean and Japanese North Korea policy and the DPRK's response to these policies.

American North Korea Policy: Retrospect and Development

Policy Objectives and Evaluation

Since the Korean Peninsula was divided at the end of the Korean War, the U.S. has maintained a policy of isolation and containment towards North Korea for over 40 years. However, the 1993 nuclear crisis finally forced the US to tackle the issue of North Korea directly. From that time on, the American North Korean policy shifted from that of isolation and containment to one of engagement.

The new approach is based on the goal of protecting America's long-term interests in Northeast Asia and the Korean Peninsula, and of better handling North Korea's threats and challenges in the new environment. The 1994 Geneva Agreed Framework, which was a relatively desirable option considering the worst-case scenario of that period, served as a starting point for the Clinton policy of engagement towards North Korea.¹

America's North Korea policy could be divided into four parts: The first part is the Agreed Framework, which is the basis of the entire policy, but the goal is narrow. The second part is a policy mixture composed of the Four-way Talks that seek to impose a final solution on the Korean Peninsula and humanitarian aid to keep North Korea from collapsing and to induce it to come out of its isolation. The third leg of the policy is to develop normal bilateral relations with the DPRK, such as setting up liaison offices in both capitals, removing economic restrictions on North Korea and cooperating to find the remains of soldiers from the Korean War. The last goal of the policy is designed to prevent Pyongyang from testing, deploying or exporting long-range ballistic

missiles and missile technology or equipment to third countries.

To evaluate the effects of the above policies, we should not examine these four parts separately, but should focus our attention on the basis of the policy. Regarding the implementation of the Agreed Framework and the completion of the light-water reactors, which are behind schedule, the US has accomplished what the agreement stipulates: the North Korean graphite moderated nuclear reactor at Yongbyon is still frozen and the spent nuclear fuel rods have been destroyed. There is no significant evidence showing that North Korea continues its nuclear program, although it has threatened to pull out of the agreement. Due to the agreement, Washington has been able to avoid several negative consequences, in addition to war. If the agreement had not been signed, US military deterrence on the Korean Peninsula would have weakened, global nonproliferation regimes would be damaged and Japan and South Korea would probably emulate the path that North Korea had pursued, kicking off a regional arms race.²

In other areas, talks on North Korea halting its long-range missile program have achieved the first step towards success in 1999 after the Berlin meeting. Talks on missile exports, which resumed in July of 2000 in Kuala Lumpur after a 15-month suspension, became stalled over demands by the DPRK for compensation. The situation looked more optimistic in autumn of 2000 after Secretary of State Albright received a personal pledge from Kim Jong-il that North Korea would not launch any more missiles. However, after the inauguration of George W. Bush, who asked the North Koreans to verify any future missile deal, the prospects for a quick agreement became unclear.

1 Mitchell Reiss, Dean of International Affairs and Director of the Wendy and Emery Reves Center for International Studies, College of William & Mary in Williamsburg, Virginia, thought the current US approach to North Korea is not ideal but the least worst option. A testimony in the House of Representatives on March 16, 2000.

2 William Perry, "United States Policy Toward North Korea: Findings and Recommendations," p. 3, October 12, 1999, and according to Security Review 28 of Bush Administration, there were seven serious consequences if North Korea owned nuclear weapons. Please see Joel Wit, "Clinton and North Korea: Past, Present and Future," *Policy Forum* #00-02, The Nautilus Institute for Security and Sustainable Development, p. 3.

The normalization process (including MIA excavation work) has come to a standstill, because neither North Korea nor the US is in a hurry to reach an agreement and there are other issues that need to be resolved first. But more importantly, Pyongyang's hostile posture and threats have diminished due to the relaxed atmosphere on the peninsula and North Korea's improved relations with the Western world. Also, the American soft-landing policy and international rescue operations have saved North Korea from imploding over the past several years, avoiding a major war or conflict on the peninsula. Unfortunately, the Four-way Talks have not made any substantive progress so far, but at this stage no progress is expected because a real reconciliation between North and South Korea and a full normalization of relations between the US and the DPRK should take place prior to meaningful peace talks.

US-North Korean relations are still in the initial period of transformation, which focuses on the full implementation of the Agreed Framework as well as the suspension of North Korean missile testing and exports. Comparatively speaking, Pyongyang regards the nuclear accord as being more important than any agreement on missile and conventional weapons. Before any substantive progress is made on this project, it will be very difficult to expect Pyongyang to make more concession on other issues. For North Korea, it is quite unsatisfied with the current state of implementation of the Agreed Framework. The agreement is five years behind the original schedule to deliver the light-water nuclear reactors, which disrupts the North's timetable for solving the serious energy problem and reviving its feeble economy.³ Second, America did not fulfill its promise to lift economic sanctions against North Korea. As stipulated by the agreement, though it is

3 North Korea asks for compensation, which is justified in terms of Agreement on Supply of a Light-Water Reactor Project in the DPRK between KEDO and the DPRK, signed on Dec 15, 1995 (Section 2, Article XVI—Actions in the Event of Noncompliance).

ambiguous on the specific terms, the two sides pledged to move economic restriction within three months, but the US prolonged the sanction for another five years until September of 1999.⁴

Under this condition, it was understandable that Pyongyang would act in its own national interests, but even so, the North did not attempt to abolish the Agreed Framework or stop dialogue with the US, and it finally allowed American inspection of Kumchang-ri and halted its well-prepared long range missile launch in 1999, all of which signified the beneficial effects of the engagement policy.

Problems in the Execution of American Policy

There is no denying that the above policy, which combined previous and current policies, was inherently flawed and has not been carried out properly.

First, the Agreed Framework did not include any language about inspection of other nuclear-related sites, an error that accounted for the later passive stance taken by the US. Of course, no one at that time could predict that Pyongyang would build other suspected underground facilities, but the US could have reserved the right to guarantee North Korea's full compliance with the agreement.

Second, the administration failed to attach enough importance to the complexity and seriousness of the implementation of the accord after the two countries signed the nuclear agreement and Robert Galucci left the administration. From 1996, the Clinton Administration diverted too much attention to preparing possible scenarios for North Korea's collapse and began to promote two new policy initiatives: massive humanitarian assistance for a soft landing and Four-party Talks to establish a peace mechanism on the Korean Peninsula, both of which

4 It is mentioned in the Section 1 of Part II of the Agreed Framework. Actually Clinton did easing few items of sanctions on January 20, 1995 such as on direct telephone links.

lacked effective policy coordination among different agencies by a high-level official.⁵ Due to the frequent shifting of policy priorities, the work of implementing the Agreed Framework lost its impetus.

Third, the Clinton Administration did not make a great effort to obtain Congress' full support for its North Korea policy and the Agreed Framework, which greatly weakened the administration's ability to effectively cope with Pyongyang and urge it to abide by the nuclear accord. Without Congress' coordination and understanding, any American policy is incomplete and will face difficulty in implementation. The delayed delivery of heavy oil to North Korea and the Republican congressmen's "North Korea Advisory Group" report and related resolution of "North Korea Threat Reduction," made Pyongyang somewhat dubious of America's real intentions and the credibility of its commitment, damaging American-North Korean relations.

All these problems could be generally attributed to several factors: the administration's lack of determination to improve relations with Pyongyang, no real trust of North Korea's intentions; and on the domestic partisan politics side: prevailing criticism and pressure from Republicans and the media towards the status quo; on the external side, Japanese resentment towards America's low-key response to the DPRK's missile launch. Because of these factors, North Korea policy was dangerously adrift until the policy review by William Perry was completed.⁶

5 Being a former US State Department official working on Korea issue, Joel Wit hinted the government adopted a wait-and-see policy for implementing the nuclear agreement because of the uncertain prospects of North Korea between 1995-1997. Please see Joel Wit, "Clinton and North Korea," p. 5.

6 Leon Sigal, "Negotiating an End to North Korea's Missile-Making," *Arms Control Today*, June edition, 2000, p. 5.

Policy Review and Its Effects

The North Korea policy review, undertaken by William Perry, was the result of a congressional requirement and situational developments on the Korean Peninsula, and proved to be very timely. The positive effects of the review are as follows:

First, it resumed and strengthened the administration's leadership role in coordinating North Korean policy, accelerating the issues resolution process and justifying the Clinton administration's engagement policy. It openly discarded the idea that America should not hurry to make a deal with North Korea for it would soon collapse and a new government would be set up.⁷ More importantly, the policy review helped stop North Korea from continuing its missile test firings, otherwise the necessary support for the Agreed Framework would be further undermined and American security strategy could not have been firmly sustained.⁸

Second, the adjusted policy not only absorbed various pragmatic views from a great number of scholars, but also took into consideration the Republican hard-line position. Based on this relative consensus, the policy analysis of the current Korean situation and future developments seemed to be more objective and sagacious, and it was instrumental to the policy implementation.

Third, the review clarified a new focal point for North Korea policy, producing a relative comprehensive scheme for problem solving. The policy review made American policy, which had been ambiguous and uncertain in the past, clear to North Korea. And the tactics that the DPRK deftly used to manipulate the US in the past will now have very

7 Cheong, Wooksik, "Two Reports on North Korea," *Nautilus Policy Forum* #99-07J, December 15, 1999, p. 3.

8 William Perry's testimony on the Subcommittee on East Asian and Pacific Affairs, the Senate Foreign Relations Committee, October 12, 1999, p. 4, an official transcript of US Department of State.

limited maneuvering space, and any step going beyond the line drawn by the US will face incalculable consequences.

Fourth, in the process of formulating the Perry Report, Perry visited Seoul and Tokyo several times for consultations. This started the trilateral consultation process among the three countries. Since the Trilateral Coordination and Oversight Group (TCOG) was set up, the three countries have synchronized their North Korea policy more tightly than ever before.

However, as the new administration openly displays distrust of Pyongyang's top leader, setting new conditions for future talks on the missile issue and the normalization of relations since the completion of the North Korea policy review in early March of 2001, the US has mostly deviated from the Perry course. Therefore, all the potential good effects of Perry's initiative have been frustrated, and the US will have to seek a new starting point, if it wishes to renegotiate most of the issues with the DPRK according to its new terms. No doubt, the remaining problems and obstacles look more arduous than before for the US.

First if the two light water nuclear reactors could be completed before 2007, then there are several legal and technical problems waiting to be resolved: 1) Whether North Korea could assume proper nuclear liability after it takes control of the LWR plants, and if there is any accident, who should take responsibility; 2) Whether KEDO should set up an internationally acceptable nuclear liability regime to check and make sure that Pyongyang does not produce plutonium again; 3) In addition to the different electrical systems, is the North Korean electric grid capable of sustaining two large reactors? So far no one is willing to pay for a new modern electric grid for Pyongyang, which means the LWR project could be idle after its completion; and 4) According to the Agreed Framework, the DPRK should allow the IAEA to access the sites of all its past nuclear facilities, examining how much weapons-grade plutonium had been enriched after a "significant portion" of the

LWR project is complete. But so far, the IAEA and North Korea have a different interpretation of the timing of the access. The IAEA complained that its staff was not allowed by the DPRK to access the sites for the special inspection, while the US threatened to stop all work on the construction site.

Second, if there is a package deal on North Korea missile for commercial satellite, some problems will have to be tackled: where the satellites could be launched, where could the US find funding for the launches, and how could allied countries verify North Korean satellite usage? In terms of American domestic politics and law, it would prohibit any new long-term compensation plan for a North Korean weapons development program, and as for other countries, like Japan, they would be reluctantly to foot the bill for an American deal with the DPRK like the Agreed Framework. Therefore, the deal would be a political burden for the US. At the same time, North Korea would exert its entire means to resist any extremely intrusive verification measures in any future missile agreement and quash any American attempt to bring conventional force reductions into the talks.

Third, given that many conservative Republicans dominate North Korea policy-making in the US, North Korea is thought to be the worst tyrant in the world and a permanent threat to American interests. Thus, so long as North Korea keeps its political system, the US could not maintain good relations with the country.

Fourth, as George W. Bush toughened his stand toward Pyongyang and currently is preoccupied with the campaign against terrorists in Afghanistan, Kim Dae-jung's sunshine policy now is in jeopardy. If the US is unwilling to back the Clinton administration's engagement policy in principle toward North Korea, and the Afghanistan War is a prolonged affair, the inter-Korean reconciliation process could not further develop since Pyongyang demands that progress in inter-Korean cooperation depends fully on the development of relations with the US. Therefore, South Korea resents Ameri-

can policy very much, which probably will lead to popular negative sentiment toward the US-South Korean security alliance and official position incongruity in the allied countries policy coordination.

South Korea's Engagement Policy and Its Effects

When Kim Dae-jung assumed the presidency, inter-Korean relations were shambles. The new president had to revise former President Kim Young-sam's ineffective engagement policy that aimed at imposing cooperation upon Pyongyang based on economics. In order to explore a new path to engage North Korea, the new government decided to formulate a comprehensive and integrated policy that intended to induce Pyongyang to reform and coexist with Seoul through stepped-up exchanges and contacts.⁹

Characteristics of the Policy

In the process of implementing Kim Dae-jung's engagement policy (the so-called "sunshine" policy), there appeared several distinct characteristics. The first was the separation of economics from politics. In South Korea's official point of view, the most realistic policy alternative that could lead to North Korea's gradual transformation is to expand inter-Korean cooperation, which could serve as a basis for promoting a North Korea policy.¹⁰ Considering that Pyongyang refused to develop inter-governmental contacts with the South at that time, private business cooperation would be taken as the most desirable channel linking the North.

The benefits for this approach were: First, the government shunned

9 Paik, Jin-hyun, "New Concept of Engagement Policy toward North Korea," *Korea Focus*, Vol. 8, No. 2, 2000, p. 2.

10 *Korean Unification Bulletin*, Vol.1, No.1, July 1998, p. 7.

political risk, while avoiding any economic responsibility or political entanglement for the failed operation of a non-market economic system. By doing so, the chances for inter-Korean exchanges would increase, and it also helped reduce the North's hostility, enlarging its economic dependence on the South, awakening its sense of reform, and finally paving the way for the two Koreas peaceful coexistence.¹¹

The second benefit of the approach was the establishment of a flexible principle of reciprocity. In carrying out the engagement policy, South Korea had to stress the importance of reciprocity, since the goal of the policy was to induce Pyongyang to abandon its belligerent posture and to begin coexisting and cooperating with Seoul. However, if the North failed to reward South Korea's good intentions, this policy could not be sustainable. As a democratic government, in some cases, it had to take public opinion into consideration.

Of course, the South later modified this persistence during the peace talks in a manner that was more flexible. Seoul claimed that it would no longer ask for quid-pro-quo from Pyongyang for governmental economic aid so long as the North made a certain degree of efforts to improve inter-Korean relations.¹² As for humanitarian assistance, the South Korean government believed that this could be carried out without any strings attached. This new attitude meant the South would treat the North in a more generous and tolerant way. Encouraged by this flexible approach, the Seoul government not only approved the Mt. Kumgang Project, but also agreed with the Hyundai Group's plan to establish an enterprise zone in the North in January of 1999. As a positive response, North Korean leader Kim Jong-il met the South Korean tycoon, Chung Ju-jung, honorary Chairman of Hyundai Group on October 30.

The third characteristic was a low-key approach towards crisis. In

11 Yang, Young-shil, "Kim Dae-jung Administration's North Korea Policy," *Korea Focus*, Vol. 6, No. 6, 1998, p. 51.

12 Please see *Korean Unification Bulletin*, Vol. 1, No. 1, July 1998, p. 6.

the past when the ROK faced provocative actions from the DPRK, it routinely would respond aggressively to any provocation in a like manner. Consequently, all assistance and contact would be suspended and tension would be heightened. But this administration, while issuing a strong official statement of condemnation or giving an appropriate military counterattack to the North, would usually take more tolerant and restrained attitude toward any crisis.

For example, an incident involving a North Korean mini spy submarine that was stranded in South Korean waters on June 22, 1998 did not give rise to a suspension of economic aid by the ROK, instead the South urged Pyongyang to admit that it had violated the truce accord and to apologize for the infiltration, punishing those who were responsible and promising not to repeat a similar provocation. This reasonable and moderate response was also accompanied by a re-assurance from Kim Dae-jung that his “sunshine policy” would remain unaffected in principle. Furthermore, the ROK quickly returned the bodies of nine crewmen to the DPRK for humanitarian reasons.

Effects of the Policy

In the two years between Kim Dae-jung's inauguration in February of 1998 to the secret negotiations between the two Koreas in March of 2000, not much progress was made to improve inter-Korean relations. In spite of South Korea's great efforts to promote reconciliation on the peninsula, North Korea took a cool and hostile attitude towards the “sunshine” policy.

However, in evaluating a policy, there are several different ways to measure the outcome. Kim Dae-jung's policy includes short-, mid- and long-term goals. North Korea's abandonment of its rigid socialist ideology and acceptance of unification with South Korea is long-term goals: resumption of high-level talks, realization of economic exchanges and divided families visits, and reduction of the North Korean military

threat on the peninsula are mid-term objectives; incremental increases in personnel exchanges and other functional cooperation, restoring inter-Korean official talks, and improvement of relations between the US and North Korea are short-term goals.

Among these goals, the policy failed to accomplish the first two, but this was understandable because of the short time and deep antipathy from the North. However, the policy was not without some good effects, otherwise the two Koreas could not have realized the summit of 2000.

The main result occurred in the third set of goals-some substantive issues. The first and foremost was the Mt. Kumgang Tour Project, which had two important implications: North Korea began to accept a new formulation for inter-Korean economic cooperation by allowing ordinary South Koreans to enter North Korea; the South gained a foothold in the North for a possible expansion of economic and capitalist ideology. Due to the potential for a massive influx of foreign currency, Pyongyang quickly responded to a proposal to set up an industrial park in the coastal area.

Second, the number of South Korean non-governmental visits to the North noticeably increased during these years. In 1998 alone, 3,317 individuals visited the North, in addition to the 10,554 Mt. Kumgang tourists. The visitors varied from cultural performers, university presidents, and journalists to businessman and different religious leaders. Besides that, more and more divided families began to contact and even met each other in third countries.

Third, the government-level talks between the two Koreas resumed in April of 1998 after a long suspension. Though the talks hit a snag, the meeting itself bore symbolic meaning, particularly since the agenda included the reunion of separated families, exchanging governmental envoys and implementing the Basic Agreement. Other than this meeting, the two Koreas also held two additional deputy-ministerial talks in Beijing. Actually, the North that proposed the government-level talks

held on February 3, 1999, which signified both the urgent need for food aid and a test for dialogue.

Fourth, at the urging of Kim Dae-jung, relations between America and North Korea gradually improved. They reached agreements on inspection of the Kumchang-ri facilities and a moratorium on North Korea's planned missile test firing in the late summer of 1999. As a reward, the US partially lifted economic sanctions on Pyongyang. In turn, the North felt secure in this new environment and tensions on the peninsula relaxed.

The Breakthrough of Inter-Korean Relations and Its Potential Problems

The realization of the summit between the two Kims on June 13-15, 2000 temporarily put a stop to the debate over the effects of the sunshine policy and vindicated the policy. The summit was a success, and the two Kims were able to establish a mutually respectful personal relationship. Also, for the first time, Pyongyang openly embraced Kim Dae-jung's policy. In terms of their landmark joint declaration, they agreed to join hands to promote several important goals—national unification; dispersed families' reunion; repatriation of communist prisoners; development of their economies through a balanced approach; and acceleration of exchanges in the social, cultural, sports, health and environmental sectors.

The pledges made by the two leaders corresponded to the different goals of the sunshine policy, with which the foundation of the policy was solidified. Accordingly, the South Korean government decided to use the summit to further expand the sunshine policy. The priorities of the next step of the sunshine policy are in four areas that span across medium- and short-term goals: keeping the momentum of high-level talks by inviting Kim Jong-il to visit Seoul as soon as possible; broadening and deepening economic cooperation by helping to vitalize the

North Korean infrastructure, agriculture and other sectors; re-linking the Kyongui Railway from Seoul to Shinnuiju; building military confidence by re-opening the North-South Liaison Office in Panmunjom; setting up a military hotline and having regular defense ministers meetings; accelerating the solution of humanitarian issues by allowing more separated families to exchange visits; and repatriating unconverted long-term prisoners to the North.

Since the summit, the two Koreas have held six ministerial talks, and their defense ministers also had their first-ever meeting in South Korea, discussing the South's proposal of confidence-building measures and cooperation in the DMZ with respect to the construction of a railway and a road. The separated families also had three joyful reunions. More importantly, economic officials from the two sides signed four economic agreements, covering investment protection, prevention of double taxation, settlement clearing and dispute procedures.

Notwithstanding the positive developments between two sides, there are many potential and pressing problems that must be tackled. Politically, the opposition party of South Korea still adopts a critical and dubious attitude towards the current government's North Korea policy. They believe that Kim Jong-il is deceiving the South so as to garner more benefits and reduce the South's vigilance. Therefore, they infer that Kim Jong-il is not a reliable partner for peace.¹³ The Grand National Party is very much concerned about the government's fervor toward North Korea, claiming it is the result of either a secret understanding between Kim Dae-jung and Kim Jong-il or Kim Dae-jung's rash belief in promises made by Kim Jong-il during the summit.¹⁴

13 This comment cites from an author's talk with a former member of South Korean National Assembly (also a senior member of Grand National Party) on August 22, 2000.

14 The gist comes from an interview between Tom Plate, Director of the Asia Pacific Media Network, and Lee, Bu-young, Deputy President of South Korean Grand National Party, which was carried in the Northeast Asia Peace and Security Network on August 7, 2000.

In addition, there are high expectations among South Koreans for instant progress in inter-Korean cooperation, but this longing could soon turn into a damaging force against Seoul's North Korea policy if there are any problems in inter-Korean relations. Due to this reason, the South Korean government frequently emphasizes that any agreement reached in negotiations with North Korea will be based on public consensus, and in fact the government has been very cautious to satisfy the demands of ordinary citizens as the initial excitement caused by the summit has waned.

Economically, Seoul is facing some daunting challenges as well. The main obstacle to Seoul remolding North Korea's economy is money. In order to attract more foreign investment to help Pyongyang, one of South Korea's pressing tasks is to improve the North's poor infrastructure, but this will cost \$50 billion, and at least \$10 billion is needed to reconnect the Kyongui Line and set up a special economic zone. However, the South Korean government's North-South Cooperation Fund has only \$400 million.¹⁵ So the heavy task of recovery is beyond South Korea's ability, and must fall on the shoulders of the World Bank as well as the American and Japanese governments. In addition, the most successful inter-Korean economic cooperation project - the Mt. Kumgang tour - is losing money and more than 130 companies operating in North Korea also have not shown any profits, which certainly will cast a shadow on the expectation of attracting more investment in the North.

On the military side, there are some thorny issues waiting to be tackled. North Korea still maintains a large military force in the DMZ and its weapons of mass destruction are regarded as a potential threat to the security of the Korean Peninsula as well as to Japan and Ameri-

can forces in this area. Many military analysts and advisors of right-wing groups in America and Japan seriously doubt Kim Jong-il's real intention toward reconciliation and they do not see any scaling down of military activities by the North following the summit, which will check the pace of advancement of the sunshine policy. Even the reconnection of the railway line, there is a view that holds that Pyongyang would use the line to quickly surround Seoul during an invasion,¹⁶ and any railway construction in the DMZ without UNC approval would violate the armistice agreement.¹⁷

In short, the sunshine policy has now entered a rough patch in which both Kims have to tactfully guide their respective nations, any mistakes in the approach to differences and disputes between the two sides or an intensification of policy conflicts between North and South Korea would likely lead to a full retreat from the current results.

