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THE KOREAN PEACE PROCESS: PROSPECTS FOR PEACE REGIME BUILDING AFTER THE SUMMIT*

Tae-Hwan Kwak

The Korean summit was, indeed, historic, the first-ever meeting in 55 years since the division of the Korean peninsula. It produced an inter-Korean joint declaration of June 15, 2000. This landmark declaration provides a framework for institutionalizing a peaceful coexistence between the two Koreas. Chairman Kim Jong-il's decision to accept the summit meeting symbolizes his strategic policy change toward the South. The Korean peace process continues to build mutual trust and understanding on which a peace regime on the Korean peninsula will be established.

This article has three specific goals: (1) to reevaluate President Kim's policy of engagement which contributed to the historic summit meeting; (2) to examine the significance of the joint declaration and the new Korean peace process after the summit; and (3) to analyze key issues between the two Koreas in the peace process.

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The author has proposed that the two-track approach, encompassing an inter-Korean track and an international track, to peace regime building is the best one. He maintains that the two Koreas need to work together to find alternatives a North Korea-U.S. peace treaty in order to establish a durable peace system on the Korean peninsula.

I. Introduction

The Korean summit between President Kim Dae-jung and Chairman Kim Jong-il was held in Pyongyang on June 13-15, 2000. It was, indeed, historic, this first-ever meeting in 55 years since the division of the Korean peninsula. The historic summit produced an inter-Korean joint declaration of June 15, 2000. This landmark declaration provides a framework for institutionalizing a peaceful coexistence between the two Koreas.

Chairman Kim Jong-il's decision to accept the summit meeting symbolizes his strategic policy change toward the South. The Korean peace process continues to build mutual trust and understanding on which a peace regime on the Korean peninsula will be established.

The objectives of this paper are: (1) to reevaluate President Kim's policy of engagement which contributed to the historic summit meeting; (2) to examine the significance of the June 15 joint declaration and the new Korean peace process after the summit; and (3) to analyze key issues between the two Koreas in the peace process.

Although more than half a century has already passed since the two Korean states were born on the Korean peninsula in 1948, the Korean peninsula is still divided into the Republic of Korea (ROK or South Korea) and the Democratic People's Republic of Korea (DPRK or North Korea). Inter-Korean relations are still characterized by mutual

distrust, animosity, a lack of mutual cooperation and conflicting ideologies.¹ The Cold War system on the Korean peninsula still continues and needs to be dismantled.

Three major arguments are presented in this paper: First, peace regime building on the Korean peninsula will be the first step toward the Korean integration process. The two-track approach, encompassing an inter-Korean track and an international track, to peace regime building is proposed. Second, the two Koreas need to continue to remove key obstacles to the reconciliation, cooperation and peace process. Third, the two Koreas need to work together to find alternatives to the principles of an inter-Korean peace agreement and a North Korea-U.S. peace treaty. Let us take a brief look at the current situation in North Korea under Chairman Kim Jong-il.

II. North Korea Under Kim Jong-il

North Korea is suffering from multiple crises.² Its economy was in serious trouble in the 1990s due to the inherent defects in its Stalinist-type planned economy, economic mismanagement and corruption. In September 1995, for the first time in its history, the DPRK appealed to the World Food Program (WFP), the food-aid agency of the UN, for emergency food aid. The agency has responded with a series of emergency shipments to North Korea. Along with WFP, the Red Cross, NGOs and many countries including South Korea and the U.S. have provided sizable amounts of food to North Korea.

1 For various aspects of inter-Korean relations, see Bae Ho Hahn and Chae-Jin Lee (eds.), *Patterns of Inter-Korean Relations* (Seoul: the Sejong Institute, 1999).

2 For recent developments in North Korea, see Dae-Sook Suh and Chae-Jin Lee (eds.), *North Korea After Kim Il Sung* (Boulder, CO: Lynne Rienner, 1998); Nicholas Eberstadt, *The End of North Korea* (Washington, D.C.: The AEI Press, 1999); and Helen-Louise Hunter, *Kim Il-song's North Korea* (Westport, Connecticut: Praeger, 1999).