Japanese Ambiguous North Korea Policy and Its Prospects

Tokyo had no its independent North Korea Policy during the Cold War, because as a member of ASEAN and a US ally, it followed the American line to contain the North Korea threat on the peninsula. After the Cold War, when both the former Soviet Union and China normalized relations with South Korea, Japan thought it was imperative for it to take steps to adjust its relations with Pyongyang, in an attempt to gain a foothold in North Korea before the US. Therefore, Japan began a decade-long normalization process with North Korea.

15 Those figures are calculated originally by Samsung Economic Research Institute. The author cites from Peter Beck's article, "Japan's Role in the Economic Integration of the Two Koreas." See the special report of the Nautilus Institute for Security and Sustainable Development, August 31, 2000.

16 This is the ROK defense analyst Jee Man-won's warning. See Don Kirk, "Threat from North Korea Rising, U.S. Army Warns," *The International Herald Tribune*, September 8, 2000.

17 Kang, Seok-jae, "Inter-Korean Railway Project Raises Question of Violate Truce Accord," *Korea Herald*, September 21, 2000.

The Background and Issues of Japan-North Korea Bilateral Relations

Official contacts between Japan and North Korea began from September of 1990, when Shin Kanemaru, a senior politician of the Japanese Liberal Democratic Party (LDP) led a two-party delegation visiting Pyongyang. The visit brought an epoch-making change in their relations, both sides agreed to resume governmental-level negotiations to normalize relations.¹⁸

The first talks on normalizing relations between Tokyo and Pyongyang started in 1991 and 1992 with eight rounds, which involved four topics: “basic problems”; “economic issues”; “international issues”; and “other matters.” The talks were suspended by North Korea in November 1992 on the grounds that Japan persisted in discussing irrelevant issues, which ostensibly implied issues of nuclear development and Japanese citizens kidnapped by the North. With the conclusion of the Agreed Framework in 1994 and the deepening famine in North Korea in the following years, Japan sought to resume talks with the North by using food assistance as a carrot, only to find that neither side was willing to change their original positions. Nevertheless, after two ruling coalition party delegations led by LDP leaders Watanabe Michio and Mori Yoshiro respectively, visited Pyongyang in 1995 and 1997, both sides did achieve some progress in other sectors: North Korea agreed to make an investigation into “missing persons” and allowed Japanese-born women married with North Korean men to visit their homeland.

There were three important developments that reduced Japan's desire to resume official talks with Pyongyang. In February of 1997, it was reported that several Japanese girls reported missing in coastal areas between 1977 and 1980 were actually kidnapped by North

Korean agents. But on June 5, 1998, North Korea declared that their investigation had not found any such person; several suspected North Korean spy ships roamed off Japan's coast in 1999, which the Japanese attacked; and in August of 1998, North Korea launched a Taepodong ballistic missile with a range of 1,700 kilometers over Japanese airspace, which was regarded as a serious military threat to Japan.

After the Taepodong missile launch, Pyongyang-Tokyo relations became strained again. The Japanese government adopted severe sanctions against North Korea. A favorable turn occurred in the summer of 1999 soon after Pyongyang started to show flexibility in its external relations. On August 10, 1999, Pyongyang issued a conciliatory statement to the Japanese government. Against this background and also in consideration of the fact that the US partially lifted economic sanctions against Pyongyang, Japan resumed charter flights to North Korea on November 1, 2000, but it kept sanctions on normalization talks and food assistance as a leverage. Pyongyang lost no time in sending a formal invitation letter to a former Japanese Prime Minister Murayama Tomiichi in November. As a result, a supra-partisan delegation led by Murayama visited Pyongyang for three days starting December 1st.

The purpose of Murayama's visit was confined to “opening a window for a possible governmental dialogue and creating an environment conducive to negotiations for normalizing relations.” In other words, the delegation was not sent to address topics that fell within the power of government.¹⁹ However, they touched upon almost all issues considered to be crucial for two countries to establish relations during the meeting with their North Korean counterparts, which involved the interpretation of past history, “abducted” Japanese citizens and food aid as well as the missile firing. Although the supra-partisan delegation did not solve any specific problems, it did contribute to the resumption of official talks to promote mutual understanding and friendship.

18 Lee, Won-deog, “Security or Engagement? The Japanese North Korea Policy,” *East Asian Review* (Seoul: Korea), Vol.12, No.1, Winter 1999, p. 27.

19 Murayama Tomiichi, “Beyond My Visit to Pyongyang,” *Japan Quarterly*, April-June 2000, p. 3.

On December 19, just two weeks after Murayama's mission returned home, Red Cross representatives from Japan and North Korea, joined by officials of both governments, held a meeting in Beijing. They discussed humanitarian issues of concern to both governments and signed an agreement on several points: homecoming visits by Japanese spouses of North Korea nationals would resume in the spring of 2000; the DPRK would ask relevant agencies to carry out a serious investigation into the abducted Japanese girls issue; the Japanese government would consider granting food aid to North Korea; both sides would work towards resolving the issues of North Koreans missing prior to 1945.

Along with this positive development, Japan decided to provide 100,000 tons of food to North Korea through the World Food Program on March 7, 2000. Subsequently, the two sides held a ninth round of normalization talks in Pyongyang from April 4 to 7. The lack of progress resulting from the talks did not surprise anyone, since each side would customarily repeat its position and propose demands from the other side at the beginning of negotiations so as to get the upper hand and increase their bargaining leverage. This stalemate continued into the tenth round of talks held in Tokyo from August 22 to 24, with no any agreement on the missile, abduction or compensation issues.

The Goals and Priorities of the Japanese North Korea Policy

Strategically speaking, the Korean Peninsula plays a crucial role in Japanese security in the context of history as well as the current great power relationship. There are several significant considerations for Japan behind the normalization process. First, Tokyo is very much willing to play an active role in Korean issues, especially in the aspect of any future peace mechanism. That is why the Japanese government has repeatedly called for six-party talks. If Japan continues this type of relationship with the DPRK in the future, it will be excluded from

consultations over the Korean Peninsula security arrangements. The most worrisome scenario for Japan is if the peninsula enters a period of stable coexistence, the two Koreas may take a pro-China stance, reawakening anti-Japanese sentiment in Northeast Asia.

Second, although Tokyo dislikes Pyongyang's ideology and military belligerence, it indulges itself in a balance of power with American protection in this area on account of North Korea. If Pyongyang cannot survive its economic plight, the inevitable unification concomitant with North Korea's collapse would give rise to a series of uncertain developments: the US is likely to pull out or cut down its forces substantially on the Korean Peninsula; China would expand its influence deep into the peninsula, easily checking Japanese power. Tokyo needs to maintain the status quo by helping Pyongyang's government overcome its economic difficulties, but with a prerequisite of giving up missile and nuclear weapons development by the DPRK.²⁰

Third, quite a few Japanese politicians and scholars argue that Japan should abandon its long-standing diplomacy oriented toward and dependent upon the US.²¹ On the North Korea issue, they demand Japan to draw a lesson from the diplomatic shock of President Nixon's sudden visit to China in 1972, which demonstrates an American tradition of making drastic policy shifts prior to consulting with its allies so long as the national interest requires. Therefore, the Japanese government harbors a wish to take precedence over the US in realizing diplomatic rapprochement with Pyongyang if the situation allows.²²

Given the fact that the DPRK launched a Taepodong missile over

20 Many South Koreans do not believe a Japanese official position that it would support Korean unification. See Kim, Tae-woo, "Japanese New Security Roles and the ROK-Japan Relations," *Korean Journal of Defense Analysis*, No.1, Summer 1999, p. 149.

21 This view comes from Masaharu Kotoda, former vice president of the Liberal Democratic Party, who wrote in the August 11, 1999 edition of the *Asahi Shimbun*. The author cites that from Gong Ro-myung's paper, "Japan's Northeast Asia Policy in the 21st Century," *Korea Focus*, November-December 1999, Vol. 7, No. 6, p. 3.

22 Suh, Dong-man, "Outlook for North Korea-Japan Ties," p. 2.

Japanese airspace, the US, Japan and South Korea formed a Trilateral Coordination and Oversight group (TCOG) to unify their North Korea policy and Japan had to give a priority to the missile issue in dealing with Pyongyang. Tokyo and Washington share a consensus that they should urge Pyongyang to renounce its nuclear and missile program. Nevertheless, their focal points are different. Japan asks the DPRK to stop developing intermediate-range ballistic missiles, eliminating a current threat toward Japan, otherwise Japan's role in KEDO would be at risk in the Diet, and the support for the Agreed Framework would be endangered as well.²³

At present, Japan faces a dilemma: if it persists in attaching the missile issue to normalization, it would probably gain nothing from the DPRK since Pyongyang would rather reach such an agreement with the US rather than Japan. It is unlikely that North Korea would satisfy the Japanese demand directly, to do so would amount to an acknowledgement that Japan has the right to intervene in North Korean sovereignty. But if Japan drops its demand right now, it would lead to a political backlash in the ruling party and among its populace.

There are now two possibilities for Tokyo: share the fruitful results of the US and DPRK's missile talks as a free rider; or passively endorse the deal retrospectively by footing the bill. No matter happens, it will not help Japan promote its independent diplomatic role in East Asia. Therefore, it is possible for Japan to adopt a relatively flexible approach to its target on missile issue in talks with Pyongyang so as to make it easy for North Korea to give a symbolic concession to Japan and move forward the normalization process.

Tactics, Problems and Future Trend of Policy Implementation

The North Korea missile issue creates challenge for Japanese self-

esteem in its military capabilities, and is regarded as a chance to adjust Japanese national strategy and defense policy. In this regard, the North Korean missile issue is not without merit, it facilitates Japan to pass laws concerning US-Japan New Security Guidelines, to join the TMD research program with the US, to increase its participation in bilateral and multilateral military maneuvers and to set up a research team in the Diet to revise the peace constitution. By applying this two-edge sword, Tokyo could hide its real aim of military resurgence and breakthrough regularly-insuperable barriers of military enhancement; mitigate differing views from opposition parties and add leverage in its dealings with North Korea in future talks.

In comparison with the missile issue, the alleged kidnapping issue ranks second in significance on the Japanese agenda for normalization talks with the DPRK. Tokyo will not use this issue to block normalization talks because it neither affects Japanese security nor its overall strategic position. The Japanese government regards the issue as an allegation that is yet to be confirmed. If Pyongyang admits to kidnapping Japanese citizens it is tantamount to admitting that it is a criminal state, and it would also place the Japanese government in an embarrassing position. Because of these considerations, Japan would likely treat this issue as a relatively minor one, and has agreed to remove the issue from the agenda of official Red Cross talks, which means it has been separated from the normalization process and the issue could be dealt with as long as it is being investigated by the DPRK during and after diplomatic normalization.²⁴

Of course, the protracted kidnapping issue also could be used as a lever to force the DPRK to take a cooperative approach to apology and compensation issues. From the Japanese perspective, the Korean Peninsula became its colony through an annexation treaty in 1910, long before World War Two erupted. Therefore, both Koreas have no right

23 Perry's report on US policy toward North Korea, p. 4.

24 Izumi Hajima, "Pyongyang Grasps New Realities," *Japan Quarterly*, April-June 2000, p. 15; Suh, Dong-man, "Outlook for North Korea-Japan Ties," p. 4.

to claim war reparations from Japan as victims of an invasion.²⁵ Nor would Japan's emperor openly make an apology to North Korea on the grounds that "apology" is a very strong word in the Japanese vocabulary, and if the emperor makes such a statement, it would not only insult his highness, but also stir strong resentment from conservative Japanese.

In this case, Tokyo would like to repeat the practice that it applied to the normalization process with Seoul in 1965 and 1998, respectively. In terms of this approach, both the Japanese emperor and prime minister would express their deep remorse and regret over Japanese colonial rule and the suffering of the Korean people. For the issue of reparations or compensation, Japan would refuse to call the payments reparations, preferring the euphemism "aid." The total amount of compensation that Japan gave to South Korea in 1965 was \$800 million in the name of an aid and loan package, which equals to a current value of \$5-10 billion. Japan will probably provide at least such a sum of economic assistance to North Korea (\$10-\$13 billion). According to a report from the American Congressional Research Service, the total Japanese aid package could range from \$3.4 billion to over \$20 billion if two countries resume formal relations.²⁶

Following the change of administrations and the new tough North Korea policy, Japan no longer feels any pressure to "catch the last train" and normalize relations with the DPRK. It has delayed promised humanitarian food assistance to Pyongyang due to the opposition of Diet members. It is closely integrated with the US and South Korea, calling on the two countries to keep a high military deterrence on North Korea before Pyongyang significantly reduces its offensive capability. Because of this shift in the international environment and continuing negative sentiment among Japanese toward North Korea's mis-

25 Japan gave economic assistance instead of war reparations to its other former East Asian colonies after WWII.

26 Peter Beck, "Japan's Role in the Economic Integration of two Koreas," p. 7.

sile, spy ships and the abduction issue, the pace of the normalization process between Tokyo and Pyongyang has slowed indefinitely.

North Korea Position Vis-à-vis American, South Korean and Japanese Policy

The summit held between Kim Dae-jung and Kim Jong-il on June 13-15, 2000 and the US-DPRK Washington Joint Communique published on October 12, 2000 both signify a fundamental change in the North Korea position accommodating some parts of American, South Korean and Japanese North Korea policy. Whether this positive development could be sustained long enough to finally bring reconciliation to the four countries is still an enigma. But one thing is clear: the attitude of its policy shift is serious, which could be seen in its objective change of long-followed policies and the dynamic behind its astonishing policy of multi-dimensional diplomacy that began in 1999.

North Korean Position On Nuclear and Missile Development

Nuclear Development Program

In the wake of the conclusion of the Agreed Framework on October 21, 1994, Pyongyang froze its nuclear facility at Yongbyon in exchange for two 1,000 MW light-water reactors. Though the agreement on the whole was in the interests of the US and the DPRK, Pyongyang showed mixed feelings toward the agreement: it was forced to bow to international pressure and its self-proclaimed right to develop advanced nuclear equipment was no longer exclusive.

Because of the belief that it had made a great concession to the US in the nuclear accord, since 1994 Pyongyang kept a careful watch over the American commitment to the agreement. When American conservatives termed the Agreed Framework as a reward to the blackmail and

brinkmanship of North Korea and deferred the congressional appropriation for the heavy oil shipping to Pyongyang, the DPRK showed its indignation at the US for failing to abide by the agreement. According to their original expectation, its shortfall electrical power could be made up by the year 2003 when the light-water reactors were delivered to them, which would stimulate its stumbling economy. However, the cruel reality of the delayed construction of the LWR project shattered their hopes as well as their trust in the American government; therefore, they demanded compensation in talks with the US.

In regards to accusations that North Korea has not faithfully complied with the Geneva agreement, Pyongyang flatly denies these accusations as groundless. However, if the DPRK is continuing its nuclear program, it is doing so for three reasons: 1) to heighten its military deterrence against the advanced weapons of South Korean and American forces; 2) to enhance its international prestige; and 3) to increase its electrical generating capacity for civilian use.

It now seems unlikely that the DPRK will be able to realize the former two purposes in the current context. The surveillance and oversight network through field inspections and chemical tests, satellite monitoring and agents detection makes it very difficult for the DPRK to move a single step on this score. Any activity violating the agreement would lead to grave consequences: not only would its military installations be ruined, but also all the benefits it obtained from the outside world over the past few years that are vital to its survival would be lost completely. In this case, there is not any point in talking about deterrence and international prestige.

Of course, no one can preclude the possibility that Pyongyang still reserves some nuclear components and facilities as well as back-up sites that house a quantity of processed plutonium, since North Korea does not want to throw away all its limited resources overnight lest the US reverse its commitment for political purposes. Therefore, it is understandable that the Perry report acknowledges there is a continu-

ing small-scale nuclear weapons development program in North Korea.²⁷ Yet Pyongyang will not risk continuing such development at the expense of incurring economic sanctions and breakdown of the KEDO project.

North Korean missile development

The North Korean missile development program has been in existence for more than twenty years. Its arsenal includes different ranges and types of missiles: Scud-B and C; Rodong-1 and 2 ballistic missiles and a just tested version of the Taepodong-1 long-range missile. Over the past 13 years it has exported units, parts and related technology to a number of countries, including Iran, Iraq, Libya, Egypt, Cuba, Pakistan and Vietnam.²⁸

The purpose of the DPRK's missile development program is similar to its nuclear development program. In Pyongyang's view, the combined forces of the US and South Korea have an absolute military superiority in terms of their advanced weapons (including missiles); therefore, the North needs short-range missiles to deter and balance the other side's offensive capability. In addition, missile sales could produce profits for the national economy, according to South Korea's estimate, the amount of annual missile sales is \$500 million.²⁹ The long-range missile program serves three purposes: 1) the development of scientific research in space; 2) a symbolic retaliatory power versus the US, Japan and South Korea; and 3) increasing its regional influence and negotiation position vis-à-vis the US, South Korea and Japan.

Pyongyang has several arguments to defend its positions: the

27 Christopher Cox, "Clinton-Gore Aid to North Korea Support Kim Jong-il's Million-Man Army Enough Plutonium to Build 65 Nuclear Bombs A Year," US House of Representatives Policy Committee's Perspective Paper, July 27, 2000, p. 8.

28 Chun, Chae-sung, "Missile Technology Control Regime and North Korea," *Korea Focus*, January-February 2000, pp. 28-29.

29 *Ibid.*, p. 28.

missile development, test, production and deployment is an issue of North Korean sovereignty, Pyongyang will not bargain with anyone; the Taepodong-1 missile launch in August 1998 was not a missile, but a satellite; many countries conduct missile tests and the US has the largest number and the most powerful missiles in the world, so the North Korean missiles do not pose a threat to other countries; if Washington wants Pyongyang to stop missile exports to other countries, the DPRK can demand to be compensated in cash for sales lost.³⁰

The current situation is unlike that of the nuclear crisis faced by Pyongyang in 1994 that brought about the Geneva Agreed Framework, which Pyongyang believed it was forced to sign because it had been trapped into the Safeguard Agreement between the IAEA and the DPRK in 1992,³¹ this time the DPRK held it had more freedom and reasons to reject pressure from foreign countries. If they failed to persist in their own position on this issue, they would lose their last significant negotiating chip, and become an impotent country. Therefore, during a meeting with an American delegation led by US former Secretary of Defense William Perry in May of 1999, North Korean leaders rejected US demands to terminate its long-range missile program and missile exports.³²

When North Korea prepared to test-fire another Taepodong-2 missile in the summer of 1999, the US, South Korea and Japan jointly adopted several tough measures to press Pyongyang to cancel the launch. The DPRK was shocked at the pressure and aware of the consequences if they persisted in the test firing. They could not afford to provoke a new crisis, from which they probably would lose food assis-

tance and further delay the KEDO project, at a time when its ailing economy was worsening.

Soon after North Korea retreated on its position, the US and the DRRK reached an agreement on a North Korean missile launch moratorium, which caused Pyongyang to realize that it could no longer use the missile issue as a means to “let Washington cool its mind,” it only could use this issue as a bargaining chip in negotiations for a peace treaty as well as negotiations to lift sanctions.³³ In other words, the DPRK decided that it was time to reconsider its missile program: the North would rather have an earlier solution and more profits than ultimately accepting a forced abandonment and a loss of revenue.

Against this background, Pyongyang asked the US for \$500 million a year as compensation for halting its missile exports in bilateral talks, and Kim Jong-il also made an astonishing proposal to Russian President Putin in their summit of July 2000 that other countries launch 2-3 satellites annually for Pyongyang at their expense in exchange for North Korea suspending its missile program (\$200 million to \$300 million is needed for one rocket launch). Kim’s proposal, though, was played down later by himself as a joke, but was reconfirmed in October when his special envoy Jo Myong-rok visited Washington. During meetings with President Clinton, Jo formally raised a plan to abandon North Korea’s long-range Taepodong missile development project if the international community would provide the financial assistance needed to launch satellites in a third country.³⁴ When the US Secretary of State Albright visited Pyongyang in late October 2000, she got a more affirmative response from Kim Jong-il himself.³⁵

30 Those positions were widely found in the North Korea Central News Agency reports in regard to the missile talks between Washington and Pyongyang.

31 Hwang, Jang-yop, “North Korea’s Relentless War Preparation,” *Korea Focus*, September- October 1999, Vol.7, No.5, p. 18.

32 William Perry’s address at the symposium on “New Challenges in Inter-Korean Economic Cooperation and Integration” at Stanford University on October 9, 2000.

33 Please see “*DPRK Report*,” a joint project between the Center for Non-proliferation Studies of the Monterey Institute of International Studies, the US, and the Institute for Contemporary International Problems, Russia, July-August 1999.

34 *Chosun Ilbo* (Korea Daily), “NK Proposes Dropping Missile Project at Whitehouse Meeting,” Seoul, October 10, 2000.

35 Madeleine Albright’s press conference held in Pyongyang on October, 24, 2000.

North Korea Policy Adjustment and Its Military Relations with America, South Korea

Policy modification

Since the end of the Cold War, particularly following South Korea's normalization of relations with the former Soviet Union and China, North Korea began to shift its national strategy and inter-Korean policy from an emphasis on unification to co-existence, resisting any absorption attempt made by South Korea. A more drastic policy adjustment by North Korea occurred in the middle of 1999 that changed the course of inter-Korean reconciliation as well as the North's all-round diplomacy with many western countries. There were several factors that stimulated this policy modification.

First, North Korea's domestic problems are not just an issue of short-term starvation and food assistance, but a comprehensive and structural adjustment needed to secure enough food to feed the population and revive the national economy. Pyongyang's leaders have begun to realize it is impossible to achieve its twin objectives of being self-sufficient and rehabilitating the national economy by itself.³⁶

Second, the results of the Kosovo War and the North Korean defeat in the Yellow Sea skirmish with the South Korean navy made Pyongyang more aware of its technological vulnerability and the risk it could bring in a possible military confrontation with the US. Thus, the North re-appraised its current security environment and drew a new conclusion: although the old Cold War structure hasn't dissolved to date, dynamic and stable relations between Pyongyang and Washington were possible in light of Dr. Perry's visit to Pyongyang, and the "sunshine" policy pursued by South Korea. If the North responded favorably toward the friendly American and South Korean posture, they probably could avoid a worst-case situation at home and abroad.

³⁶ Han, Sung-joo, "What Motivated North Korea?," *Dong-A Ilbo* (East Asia Daily), May 3, 2000.

Third, Pyongyang began to become aware of the importance of economics and technology in the competition for power and to guarantee its security. They knew their military and technological gap with South Korea and the US could only be narrowed through economic development. Therefore, it would be more meaningful and rewarding if they placed economic development and economic exchanges with the outside world as a priority of their national strategy rather than pouring too many resources into maintaining low quality military forces and a controversial program of weapons of mass destruction.

Fourth, Pyongyang realized that both Kim Dae-jung and Clinton were the most progressive and friendly political figures that these two countries had ever had and, if the DPRK stuck to its old recalcitrant policy and conservative parties regained power in these countries, the foundation of the engagement policy would be damaged and North Korea itself would be harmed both economically and politically.³⁷ In this case, the DPRK felt it should accelerate the reconciliation and normalization process with the ROK and the US so as to consolidate the power bases of the liberal parties of these two countries to maximize its own benefits to the utmost.

Future military relations with the US and South Korea

As rapprochement deepened between Pyongyang, Washington and Seoul last year, the military issue concerning confidence-building measures and a permanent peace treaty was raised to a priority in the negotiation agenda between the two sides, which was regarded as a litmus test for North Korea's real intentions in its pursued policy of reconciliation.

Judging by different kind of messages, it seems that the North Korean People's Army supports Kim Jong-il's new policy toward South Korea and the US on the whole, while maintaining some misgivings as

³⁷ Park, Kun-young, "North-South Summit Talks and Outlook for Seoul's Engagement Policy," *Korea Focus*, Vol.8, No.3, May-June 1999, p. 2.

to the future of its military status due to pressure from detente and negative foreign influence on North Korean domestic politics.³⁸ This ambivalent position is derived from the military's specific role in the decision-making process of the integrated army-party system.

Therefore, the army probably shares Kim Jong-il's assessment about the relationship between domestic problems and external relations, and respects the decision made by their top commander and are glad to see a new situation that could relax the pressure on them. However, from their professional view, they are very cautious of any hasty measures, particularly ones that expose their weaknesses to the US-South Korea alliance prior to obtaining security guarantees and verified evidence of mutual threat reduction from the other side.

Consequently, when South Korea declared a 6.5% increase in its defense budget and announced plans to procure a large number of advanced weapons,³⁹ the North could hardly hide its disappointment, openly attacking the news as a flagrant challenge to inter-Korean reconciliation and threatening to take self-defense measures. Pyongyang also adopted a critical attitude toward any South Korean-American military exercise held after the summit, considering it would lead to an immediate termination of the new cooperative spirit among the two Koreas.⁴⁰ Due to this sensitivity and deep mistrust, the North employed a delaying tactic toward South Korean demands for quick progress in confidence-building measures. The North stated that unless it received a commitment that South Korea would not further upgrade its already advanced armament and confirm that the military imbalance between the two Koreas would not be enlarged. However,

38 Ahn, Byeong-gil, "Constraints and Objectives of North Korea Foreign Policy-A Rational Actor Analysis," Thomas Henriksen and Jongryn Mo (eds.), *North Korea After Kim Il Sung-Continuity or Change?* (Hoover Institution Press, 1997), p. 82.

39 Robert Wall, "Korea Detente No Bar to Military Buys," *Aviation Week & Space Technology*, September 18, 2000.

40 North Korea Fatherland Committee on Peaceful Reunification made a comment on a then US-South Korea military exercise on August 20, 2000.

North Korea realizes that inter-Korean rapprochement is irreversible and its security is assured by the US based on a new peace mechanism.

The central issue of the military relationship between Pyongyang and Washington is the destiny of American forces currently stationed in South Korea after reconciliation takes place on the Korean Peninsula. Pyongyang takes a somewhat ambiguous position on this score, but in talks with Kim Dae-Jung, Kim Jong-il did comments briefly when the former remarked that American forces should remain on the peninsula as reunification progresses. At that time Kim Jong-il stated that he was not totally opposed to the presence of the troops.⁴¹

If Pyongyang no longer stresses its demand that the US should withdraw its forces from the peninsula, it does request that the role of America as the patron of South Korea should become more neutral and balanced, then the three sides could construct a joint security committee to replace the Military Armistice Commission. In terms of this outline, America could maintain a small number of forces on the peninsula for an indefinite transitional period, but the UN mission should be terminated and some of the North Korean Army would be demobilized. But if Washington rejects this proposal, Pyongyang would probably keep its old demand as leverage in the Four-party Talks.

Conclusion

In short, the DPRK is very serious about its external policy adjustment and the possibility of talks with the US, the ROK and Japan. If the terms of the three allied countries are not overly harsh, Pyongyang seems very likely to make concessions on many long-unresolved problems. So far, the North has taken a two-way approach toward the

41 This year, the North unequivocally changed its position by reiterating that American forces should pull out of the Korean Peninsula when the two Koreas reconcile.

rapprochement process: one is wait-and-see, observing and gauging the other side's sincerity and determination to improve relations; the other is to promote talks in an alternate way among the three countries, particularly between the US and South Korea so as to put pressure on each side. After the new administration came into power, North Korea has almost completely lost hope to continue bilateral talks and achieve a favorable results with the US. However, it has not taken a completely non-cooperative position towards the US, it is still waiting and watching American policy. Following the September 11 terrorist attacks, there have been small signs that Pyongyang wants to use this as an opportunity to resolve the current deadlock with Washington.

As for the US, the new government faces a dilemma: on the one hand, it does not want to continue Clinton's policy toward North Korea - giving too many awards to a communist regime while not changing Pyongyang's behavior and capability substantively, nor is willing to see a fast inter-Korean reconciliation process that could bring peril to American strategic interests in Northeast Asia; on the other hand, it has to take South Korean sentiment into account, soothing Kim Dae-jung's grievance against American policy lest the two allies be at odds with one another. This kind of contradictory policy trend will coexist for some time unless North Korea radically changes its policy either positively or negatively, thereby its North Korea policy will be a combination of two ideas. The pragmatists will seek to support more continuity than change in pursuing this policy-talks on missile and normalization, fulfilling the KEDO project, while slowing the negotiation process, attaching conditions on verification of the missile accord and reducing the North's conventional forces.⁴²

The current course of inter-Korean relations could be derailed again

⁴² The view of this policy development is cited from American scholar Joel Wit's paper, "The United States, North Korea and South Korea: Prospects for the Future," which was presented in an international conference sponsored by IFANS-KPF in Seoul on October 9, 2001.

if the two sides do not grasp the opportunity for further momentum. Generally speaking, both Seoul and Pyongyang hope to continue the rapprochement process, but in a quite different degree. The problem for South Korea is that the government puts too much stress on reciprocity from the North, unrealistically wanting to quickly expand reconciliation to all areas, while the opposition party and conservative criticism of the engagement policy weaken the government's credibility. For North Korea, it has almost completely lost its enthusiasm for a sustained reconciliation process, partly because the North is not satisfied with the South's approach to dealing with cooperation, always asking for a reward that bears some hidden intention while continuing to take the North as the main enemy. This is partly because the North believes the reconciliation process with the South is part of a grand deal with the US to normalize relations and resolve other issues. However, since the Bush administration reversed Clinton's benign policy toward the North, Pyongyang believes it to be meaningless to actively promote cooperation with the South.

Given that Kim Dae-jung's is a lame-duck president and his term is coming to a close, it may not be easy for him to push the reconciliation process ahead with more bold actions. And it would be unlikely to expect the next president to be as charismatic or as resolved as Kim Dae-jung is to inter-Korean reconciliation. Kim Jong-il will probably not embrace a conservative president in the South. Now the short-lived joy over the breakthrough in relations among Koreans has passed, the cruel reality is that there is an arduous task ahead, and if they are not fully prepared both mentally and physically, they will fail again as in the past.

Japanese North Korea policy is currently at an impasse, Tokyo-Pyongyang relations have fallen far behind Washington-Pyongyang and Seoul-Pyongyang relations. The DPRK is not worried about normalizing relations with Japan, since it has already achieved great success in its external relations with other countries, which North

Korea could use to force Japan to give up its old demands. Of course, Japan, right now, is in no hurry to resume talks with North Korea as well, since Washington has frozen its normalization process with Pyongyang, and Japan's domestic politics as well as the DPRK's attitude constrain the two countries from making a deal on most issues. However, if America and North Korea reach an agreement on the missile and terrorist issues, as a corresponding result, North Korean and Japanese relations could move forward. And their developing relations could proceed more smoothly than the other two bilateral relations because the issues remaining between the two countries (besides the nuclear and missile issues) are not strategic and Japan has less ideological and security risk for North Korea. As for the issue of missing Japanese, if Tokyo does not ask for legal and political responsibility, the two nations will probably find some technical way to deal with the issue.

There are two large problems facing the three allied countries' North Korea policy: 1) the Trilateral Coordination and Oversight Group (TCOG) played a somewhat effective role before the inter-Korean reconciliation process started, but since then its role has become merely a briefing on what the three countries have individually decided about their North Korea policy. The noticeable discord between Washington and Seoul resulting from American unilateralism toward the DPRK undermines, more or less, the effectiveness of trilateral coordination. Also, the missile issue that is defined as a common prerequisite for developing relations with North Korea is no longer a priority for South Korea, which is more concerned with the DPRK's long-range artillery and mortars, chemical and biological weapon and future peace talks.⁴³ However, the US is more concerned about Pyongyang's

43 James Laney, "Korea and New Administration," a paper presented at the Eleventh U.S.-Korea Academic Symposium, "The Korean Peninsula in the 21st Century: Prospects for Stability and Cooperation," September 18-19, 2000, Washington, D.C., p. 3. This point of view was enlightened by Mr. Joseph Winder, President of Korea

intercontinental ballistic missiles and its conventional military forces in the DMZ, and Japan is primarily concerned with the medium-range Rodong missile; and 2) the main reason North Korea is expanding external relations is to receive economic assistance to help it emerge from its economic crisis. Yet, Pyongyang has not shown any willingness to enact real comprehensive economic reform from bottom to top. Meanwhile, the allied countries are paying more attention to security concerns and political reconciliation rather than on a workable and creative economic engagement scheme. Of course, political trust and security arrangements could guarantee an environment for healthy and stable economic cooperation, but any political progress should be backed up by powerful economic dynamics, otherwise the foundation for political rapprochement will not be built.⁴⁴

Economic Institute of America when he made a comment.
44 This point of view was also enlightened by Mr. Joseph Winder, President of Korea Economic Institute of America when he made a comment at a Korea issue symposium at Stanford University on October 10, 2000.

INTER-KOREAN ECONOMIC RELATIONSHIP AND ITS PROSPECTS: POLICY IMPLICATIONS

Seung-Yul Oh

Evaluating the trends of inter-Korean economic cooperation since 1989, North Korea had succeeded in earning its desperately needed foreign currency relying on exporting their primary products to South Korea and processing on commission trade while South Korea had 'qualitative' advantages in terms of political, social and military dimensions, e.g., relaxation from worrying about an outbreak of war and some progress in the South-North relationship. To expand and deepen inter-Korean economic relations in the future, the South needs to seek ideas for becoming a 'partner' of North Korea's economic reform and opening by having North Korea change its economic policy toward South Korea. For the purpose, South Korea needs to rearrange roles and functions of government and private business by separating channels for inter-Korean economic cooperation, i.e., government-level cooperation projects and those for profit-pursuing by private firms. Government-level cooperation projects should be designed to assist North Korea's economic reform and opening or to reduce political and military tensions in the peninsula while civilian firms pursue economic benefits. The government-level plan for economic cooperation should

be focused on inducing North Korea to reform its economic system and on assisting projects by private business in an indirect way. In addition, inter-Korean economic cooperation at the level of private sector should be thoroughly in pursuit of profits and carried out by the business-like manner in conformity with international economic order and practice. South and North Korean participants in economic cooperation projects should take responsibilities together for the success or failure of their businesses, and it is necessary to make it a norm for their decision-making.

Introduction

The North-South Korean relationship seemed on the verge of dramatic progress last year as the Korean peninsula and the world witnessed a series of inter-Korean contacts—the landmark South-North Summit Meeting, the June 15 Joint Declaration, reunions of family members separated by the Korean War and continued South-North talks. This seemingly ever-mounting zeal for closer relations became lukewarm this year. After a period of procrastination, the inter-Korean ministerial talks resumed in Seoul from September 15 to 18, 2001 in an attempt to reach a new breakthrough in South-North relations. During this 5th round of minister-level talks, the two sides agreed to continue with the exchange visits of separated family members and ministerial talks. They also agreed on nine economic cooperation projects, which cast a new light on the future South-North economic exchanges. Nevertheless, at the sixth round of minister-level talks held in Mt. Kumgang area between November 9-14, 2001, the inter-Korean relationship returned to a stalemate.

Economic cooperation had been perceived as a concrete goal for the

South Korean government's engagement policy toward North Korea. In this sense, any change in the inter-Korean economic relationship would be predictive of the future direction in the relationship between the two Koreas. The government and private businesses have primarily motivated the South-North economic relations. The policies of the U.S., China and other major neighboring countries toward North Korea also affected their relations. When one examines the changes in South-North economic relations, it seems that the scale and scope of economic cooperation has been mainly determined by economic factors, including the economic situations of two Koreas.

The volume of South-North trade steadily increased in the 1990s - even when North Korea's nuclear development program caused military tensions on the Korean peninsula. The channels of economic cooperation diversified into investment in North Korea, processing-on-commission trade and Mt. Kumgang tourism program. This extension, however, has been obstructed by economic difficulties in North Korea and the Asian financial crisis, as well as prolonged economic stagnation in South Korea. High transaction costs produced by the special South-North relationship, uncertainty and risk factors are other obstacles to a continuous expansion of South-North economic cooperation.

Disregarding the KEDO light-water reactor project, Mt. Kumgang tourism project and humanitarian aid, the scale of South-North trade for commercial purposes has hovered around US\$250 million over the last 3-4 years. Investment in North Korea has failed to make any outstanding progress. In November of 2000, South and North Korea agreed to prepare institutional devices (such as investment guarantees, a double taxation avoidance agreement, and procedures for dispute settlement and the clearance of accounts) to create a stable business environment. However, this legal framework has not yet come into effect because follow-up measures were not taken. To expand and strengthen South-North economic relations in the future, the institutional devices agreed upon by the two sides should go into effect as

soon as possible. Additionally, other obstacles - high transaction costs, uncertainty and other risk premiums - should also be eliminated. In the long run, the construction of a peace system on the Korean peninsula is vital for inter-Korean economic promotion. This paper is designed to analyze the current South-North economic relationship, to review related environmental factors, to provide prospects for the future and seek some policy implications for the desirable development of bilateral relations.

Current South-North Korean Economic Relations

At the end of the Cold War in late 1980s, the communist nations of Eastern European bloc reshaped their political systems. Amid this new development, South-North Korean economic exchanges and cooperation attempted to open a new chapter in a history of the inter-Korean relationship. This effort was maintained and expanded constantly, even when the peninsula fell into political or military conflict. In the final analysis, economics has become one of the most important determining factors in the inter-Korean relationship.

Inter-Korean trade

South-North Korean economic relations still largely depend on trade. Despite fluctuating political-military relations, the volume of trade and the number of participating companies have been both on a steady rise. In 2000, 652 companies were engaged in inter-Korean trade, and 647 items were exported or imported. South Korea became the second largest destination for exports as well as the third largest trading partner of North Korea. Key items imported by South Korea from North Korea are agricultural, forest and fishery products (47.2% of the total imports in 2000) while items exported to North Korea are

Inter-Korean Trade Volume: 1989-2001¹

Units: Millions of US Dollars

Year	Imports	Processing-on-commission	Exports	Processing-on-commission	Total Trade
1989	118.655	-	0.069	-	18.724
1990	12.278	-	1.188	-	13.466
1991	105.719	-	5.547	-	111.266
1992	162.863	0.683	10.563	0.200	173.426
1993	178.167	2.985	8.425	4.023	186.592
1994	176.298	14.321	18.249	11.343	194.547
1995	222.855	21.174	64.436	24.718	287.291
1996	182.400	36.238	69.639	38.164	252.039
1997	193.069	42.894	115.270	36.175	308.339
1998	92.264	41.371	129.679	29.617	221.943
1999	121.604	53.736	211.832	45.883	333.437
2000	152.373	71.966	272.755	57.224	425.148
2001 (Jan.-Sep.)	109.970	45.937	181.137	40.771	291.107

Source: Ministry of Unification

primary materials, intermediate products for processing-on-commission trade and other items.

Inter-Korean trade volume in 2000 was US\$425.15 million, marking the highest on record. But after excluding non-business trade related to Mt. Kumgang tourism project, light-water reactor project and humanitarian aid, the volume of business trade amounted to US\$244.24 million, similar to that of 1997.² As for the balance of trade, South Korea has continued to run a deficit with the North (deficits accumulated by the end of 2000 were about US\$1.2 billion). The survey also found that

¹ The figure for 1995 excluded aid (150,000 tons valued at US\$237,713,000) to North Korea.

² Business trade includes commercial trade and trade-on-commission.

only a few companies have been participating in South-North trade for a long period of time.

Processing-on-commission trade began in 1992, and since then, it has grown sharply, accounting for 27.1% of the total inter-Korean trade volume and 52.9% of the inter-Korean commercial trade volume in 2000. The rapid increase in processing-on-commission trade is attributed to its attractiveness to both sides. That is, North Korea can block an inflow of information from South Korea effectively because the production process is under the control. In addition, North Korea can easily earn foreign currency by utilizing idle facilities and labor. Meanwhile, South Korean companies have the advantage of using less expensive North Korean labor without risking large-scale investment. In processing-on-commission trade, textiles and related products make up the bulk of trade, taking up 64.1% of exports and 74.3% of imports in 2000.

Recently, processing-on-commission trade has diversified into higher value added electronic products. Since the introduction of processing-on-commission trade, the number of companies participating in this business grew steadily, totaling 151 in 2000, but most of them have not yet earned profits. Only a few companies with accumulated experience earned from long-term projects have managed to just break even or post a small profit from such trade. As for companies assembling electronic goods in North Korea, most of these businesses do not yet earn profits, though a few have been able to achieve the profitability by boosting productivity through efficient processing management and technical guidance.

South Korea's investment and humanitarian aid

Direct investment by South Korean companies to North Korea is still very low. By June 2001, 41 companies obtained an approval to be

economic cooperation project proprietors, but only 18 projects were permitted. Of these, only 10 projects are currently underway. Excluding the four projects related to the light-water reactor construction project, three projects (conducted by Baeksan Ind., Dooray Village, and Aja Communication) out of 18 approved were suspended, and one (led by Hyundai Electronics, KT, and Onse Telecom) was completed. Currently, only eight projects are in operation, including Daewoo's Nampo plant (operation in suspension), Hyundai's Mt. Kumgang tourism project, Taechang's Mt. Kumgang spring water project (import in suspension), and projects led by Green Cross Corporation, International Corn Foundation, Korea Land, Peace Motors, and Samsung Electronics. The profitability of these projects is uncertain. Mihung Food and Taehung Fisheries/LG discontinued their projects after making initial investments.

After the South-North summit meeting in June of 2000, South and North Korea agreed to reconnect the inter-Korean Seoul-Shinuiju Railway that runs from Munsan in the South to Kaesong in the North. The reconstruction of the Northern section of cross-border railway is currently suspended, following South Korea's rejection on North Korea's request for electric power, and no further progress has been made owing to technical problems and stalled South-North relations. During inter-Korean ministerial talks held in Seoul between September 15-18, 2001, representatives from the two nations discussed the early restoration of cross-border Seoul-Shinuiju Railway and ways to link the infrastructures of North and South Korea. To materialize these projects considerable time, lengthy discussions will be needed.

Meanwhile, humanitarian aid provided by the government of South Korea and the private sector has relieved, to some extent, the prolonged food shortage that has been plaguing North Korea since the mid 1990s. This effort plays a key axis in the process of improvement in the South-North relationship. The South's governmental support to North Korea began in 1995 with 150,000 tons of rice produced in South

Korea (at prices higher than international market rates). The aid given to North Korea by the government reached US\$449.67 million by the end of June 2001, while private organizations provided aid worth US\$134.87 million. The total value of aid sent to North Korea is estimated at about US\$600 million.

Evaluation of South-North Economic Relations

Inter-Korean economic cooperation, largely dependent on trade businesses, has been conducted since 1989 by two channels: trade and investment by the private sector for economic benefits and aid by the government for political and humanitarian reasons. Trade by private companies has continued to expand regardless of political and military tensions. Economic exchanges by the private sector, coupled with aid provided by the government, have kept the South-North relationship from worsening. For instance, a naval battle that occurred in West Sea in the midst of tourism to Mt. Kumgang, was soon settled without any prolonged conflicts between Seoul and Pyongyang. This is a good example of how expanded South-North economic cooperation relieves political and military tension between the two states.

The expanded inter-Korean economic cooperation also contributed to enhancing international confidence in South Korea's economy by reducing its country risk related to unstable inter-Korean relations. For the North, the inflow of foreign currency from inter-Korean trade and tourism to Mt. Kumgang contributed to maintaining and partially rehabilitating its economy. However, the unique South-North Korean relationship is an obstacle to further development of economic relations. The relationship produces high trade costs since most transactions between two sides are made indirectly via third countries, and the relationship is uncertain. Restricted communication and visits make it impossible for companies to perform effective business activi-

ties. The 'Law on South-North Korean Exchanges and Cooperation' was passed to promote and encourage inter-Korean exchanges and cooperation. The Law, however, needs to be amended or supplemented to live up to changes in the South-North relationship. The verbose commission article and the application article, in particular, need to be substituted by concrete and detailed legal contents. It is urgent that the law be amended to remove any possibility of conflict with existing legislation and to make the statute identify inter-Korean economic relationship as domestic commerce.

The North Korean government has more serious problems. It has revised or legislated laws and regulations to induce foreign capital since it began to implement the development plan for the Najin-Sonbong area. However, it still maintains strict administrative control and does not allow economic linkage between the free trade area and domestic economy. Moreover, ambiguous laws and regulations pertinent to South-North Korean economic cooperation need to be clarified. All these obstacles must be removed as soon as possible to advance inter-Korean economic exchange and cooperation. To make matters worse, the economic system of North Korea does not guarantee free business activities. For this reason, it is doubtful whether North Korea will actually apply the formal legal system guaranteeing investment that was agreed upon by the two Koreas.

There is yet another limitation to the development of economic integration. The politically constrained South-North Korean relationship makes it hard to separate the role of the government from that of the private sector. Due to this ambiguity, it is difficult for South Korean businesses to follow the principle of profitable South-North economic cooperation. This is an obstacle to expanding and deepening inter-Korean economic cooperation based on economic feasibility. To expand profit-motivated inter-Korean trade, including trade for processing-on-commission, and to develop comparative advantages of the two economies, first priorities should be to increase the amount of

investment by South Korean companies in North Korea and to create a profitable business model for South Korean firms.

Nonetheless, few incentives exist to expand investment due to excessive transaction costs and restrictions imposed on inter-Korean economic exchanges by North Korea's unique system. For instance, Mt. Kumgang tourism project, which was the South's first full-fledged large-scale investment to North Korea, faces an uncertain future. The profitability of the project is not discussed in the contract, signed by both parties. North Korea seems to view the tourism project only as a way to earn foreign currency. In addition, opening a land route to North Korea, which is regarded as critical to the profitability of the project, seems in doubt.