The famine situation in North Korea reached a dangerous level. A recent study on the North's famine estimated that some 2.5 million North Koreans died of starvation and hunger-related illnesses from 1994 to 1998.³ It seems that without continuous aid from outside, the death toll will not decrease. North Korea needs 6.5 million tons of grain a year, but actual production is estimated to have been around 4 million tons annually in the 1990s. Thus, the North has run annual shortages of more than 2 million tons. In 1995-1998, food imports from all sources totaled some 1 million tons per year, which fell far short of what the North needed to feed its people. In addition, North Korea's economy recorded a minus growth rate for the last nine consecutive years. But in recent months, North Korea's economy has steadily improved.⁴

North Korea seems politically stable. Kim Jong-il does not have the charisma and authority that his father used to enjoy, and his rule is sustained by adherence to the *juche* ideology, force and terror. Kim's rule is sustainable along with North Koreans' perception of having hostile and aggressive external enemies.⁵ Kim Jong-il, General Secretary of the Korean Workers' Party, the Supreme Commander and Marshall of the Korean People's Army, and Chairman of the National Defense Commission (NDC), has firmly established himself as the North Korean supreme leader. Under the 1998 new constitution, the reorganized NDC is the nation's most powerful organ, and the chairman is the nation's supreme leader in the political, military and economic areas.

3 Andrew Natsios, "The Politics of Famine in North Korea," *United States Institute for Peace Special Report*, August 2, 1999, p. 8.

4 Doug Struck, "N.Korea Back From the Brink: Aid Helps End Mass Starvation," *The Washington Post*, September 5, 2000.

5 In a similar context, Robert Scalapino argues that the North Korean government has sent three messages to the people to ensure their support for the regime, i.e., fear of external threat, unity under leader-party-nation, and unremitting labor. Robert A. Scalapino, *The Last Leninists: The Uncertain Future of Asia's Communist States* (Washington, D.C.: The Center for Strategic and International Studies, 1992), p. 56.

Kim Jong-il's power is heavily dependent on the military's support. He has promoted loyal men in the armed forces and provided the highest material benefits to the military. Consequently, the military's status and influence in North Korea have greatly increased and the military's hard line position on North Korean policies is likely to undermine efforts to establish peace and unification on the Korean peninsula.⁶

Diplomatically, North Korea was isolated.⁷ Its traditional allies, the Soviet Union and China, normalized relations with South Korea in 1990 and 1992 respectively and now China remains its ally. It is not certain whether North Korea will be able to rely on China automatically providing military aid and intervention in the case of a war on the Korean peninsula. North Korea has yet to establish diplomatic relations with the U.S. and Japan. North Korea was insecure, but it keeps stubbornly its own logic for survival.⁸ However, North Korea has recently expanded its diplomatic activities from self-imposed isolationism to forward diplomacy for its survival.

A number of different scenarios for North Korea's future are conceivable. Robert Scalapino suggests four possible scenarios for the Asian Leninist states (North Korea, China, and Vietnam), i.e., "muddling through," "big bang," (explosive upheavals and disintegration), a rapid transition to political pluralism and an open society, and "authoritarian pluralism."⁹ He predicts that the Leninist states are most likely to take the road to authoritarian pluralism in the short term. Nicholas Eberstadt lists three options available to the North

6 Dae-Sook Suh, "North Korea: The Present and the Future," *The Korean Journal of Defense Analysis*, vol. 5, no. 1 (Summer 1993), p. 74.

7 For North Korea's foreign relations in recent years, see Samuel Kim (ed.), *North Korean Foreign Relations in the Post-Cold War Era* (New York: Oxford University Press, 1998).

8 For an analysis of North Korea as a rational, insecure state, see Denny Roy, "North Korea as an Alienated State," *Survival*, vol. 38, no. 4 (Winter 1996-97), pp. 22-36

9 Robert A. Scalapino, op. cit., pp. 84-86.

Korean regime, i.e., policy reform, “muddling through,” and collapse.¹⁰ According to his analysis, North Korea has neither the will nor the capability to carry out effective policy reform, has been “muddling through” since the revolutions of 1989 in Eastern Europe, and has been dealing with the possibility of its eventual collapse by using nuclear weapons as “a sort of insurance policy for the regime and its leadership.”¹¹

The North Korean regime will likely survive for decades.¹² The question is: How to manage the Korean peace process by controlling Pyongyang’s fall? In this connection, Seoul can pursue one of the two options: it can either seek a “crash-landing” of Pyongyang, or induce a “soft-landing.”