South-North economic cooperation has depended on trade, and no other large-scale direct investment, except for Mt. Kumgang tourism project, has been made. Since the scale of its investment is quite limited, South Korea has paid a negligible opportunity cost in economic terms compared to the size of its economy. However, its influence on North Korea's economy through foreign currency flows and humanitarian aid has been positive. To some extent, the South's economic support for the North has also had positive ripple effects on the inter-Korean relationship in political, military and social dimensions. Despite its positiveness, a negative effect of an ambiguous role of the private sector and of the government in economic cooperation must also be noted. That is, pushing economic cooperation projects without regard to their economic feasibility in the transitional period made it hard for the South Korean business to create a profit model, which has far-reaching implications for the North's policy toward the South.

Changes in North Korean Economic Policies

In a New Year's editorial appeared in the official North Korean

newspaper in the year 2001, the leadership disclosed its resolution for the year as, "There is no more important task than solidifying national economic power." The editorial made clear that the government would put every effort into developing the economy to mark the age of its new leader, Kim Jong-Il. North Korea also stressed the need to promote 'national economic power' as a prerequisite to building a strong nation. In the meantime, Kim Jong-Il praised the outcome of China's economic reforms during his visit to China from January 15 to 20, 2001. The compliment was an indirect expression of the North Korean leader's will to expedite change in economic policies even though it would differ from that of China. Recently, North Korea has suggested a somewhat new ideological orientation that emphasizes 'new thinking and efficiency of working' to overcome limitations imposed by its system.

With regard to the North's economic system, the revision of its constitution in September 1998 can be seen as a beginning of the Kim Jong-Il regime. It extended the area where collective ownership is allowed - as a form of loose public one - to non-agricultural sectors and stipulates the residents' freedom of residence and travel. The new constitution, in terms of economic relations with foreign countries, demonstrates North Korea's conversion, such as slightly liberalized rules for international trade and the legalization of 100% foreign-invested companies in special economic zones.

North Korea is believed to be aware of the problems facing the Najin-Sonbong special economic zone such as unrealistic policies governing the free trade zone and a poor investment environment. Recently, the North has tried to readjust the role of Najin-Sonbong as a manufacturing, international trade and financial center different from originally planned to be as a simple transshipment center and base for tourism. In other words, North Korea is now focusing on businesses that can produce tangible results in a relatively short period of time.

North Korea's diplomatic push to solicit economic assistance from

the international community has been successful to some extent, but it has increased the North's economic dependence toward the outside world for food and energy. Recently, North Korea is seen recovering from the terrible economic situation in the mid 90s, and its leaders are deemed to be free from the systemic crisis that originated from economic difficulties. Nevertheless, radical policy changes are not tolerated as political power is centered on Kim Jong-Il, and he believes that any revolutionary reform policy disconnected from the past could threaten his regime. This belief might hinder North Korea's adoption of Chinese-style market-oriented reforms, and will be a major obstacle to economic reform. Kim Jong-Il's policy, as distinguished from that of his father, has been apparent since 1998. Since economic recovery is a necessary condition for Kim Jong-Il to be accepted as a legitimate successor to Kim Il-Sung by the North Korean people, Kim's regime is expected to adopt some progressive measures to reshape its ailing economy.

It is possible that in the near future North Korea will try to expand its export markets and to induce advanced foreign technology and capital by improving relations with China and the European Union members. It is also expected to construct an export-oriented processing zone in Shinuiju or other areas in the western part of the country, where some market mechanisms will be allowed. Since the new economic zones for export will largely depend on the Chinese market, Shinuiju is the most likely location. As the inter-Korean relationship progresses, the Nampo and Kaesong industrial complexes will be included.

Even though it is believed that North Korea's economic situation has improved to some extent, food shortages coupled with energy ones will be the most serious obstacles to the development of its economy. North Korea might try to solve the problem of food shortages partly through South-North economic cooperation by extending economic cooperation with the South in some selected sectors. Considering the

possible ripple effects on the political system, Pyongyang will utilize government-level economic relations with Seoul to secure food and energy while economic cooperation with the South's private businesses will be focused on expanding processing-on-commission trade and on attracting cash in exchange for business rights.

Especially, the restoration of cross-border Seoul-Shinuiju Railway, the expansion of tourism to Mt. Kungang, and the construction of Kaesong industrial complex, while minimizing the possible effects on the North Korea's political system, will be implemented in such a way to secure assistance from South Korea as much as possible. But the realization of such projects will require much more time and patience from the South than initially expected.

North Korea's Relations with Neighboring Countries

The U.S. administration will hold talks with North Korea, but Pyongyang should meet some strict prerequisites for visible improvement of its relations with the US Republican administration. The administration will lift economic sanctions against North Korea and provide economic support for the country only if there are substantive political and economic outcomes. To counteract a reciprocal approach advocated by the U.S. government, North Korea might attempt to sway U.S. public opinion on an engagement policy toward the North by emphasizing Kim Jong-Il's new policies as well as improving diplomatic relations with the EU, holding talks with South Korea.

North Korea and the U.S. are at loggerheads with each other over several outstanding issues, but their relationship will improve gradually as talks resume. If North Korea succeeds in improving its relationship with the EU and in expanding economic cooperation with other western countries, the U.S. will possibly loosen its economic sanctions against North Korea, removing North Korea from the list of nations

that support terrorism and continuing to provide humanitarian aid to Pyongyang.

The most important variable affecting the establishment of a new order in Northeast Asia might be the Chinese-U.S. relations. The concept of control and balance will dominate relations between the two countries, and they will both compete to expand their influence in the region. With China's entry to the WTO, South Korea's share of Western markets might well drop. South Korean firms will attempt to enter the Chinese market to offset any loss of competitiveness in Western markets. South Korea-China relations have two dimensions: competitive and complementary. To maximize the complementary effects, it is vital to combine the factors of production of the two Koreas. China's entry into the WTO could expedite North Korea's reform and opening.

On the other hand, it will take a long time for North Korea and Japan to form a full-fledged friendly relationship, which will be difficult for Pyongyang to rehabilitate its fragile economy using reparations from Japan. Nevertheless, when the North is included in plans to build an infrastructure network for Northeast Asia, e.g., the connection of a trans-continent railway (TSR, TCR), Japan will be able to participate to a limited degree. As North Korea maintains a balanced approach to Russia and China for strategic reason, relations between North Korea and the two giant neighboring countries will improve to a certain extent in the future. But it will be impossible for North Korea to secure a sufficient amount of economic benefits or aid to restore its economy through manipulating a diplomatic relationship with Japan. China will maintain a normal economic relationship after its entry into WTO, and Russia has a limitation in economic capability to expand its political influence on the Korean peninsula by supporting North Korea's economy.

North Korea is expected to create a favorable climate for economic support and stabilization of its political system by improving the relations with China and Russia. At the same time, it will try to induce the

U.S. to convert its agnostic attitude toward North Korea to a friendly one in consciousness of China and Russia. This strategic design was confirmed by Kim Jong-Il's visit to Moscow in August and by Jiang Zhemín's visit to Pyongyang in September of 2001, respectively. Considering delayed North Korea-Japan negotiations in normalizing relationship in addition to negative public opinion in Japan toward North Korea, North Korea has to rely on China and Russia for the realization of its diplomatic strategy. Though North Korea-China and North Korea-Russia relations improve, such relations will contribute limitedly to the revival and development of North Korea's economy in the light of economic and political conditions in China and Russia.

Prospect for South-North Korean Economic Exchanges

To open a new chapter of inter-Korean economic relations in the future, there are some prerequisites: change in North Korea's economic policies, which has been visualized recently to some extent, the North's recovery from economic difficulties, the North's improved relations with neighbor countries, and conducive role of South Korea as an investor. The structural adjustment is an urgent task for countries in Northeast Asia as China enters WTO, and the circumstances require the development of inter-Korean economic relationship as a precondition for the expansion of regional economic cooperation. Actually, potential investment from the South is the only alternative for Pyongyang to raise the needed financial resources to keep up with changes in economic order in Northeast Asia. Nonetheless, the direction for developing South-North economic relations will be determined practically by the conditions of the two sides and the speed of change in the surrounding environment.

Inter-Korean economic cooperation, led by the engagement policy by the South aimed to dissolve the structural legacies of Cold War and

to have the peaceful mood laid root on the Korean peninsula, is presumed to have a goal of forming the South-North economic community. The concept of inter-Korean economic community is designed to pursue joint prosperity through combining factors of production held by both sides while incoherent systems co-exist in two Koreas. This goal is backed up by the June 15th Joint Declaration, longing for balanced development of the national economy. Inter-Korean economic exchange is a cooperative framework and at the same time, a means for maximizing welfare of all Koreans and for constructing the base for reunification by linking South-North industrial structure. Economic linkage between two Koreas can be strengthened by establishing institutional framework for collaborated projects in comprehensive scope—energy, manufacturing, agriculture and fisheries, communication, transportation infrastructure, tourism and international cooperation—and by guaranteeing stability of exchanges and cooperation.

Recently, North Korea is getting through the worst food shortage in its history and longs for relatively practical economic policies. But it looks impossible to normalize the economy by itself. North Korea will have difficulty in inducing foreign capital and in absorbing technology only through improving diplomatic relations with others. Due to fundamental problems resulting from its economic structure such as low operating ratio of industrial sector, the opening policy limited only to some areas, and lack of human capital and needed technology as well as financial resources, it would be difficult, if not impossible, for Pyongyang to exploring the international market without support from outside.

In this respect, it is desirable that the North and South should combine their factors of production to mitigate economic crisis in the North and to maintain the momentum of economic growth in the South. But potential for South-North trade and investment is limited due to insufficient institutional framework. South-North economic relations will have a new momentum for expanding and deepening if the legal and

institutional devices already agreed by both sides go into force.

Reviewing the North's current economic conditions and policies, the South's economic conditions, special features of inter-Korean relationship, and limited economic relations of Pyongyang with neighbor countries, it seems that the only alternative for normalizing the North Korean economy is to strengthen economic ties with Seoul. It is presumed that inter-Korean economic relations will be developed through the following stages: expanding direct and indirect inter-Korean trade including processing-on-commission trade and the implementation of joint projects in accordance with the South-North agreement, expanding investment in North Korea by the South's private business, and combining factors of production in two Koreas. In the process, institutional devices and legal framework will be persistently complemented.

The South and the North might have different criteria for selecting the priority and scale of projects to achieve the 'balanced' development of national economy. But this disparity can be bridged through cooperative feasibility study of relevant project. Considering the North's current economic situation and its meaning as a beginning work for developing inter-Korean economic relations, government-level economic cooperation will take the form of unilateral assistance from the South in an early stage. As inter-Korean relationship progresses, economic aid in kind with focus on selective projects in the area of agriculture and social overhead capital might shift to investment guaranteeing economic efficiencies and persistency.

Looking at the agricultural sector, in the beginning stage, food and raw materials for farming will be provided to relieve the North from serious food shortage, and joint ventures for selected agricultural raw material and farm appliances are likely to be followed. As the cooperation scheme proceeds smoothly, it will be extended to the facilities producing farm appliances and transporting vehicles, research on farming technology, and the facilities for freezing, cold storage, and processing. Collaborated projects in farming could begin with trial cultivation by a

contract or on commission, and target areas and varieties of crop could be expanded. Farm appliances could be provided in kind for contract cultivation and return in harvested crop. To do these, institutional devices need to be implemented for inspection of products, providing technical guidance and handling claims. The inter-Korean land transportation link should be developed for supplying fresh agricultural products in time.

To vitalize North Korea's sagging economy, the South's assistance and investment in social overhead capital are inevitable, and the range of target sectors is broad. Assistance and investment toward North Korean social overhead capital can be provided in a step by step manner for such projects as the reconnection of inter-Korean railway and road transportation system, improvement in the efficiency of power supply system, construction of trans-continental railways connecting the Korean peninsula with Europe via Russia and China, construction of industrial complexes for South Korean companies (Kaesong industrial complex, etc.), and the improvement of transportation capacity in North Korean ports and airports.

The scope and scale of processing-on-commission trade, above all, are expected to grow sharply in the near future as economic exchanges between two Koreas are expanded. Considering the direction of North Korea's policies, the scope of processing-on-commission trade is likely to be extended to the areas such as processing of electric and electronic products as well as agricultural and marine products. If the South supplies production facilities and major parts by land, related institutional framework can be implemented, and trade for processing-on-commission will become the central passage of inter-Korean economic cooperation.

Concluding remarks

Enforced South-North Korean economic relations in the process of the formation of new economic order in Northeast Asia will improve international competitiveness in their economy through complementary combination of factors of production of two Koreas. In the midst of the coexistence of globalism and regionalism in the world economic structure, China's entry to WTO makes it inevitable to reshape an economic cooperation structure in Northeast Asia. To sustain a momentum for growing South Korea's economy and to put North Korea's economy on normal growth path, it is imperative to combine their complementary factors of production and to utilize economies of scale on the peninsula. The inter-Korean economic cooperation, since its start in 1989, has played an important role as a safeguard against political and military conflicts between Pyongyang and Seoul, and has also served as a route for flowing information on North Korea into South Korea, providing the South's people an opportunity to understand the reality of the North. Deepened understanding helped South Korean residents recover sense of national homogeneity and accept differences between two Koreas as they are. Understanding the reality in North Korea, despite the rightfulness of inter-Korean economic cooperation, led public opinion to reckon the profits and losses they might have in the process of inter-Korean economic cooperation.

Up to now, the South-North Korean economic cooperation has been generally pushed in a way to promote their relationship through unilateral imports of North Korean goods and the implementation of supportive projects, rather than serving as a channel for complementary and functional economic cooperation by combining their factors of production. As South Korean economy is under restructuring, from now on, cooperative projects should be selected according to the profitability criteria in relation to a long-term inter-Korean economic development plan in order to sustain the momentum of inter-Korean eco-

economic cooperation in the future. Such economic aid scheme for the North aimed at humanitarian purposes and political interests for inter-Korean relationship by the government should be implemented separately from investment activities by private companies.

Evaluating the trends in inter-Korean economic cooperation since 1989, North Korea has succeeded in earning its desperately needed foreign currency, relying on exporting their primary products and processing-on-commission trade to South Korea, while South Korea had 'qualitative' advantages in terms of political, social and military dimensions, e.g., relaxation from worrying about an outbreak of war and some progress in the South-North relationship. From the view of current climate and political systems, the scale of inter-Korean trade and direct investment activities will be definitely limited to a certain extent.

To expand and deepen inter-Korean economic relations in the future, the South needs to seek ideas for becoming a 'partner' of North Korea's economic reform and opening by having North Korea change its economic policy toward South Korea. In the past, the North intended to keep limited economic relations for its practical interests without affecting its political and economic system. Since economic relations depending on unilateral supports do not assure the advantages to both sides, it is hard for the South to win public support and to maintain such relations. Creating a profitable business model, backed by North Korea's economic reform, opening and cooperation based on the concept of mutual benefit, is the most important prerequisite for a stable development of inter-Korean economic relations.

The 'balanced development of national economy' through inter-Korean cooperation is intended to resolve the economic dilemma in the North with the South's assistance in short-term and to form the South-North economic community in the long run. Nevertheless, both sides might have incoherent views on the criteria for selecting projects for the balanced development of national economy. Thus, to implement

the project smoothly, a blueprint should be prepared for each stage of economic cooperation in the consideration of North Korea's acceptability, support of the South's public opinion, economic feasibility of the project, possibility of raising needed financial resources, and the role of the Korean peninsula's economy in the new economic order in Northeast Asia. For the blueprints to be materialized, of course, agreement and cooperation must be obtained from North Korea.

For the purpose, South Korea needs to rearrange roles and functions of government and private business by separating channels for inter-Korean economic cooperation, i.e., government-level cooperation projects and those for profit-pursuing by private firms.³ Government-level cooperation projects should be designed to assist North Korea's economic reform and opening or to reduce political and military tensions on the peninsula, while civilian firms pursue economic benefits. The government-level plan for economic cooperation should be focused on inducing North Korea to reform its economic system and on assisting projects by private business in an indirect way.

To implement the idea, an environment should be created for North Korea to reduce its political and economic costs, due to reform and opening, and to maximize advantages from changes. For instance, South Korea might support the development of North Korea's reform and opening program, which is able to minimize negative economic effects. In the process of preparing such a program, it can cooperate with neighboring countries and international organizations. South Korea also needs to prepare the criteria for judging North Korea's

3 We can consider the South Korean government's direct assistance for private business involved in inter-Korean economic exchange. But the gap in the quality and quantity of information held by businessmen and government agencies may cause principal and agent problems which may make impossible for the effective use of the government assistance for inter-Korean exchange. To prevent this, an effective evaluation system is necessary but under the special circumstances relating to North and South Korea, it seems very difficult to secure objective evaluation systems and methods.

reform and opening, which are indispensable to win support from public opinion. If North Korea's changes meet the criteria, the South should assist the North for reform and opening by raising financial resources and by developing ideas for the reform policies.

South and the North Korea need to have their agreement in investment guarantee, double taxation prevention, dispute settlement and clearance of accounts, going into effective as early as possible in order to create an institutional environment to cut down tangible and intangible transaction costs related to economic exchanges among them. It is urgent to design a policy for North Korea to help North Korean leaders change their belief that reform and opening can shake the North Korean political system.

Another important task is to prepare ideas for cooperating with neighboring countries. Inter-Korean economic cooperation at the level of private sector should be thoroughly in pursuit of profits and carried out by the business-like manner in conformity with international economic order and practice. South and North participants in economic cooperative projects should take the responsibilities together for the success or failure of their businesses, which will be necessary to make it a norm for their decision-making.

MISSED OPPORTUNITIES AND BLIGHTED PROMISE: PROBLEMS AND PROSPECTS FOR DPRK TOURISM

Tim Beal

For many countries international tourism has been a significant driver of economic growth, particularly over the last half century. International inbound tourism to the ROK is a relatively recent phenomenon, dating mainly from the Seoul Olympics, but by 2000 it was, according to World Tourism Organization (WTO) data, the 7th largest market in East Asia, outstripping Japan. Although tourism to the DPRK has captured attention recently, with the Hyundai Asan Kumgangsan venture, it is at a far lower level than ROK tourism. Because of the DPRK's particular international situation, inbound tourism has never been a feasible option until recently, although the country did join the WTO in 1987. Many countries, particularly ROK and the United States, expressly prohibited their citizens from visiting the DPRK and those countries which were friendly, such as the then Soviet Union or China, did not generate outbound tourism. Kim Dae-jung's 'sunshine policy,' and the personal commitment of Hyundai founder Chung Ju-yung, were the catalysts that produced Kumgangsan tourism. However, the number of customers in the early months of 2001 was at half the level of a year earlier, and Hyundai Asan is currently losing 2.5 billion won a month. At this stage, it is uncertain

whether the Kumgangsan venture marks the beginning of a take-off for DPRK international tourism, or the end of a brief episode. World, particularly East Asian experience, shows that tourism can produce significant economic benefits. However, it comes at a cost in social, cultural, environmental and political terms. It clearly requires a benign political environment that encompasses the host country and the main source countries. On a practical level it requires certain infrastructural, transportation and personnel resources, which often need foreign investment and expertise. From a marketing perspective, customer, and travel industry, perceptions of attractiveness, value for money and risk are crucial, and this must be set within the context of competing destinations.

This paper surveys the experience of the Republic of Korea in developing international inbound tourism and presents statistics at global, regional and country level, including some countries of particular relevance such as Spain, China, Vietnam and Cuba. It describes current developments in DPRK tourism and attempts to identify the potential for development and the constraints that impede it. In particular, whilst there are formidable infrastructural problems the key constraint is a political one. Pyongyang has not yet moved far enough away from the old, self-defeating approach to tourism which focused on visitors which would eulogize the leadership. It needs to make a firm policy decision that it wants to attract manageable numbers of international tourists, and then analyze rationally how it might achieve that. It is argued that implementation of the June agreement on Kumgangsan - specifically the opening of the land routes and the designation as a special zone - will be an indicator of that decision. The paper was written mid-August 2001 for the conference Korean Studies at the Dawn of the New Millennium held by the Korean Studies Association of Australasia, 24-25 September at Monash University, Melbourne, Australia. The paper has been revised and amended since then in the light of subsequent events, especially 11 September and the current

impasse over Kumgangsan and N-S relations generally. I am grateful to the anonymous reviewers for their comments.¹

Introduction

This paper complements an earlier and longer paper which focused largely on the potential for DPRK tourism as revealed both by the ROK experience and by data on current and projected international tourism, especially in Northeast Asia.²

The subject of international inbound tourism to the DPRK is wrapped in paradox and wreathed in obscurity. In one sense the DPRK is an industrial economy, with industry contributing 43% of GDP, compared with 35% for both Japan and China.³ It has substantial mineral resources and an educated but cheap workforce. Nevertheless, tourism probably accounts for as great a share of foreign exchange earnings as it does for the tourist islands of the Caribbean. The Bahamas, for instance, where industry accounts for a mere 5% of GDP,

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- 1 In this paper, I follow the Korean version of place names, such as Kumgangsan rather than 'Diamond Mountains,' although anglicizations will be found in quotes and article titles. I also follow the usual romanisation used in each part of Korea for names from that part, that is Kim Dae-jung and Kim Jong Il. Again quotations may vary. I have tended to stick with the more familiar romanisation of Southern place names rather than the new, controversial, and official version - Pusan rather than Busan, Kumgang rather than Geumgang and Inchon rather than Incheon - but again I have not changed versions in quotes.
 - 2 Beal, Tim (2001d), 'Crossing boundaries: prospects and challenges for DPRK tourism,' Paper presented at forum, *New Economic Policies of the DPRK, and Reconciliation Strategies between the DPRK and the USA* (Washington, D.C.: Brookings Institution), 7-8 June, 2001.
 - 3 *CIA World Factbook 2000*, <<http://www.odci.gov/cia/publications/factbook/index.html>>

direct spending by tourists ('visitor exports') is 75% of export earnings.⁴ Tourism is a product of peace, but the DPRK is still technically in a state of war with the ROK, its major current sources of tourists, and with United States, and diplomatic relations have yet to be established with Japan, the two countries that provide the bulk of tourists to the South. The DPRK probably has one of the most negative images of any tourism destination in the world and yet derives substantial earnings from inbound tourism. Although it currently has a very small share of international tourist arrivals, much smaller than the ROK, it has great tourism potential.

Fig 1. Kumgangsan



Source: Hyundai-Asan website

4 *op cit.*, Statistical Appendix.

Data on DPRK tourism is nearly as scarce as data on any other aspect of its economy and, as with other international transactions such as trade, most of it comes from outside. In the case of tourism this is simplified to a large degree in that most of the current inbound tourism is controlled by one company, Hyundai Asan, and goes to one destination, Kumgangsan.⁵ However, whilst Kumgangsan is currently the major component of DPRK tourism, and even in the best of circumstances is likely to remain an important component, the real development of the tourism industry, if it is to happen, will take place on a much wider canvas, involving more of the country. If DPRK tourism is really to develop and achieve anything like its true potential then it will need to become like a 'normal' tourism industry. International experience, and especially that of countries with similarities in various ways to the DPRK - the ROK, China, Vietnam and Cuba - can throw light on the opportunities and challenges it will face. That is discussed in more detail in my earlier paper.⁶ Moving to normal tourism, with all the potential and challenges that unleashes, is a political decision that Pyongyang seems hesitant to make.