A crash-landing of Pyongyang or sudden collapse from within is not desirable for a number of reasons. Seoul does not have the economic capability enough to absorb North Korea. Considering Seoul’s economic setbacks in recent years and even under the South Korean economic recovery, Korean unification after the German model would be a heavy blow to Seoul’s economy and the Korean economy might lose its competitive edge for many years to come. The Korean people can-

10 Nicholas Eberstadt, “North Korea: Reform, Muddling Through, or Collapse?” in Henriksen, Thomas H. and Kyongsoo Lho (eds.) *One Korea? Challenges and Prospects for Reunification* (Stanford, CA: Hoover Institution Press, 1994), pp. 22-27.

11 *Ibid.*, p. 27.

12 Some analysts believe that North Korea is likely to survive for decades. Selig S. Harrison, for example, argues that North Korea is not likely to implode or explode in the foreseeable future, and “could well erode over a period of five to 10 years if the United States and its allies remain wedded to policies that exacerbate the economic problems facing the Kim Jong Il regime. Selig S. Harrison, “Promoting a Soft Landing in Korea,” *Foreign Policy*, no. 106 (Spring 1997), p. 60. Dae-Sook Suh, North Korea expert at the University of Hawaii, also shares Harrison’s view that North Korea is not likely to fall soon. Cf. Dae-Sook Suh, “North Korea: The Present and the Future,” p. 76. Hwang Jang-yop, the highest-ranking defector, also predicted that North Korea is not going to collapse within one or two years. “The North Korean Regime not to Fall Within 1-2 Years,” *Chosun Ilbo*, July 7, 1997.

not afford to lose their hard-earned economic prosperity for immediate national unification.

If North Korea’s economic situation deteriorates, its famine spreads and its international isolation deepens, Kim Jong-il may attempt to hold to power by causing a crisis on the Korean peninsula. Under these circumstances, tensions in Korea and Northeast Asia are going to run high. Seoul’s hard-line policy toward Pyongyang will strengthen the position of hard-liners within Pyongyang. In short, there will be a great danger of a war on the Korean peninsula. North Korea’s political instability, poverty and social unrest may lead to an implosion in North Korea. It is, therefore, in Seoul’s interest to help Pyongyang improve its economic situation and join the international community as a full-fledged member.

In contrast, a “soft-landing” in North Korea or gradual adoption of a market economy and liberal democracy is desirable and feasible. North Korea is currently trying to emulate Deng Xiaoping’s economic development model. North Korea is trying to implement limited economic reforms to cure its chronic economic illness.¹³ Economic reform and an open-door policy, no matter how limited they may be, will set in motion irrevocable changes inside the Stalinist regime. As the economic structure begins to change under the impact of new economic policies and contacts with the outside world, the existing political and social structure is bound to change. A short cut to the peaceful unification of Korea is through inter-Korean economic cooperation.

The question is how to induce a soft-landing in North Korea. The best way is to bring North Korea out of international isolation and to engage it economically. Pyongyang is likely to engage in meaningful dialogue with Seoul if it is fully accepted as an equal member of the international community and its economic situation improves. An iso-

13 Kim Jong-il seems to be pursuing a limited economic reform policy intent on creating an “export economy” by establishing the Rajin-Sonbong economic zone in the far northeast of the Korean peninsula.

lated and insecure North Korea will retrench, but a self-confident North Korea will reach out and seek dialogue with Seoul for its survival.

To induce a soft-landing in North Korea, the Kim Dae-jung government in February 1998 adopted a new policy toward North Korea. Let us now turn to Seoul's new policy toward Pyongyang to search for a peace regime on the Korean peninsula.