The Politics of DPRK Tourism

Traditionally, tourism has been seen in the DPRK not so much as a way of earning foreign exchange, but as a propaganda device, a way of winning friends and influencing people. This continues today, as the essay competition run by the Spain-based Korean Friendship Association illustrates (Fig 2). Even the Kumgangsan venture was seen by both sides as serving, to a greater or lesser degree, the cause of inter-Korean unity.

The Korean Central News Agency (KCNA), the official DPRK new

5 Day trips from China may challenge this, but the evidence is unclear.

6 *Ibid.*

agency puts all the emphasis on politics:

The Mt. Kumgang tour is a noble national project which started and has been under way in reflection of the unanimous aspiration of all the fellow countrymen after national reconciliation and unity and the reunification of the country and the wishes of the South Koreans to visit Mt. Kumgang, a famous mountain of the world.⁷

This is somewhat paralleled by the ROK newspaper *Korea Herald*:

Come to think of it, however, the Mt. Geumgang tour should be more than just moneymaking. What has moved South Koreans to join the tour program was not just the sightseeing but that they could set their foot on the long forbidden half of motherland. For students in particular, the four-day tour is better than 100 classroom lectures about their nation and history.⁸

The development of DPRK tourism, and the economy as a whole, is clearly contingent on the geo-political environment and, most crucially, on DPRK relations with the ROK and the United States. In turn, it is clear at the time of writing, that this hinges primarily on the policies of the Bush administration and Pyongyang's reaction to it. Despite brave words⁹ and very substantial intervention to bail-out the Kumgangsans venture, which is discussed below, Seoul is unfortunately effectively sidelined at the moment. It is constrained by American pressure from providing electricity to the north¹⁰ which is seen as one of Kim Jong Il's

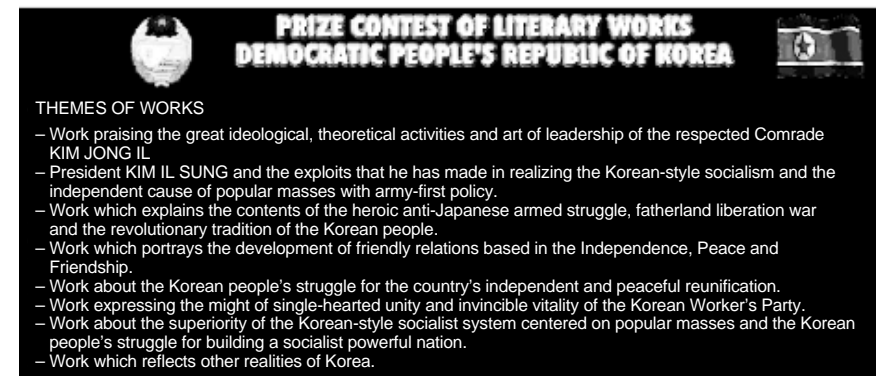
7 'U.S. urged to stop hampering Mt. Kumgang tour,' *KCNA*, Pyongyang, 23 May, 2001, <<http://www.kcna.co.jp/item/2001/200105/news05/17.htm#4>>

8 'Enlivening Mt. Geumgang tours, *Korea Herald*, an editorial on 11 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/11/200106110039.asp>

9 Oh Young-jin, 'Chong Wa Dae Still Hopes for Kim's Visit This Year,' *Korea Times*, 10 August, 2001, <http://www.hk.co.kr/kt_nation/200108/t2001081017225941110.htm>

10 Kim Kwang-tae, 'Talks on Electricity Supply to NK Put on Hold at US Request,' *Korea Times*, 31 July, 2001, <<http://www.koreatimes.co.kr/times/200107/t2001073116080240110.htm>>

Fig 2. Traditional DPRK Tourism: Free Trip as Prize for Eulogy



Source: <http://www.korea-dpr.com/tourism.htm>

demands for reactivating the North-South dialogue.¹¹ The other demands focus solely on the United States.

When the incoming Bush administration suspended negotiations with

11 Hwang Jang-jin, 'N. Korean leader mentions 'conditions' for Seoul visit,' *Korea Herald*, 8 August, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/08/08/200108080050.asp>

the DPRK it came under pressure and sometimes scarcely disguised attack even from Chong Wa Dae and the European Union.¹² To use a phrase which had wide currency, 'the ball was in the US court.'¹³ In early June the United States announced that it was willing to resume talks¹⁴ but as had been predicted, it imposed conditions which the DPRK found intolerable.¹⁵ Although Secretary Powell claims that Washington is willing to talk "at any time and any place,"¹⁶ and "with no strings attached,"¹⁷ Pyongyang clearly felt that the US negotiating stance had hardened to an unacceptable level.¹⁸

There appeared to be a breakthrough in September following the crisis in Seoul in August which saw ousting of Unification Minister Lim Dong-won over incidents happened at Liberation Day celebrations in Pyongyang. The North immediately proposed reactivating ministerial talks and Seoul quickly responded. The first round of talks went well, with agreement on a number of further meetings but the

12 Beal, Tim (2001c), 'Bush clouds Korean sunshine,' *NZ Journal of Asian Studies*, Vol. 3, No 1, June 2001.

13 'Koreas: The ball's back in the US court (Editorial),' *Asia Times Online*, 5 May, 2001, <<http://www.atimes.com/koreas/CD05Dg01.html>>; Kim Ji-ho, 'South Korea's religious and social leaders call for early resumption of U.S.-N.K. talks,' *Korea Herald*, 8 May, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/05/08/200105080051.asp>

14 Hwang Jang-jin, 'Bush to resume talks with N. Korea,' *Korea Herald*, 8 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/08/200106080011.asp>

15 Beal, Tim (2001b), 'The Peace Process on the Korean Peninsula: Agenda for the New Administration,' *Harvard Asia Quarterly*, Vol. 5, No. 2, Spring 2001, pp. 47-53.

16 'Powell Puts More Pressure on NK for Talk: AFP,' *Agency France Press*, 30 July, 2001, via Korea Information Service, <<http://www.korea.net/kwnews/content/news.asp?Number=20010730006>>

17 Hwang Jang-jin, 'Han, Powell agree to continue persuading N.K. to return to talks,' *Korea Herald*, 28 July, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/28/200107280056.asp>

18 'Rodong Sinmun on DPRK-U.S. negotiation,' *KCNA*, 7 August, 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/07.htm#1>>

events of 11 September soon cast a shadow. Despite a number of statements from Pyongyang attacking 'terrorism,' signing anti-terrorism agreements and signaling a willingness to sign more,¹⁹ this was not considered adequate by Washington which reacted negatively. Extra ground fighter aircrafts were sent to Korea, officially because an aircraft carrier was being deployed elsewhere.²⁰ The US administration has made a number of hostile statements - 'Bush Gives Out Strong Warning to North Korea,'²¹ 'Bush sends clear warning to 'rogue' nations'²² - and there has been widespread speculation that the DPRK might be the next target after Afghanistan and Iraq.²³ Seoul had responded to 11th September by putting its forces on 'anti-terror alert' and this, coupled with its compliance with US moves, was seen by Pyongyang as hostile and again high-level North-South relations were suspended. At the time of writing, DPRK Foreign Minister Paik has been quoted as having "called on South Korea to renounce the ongoing precautionary anti-terror measures as a precondition for resuming the stalled inter-Korean dialogue." He also made clear that the North is open to dialogue

19 Shim Jae-yun, 'N. Korea Willing to Sign Five More Anti-Terror Pacts,' *Korea Times*, 10 December, 2001, <<http://www.koreatimes.co.kr/times/200112/t2001121016564740110.htm>>

20 Hwang Jang-jin, 'U.S. to deploy more fighters on peninsula,' *Korea Herald*, 3 October, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/10/03/200110030034.asp>

21 Kim Hee-sung, 'Bush Gives Out Strong Warning to North Korea,' *JoongAng Ilbo*, 18 October, 2001, <<http://english.joins.com/nk/article.asp?aid=20011018112232&sid=E00>>

22 'Bush sends clear warning to 'rogue' nations,' *JoongAng Ilbo*, 12 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011212105923&sid=E00>>

23 Meinardus, Ronald, 'Next Target Pyongyang?,' *Korea Times*, December 2001, <http://www.koreatimes.co.kr/kt_op/200112/t2001120716444348110.htm>; Larkin, John and Murray Hiebert, 'NORTH KOREA: Welcome to The War,' *Far Eastern Economic Review*, 13 December, 2001, <http://www.feer.com/articles/2001/0112_13/p014region.html>; Sanger, David E., 'Don't Forget North Korea-New York Times,' *JoongAng Ilbo*, 13 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011126102345&sid=E00>>

with the U.S. should the latter repeal its hostile policy on the North.²⁴

Whilst the political maneuverings are complex and the situation is not as bleak as this short account might suggest, it has meant that inter-Korean tourism, which is primarily the Kumgangsan venture, is again close to collapse.

Though still small by international standards, inter-Korean tourism or more precisely tourism from the South to North had increased remarkably since 1998; in 2000, according to one report, 475,691 people went from the South to North and about 700 the other way.²⁵ However, if that is to continue and to develop, and if DPRK tourism is to expand its intake beyond Korea, then the political situation must move forward from the present impasse towards normalization, that is, of course, a necessary condition but not a sufficient one. Nevertheless, if the political framework can be established then the development of tourism, however difficult, can be achieved. Other countries have built up a tourism industry once peace has been established, including the ROK itself; examples include Cyprus,²⁶ Israel,²⁷ Philippines, Sri Lanka and Pakistan²⁸ although, as the list attests, peace is regrettably not always permanent.

24 Shim Jae-yun, *ibid.*

25 Soh Ji-young, 'Inter-Korean Visits Surge By 40 Percent Last Year,' *Korea Times*, 4 May, 2001, <http://www.koreatimes.co.kr/kt_nation/200105/t2001050417063141110.htm>. The report is confusing. It says 240,000 South Koreans visited for sightseeing, and itemizes the number going for other reasons. However, these come to only about 3,000 leaving some 250,000 unaccounted for.

26 Ioannides; Dimitri and Yiorgos Apostolopoulos, Political instability, war and tourism in Cyprus: Effects, management and prospects for recovery, *Journal of Travel Research* (Boulder, CO), August 1999, Vol. 38, No. 1, pp. 51-56.

27 Mansfeld, Yoel, Cycles of war, terror, and peace: Determinants and management of crisis and recovery of the Israeli tourism industry, *Journal of Travel Research* (Boulder, CO), August 1999, Vol. 38, No. 1, pp. 30-36.

28 Richter, Linda K, After political turmoil: The lessons of rebuilding tourism in three Asian countries, *Journal of Travel Research* (Boulder, CO), August 1999, Vol. 38, No. 1, pp. 41-45.

The importance of US policy, even in respect to the Kumgangsan venture, which is virtually entirely a Korean affair, was highlighted by recent articles by the Korean Central New Agency (KCNA) in Pyongyang attacking the United States for hampering and obstructing the venture.²⁹ The articles denied claims that the income from the venture was being used exclusively for military purposes. Whether the US has really been putting pressure on the ROK government and Hyundai Asan as alleged, is unclear but the bail-out, discussed below, indicates that any such pressure does not seem to have been effective. During the visit of Hyundai Asan chairman Kim Yoon-kyu to Pyongyang to have discussions with the Asia-Pacific Peace Committee, the DPRK counterpart organization announced on 12 August press reports mentioned the DPRK allegation but gave no details.³⁰

Even if US-DPRK relations improve, the memory of 50 years of hostility will linger on in popular consciousness and make it difficult to develop a positive image of the DPRK as a tourism destination. Country image, of course, is a key component in tourism choice.³¹ 'Political stability' is one aspect of this,³² but there is a wide range of factors. The ROK for instance, faces image problems which run the gamut from eating dog³³ to lack of things which appeal to foreign tourists, from

29 'U.S. urged to stop hampering Mt. Kumgang tour,' *KCNA*, Pyongyang, 23 May, 2001; 'U.S. obstructions to tour of Mt. Kumgang assailed,' *KCNA*, 8 August, 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/08.htm#6>>;

'U.S. obstructions to tour of Mt. Kumgang assailed,' *KCNA*, 8 August, 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/08.htm#6>>

30 Oh Young-jin, 'Hyundai Mission to Visit NK Over Mt. Kumgang Project,' *Korea Times*, 12 August, 2001, <<http://www.koreatimes.co.kr/times/200108/t2001081216422040110.htm>>; Kim Ji-ho, 'Hyundai, N. Korea to resume negotiations on Mt. Geumgang,' *Korea Herald*, 13 August, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/08/13/200108130005.asp>

31 Tapachai, Nirundon Robert Waryszak, An examination of the role of beneficial image in tourist destination selection, *Journal of Travel Research* (Boulder, CO), August 2000, Vol. 39, No. 1, pp. 37-44.

32 Bull, Adrian, *The economics of travel and tourism* (Melbourne: Longman), 1994.

boutique beers to salami.³⁴ The DPRK unfortunately has yet to reach those problems; its difficulties are at a more fundamental level.

There is a dreadful dilemma in the case of the DPRK, and other similarly afflicted societies. Tourism offers a powerful contribution to the relief of the current humanitarian crisis, and to long-term development, but tourists tend to avoid, for moral and practical reasons, going to famine-ridden countries or those which are perceived to infringe 'human rights.' Koryo Tours, a British tour company based in Beijing specializing in travel to the DPRK frankly addresses this issue on its website.³⁵ In another example the winner of the 2000 cross-border motor rally Shin Hyun-soo commented,

"The North Korean hosts were very hospitable. But when the night came, we could see no light at all in the North," ... "It was eerie, and I felt ashamed that we were engaged in a luxury sport in such a destitute country."³⁶

It would be foolish to minimize the problems of the DPRK's foreign political relations, nor the difficulties of its internal political-economy, which are inter-related. The current economic situation, with its shortages especially of electricity, is scarcely conducive to the development of tourism. However, it is also important to look beyond that at potential for tourism income revealed elsewhere in the world. To get from A

33 Kim M. H., 'Korean diplomats feel backlash of foreigners,' a criticism of dog eating, *Korea Herald*, 28 July, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/28/200107280046.asp>; Lee Chi-dong, 'Many Koreans Consider Protests Against Dog Meat as Ethnocentrism,' *Korea Times*, 5 August, 2001, <http://www.koreatimes.co.kr/kt_nation/200108/t2001080515522341110.htm>

34 Lee, Justin, 'Beefing up tourism industry in time for the World Cup,' *Korea Herald*, 13 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/13/200106130021.asp>

35 <<http://www.koryogroup.com/koryoindex.htm>>

36 Choe Sang-hun, 'South Korean car racers set to tackle North Korea,' *Korea Herald*, 2 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020038.asp>

to B may be extremely difficult, perhaps impossible, but it is important to ascertain how worthwhile getting to B is. This is covered in much more detail in an earlier paper,³⁷ some highlights are touched on here.

Contemporary International Tourism

International tourism is already a major component of the global economy, and may well become even more important in the future if present widespread, albeit uneven, trends towards greater disposable income and longer holidays, combined with falling real transportation costs, continue.³⁸ Even in the giant US economy tourism counts for 2.2% of GDP and employs 3.5% of the workforce (Table 1).

World tourism grew by an estimated 7.4 percent in 2000, with 698 million international arrivals and receipts from international tourism of

Table 1. Economic Impact of Tourism, Selected Countries

Country	% of GDP	% of workforce
Australia	4.5	5.4
Canada	2.4	3.5
Chile	3.8	3.2
New Zealand	3.4	4.1
United States	2.2	3.5

Source: World Tourism Organization, 'TSAs - Revolutionizing the View of the Tourism Industry,' Press release, 10 May, 2001 (note this includes both domestic and international tourism)

37 Beal, Tim (2001d), *op cit*.

38 This was written before 11 September, 2001. The long-term effects of that, and its aftermath, are unpredictable but it seems unlikely that they will invalidate the general thrust of this section. International tourism will recover and grow. In the short-term, tourism within Northeast Asia may grow as the US becomes less attractive as a tourism destination.

US\$476 billion.³⁹ Europe, not surprisingly given its combination of wealth and multiplicity of countries, captured by far the largest share, 57% or 403 million arrivals but the Asia Pacific is the fastest growing region.⁴⁰

The Republic of Korea is quite a small player by world standards (Fig 3) and although tourism is a government priority latest figures suggest a slowdown in arrivals.⁴¹ However, in Asian terms, the ROK does quite well (Fig 4). China, along with the Special Administrative Regions of Hong Kong and Macau which are counted as separate destinations (as is Taiwan) is by far the major destination in Asia. However, the ROK just outstripped Japan, with 5.3 million arrivals compared with 4.8 million. In terms of growth 1999-2000, the ROK did twice as well as Japan, 14.5% against 7.2%, nearly equaling China's 15.5%.⁴²

The development of inbound tourism in the ROK and the current situation offers lessons and encouragement for the DPRK. There are also all sorts of opportunities for joint activities, such as dual-destination marketing. The ROK may be able to utilize the DPRK landing rights in a way similar to the scheme under consideration between the US and Mexico; the proposal is to build an airport which straddles the border near San Diego. The terminals would be on the US side, so catering for inbound and outbound US traffic, while the runways, hangers, and fuel storage would be on the Mexican side, thus qualifying for unused Mexican landing rights in Asia.⁴³

39 World Tourism Organization, 'Millennium Tourism Boom in 2000,' Press release, 31 January, 2001, <http://www.world-tourism.org/newsroom/Releases/more_releases/R0102001.html>

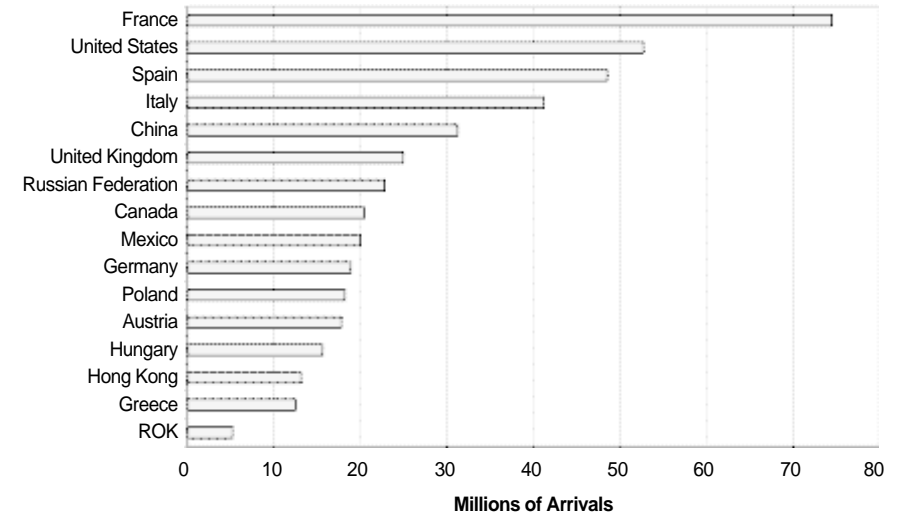
40 Beal, *op cit*.

41 'Inbound Tourism Falls,' *Korea Times*, 26 June, 2001, <<http://www.koreatimes.co.kr/times/200106/t2001062617012940110.htm>>

42 Beal, *op cit*, Table A11.

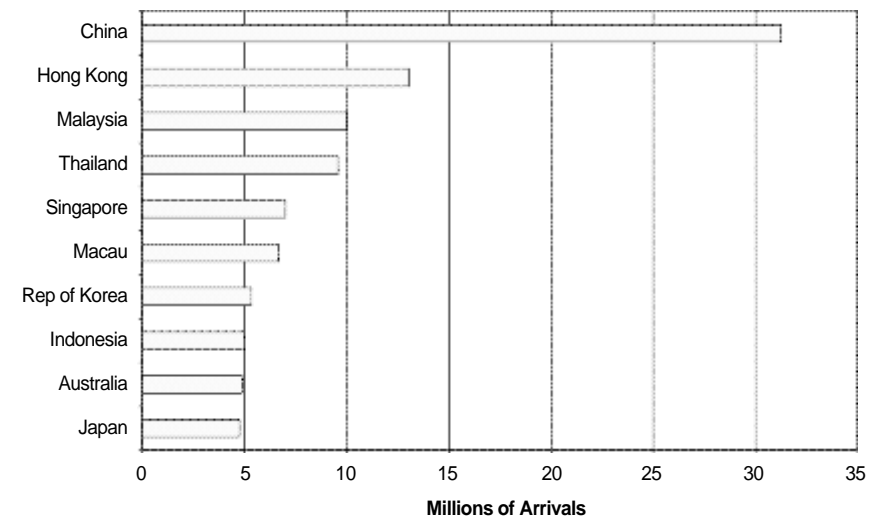
43 PATA Strategic Information Centre Worldwatch, *PataNews 6*, August 2001 [Pacific Asia Travel Association].

Fig 3. Top International Tourism Destinations, and ROK, 2000



Source: Beal 2001d Statistical Abstract Table A10

Fig 4. Top International Tourism Destinations in Asia/Pacific, 2000



Source: Beal 2001d Statistical Abstract Table A11

In 1961, the Republic of Korea was seen as late developer in international tourism in the Pacific Asia region. A US Department of Commerce study published that year noted:

No matter how it is analyzed, tourism in the Republic of Korea is extremely small. In fact, compared with that of its neighboring countries, Korea's international tourist business is so small it suggests the presence of important major obstacles. These would certainly include the attitude of international travelers toward visiting Korea. For instance, an attitude study completed in the United States and Canada (see chapter I) shows that, out of 19 countries in the Pacific and Far East, potential travelers rate Korea next to last as a place they want to visit. Korea ranked high in the North American market as a place potential tourists considered "unsafe."⁴⁴

That was relatively soon after the Korea War, and at a time when China was still invisible to American eyes, and certainly those of tourists (China was not even mentioned in the this report). Most crucially, it was way before the Seoul Olympics, which was a key event in propelling ROK inbound tourism to higher growth. Sports events are important catalysts for tourism. Korea's share of the World Cup events in 2002 is forecast to 'create 350,000 Jobs, Boost GNP by 11.4 Trillion Won.'⁴⁵ "The World Cup is the largest event in Korea's history," President Kim Dae-jung was quoted as saying and it was estimated that it would attract some 4 billion television viewers, twice that of the Olympics.⁴⁶ Such predictions are always subject to revision, usually

44 Clement, Harry G., 1961, *The future of tourism in the Pacific and Far East*, a report prepared under contract with the U.S. Dept. of Commerce and co-sponsored by the Pacific Area Travel Association, Washington D.C., U.S. Dept. of Commerce, p. 297 (the reference is to chapter 1 of the report).