III. Inter-Korean Perspective on Peace Regime Building: ROK's Engagement Policy Toward North Korea

With the inauguration of President Kim Dae-jung in February 1998, the South Korean government adopted a new policy toward North Korea known as the "Sunshine Policy."¹⁴ The basic objective of this new policy is to improve inter-Korean relations by promoting reconciliation, cooperation and peace. At the present stage, it can be pointed out that it is more important to establish peaceful coexistence between the two Koreas than to push for immediate unification. Two specific goals were: (1) peaceful management of the national division. The new government wants to reduce tensions and conduct arms control, thereby deterring another war on the Korean peninsula; and (2) promotion of a favorable environment for North Korea to change and open itself without fear.¹⁵ To induce North Korea's soft-landing, the South wants

14 For the further details, see the Inaugural Address by President Kim Dae-jung of the Republic of Korea, entitled, "The Government of the People: Reconciliation and a New Leap Forward, Seoul, February 25, 1998, in *Korea and World Affairs*, vol. XXII, no. 1 (Spring 1998), pp. 93-99. *Kookmin ui Jongbu Daebuk Jongchaek* (North Korea Policy of the Government of the People). (Seoul, Korea: Ministry of Unification, 1998). Text in Korean.

15 For details, see Pak Jonghwa, et al., *The Kim Dae-Jung Government, The Sunshine Policy* (Seoul, Korea: Millennium Books, 1999), pp. 89-117; For an official policy, see *Policy Toward North Korea for Peace, Reconciliation and Cooperation* (Seoul, Korea: Ministry of Unification, ROK, 1999)

to encourage the North to open itself and transform its economy by adopting a market-oriented economy.

President Kim's North Korea policy aims to engage the North in more exchanges and cooperation with the South, and encourage the North toward further opening and change. This policy is based on three principles: First, no armed provocation by North Korea will be tolerated. The ROK will maintain a strong security posture against North Korea to deter war and will make it clear that it will respond to any provocation. At the same time, South Korea will continue efforts to reduce tensions and build mutual confidence, thus creating a favorable environment conducive to a durable peace on the Korean peninsula.

Second, a takeover or absorption of North Korea will not be attempted. The ROK government has neither desire to harm North Korea nor to absorb it unilaterally. Rather than promoting the collapse of North Korea, South Korea intends to work toward a peaceful coexistence with the North, thus creating an atmosphere favorable to the formation of a South-North national community. Such a community will gradually lead to peaceful unification.

Third, reconciliation and cooperation will be expanded. The South Korean government will do its best to promote reconciliation and cooperation with the North in order to resolve the hostility between the two Koreas accumulated since the division of the peninsula. The South wants to implement the 1991 Agreement on Reconciliation, Non-aggression and Exchanges and Cooperation between the South and the North, often referred to as the Basic Agreement.

Under these three principles, the Seoul government has adopted six guidelines for implementing the ROK's new North Korea policy: (1) Strong national security and inter-Korean cooperation will be promoted in parallel; (2) The promotion of peaceful coexistence and inter-Korean cooperation will be a top priority; (3) An environment conducive to opening and system transformation in North Korea needs to be created; (4) Common interests need to be promoted; (5) The princi-

ple of self-determination and winning support from the international community should be adhered to; and (6) The implementation of a North Korea policy needs to be based on national consensus.

President Kim's government put forward six directions for implementing a new policy principles and guidelines. These are: (1) Reactivation of the 1991 Basic Agreement through inter-Korean dialogue; (2) Separation of business from politics; (3) Reunions of separated families; (4) Flexibility in providing food aid to North Korea; (5) Continued commitment to the light-water reactor project; (6) Creation of a peaceful environment on the Korean peninsula.

The Kim Dae-jung government has consistently implemented its engagement policy towards North Korea for the last two and a half years. As a result, this policy has become successful. First, the engagement policy has prevented a war on the Korean peninsula, and has contributed to an international environment in which the Cold War system on the Korean peninsula could be dismantled. Further, it has also contributed to the stable management of problems relating to North Korea's nuclear freeze and long-range missile testing.¹⁶

Second, the engagement policy has contributed to tension-reduction on the Korean peninsula and a favorable environment for improving inter-Korean relations. Thus, inter-Korean economic cooperation and exchanges on a non-governmental level have been substantially expanded. From Kim's inauguration in February 1998 to May 2000, over 10,000 South Koreans (Mt. Kumgang tourists excluded) have visited North Korea. The Mt. Kumgang sightseeing project constitutes a milestone in the history of inter-Korean cooperation since the division of the Korean peninsula. More than 240,000 tourists (including 356 foreigners) visited Mt. Kumgang between November 18, 1998, when the

first cruise ship bound for Mt. Kumgang left, and the end of May 2000. Inter-Korean trade began in 1989 with a meager turnover of approximately US\$18 million, and in 1999 inter-Korean trade volume reached US\$330 million.¹⁷

Third, the ROK government policy encouraged inter-Korean sports games, exchanges of separated family members, and cultural exchanges between Seoul and Pyongyang. The sports and cultural exchanges have been active in recent years, contributing to the mutual understanding of South and North Koreans.

The ROK's consistent policy of engagement toward the North contributed to Chairman Kim Jong-il's decision to agree to the landmark inter-Korean summit meeting.

The Significance of the Inter-Korean Summit Talks

President Kim Dae-jung and Chairman Kim Jong-il held historic summit meetings in Pyongyang on June 13-15, 2000.¹⁸ The Korean summit was the first since the division of the country in 55 years, and was significant in promoting mutual understanding and trust. The historic meeting produced a South-North Joint Declaration of June 15, 2000, which included the following:

1. The South and the North agreed to resolve the question of reunification independently and through the joint efforts of the Korean people.
2. Both sides recognized that there is a common element in the South's proposal for a confederation and the North's proposal for a low level of federation as the formulae for achieving reunification, and the South and the North agreed to promote reunification in that direction.

16 For North Korea's nuclear issues, see Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton: Princeton University Press, 1998); Young Whan Kihl and Peter Hayes, (eds.), *Peace and Security in Northeast Asia: The Nuclear Crisis and the Korean Peninsula* (Armonk, NY: M.E. Sharpe, 1997).

17 <http://www.kois.go.kr/government/president/2000/s-n/focus/rel.html>.

18 For South Korean government's official account of the summit, see *Together As One, The Inter-Korean Summit Talks: Opening a New Era in the History of Korea* (Seoul, Korea: Ministry of Unification, ROK, July 2000).

3. The South and the North agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and the question of unswerving Communists who have been given long prison sentences in the South.
4. The South and the North agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in the civic, cultural, sports, public health, environmental and all other fields.
5. The South and the North agreed to hold a dialogue between relevant authorities in the near future to implement the above agreement expeditiously.

President Kim Dae-jung cordially invited Chairman Kim Jong-il to visit Seoul, and Chairman Kim will visit Seoul in the spring of 2001.

This five-point declaration resulted from a historic decision by President Kim Dae-jung and Chairman Kim Jong-il. Both leaders had frank heart-to-heart talks for over eleven hours to build mutual trust. Both understood each other's positions and policies. Let us take a look at the significance of the summit and the June 15 Joint Declaration. First, this was the first agreement signed by the leaders of the two Koreas in 55 years since the division of the Korean peninsula. Second, the Declaration confirmed the independence principle of solving the Korean issue by Koreans themselves. Establishment of peace on the Korean Peninsula, inter-Korean cooperation and national unification are issues that the South and the North should play principal roles in resolving through dialogue and negotiation.

Third, South and North Korea agreed that they would first lay a foundation for unification through peaceful coexistence, reconciliation and cooperation, and work out the common ground of their unification formulae through talks.

Fourth, Inter-Korean cooperation is needed to realize the reunion of separated families. Both leaders agreed that reuniting separated family

members is a humanitarian issue that must be resolved as a top priority. The South and North agreed that the issue should be worked out gradually. The process should be step-by-step, and not be a one-time deal. Rather it must be institutionalized so that ultimately, all separated family members will be reunited. As the first step, the two sides agreed to allow separated family members to meet one another on the occasion of the 55th anniversary of the National Liberation.