45 'World Cup to Create 350,000 Jobs, Boost GNP by 11.4 Trillion Won,' *Yonhap News*, 30 May, 2001, <<http://www.yonhapnews.co.kr/news/20010530/2000000000200105301716479.html>>

46 Kim Cheong-won, 'Much Remains to Improve Before World Cup,' *Korea Times*, 21 June, 2001, <http://www.hankooki.com/kt_special/200106/t2001062117083349110.htm>

downwards, and the events of 11 September add a cautionary note. However, unless there are very special circumstances, particularly a revival of tension on the Korean peninsula, it seems likely that the World Cup will give a major boost to ROK tourism, and perhaps to DPRK tourism as well. As for the Beijing Olympics, there have been conflicting opinions as to how much impact they will have on ROK tourism, and there has been no discussion, as yet, on implications for the DPRK.⁴⁷

Joint sports events between North and South have had a checkered history. The joint march at the Sydney Olympics touched a chord and President Kim has advocated sports (and tourism) as important ways of promoting inter-Korean relations.⁴⁸ However neither inter-Korean sports events nor DPRK participation with ROK-hosted events, such as the 2002 World Cup, have achieved anything like their potential, although talks do continue.⁴⁹

Today, on the eve of the World Cup, tourism is embraced as a key component of ROK's move towards the 'knowledge-based economy':

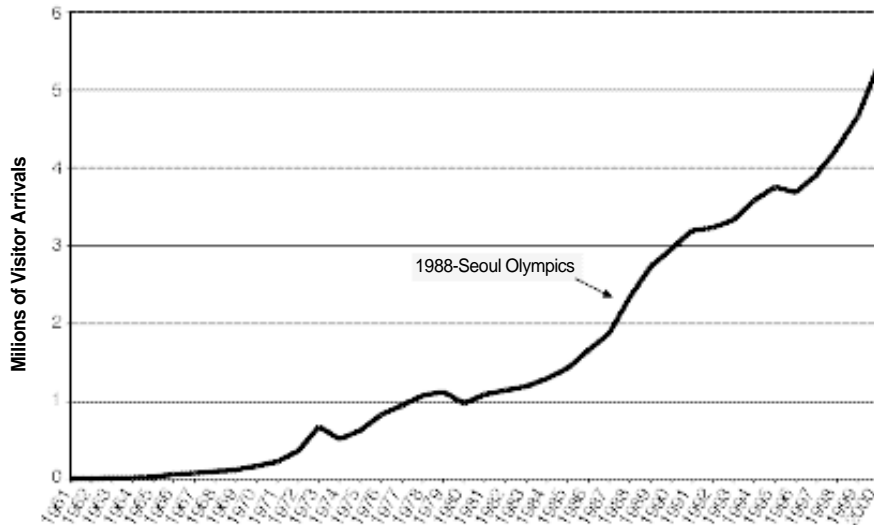
New motifs for economic growth will be developed as the nation advances into a knowledge-based economy. First, infrastructure of information and telecommunication industries will be established, and new strategic industries of the future, such as culture and tourism, nurtured. In addition, industries in general will be transformed into ones suitable for the knowledge-based economy.⁵⁰

47 Nho Joon-hun, 'Korea to Benefit Little From Beijing Olympics,' *Korea Times*, 29 July, 2001, <http://www.hk.co.kr/kt_biz/200107/t2001072916580643110.htm>; 'Seoul sees windfall from Beijing Games,' *Asia Pulse* via *AsiaTimes Online*, 24 July, 2001, <<http://www.atimes.com/koreas/CG24Dg03.html>>

48 'Kim stresses promotion of sports, tourism exchanges with N. Korea,' *Korea Herald*, 2 May, 2001, <<http://hpe60.ibl.co.kr/dprk/ReadBoard.asp?DBname=3&tCode=123&cFile=20000522202440&page>>

49 'Kim Un-yong to Visit North Korea,' *Korea Times*, 17 June, 2001, <<http://www.koreatimes.co.kr/times/200106/t2001061717272940110.htm>>; 'North Koreans Could Join South Squad for World Cup,' *JoongAng Ilbo*, 28 November, 2001, <<http://english.joins.com/nk/article.asp?aid=20011128163725&sid=E00>>

Fig 5. Korean Inbound Tourism, 1961-2000



Source: Beal 2001d Statistical Appendix Table A20

2001 is being promoted as 'Visit Korea year' although according to reports not with great success, even prior to September 11.⁵¹ However, Dato' Abdul Kadir, the Malaysian Minister of Culture, Arts & Tourism, on a visit to Korea in May and June 2000 described tourism as the mega-industry of the future, and predicted that Korea, being close to Japan and China, had the potential to become a major tourist destination.⁵²

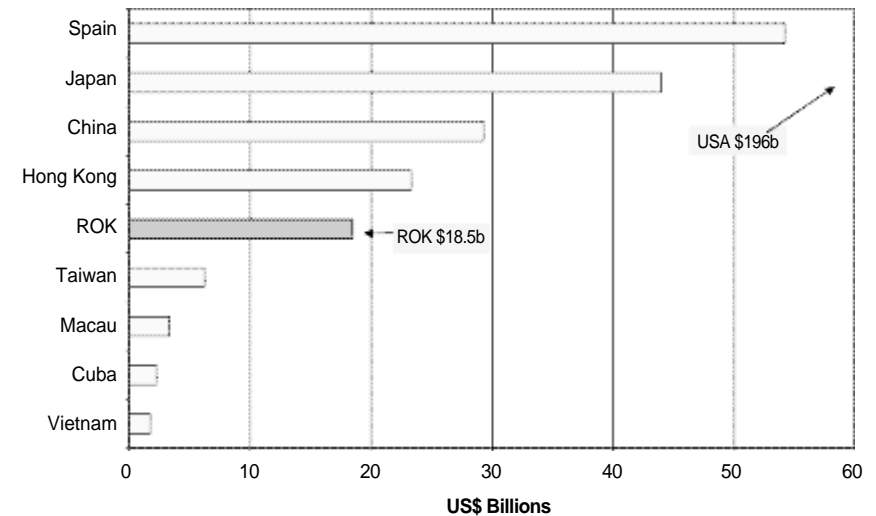
How does the ROK, in fact, compare with other countries? Here we

50 'Transformation into a knowledge-based economy,' Ministry of Finance and Economy (ROK), *Korea Economic Update*, 24 January, 2000, <http://www.mofe.go.kr/mofe/eng/e_econo_trends/e_public_data/html/e_pd2000012401.htm>

51 'Inbound Tourism Falls,' *Korea Times*, 26 June, 2001, <<http://www.koreatimes.co.kr/times/200106/t2001062617012940110.htm>>

52 Shin Kyung-hwa, 'Malaysian minister says tourism can become mega industry,' *Korea Herald*, 2 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020033.asp>

Fig 6. Total Foreign Income, 2001, ROK and Selected Countries



Source: Beal 2001 Statistical Appendix Table A5

look at a selection of countries that might be considered as competitors or benchmarks. Some, such as Cuba and Vietnam, have particular relevance to the DPRK because of their relationship with the United States.

In terms of total foreign income (Fig 6), the ROK might be considered a middle-ranking market. Although less than a tenth of the US level (\$18.5b against \$196b), its income from international tourism is ahead of that of Taiwan, Macau, Cuba and Vietnam but quite a long way behind Hong Kong, China and Japan. The ROK captures a mere 1.7% of the world's tourism expenditure, compared with the US 18.5%. Again, it is behind Japan (4.1%), China (2.8%) and Hong Kong (2.2%) but ahead of Taiwan (0.6%), Macau (0.3%) and Cuba and Vietnam which have 0.2% each.

The World Tourism and Travel Council (WTTC) predicts that the ROK will increase its share of world income from international tourism from 1.7% in 2001 to 2.2% in 2011. The shares of the United States and

Cuba will fall, Vietnam will stay steady, and the others in our selection will all increase.⁵³ Again, this suggests opportunities for the DPRK.

It is estimated that the Republic of Korea will be earning \$17 billion from visitor exports in 2011, plus a further \$39 billion from 'other exports,' giving total earnings from international tourism of \$56 billion.⁵⁴ By then, the ROK will rank 22 in terms of visitor exports (down from 19) and 10 in terms of other exports (up from 13). Real growth in visitor exports over the decade 2001-2011 will be 2.6% a year (making the ROK 124 in the league table) and other exports will grow at an annual rate of 9.5% (23rd place). In other words, the ROK will perform below world average for visitor exports (2.6% against 5%) but above average for other exports (9.5% against 6.2%).⁵⁵

The WTTC projections suggest that the ROK annual income from international tourism will grow by \$37 billion over this period. What share of this increase the DPRK can capture is an open question but even at the most optimistic it is unlikely to make much dent on the ROK's earnings. However, foreign exchange earnings which are small for the ROK are large for the DPRK.

DPRK Tourism

Data on DPRK tourism is virtually non-existent, apart from that about Kumgangsan. No data relating to the DPRK was found on the World Travel and Tourism Council website, and just fragmentary data on the World Tourism Organization website.⁵⁶

Most of the available data relates to the Hyundai Asan Kumgangsan venture, and originates with Hyundai. Apart from that the

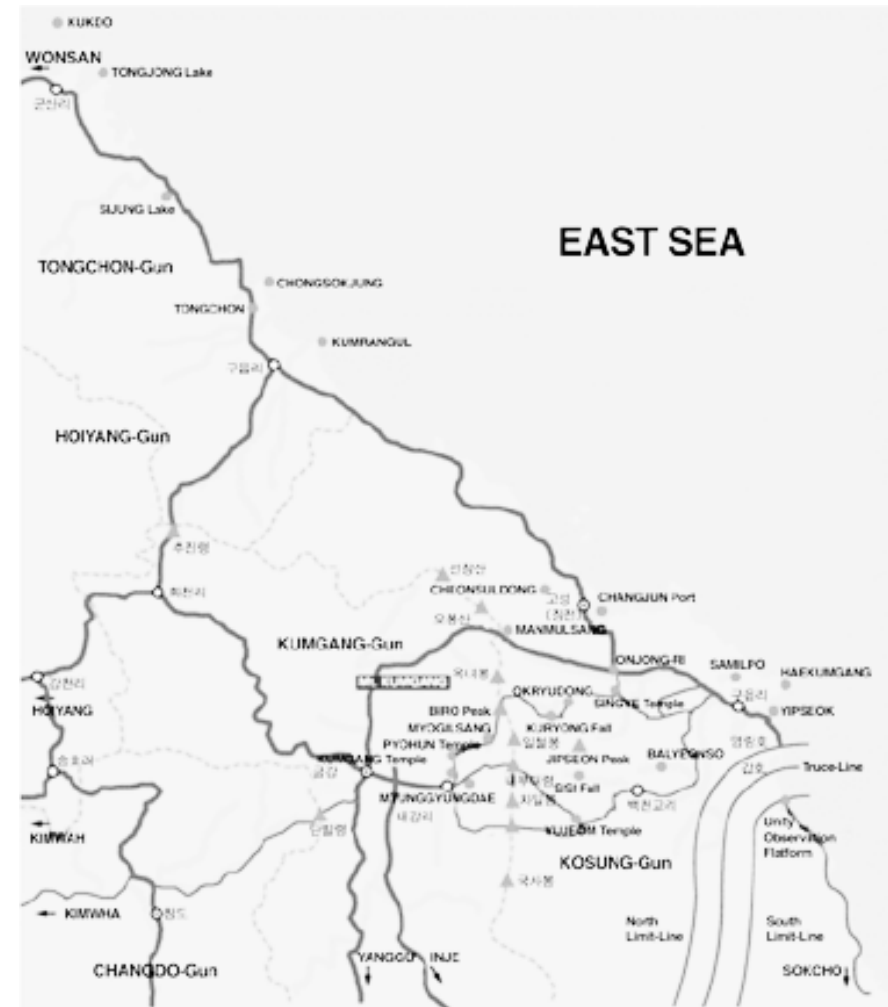
53 Beal (2001d), *op. cit.*, Statistical Appendix Table A5.

54 *Ibid.*, Tables A6 and A7.

55 *Ibid.*, Table A7b.

56 See *ibid.* Tables A21 and 22.

Map 2. Kumgangsan Area



Source: Hyundai-Asan website

facts are sketchy. A DPRK tourism official, Kim Ryong Hwan, managing director of the DPRK travel company, who participated at the ITB travel fair in Berlin in March 2001, is reported as having said that 'just a few hundred European tourists visited North Korea last year, though a

total of 100,000 foreigners, mostly Chinese, had the opportunity to breathe the country's rarefied air.' He is reported as having said that they expected 1,000 European visitors in 2001 and that facilities were ready.⁵⁷ The '100,000 foreigners, mainly Chinese' were clearly in addition to the ROK visitors to Kumgangsan. However, a Bank of Korea assessment of the North Korean economy published in May 2001 is reported as stating 'Hotels and restaurants, benefiting from a doubling in foreign guests to 50,000 visitors, expanded 27 percent.'⁵⁸ Again this figure would seem to exclude Kumgangsan (most of whose visitors were not 'foreigners') but is half the level of Kim Ryong Hwan's statement. However, the Tumen Secretariat, quoting the DPRK National Directorate of Tourism says there were 130,000 international tourist arrivals in 1998 and it adds that 'World Tourism Organization forecasts that the number of international arrivals in the DPRK will increase to 146,000 in 2005, 159,000 in 2010, and 173,000 in 2015. The average annual growth rate is around 1.7%.⁵⁹ Reports from China, compiled by the Korea Trade Organization (KOTRA), claim that one-day tours from Dandong (China) to Sinuiju (in the DPRK) have brought in 50-6,000 tourists a year since 1988 (sic). The tours were suspended, for an undisclosed reason, for six months but resumed on 17 May, 2001.⁶⁰

The ROK Ministry of Unification website reported,

As of November 30, the number of South Korean visitors to the North this year reached 6,846 in total, not including the Mt. Kumgang

57 'N. Korea Welcomes Tourists - But Not Americans,' KOTRA website, 6 March, 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php3?board_id=20&pnum=899917&cnum=0&row_num=66&n_page=7&q_page=1>

58 'North Korea Economy, Gap With South Probably Expanded,' KOTRA website quoting *Chosun Ilbo*, *Bloomberg*, 28 May, 2001, <http://www.kotra.or.kr/main/common_bbs/notice_read.php3?board_id=20&pnum=899808&cnum=0>

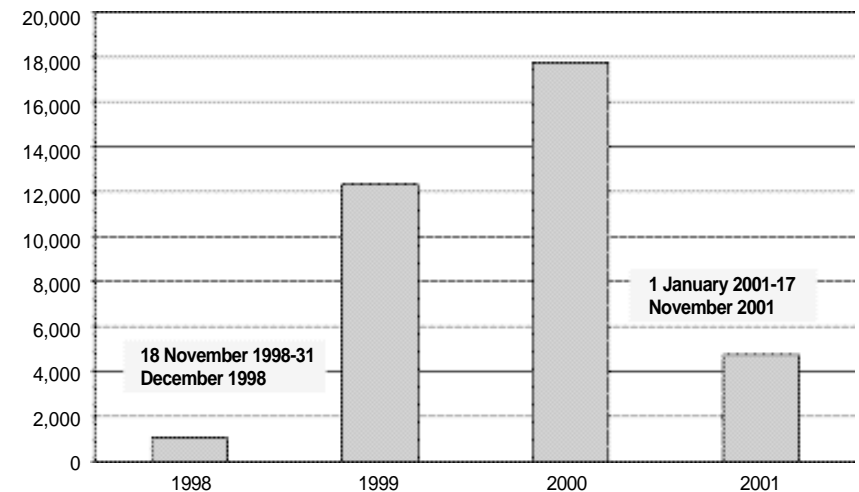
59 Tumen Secretariat, 'Note on DPRK tourism,' 5 July, 2001 (unpublished report).

60 'One-day tour between Dandong and Sinuiju has resumed,' *Liaoning Chosun Munbo*, May 25, an edition via KOTRA website, 29 May, 2001, <http://www.kotra.or.kr/main/common_bbs/notice_read.php3?board_id=21&pnum=899965&cnum=0>

tourists. The number showed ups and downs in the early 1990's, but constantly grew since 1995. It increased rapidly after 1998 with the inauguration of the Kim Dae-jung Administration. During the period from 1998 through the end of November 2000, a total of 15,762 South Koreans visited the North. During the early days of inter-Korean exchange in 1990 and 1991, the visits were made mostly in the social area. The economic area quickly became the major one thereafter.⁶¹

Kumgangsan has taken by far the bulk of southern visitors, showing remarkably growth in from its inception in November 1998 up to the end of 2000, but by 2001 numbers have slipped badly (Fig 7). In the first quarter of 2000, Hyundai had 67,000 customers, but in the same period the following year, that had fallen to 30,000.⁶²

Fig 7. Visitors to Kumgangsan, Monthly Averages, November 1998-November 2001



Source: '425,000 traveled to Mt. Geumgang,' *Korea Herald*, 19th November 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/11/19/200111190044.asp>

61 *Korean Unification Bulletin*, Ministry of Unification (ROK), 26 December, 2000, <<http://www.unikorea.go.kr/cgi-eg/srch/ens.cgi?12A12/A1258.htm@tourism>>

62 Yoo Cheong-mo, 'Hyundai to close N.K. cruise ship service June 30,' *Korea Herald*, 27 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/27/>

The problem was greatly exacerbated for Hyundai in that it had agreed to pay a fixed amount, roughly US\$12 a month, irrespective of the number of tourists. And, it was claimed that by June 2001 losses amounted to about \$400 million.⁶³ Hyundai Asan started defaulting on the monthly payment in February 2001, paying only \$2million and then nothing until the bailout in June. By the end of May, the debt stood at \$46 million.⁶⁴ Hyundai had attempted to increase revenues by introducing a floating casino but this was rejected by the ROK government.⁶⁵ In its negotiations with the DPRK, Hyundai Asan asked for a reduction in the monthly fee, and more substantially, the designation of the area as a special economic zone and the opening of a land route from the south to Kumgangsan.

June saw a breakthrough in a series of deals which not merely salvaged the Kumgangsan venture but suggested, yet again, that Seoul and Pyongyang could just keep the water unfrozen beneath the Pyongyang-Washington ice. Just as the two sides managed to exchange mail for the first time in half a century in March 2001, despite the stalemate in DPRK-US relations,⁶⁶ so too in June. The North's Asia Pacific Peace Committee agreed to Hyundai Asan's requests. A 13.7 km roadway from Goseong, in the North, to Songhyeon-ri, in the South, is to be opened up at a cost of 60-100 billion won (to be borne by the South) and according to initial reports, it was expected to be opera-

200106270022.asp>

63 Kim Ji-ho, 'Hyundai, North Korea set to revive Mt. Geumgang tours,' *Korea Herald*, 2 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020047.asp>

64 'Asan Deeper in Kumgang Debt,' *JoongAng Ilbo*, 31 May, 2001, <<http://english.joins.com/article.asp?aid=20010531005251&sid=400>>

65 'Government Rejects Hyundai Casino Plan,' Korea Information Service website (ROK), 20 April, 2001, <<http://www.kois.go.kr/kwnews/content/SearchView.asp?Number=20010420020>>

66 Kim Ji-ho, 'Two Koreas launch mail exchanges,' *Korea Herald*, 16 March, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/03/16/200103160074.asp>

tion by mid 2002.⁶⁷ This would reduce the travel time to 1 hour⁶⁸ down from the 13 hours of the existing 271 km trip from Tonghae.⁶⁹ The flat \$12 monthly fee is to be replaced by a per capita fee - \$50 by land and \$100 by sea.⁷⁰ It was also agreed that the Kumgangsan area would be designated a special tourism zone which would, according to Hyundai Asan President Kim Yoon-kyu, 'help promote the Kumgang area as an international hub for trade, commerce, finance and culture as well as tourism.'⁷¹

Seoul provided the crucial sweetener to the deal. Barred by law from directly using the South North Cooperation Fund to bailout Hyundai, it did it circuitously via the Korea National Tourism Office (KNTO). SNCF provided funds for KNTO to buy out Hyundai Merchant Marine (hence allowing the debt to the North be at least partially cleared) and invest in Kumgangsan.⁷² The deal was inevitably attacked by the opposition Grand National Party⁷³ although the rescue in princi-

67 'P'yang Allows Hyundai Land Access to Mt. Geumgang,' Korea Information Service website, 10 June, 2001, <<http://www.korea.net/kwnews/Content/News.asp?Number=20010610023>>

68 'KNTO to Join Mt. Geumgang Tourism Project,' Korea Information Service, 20 June, 2001, <<http://www.korea.net/kwnews/Content/News.asp?Number=20010620008>>

69 'Enlivening Mt. Geumgang tours,' *Korea Herald*, an editorial, 11 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/11/200106110039.asp>

70 Yoo Cheong-mo, 'KNTO to bail out Hyundai's N.K. biz,' *Korea Herald*, 21 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/21/200106210047.asp>

71 Shin H. J., 'Pyongyang Agrees to Open Inland Route Mt. Kumgang,' *Korea Times*, 10 June, 2001 via KOTRA website, 11 June, 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php3?board_id=20&pnum=899801&cnum=0&rw_num=8&n_page=1&q_page=1>

72 Park Yoon-bae, 'Creditors Decide to Roll Over W1 Tril. of Hyundai Merchant Marine's Debts,' *Korea Times*, 4 July, 2001, <http://www.hankooki.com/kt_biz/200107/t2001070417020643110.htm>; Seo Soo-min, 'Hyundai to Reactivate Mt. Kumgang Tours,' *Korea Times*, 8 July, 2001, <http://www.hankooki.com/kt_nation/200107/t2001070816534941110.htm>

73 Kim Kwang-tae, 'GNP Alleges Secret Deal Over Mt. Kumgang Plan,' *Korea Times*, 10 July, 2001, <http://www.hankooki.com/kt_nation/200107/t2001071016421841110>

ple seems to have had public support.⁷⁴

Skeptics had always claimed that the Hyundai venture was driven by personal reasons, especially those of founder Chung Ju-yung, and did not make business sense. However, in an interview in *Far Eastern Economic Review* in October 2000, Kim Yoon Kyu asserted that this was not so. He said that opportunities in the South were drying up, so that the ventures in the North (of which Kumgangsan is not the only one, albeit currently the biggest) were necessary for future growth. Asked about losses he replied:

Now, yes, our losses are around \$40 million or so since the project began two years ago. Over 300,000 South Korean tourists have visited Mount Kumgang so far and with foreigners being allowed to visit from the end of this year, the number could soon reach half a million. We expect to break even next year. Assume, for example, that each tourist spends \$1,000 on a trip. That totals \$300 million a year. Under our contract, we'd be paying up to \$940 million over six years as license fees. Our revenues over a three-year period alone would be \$900 million, sufficient to cover our basic commitment. We plan to build a golf course, an amusement park, hotels and other accommodation to altogether handle up to half a million tourists a year, including foreigners. We want to bring investment from the United States, Europe and Japan for this mammoth project. We'd be selling Cokes and pizza and other capitalist goods there, inside North Korea.⁷⁵

The dreams were resuscitated by the 2001 agreement and there has been renewed talk of investment opportunities ranging from golf courses to casinos⁷⁶ and even involving foreign investors.⁷⁷ Former U.S.

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74 Kim Kwang-tae, 'Mt. Kumgang Plan Debated at Assembly,' *Korea Times*, 27 June, 2001, <http://www.koreatimes.co.kr/kt_nation/200106/t2001062716450641110.htm>

75 'North Korea: Open for Business (Interview with Kim Yoon Kyu),' *Far Eastern Economic Review*, 5 October, 2000, <http://www.feer.com/2000/_0010_05/p22region.html>

76 Seo Soo-min, 'Hyundai to Reactivate Mt. Kumgang Tours,' *Korea Times*, 8 July, 2001,

Congressman Stephen Solarz was one name mentioned.⁷⁸

However, despite a number of meetings, some of them involving the DPRK military, which had been seen as a probable source of opposition, it appears that the 8th June agreements to open the land route and designate Kumgangsan as a special tourism zone have not progressed. Hyundai Asan talks with the Asia Pacific Peace committee scheduled for early December 2001 look unlikely⁷⁹ and even Hyundai Asan was saying that the tours might be suspended early in 2002.⁸⁰

It seems clear that Pyongyang is willing to sacrifice the still substantial potential revenues from a re-invigorated Kumgangsan venture in order to put pressure on Seoul to change its policy and posture vis-a-vis the DPRK. Issues such as the state of military alert, the continued naming of the DPRK as the 'main enemy,' joint military exercises with the United States, the testing of a new missile capable of striking virtually anywhere in the North, and so forth might reasonably be seen as inimical to the development of relations. What is less reasonable is the

<http://www.hankooki.com/kt_nation/200107/t2001070816534941110.htm>; Shin H. J., '150 Investors to Tour Kumgang Region,' *Chosun Ilbo*, 8 July, 2001 via KOTRA website, 9 July, 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php?board_id=20&pnum=899780&cnum=0&row_num=6&n_page=1&q_page=1>

77 Shim Jae-yun, 'Pyongyang Agrees to Open Inland Route Mt. Kumgang,' *Korea Times*, 10 June, 2001, <<http://www.koreatimes.co.kr/times/200106/t2001061016521740110.htm>>; Kim Ji-ho, 'Inspection team leaves for Mt. Geumgang,' *Korea Herald*, 21 July, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/21/200107210049.asp>

78 Shim Jay, 'Solarz Meets Chung MH on NK Projects,' *Korea Times*, 26 June, 2001, <<http://www.koreatimes.co.kr/times/200106/t2001062617090440110.htm>>; Yoo Cheong-mo, 'Hyundai to close N.K. cruise ship service June 30,' *Korea Herald*, 27 June, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/27/200106270022.asp>

79 Kim Hee-sung, 'Hyundai -N.K. negotiations over Geumgang tour to be delayed,' *JoongAng Ilbo*, 9 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011209143937&sid=E00>>

80 'Mt. Kumgang Tours May Be Suspended Early Next Year,' *Korea Times*, 7 December, 2001, <http://www.koreatimes.co.kr/kt_biz/200112/t2001120717215343110.htm>

idea that cutting of the flow of tourists to Kumgangsan is an effective lever. Similarly, the apparent belief that pressure on Seoul this way, and more generally by stalling talks, puts pressure on Washington, is difficult to follow.

Just as Pyongyang seems to overlay its Kumgangsan card, so to it appears to have inflated expectations of alternative tourism options. Kumgangsan, though currently the jewel in the crown of DPRK tourism, is not the only attraction. Nor is the South the only source of tourists. Both of these facts seem to play a large part in Pyongyang's strategy.

Attempts have been made to develop tourism in Rajin-Sonbong targeting Chinese from China and Hong Kong with the lure of gambling.⁸¹ Mt Paektu, the sacred mountain on the Chinese border, is currently hampered by access problems but has long-term prospects.⁸² According to a KCNA report from Pyongyang, over the last 20 years some 100,000 'overseas Koreans' and 60,000 foreigners have visited Myohyangsan.⁸³ The ancient capital of Kaesong is scheduled to be opened to tourism, and developed by Hyundai Asan, and if that happens its proximity to Seoul will be a major strength.⁸⁴

Behind these calculations lies the phenomenon which is likely to have a huge impact on global tourism, and more specifically Northeast Asian tourism, in coming years - the meteoric rise of Chinese tourism. As one Seoul paper put it, 'the Chinese are coming.'⁸⁵ Whether it is a

matter of the World Cup - up to 100,000 Chinese fans are expected⁸⁶ or the long-term expansion of the giant Chinese tourism market, it is clear that the tourism map of the region is going to be transformed. How many of these tourists the DPRK can attract is quite another matter, but the potential is there.

Towards the end of 200, there has been a flurry of articles indicating a growing confidence, or perhaps over-confidence, in the ability of the DPRK to bring in tourists in spite of the decline of Kumgangsan. Tourism facilities have been upgraded at Paektusan⁸⁷ and Chilbosan, the latter being personally inspected by Kim Jong Il⁸⁸ that Chilbosan is clearly targeted at Chinese visitors (or Korean Chinese) with its road links into China's Yangbian region. However, a marketing professor at Yangbian University complained that there was a lack of Korean-produced goods in the shops, and since the majority of tourists were Chinese, they were confronted with the same goods they could buy at home.⁸⁹ New sites, such as Jangusan, are being developed though it is not clear whether these have been opened to foreign tourists yet.⁹⁰ The Tumen area continues to receive attention, with a new cruise ship

81 'Introduction to A Tour of Rajin-Sonbong Region, An unexplored area in Northeast Asia's Golden Spot' - People's Korea website, <http://www.korea-np.co.jp/pk/095th_issue/99051902.htm>

82 'Ferry Tour to Mt. Paektu Opens,' *Korea Times*, 28 April, 2000, <<http://www.koreatimes.co.kr/times/200004/e200004281834124011145.htm>>

83 'Mt. Myohyang, tourist resort,' *KCNA*, Pyongyang, 18 May, 2001, <<http://www.kcna.co.jp/item/2001/200105/news05/18.htm#9>>

84 Shin Kyung-hwa, 'Kaesong expected to emerge as popular tourist site,' *Korea Herald*, 24 March, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/03/24/200103240025.asp>

85 '[Today's Editorial] Lowering of Voting Age/The Chinese Are Coming,' *Korea Times*, 26 November, 2001, <http://www.koreatimes.co.kr/kt_op/200111/t2001112615380548110.htm>

86 Lee Chi-dong, 'Preparations in Full Swing for Influx of World Cup Visitors,' *Korea Times*, 3 December, 2001, <http://www.koreatimes.co.kr/kt_nation/200112/t2001120317051641110.htm>

87 'Areas at foot of Mt. Paektu given face-lifting,' *KCNA*, Pyongyang, 12 November, 2001, <<http://www.kcna.co.jp/item/2001/200111/news11/12.htm#4>>

88 'Kim Jong-il Inspects Amusement Park of Mt. Chilbo,' *JoongAng Ilbo*, 8 November, 2001, <<http://english.joins.com/nk/article.asp?aid=20011108112158&sid=E00>>

89 Koh Soo-suk, 'Mt. Chilbo Tours all-out for new marketing strategy,' *JoongAng Ilbo*, 11 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011211132352&sid=E00>>

90 'Jangusan resort,' *KCNA*, Pyongyang, 9 October, 2001, <<http://www.kcna.co.jp/item/2001/200110/news10/09.htm#7>>; Kim Kil Nam, 'Mt. Jangsu converted into public resort,' *Pyongyang Times*, 15 July, 2001, <http://www.times.dprkorea.com/main/data_full.php?no=24&ca_no=72&publish_date=20000715>

scheduled to be launched in 2002⁹¹ and reports of continued development of the Emperor chain's hotel and casinos.⁹² World Tourism Day in September was marked,⁹³ and in December, a high-level state tourism delegation left for a visit to the World Tourism Headquarters in Spain.⁹⁴

Pyongyang airport was said to be scheduled for expansion.⁹⁵ In December, there was a surprising report that work had re-commenced on the 105-story Yookyong Hotel. This pyramid-shaped shell, which has long dominated the Pyongyang skyline, has been seen as a white elephant since construction was halted in 1992.⁹⁶ The reason for this renewed tourism activity seems to lie not in a well-crafted strategy to participate in the boom in Northeast Asian tourism, especially that revolving around the 2002 World Cup, but plans to mount a gymnastics extravaganza to celebrate Kim Jong Il's 60th birthday (fig 8).

According to a report in Japan-based *Josun Sinbo*, quoted by *JoongAng Ilbo*, the mass games scheduled to be held between April and June 2002 are expected to attract 100,000 foreign visitors.⁹⁷ The 'mass games' are in effect a gymnastic display rather than a competition and it is said that 'Computers and other high tech facilities will be used for the performances, which would feature the history and the customs of

Fig 8. Advertisement for the 2002 Mass Games in Pyongyang



DPRK TOURISM LATEST-

do not miss out on Mass Games next April/May-we have tickets for the most amazing Mass Games spectacular ever-

Kim Jong Il's 60th and Kim Il Sung's 90th anniversary the DPRK are putting on their biggest show ever. Students started practicing for the event this August!! 100,000 synchronised performers in a socialist realism spectacular

Source: Koryo Tours, Beijing <http://www.koryogroup.com/dprkLATEST.htm>, Downloaded on 14 December 2001

Korea.' Although the report claims that 'North Korea is already busy gearing up its travel offices abroad to attract as many tourists as possible for the event' it remains to be seen whether the target will be achieved. To put things into perspective, 100,000 foreign visitors is roughly what is being predicted for the World Cup in South Korea, and it is hard to see the Pyongyang gymnastics in the same league as a tourism draw.⁹⁸

Conclusion

It is reasonable to predict that, despite the events of 11 September,

91 'Cruise Ship to be Launched at Duman River Next Year,' *JoongAng Ilbo*, 15 November, 2001, <<http://english.joins.com/nk/article.asp?aid=20011115145213&sid=E00>>

92 'Emperor hotel and casino,' *KCNA*, Pyongyang, 21 August, 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/21.htm#7>>

93 'World Day of Tourism marked,' *KCNA*, Pyongyang, 27 September, 2001, <<http://www.kcna.co.jp/item/2001/200109/news09/27.htm#4>>

94 'DPRK state tourism delegation leaves,' *KCNA*, Pyongyang, 3 December, 2001, <<http://www.kcna.co.jp/item/2001/200112/news12/03.htm#9>>

95 'North Korea to Enlarge Domestic Airport,' *JoongAng Ilbo*, 4 October, 2001, <<http://english.joins.com/nk/article.asp?aid=20011004190822&sid=E00>>

96 'Pyeongyang resumes construction of 105-story hotel,' *JoongAng Ilbo*, 9 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011209174656&sid=E00>>

97 'North Pins Tourism Hopes on Gymnastics Extravaganza,' *JoongAng Ilbo*, 3 December, 2001, <<http://english.joins.com/nk/article.asp?aid=20011203153803&sid=E00>>

98 'Seoul City to Open 154 More Tourist Info Booths for World Cup,' 8 August, 2001, <<http://www.koreatimes.co.kr/times/200108/t2001080816264640110.htm>>; Lee Chi-dong, 'Preparations in Full Swing for Influx of World Cup Visitors,' *Korea Times*, 3 December, 2001, <http://www.koreatimes.co.kr/kt_nation/200112/t2001120317051641110.htm>

2001, there will be burgeoning tourism demand in Northeast Asia over the next decade and beyond. If the DPRK is able to participate in that, even at a modest level, it could produce sufficient foreign exchange earnings to transform and re-invigorate its economy. Participation in tourism will be contingent on the same factors which could unleash other forms of foreign income generation, especially joint venture exports. Tourism and exports, combined with an influx of FDI and loans from international financial institutions, could produce a virtuous circle of reinforcing growth.

A benign political environment is a necessary condition for tourism development but it is far from sufficient. Problems range from the general economic situation (and especially shortage of electricity) to establishing a tourism infrastructure, transportation and personnel training. Then comes the marketing of the DPRK as a tourism destination, a formidable task given its present image and fierce competition in the region. No doubt the Pacific Asia Travel Association task force led by Neil Plimmer will produce concrete recommendations on many of these issues⁹⁹ although arrangements for the visit are currently stalled.

The impact of tourism on the social and political structure of the DPRK is a contentious issue. North Korea is not alone in facing this challenge, which is common around the world, especially in small previously isolated countries, and is not exclusive to 'transition economies.' The resilience of the DPRK has surprised many in the past; it may do so again in respect of tourism. The DPRK has long had modest inbound tourism but it was not until the beginning of the Kumgangsán venture in November 1998 that it moved into any form of mass tourism. Even that was small by the ROK and international standards and bedeviled by problems. Moreover it was insulated from

North Korean society, and if inbound tourism is to develop that insulation will necessarily diminish. Whether Kumgangsán will be seen in the future to have marked the beginnings of 'normal' inbound tourism, or just as a temporary phenomenon which showed promise but was ultimately still-born is of course unknown but it is clear that whatever happens it will be the product of the same geo-political forces that will fashion the Korean peninsula as a whole. However, within those constraints, and challenging them, tourism can play a positive and special role.

However, all this is in the realm of the possible, rather than the probable. Kumgangsán is perhaps the touchstone. Whilst implementation of the June agreements is not a panacea that will automatically bring tourists, and revenue, flooding in, failure to do so will surely destroy the venture. Within the context of the worsening geopolitical situation this would have serious ramifications beyond the purely financial. It would signal that the DPRK is willing to sacrifice practical benefits, and the goodwill of its southern compatriots, for ineffective political gesture. Speedy implementation on the other hand, coupled with a more realistic and customer-focused approach to tourism in general, would not merely offer potential economic benefits but would also demonstrate a commitment to engagement that would help defuse the threats to its security.

99 'New Zealander Chosen to Lead North Korean Task Force,' Pacific Asia Travel Association press release, 19 December, 2000, <<http://www.pata.org/prreport.cfm?pageid=12&pressid=98>>

A LIMITED NUCLEAR WEAPON-FREE ZONE IN NORTHEAST ASIA: ITS LIMITS AND THE ROAD AHEAD

Seong-Whun Cheon

The idea of establishing a nuclear weapon free zone in Northeast Asia has been flourishing for the last decade. Aspirations for making an enduring and peaceful NWFZ of this region have been partly encouraged by growing international interests and efforts for nonproliferation and nuclear disarmament. In the Asia-Pacific region, in particular, such aspirations have been materialized in several parts of the region. The forces of creating a NWFZ had started in South Pacific and have been gradually moving up toward the North. So it is natural and reasonable to envision that the next turn would be Northeast Asia.

Up until today, most international efforts on turning Northeast Asia into a nuclear weapon free zone have gathered under the initiative of John Endicott, a professor at the Georgia Institute of Technology. Under Dr. Endicott's leadership, a group of specialists from China, Japan, the Republic of Korea, Russia and the United States has held meetings every year since January 1995 to consider the feasibility of a limited nuclear weapon free zone for Northeast Asia. This group's proposal has been dubbed Limited Nuclear Weapon Free Zone in Northeast Asia (LNWFZ-NEA).

This paper looks at the achievements and failures of the LNWFZ-NEA proposal and proposes some measures to support efforts for establishing the LNWFZ in Northeast Asia. First, the paper summarizes the process of the LNWFZ-NEA and its achievements. Second, arguing that the lack of clear-cut objectives is an important failure, the following three objectives for the LNWFZ-NEA are proposed: (1) enhancing transparency; (2) promoting prosperity; and (3) strengthening peace and stability. Finally, the paper emphasizes the significance of launching practical projects bearing tangible benefits for drawing sustained support of the LNWFZ-NEA from the international community and presents such policy measures.

Introduction

The idea of establishing a nuclear weapon-free zone in Northeast Asia has been a topic of discussion for over a decade. Two prominent models have been proposed: one by John Endicott¹ and the other by Kumao Kaneko.² They put forward several important features: to cover a wide area of around 2,000 kilometers from the center of the Korean peninsula; to include the major nuclear powers in the region as members; and, in the case of Kaneko's proposal, to tackle the North Korean missile issue. Aspirations for the formation of an enduring and peaceful NWFZ in this region have been partly encouraged by growing international interest in and efforts toward nonproliferation and

1 See *Background Data: Limited Nuclear Weapons Free Zone for Northeast Asia*, 2nd Meeting of the Expanded Senior Panel, October 12-14, 1996, Bordeaux, France.

2 See *Outline of a "Northeast Asia Nuclear-Weapon-Free Zone Treaty"* by Kumao Kaneko, October 1999; Kumao Kaneko, "Japan needs no umbrella," *The Bulletin of the Atomic Scientists*, March/April 1996, pp. 46-51.

nuclear disarmament.

In the Asia-Pacific region, in particular, such aspirations have materialized in several different areas. As a harbinger of the current NWFZ movement, the Treaty of Rarotonga was signed in 1985 in an attempt to make the South Pacific nuclear free. In 1987, New Zealand unilaterally declared itself nuclear free. This declaration was followed by a similar announcement from Mongolia in 1992, whose nuclear free status later received formal recognition from the U.N. General Assembly. And most recently, the Bangkok Treaty was signed in 1995 making Southeast Asia a nuclear-free zone. The treaty formally went into effect in 1997. Thus, the forces in favor of creating a NWFZ began in the South Pacific and have been gradually moving toward North Asia. Therefore, it is reasonable to expect that the next stop for the movement would be Northeast Asia.

Seongwhun Cheon and Tatsujiro Suzuki made a third proposal to establish a NWFZ comprised of North and South Korea and Japan.³ The motivation for the tripartite NWFZ (TNWFZ) is based on the recognition that previous proposals were too ambitious to produce fruitful results in the foreseeable future. By including states with nuclear weapons, these proposals put the sensitive security issues of re-deploying and dismantling nuclear weapons front and center of what might have to be a long cooperative process. Attempting to address these difficult issues at the start of the process will no doubt bring about many hurdles. With this in mind, the TNWFZ attempts to realize a NWFZ in Northeast Asia gradually-not necessarily belatedly-by taking into account the feasibility of such a zone and by avoiding

3 Seongwhun Cheon and Tatsujiro Suzuki, "A nuclear-free zone in Korea and Japan," *Korea Herald*, June 13, 2000, p. 6. The idea of creating a NWFZ among the three nations was first put forward by Hiromichi Umebayashi at INESAP Conference in Sweden in 1996. See Hiro Umebayashi, "A Northeast Asia NWFZ: a realistic and attainable goal," *INESAP Information Bulletin*, No. 10, August 1996. The proposal was called "A Trilateral Treaty with NSA Proposals" and was renamed as "A Three plus Three Nations Arrangement" in 2000.

difficulties posed by larger NWFZ proposals. In fact, the TNWFZ can be seen as an intermediate, practical, and hopefully, faster step to reach a full NWFZ in Northeast Asia.

Achievements of the LNWFZ-NEA

Until now, most international efforts to turn Northeast Asia into a nuclear weapons-free zone have been put forward under the initiative of Dr. John Endicott, a professor at the Georgia Institute of Technology. Under Dr. Endicott's leadership, a group of specialists from China, Japan, the Republic of Korea, Russia, and the United States has held meetings every year since January 1995 to consider the feasibility of a limited nuclear weapons-free zone in Northeast Asia. Over time, interested parties from other nations including Argentina, Canada, Finland and France have joined the original core group. This group's proposal has been dubbed the Limited Nuclear Weapon Free Zone in Northeast Asia (LNWFZ-NEA).

The initiative for the LNWFZ-NEA was prompted by the significant changes in the structure of the international system that have taken place since the beginning of the 1990s.⁴ The need to create a cooperative security infrastructure became visible in a region with the enduring legacies of colonialism, World War II and the Cold War. Therefore, many believed that it was clearly the right time to move toward recognizing that the security environment in the region could be made increasingly positive by multilateral action, which could later move to a new level of regional interaction. The idea of a LNWFZ-NEA was put forward as a means to change the region from one of confrontation to

4 John Endicott, "Existing criteria for nuclear weapons-free zones and the limited nuclear weapons-free zone concept for Northeast Asia," *A Report by the Chairman of the Interim Secretariat Regarding Efforts to Create a Cooperative Security Regime in Northeast Asia* at Hakone Japan in October 1999, p. 5.

cooperation.

At a meeting held in Buenos Aires on March 21, 1996, the participants agreed on the following positions as important guidelines for the international effort to establish the LNWFZ-NEA⁵:

1. A LNWFZ for Northeast Asia could become an important step in the creation of a new cooperative security system in the region;
2. Such a LNWFZ would not be oriented against any one state;
3. The geographical extent of the zone would need to be examined further, but the concept involves the following countries: China, Japan, the Republic of Korea and the United States;
4. A time-phased approach to the implementation of weapons included for relocation or removal from the zone would have to be allowed;
5. Emphasis would be placed on nuclear weapons not associated with strategic arms;
6. The LNWFZ would not place restrictions on peaceful applications for power generation, but safeguard inspections would continue;
7. Membership should include all interested states of the region with original members inviting others in the region to join as well as all nuclear weapon states. It is envisaged that the following states would be original members: China, Japan, the Republic of Korea, Russia and the United States;
8. The creation of a specific nuclear weapons free zone was not seen as the ultimate goal, only the first step toward major reductions in nuclear armaments worldwide.

5 Final Statement of the Buenos Aires Group: Findings and Recommendations of the Buenos Aires Group Regarding a Limited Nuclear Weapon Free Zone (LNWFZ) for Northeast Asia. *The Bordeaux Protocol of the Limited Nuclear Weapons Free Zone for Northeast Asia*, Center for International Strategy, Technology and Policy at the Georgia Institute of Technology, March 1997, pp. 79-81.

A year later in 1997, an Expanded Panel meeting was held in Bordeaux, France. The Bordeaux meeting reached agreement on an action agenda. In particular, the following items are noteworthy⁶:

1. Endorse the creation of national working groups, who would complete studies in concert with applicable government circles, concerning individual components of the LNWFZ concept, including zone size and shape, specific weapon systems to be contained, verification system, agency structure and appropriate confidence building measures;
2. Establish formal contact-point relationships with government representatives;
3. Examine the concept of reciprocity to insure proportionality in any actual weapons reductions;
4. Inform the two non-regional nuclear powers (the United Kingdom and France) of the activities and, as developments advance, prepare to offer them observer status in preparation to full adherence;
5. Adopt an overall concept with regard to the notion of a cooperative security regime that stressed how the regime activities would not be harmful to any of the states and would improve or add to mutual trust.

From the beginning, the focus has been on the two specific points: the creation of a specific circular zone from which all nuclear weapons would be removed. And second, the creation of a regional agency to verify that nuclear weapons had indeed been removed, and nuclear weapons were not in the possession of non-nuclear nations within the zone.

In any nuclear weapon free-zone proposal, a key issue is how to define the zone of application. The Expanded Senior Panel, a core

6 *The Bordeaux Protocol of the Limited Nuclear Weapon Free Zone for Northeast Asia*, Center for International Strategy, Technology and Policy at the Georgia Institute of Technology, March 1997, pp. 23-24.

discussion group of the LNWFZ-NEA has identified the following four designs to delimit the zone in which the agreement will be implemented⁷:

- **Circular Zone:** A zone in which the center is placed in the middle of the DMZ on the Korean Peninsula. The radius of the zone would be about 1200 nm and would involve the following areas: China including Taiwan, Japan, Mongolia, the Democratic People's Republic of Korea, the Republic of Korea, Russia and the United States. Here the United States is not physically within the zone but it will be expected to actively participate within the system;
- **Ellipse Zone:** This zone would have its western border located in Northeast China and its Eastern border in Alaska, thus visibly involving three major nuclear weapon states. North and South Korea, Japan and Taiwan are within the ellipse zone. While the exact boundaries crossing Russia, China, Mongolia and the United States have yet to be defined, the concept would include some territory of all members in the zone;
- **North-Pacific Zone:** This zone is based on the notion that while certain areas within the North-Pacific, i.e. a portion of or the entire territories of China, Russia, Alaska in the United States, Japan, the Korean Peninsula and Mongolia would initially be in a non-nuclear zone, but the oceans and seas between the territories affected would be excluded. This is designed to remove the difficult verification issues involving SLBMs of the three nuclear member states;
- **NEA League of Non-Nuclear States and Prototype Plan for Involvement of Regional Nuclear Weapon States:** This NEA League proposes that Japan, North and South Korea and Mongolia would join in the formation of a league of non-nuclear states. This could be realized immediately or upon the agreement of the nuclear weapons states to each identify one military base with tactical nuclear weapons present. These steps would form the basis to create an

7 Expanded Senior Panel's Deliberations at the Meeting of Expanded Senior Panel for *Limited Nuclear Weapons Free Zone for Northeast Asia* held On October 8-9th, 2001 at Swiss Grand Hotel, Seoul, Korea.

inspection system, agency structure and other features for an initial demonstration system.

Regarding the nuclear weapons permitted within the zone, the Expanded Senior Panel noted that although it is the ultimate goal of this agreement to realize the removal of all nuclear warheads from the areas included in the zone, such an objective can only be reached after a period of confidence building, dialogue and developing a record of success in this area among the states in the region.⁸ Therefore, the Panel has focused on identifying nuclear weapons appropriate for reduction in the initial steps. It recommends that during the initial stages of LNWFZ-NEA, the emphasis be placed on nuclear warheads applicable to non-strategic missiles and other nuclear warheads or devices with tactical applications.

Limits of the LNWFZ-NEA Proposal

In the discussion on creating a nuclear weapons-free zone, two questions are typically raised: whether the idea is desirable and whether it is feasible. For the issue of desirability, no objection could be made against the necessity and objectives of a nuclear weapons-free zone. The ultimate goal of a nuclear weapons-free zone—to eliminate all nuclear weapons and achieve stable peace in the region—is worthy of sincerely pursuing. On the other hand, there exist many reservations as to the question of feasibility. The idea of tripartite NWFZ mentioned above draws on such reservations.

There exist two very practical reasons behind these reservations. First, LNWFZ-NEA mixes two categorically different status of membership of the Nonproliferation Treaty (NPT): nuclear weapon states (NWS) and non-nuclear weapon states (NNWS). This is a unique fea-

ture of LNWFZ-NEA and what makes its implementation most challenging. With the mixture of NWS and NNWS status, LNWFZ-NEA brings about a doubly heavy burden; that is, it not only creates a NWFZ among non-nuclear weapon states (a traditional mission of any NWFZ) but also makes part of the territory of NWS nuclear-free, thus reducing the number of tactical nuclear weapons. It is doubtful whether nuclear arms reduction among the three nuclear weapon states in Northeast Asia can be negotiated and conducted in parallel with a nuclear weapons-free zone among the other non-nuclear states. It seems possible theoretically, but upon further review it becomes apparent how difficult it would be to combine the two immensely difficult jobs. It is more plausible that either a nuclear reduction or a nuclear weapon-free zone among non-nuclear weapon states should come first.

Second, the current LNWFZ-NEA proposal lacks a clear-cut objective. In the Expanded Panel's deliberations, there are some phrases that reflect what the LNWFZ-NEA is trying to achieve; for example, "to create a new cooperative security system," "to support enhanced transparency, dialogue and confidence between all the parties," and "the ultimate goal to realize the removal of all nuclear weapons."⁹ These are, however, just expressions of principles with no practical details. In order to draw as much support and interests from regional countries as possible, it is important that any proposal for NWFZ harbors very clear-cut and realistic objectives that could provide some tangible benefits to member states.

Each country has its own individual objectives, and they are not necessarily overlapping. Therefore, the question becomes "how much common ground is shared by the countries working for the LNWFZ-NEA?" If there exist significant differences between their objectives, prospects for the LNWFZ-NEA would dim. The Beijing Summary

⁸ *Ibid.*

⁹ *op. cit.*

Report categorizes various proposals in three categories and demonstrates the wide spectrum of issues expected to be covered within the context of the LNWFZ in Northeast Asia.¹⁰ In consequence, this report manifests the fact that the objectives of the LNWFZ-NEA are not well defined and members' interests are diverse and dispersed.

Objectives of a NWFZ in Northeast Asia

Whatever a format of the NWFZ in Northeast Asia will take as a first-step, it is important to build a consensus on what objectives are to be made in the first place. Unless the participants share a common understanding of the role and function of a NWFZ in this region, it will not be easy to realize a successful result from the ongoing efforts to institute nuclear weapon-free norms and principles in Northeast Asia. With the limitations of the current efforts to create a LNWFZ-NEA in mind, this paper will present three objectives that should be shared by member states of the LNWFZ-NEA.

These objectives are not mutually exclusive, but they are more or less interrelated. The three objectives are: 1) to enhance the transparency of participating countries' nuclear intentions and activities in the region; 2) to promote prosperity by allowing active cooperation in the peaceful uses of nuclear energy; and 3) to strengthen peace and security with a verifiable NWFZ supported by firm security assurances from nuclear weapon states to increase confidence in the peace building process in Korea. The first two objectives are characteristically important in the fact that Japan and South Korea are heavily dependent on nuclear energy, and that North Korea will be in a similar situation in its industrialization process in the coming years. The third objective also has the added benefit of guaranteeing a more stable peace and security

¹⁰ "Beijing Summary Report," Sixth Expanded Senior Panel on the Limited Nuclear Weapon Free Zone for Northeast Asia, September 16-20, 2000.

atmosphere in a region where both nuclear weapon states and non-nuclear weapon states co-exist. A NWFZ can be an effective option to achieve peace not only by preventing non-nuclear weapon states from possessing nuclear weapons but also by acquiring firm security assurances from nuclear weapon states.

Enhancing Transparency

Establishing a NWFZ in Northeast Asia should be a reliable and solid measure to demonstrate the anti-nuclear will of non-nuclear weapon states in the region, in particular, North and South Korea and Japan. In 1991, North and South Korea signed the Denuclearization Declaration, which has not yet been implemented. The declaration is moribund since neither party has paid any attention to it since the spring of 1993. The initiative to resolve North Korea's nuclear issue was transferred from the Declaration to the Geneva Agreed Framework. Suspicions have been raised intermittently regarding North Korea's hidden nuclear activities, and most importantly, North Korea is trying to bypass a package of agreements signed with South Korea in the early 1990s including the Declaration.

North Koreans are not happy with the agreements. The agreements include the Basic Agreement, the Denuclearization Declaration and numerous follow-up sub-agreements in political, military, nuclear, economic and social fields. For example, in the joint statement of the June 2000 summit, not a word was mentioned about any of the agreements. North Korean officials ignore them intentionally and only emphasize the joint statement. The only time North Korea refers to the Basic Agreement is when it asks the United States to make a bilateral peace treaty, arguing that it has already signed a non-aggression arrangement with the South - the Basic Agreement. There are two possible reasons for North Korea's reluctant attitude. First, the agreements were made when North Korea was in serious economic trouble in the early

1990s and as a result, it had to concede too much to South Korea. Second, the North desires to create a new inter-Korean framework since Kim Jong-Il has emerged as the new leader succeeding his father. Summit meetings and ongoing ministerial level talks are not now carried out within the framework of the Basic Agreement or the Declaration.¹¹

For South Korea, its confrontation with North Korea provides natural opportunities to draw external doubts about its nuclear activities. For example, as the U.S. Department of Energy observed, Seoul and Pyongyang have interacted “dangerously with painful energy vulnerabilities, storage problems and *political-military incentives to at least seriously consider nuclear weapons* [emphasis added].”¹²

In the case of Japan, despite three non-nuclear principles, Japan’s nuclear intentions and programs are also under international scrutiny. Four principal arguments provoking concerns are: 1) Japan’s non-nuclear principles lack full legality; 2) Japan stockpiles excessive plutonium, which is not justified in any sense; 3) Japan has the world’s second largest defense budget; and 4) conservatives are trying to amend the Constitution without a responsible acknowledgement of past behavior.

Any NWFZ in Northeast Asia, as a legally binding institutional mechanism, should be able to reduce real suspicions of the international community about the intentions of the countries in the region. Diminishing suspicions will lead to stronger international confidence that the countries’ nuclear policies are less dubious and more transparent. In consequence, non-nuclear weapon states are expected to get

11 This does not mean that North Koreans are deliberately trying to nullify the Declaration. Hopefully, a new arrangement may succeed the Declaration if necessary. In any case, the new arrangement will have to decidedly incorporate the core spirits of the Declaration: the nuclear weapon free Korean peninsula.

12 U.S. Department of Energy, “Policy forum: energy futures,” *The Washington Quarterly*, Autumn 1996, p. 94.

more affirmative international recognition of their peaceful nuclear programs within a NWFZ than without it.

An internal verification mechanism will play a crucial role in cross-checking each other’s programs. Permitting the parties to physically observe each other’s nuclear activities is an effective way to enhance mutual transparency. Having an additional layer of safeguards will surely increase the chance to detect and deter any violation thus, increasing mutual confidence among the three countries.

Promoting Prosperity

A NWFZ in Northeast Asia should be an important measure to promote prosperity in the region by creating a more favorable environment for sustainable development and peaceful use of nuclear energy. This is especially attractive from South Korea’s perspective. The international community will regard South Korea’s nuclear programs as more transparent if they are closely engaged with and checked under a NWFZ regime than if the South acts alone. Thus, a higher level of transparency and upgraded credibility based on a NWFZ would mean fewer causes for suspicion and fewer barriers to operation. With a NWFZ, many of the visible or invisible obstacles to Seoul’s nuclear R&D programs are expected to decrease and more active international cooperation is likely to take place.

With regard to rising concerns about Japan’s reprocessing and enrichment activities, it should be clear that the possession of technologies itself cannot and should not be an object of criticism. As Wolfgang Reinicke has put it, “Dual-use technologies are not ‘destabilizing’ in themselves—their military application is.”¹³ So if a country has a solid democratic process that can overrule any malicious wishes of minor mischievous groups and makes its nuclear policies and programs

13 Wolfgang Reinicke, *Global Public Policy: Governing without Government?* (Washington, D.C.: The Brookings Institution, 1998), p. 198.

transparent and understandable to the outside, that country should not be treated as a cause of worry. Of course, since intentions are not visible and technologies are readily available, a constant watch on the country is necessary. But neither criticism nor blame is appropriate without clear evidence.

One benefit of a NWFZ in Northeast Asia would be to foster favorable conditions for cooperation on peaceful uses of nuclear energy between Japan and South Korea. So far, Japan has been less than willing to engage in technological cooperation with South Korea, partly because it is suspicious about Seoul's nuclear intentions.¹⁴ A NWFZ in the region will provide Japan with a reliable tool to check South Korea's nuclear programs. It will effectively remove Japan's hesitation and pave the way for stronger nuclear cooperation between the two countries. Seoul and Tokyo could take a page from the excellent example of bilateral cooperation shown by Argentina and Brazil.¹⁵ The two countries could establish an ABACC-type institution for technical cooperation and safeguards at first and later invite North Korea to join the organization. In the process, the IAEA may join at an appropriate time. In the long run, this Seoul-Tokyo collaboration could lead to a Northeast-Asiatom as a parallel apparatus to a NWFZ in the region.¹⁶

14 It is observed in Japan that the Japanese plutonium program raises suspicions about its nuclear intentions and could encourage Korean leaders to develop nuclear weapons capability. See Hiromichi Umabayashi, "A Northeast Asia NWFZ: a realistic and attainable goal," *INESAP Information Bulletin*, No. 10, August 1996.

15 Paul Leventhal and Sharon Tanzer (eds.), *Averting a Latin American Nuclear Arms Race: New Prospects and Challenges for Argentine-Brazilian Nuclear Cooperation* (London: Macmillan Press, 1992).

16 Asiatom refers to the Asian Atomic Energy Community. For the reasons why Japan is interested in establishing Asiatom, see Hiroyoshi Kurihara, "Regional approaches to increase nuclear transparency," a paper presented at the 7th U.N. Regional Disarmament Meeting on Openness, Assurances of Security and Disarmament, Katmandu, Nepal, February 13-15, 1995.

Strengthening Peace and Security

As a member of a NWFZ in Northeast Asia, every non-nuclear weapon state has a right to be freed from the horrors of nuclear weapons. Thus, a NWFZ without proper support from nuclear weapon states is an insufficient tool to strengthen regional peace and security. One such measure to manifest the support of nuclear weapon states for a NWFZ is to reinforce existing security guarantees given to non-nuclear weapon states.

Nuclear weapon states currently provide two kinds of security assurances: positive and negative. Non-nuclear weapon states have asserted that these security assurances must be improved. Northeast Asia could be a model case for applying firmer security assurances, both positive and negative.

Positive Security Assurance

Just before the signing of the NPT, the United States, the former Soviet Union and Great Britain each declared to the U.N. Security Council "its intention, as a permanent member of the United Nations Security Council, to seek immediate Security Council action to provide assistance, in accordance with the Charter, to any non-nuclear weapon state party to the NPT that is a victim of an act of aggression or the object of a threat of aggression in which nuclear weapons are used."¹⁷

The Security Council adopted this positive security assurance as Resolution 255 on June 19, 1968, just before the signing of the NPT. A number of non-nuclear weapon states expressed the view that a positive security assurance is nothing more than what is already contained in the U.N. Charter. Furthermore, the statements made by the three nuclear powers amount to only their intentions and are subject to veto

17 Lewis Dunn, *Containing Nuclear Proliferation*, Adelphi Paper 263 (London: The International Institute for Strategic Studies, 1991), p. 43.

by the Security Council.¹⁸

Negative Security Assurance

Since the first NPT Review Conference in 1975, non-nuclear states, dissatisfied with inadequacy of the positive security assurance, have pressed for a specific negative security assurance that nuclear weapon states will not use or threaten to use nuclear weapons against them.¹⁹ Up to now, four of the permanent members of the Security Council, all except China, have made unilateral declarations to this effect with conditions, limitations and exceptions.

At the 1978 U.N. Special Session on Disarmament, the Soviet Union announced that it would never use nuclear weapons against states that “renounce the production and acquisition of such weapons and do not have them on their territories.”²⁰ However, in the 1990s, Russia backed away from its previous no-first-use promise. For example, the Russian Defense Ministry confirmed that a new Russian military doctrine adopted on November 2, 1993 abandoned the old Soviet pledge against the first use of nuclear weapons, which was made in 1982 by Leonid Brezhnev.²¹

The United States declared that it would not use nuclear weapons against any non-nuclear weapon state that is a party to the NPT or any comparable internationally binding agreement not to acquire nuclear explosive devices, except in the event of an attack on the United States, its territories or armed forces, or its allies by a non-nuclear weapon state “allied to” or “associated with” a nuclear weapon state in carrying

18 Aga Shahi, “Defense, disarmament, and collective security,” *Non-offensive Defense: A Global Perspective* (New York: U.N.IDIR, 1990), p. 184.

19 William Epstein, *The Prevention of Nuclear War: A United Nations Perspective* (Cambridge, Massachusetts: Gunn & Hain Publishers, 1984), p. 30.

20 U.N. Document A/S-10/PV.5.

21 Serge Schmemmann, “Russia drops pledge of no first use of atom arms,” *New York Times*, November 4, 1993, p. A8.

out or sustaining the attack.²² A similar statement was made by Great Britain.²³

The position of France was that it would give assurances of non-use of nuclear weapons, in accordance with arrangements to be negotiated, only to those states that have “constituted among themselves non-nuclear zones.”²⁴ The negotiations in the Conference on Disarmament and other arenas have made no progress toward removing the conditions contained in the four nuclear weapon states’ negative security assurances.²⁵

Only China has extended a non-use guarantee in unqualified terms. Since 1964, the Chinese government has solemnly declared that at no times and under no circumstances would China be the first to use nuclear weapons. It has also undertaken not to use or threaten to use nuclear weapons against non-nuclear weapon states or nuclear-free zones. China strongly calls for negotiations by all nuclear weapon states aimed at concluding an international convention on unconditional no first use of nuclear weapons, as well as non-use and non-threat of use of nuclear weapons against non-nuclear weapon states and nuclear-free zones, possibly in conjunction with the negotiation of the Comprehensive Test Ban Treaty (CTBT).²⁶

Nuclear Weapon States’ Provision of A Comprehensive Security Assurance

In spite of China’s firm commitment to a negative security assurance, the Chinese government has never issued a positive security

22 U.N. Document A/S-10/AC.1/30.

23 U.N. Document A/S-10/PV.26.

24 U.N. Document A/S-10/PV.27.

25 Aga Shahi, *op. cit.*

26 *The statement by the Government of the People’s Republic of China on the Question of Nuclear Testing*, 5 October, 1993.

assurance, nor has the French government taken any position on that issue. Now that the two nuclear weapon states have joined the NPT (China in March 1992 and France in August of that year), it is possible that they will strengthen their positive security assurances. In particular, China's commitment to a positive security assurance as a member of the NPT would be very helpful in convincing North Korea not to develop nuclear weapons as a deterrent against external nuclear threats. Furthermore, a formula needs to be devised to address the nuclear have-nots' concerns regarding the incompleteness of the negative security assurance.

China could probably persuade the other four nuclear weapon states to support a comprehensive security assurance in which they would make the following promises:

- Never to use or threaten to use nuclear weapons in a NWFZ under any circumstance;
- To take immediate Security Council actions to provide support and assistance to the parties of the NWFZ in case they are threatened or attacked with nuclear weapons by newly emerging nuclear weapon states.

Increasing Confidence for A New Peace Building Process in Korea

A NWFZ in Northeast Asia could also become an important confidence building measure (CBM) in the process of searching for a new peace mechanism on the Korean peninsula. Active political and diplomatic movements toward this goal in the region have been underway for the last few years. South Korean President Kim Dae-Jung unleashed Japan and the United States from a demand of "harmonization and parallel." The previous administration had linked the two countries' relations with North Korea to inter-Korean relations. Due to this de-linkage, active dialogue has been conducted, especially

between Pyongyang and Washington. Issues such as missile development and export, the return of the remains of American soldiers who died during the Korean War, and exchange of liaison offices are dealt with separately, and high-level political meetings have been held often. The U.S.-DPRK talks culminated with an exchange of visits between the two sides in late 2000, the first by Marshall Cho Myong-Rok of North Korea and later by Secretary of State Madeleine Albright. Tokyo also started resuming political talks with Pyongyang in December of 1999, the first since it abruptly stopped talks in November of 1992. The talks were interrupted by rumors that North Korea had kidnapped Japanese citizens.

A NWFZ in the region incorporating North Korea as a member country or merely the effort to create such a zone would be an important political confidence building measure. Such attempts undoubtedly would create an auspicious environment for strengthening and complementing the political dialogue between North and South Korea. On the other hand, a NWFZ in Northeast Asia could be a significant military confidence building measure as well. The NWFZ is a multilateral institution that checks nuclear intentions and activities of the two Koreas, thereby increasing mutual confidence in a sensitive security area. It would provide each country with greater confidence and less anxiety about the security policy of the other side.

A multilateral approach is effective on the Korean peninsula, as demonstrated by the Korea Energy Development Organization (KEDO). Overall, KEDO has been successful, despite occasional setbacks. A regional NWFZ could function as an umbrella under which North and South Korea could move closer to one another, as in KEDO. When disputes occur, other members of the NWFZ could play the role of a mediator.

The Road Ahead

To successfully conclude the ongoing efforts to create a LNWFZ-NEA, two actions need be taken in the future course of activities. The first is related to the lack of clear objectives. In any multilateral gathering, a country aims to further its own overall strategy and strategic goals. In the case of LNWFZ-NEA, the nuclear and deterrence strategies of China, Russia and the United States matter most. It is surprising that there has been very little discussion on the nuclear doctrines and deterrence strategies of the three nuclear weapon states in the gatherings of LNWFZ-NEA. It is only natural to observe the lack of common understanding on the necessity and objectives of the LNWFZ-NEA both at academic and policy levels.

Therefore, it is imperative to hold a forum with the purpose of discussing nuclear policies and deterrent strategies of the nuclear weapon states and of coordinating their policies. Without an agreement on a NWFZ at the national policy level, no efforts for creating the LNWFZ-NEA can be successful. For example, in order to have a comprehensive security assurance as proposed in this paper, nuclear weapon states have to adopt a no-first-use policy against non-nuclear weapon states as a primary nuclear policy measure. Only China has such a policy at the moment. It is necessary to check whether NWS are willing to modify their nuclear policies in an attempt to accept a LNWFZ-NEA and, if not, push them to move toward that direction.

Second, some measures are also necessary to demonstrate that a multilateral gathering such as the Expanded Panel is beneficial in itself for regional peace and stability. Without tangible evidence that multilateral gatherings are achieving some success, however modest, external support and interests would diminish in the future. One way to bring about positive evidence is to launch a practical and easy-to-implement project, symbolizing cooperative security in the region. For example, multilateral monitoring of seismic activities or regional moni-

toring of environmental pollution can be launched as small-scale technical projects.²⁷ That is, a simultaneous move in the LNWFZ track and in the cooperative project track should be the road ahead to be taken by the Expanded Panel of the LNWFZ-NEA.

A NWFZ in Northeast Asia is not an end in itself. It is merely a beginning and opens a new way to strengthen peace and prosperity in the region. Regional endeavors to establish a NWFZ are a useful part of cooperative security.

Cooperative security in the 21st century, as opposed to collective security of the Cold War era, envisions cooperative engagement as a strategic principle and emphasizes the importance of institutionalized consents.²⁸ At the practical level, cooperative security seeks to devise agreed-on measures to prevent war, and to do so by preventing the means for successful aggression from being assembled. Regional security cooperation, international arms control treaties and international measures to enhance transparency and to increase openness in nations' military postures and strategies are all means to achieve cooperative security. That is, cooperative security is a model of international relations in which disputes are expected to occur but within the limits of agreed upon norms and established procedures.

A NWFZ in Northeast Asia is an effective arrangement to carry out the following principal aims of cooperative security in this region: 1) to prevent large-scale military offensive capabilities; 2) to engage cooperatively with internationally accepted norms and rules; and 3) to foster regional security cooperation. Successful achievements of a NWFZ will

27 The Cooperative Monitoring Center at Albuquerque, New Mexico, which is a branch of the Sandia National Laboratories, has focused on launching small-scale technical projects among adversarial regional parties for the purpose of building mutual trust and maintaining stable peace. Its works are available at <http://www.cmc.sandia.gov>.

28 See Janne Nolan, "The concept of cooperative security," in Janne Nolan (ed.), *Global Engagement: Cooperation and Security in the 21st Century* (Washington, D.C.: The Brookings Institution, 1994), pp. 3-18.

and should be followed by extending membership and broadening coverage.

In the long run, it is hoped that a NWFZ in Northeast Asia would become a basis for a Pan-Pacific nuclear weapon free zone (PPNWFZ), encompassing East Asia, South Pacific and Latin America. In the future, the PPNWFZ could be turned into a Pan-Pacific Peace Zone (PPPZ), signaling the end of the long journey towards peace and stability in the Asia-Pacific region.