Fifth, promotion of inter-Korean economic cooperation is beneficial to both sides. Initial cooperative projects include the reconnection of the Seoul-Shinuiju railroad line and the anti-flood project on the Imjingang River. Both sides will discuss inter-Korean agreements on financial settlement, investment guarantees, avoidance of double taxation, and arbitration of disputes.

Sixth, there is an agreement on the return visit to Seoul by Chairman Kim Jong-il. The exchange of visits by the two leaders of the South and North will greatly improve bilateral relations, build mutual trust, and serve as an occasion to guarantee implementation of various inter-Korean agreements. The exact date for Chairman Kim's visit to Seoul will be determined in upcoming meetings. Seventh, the Declaration contributes to the stability of Northeast Asia and world peace. The two leaders has confirmed that they have no intention of invading the other side and they will refrain from any acts threatening the other side. President Kim urged Chairman Kim to settle pending international disputes with the parties concerned, including the North's missiles issue, at an early date so that Pyongyang's relations with neighboring countries would be improved. According to President Kim, Chairman Kim has said, "it is desirable that the American troops continue to stay on the Korean peninsula and that he sent a high-level envoy to the United States to deliver this position to the American side."¹⁹

19 Doug Struck, "South Korean Says North Wants U.S. Troops to Stay: Summit Declaration Called 'a Great Relief'," *The Washington Post*, August 30, 2000.

In short, this landmark declaration provides a framework for building a peace regime on the Korean peninsula.

IV. Developments in Inter-Korean Relations After the Summit

Follow-up measures will be discussed, including the South and North Red Cross talks and agreements, the first and the second ministerial talks. Let us take a look at developments in inter-Korean relations after the June summit meeting.

1. The South and North Red Cross Talks and Agreements

The South and North Korean Red Cross met on June 27-30, 2000 at Mt. Kumgang Hotel, to negotiate the details of the agreement reached in the Joint Declaration to resolve humanitarian issues. The two sides agreed to exchange visits by separated families, set up and operate a permanent meeting place and repatriate unconverted long-term prisoners to North Korea.

The major agreements included: (1) Exchange visits of two 100-member groups of South and North Korean families in Seoul and Pyongyang on August 15-18, meeting with their families and relatives; and (2) the repatriation of all of the unconverted long-term prisoners who wish to return to the North in early September. These agreements were successfully carried out as scheduled.

The agreement is the first of the concrete projects produced after the South-North Joint Declaration. The agreement is a first step toward routine exchanges of South-North separated families, and a beginning of a standing mechanism to resolve various issues of separated families. By laying the ground for the separated families to confirm the whereabouts of their separated kin, exchange correspondence, and by setting up a permanent meeting place where they can meet regularly,

the agreement can resolve pains of the separated families. The agreement is significant in the sense that it was the first in 15 years since the two Koreas exchanged 50 separated families in 1985.

The agreement to repatriate unconverted long-term prisoners can also be construed in a positive manner to mean that separated families will eventually be able to live together in the region of their choice. On the repatriation of the South Korean prisoners of war, or those believed to be kidnapped by the North and currently residing in the North, the South Korean government will continue to work with the North to return them to the South.

2. The First Inter-Korean Ministerial Talks in Seoul

The first South-North Ministerial Level Talks were held in Seoul on July 29-31, 2000 to implement the June 15 joint declaration.²⁰ The South and the North agreed to: (1) on August 15, 2000, reopen the South-North liaison offices at Panmunjom, which had been suspended since November 1996; (2) cooperate and take appropriate measures to ensure that members of Chongryun (the General Association of Korean Residents in Japan) can form tour groups to visit their hometowns; (3) reconstruct the Seoul-Shinuiju Railway and discuss the issues relating to the construction at an early date; and (4) hold the second South-North ministerial talks on August 29-31 in Pyongyang.

The first inter-Korean ministerial level talks present several significant meanings. First, the talks reaffirmed the commitment of the two Koreas to implement the June 15th Joint Declaration to the 70 million Koreans and the world. In addition, through the ministerial talks, the two sides provided basic principles and approaches to implementing the declaration through negotiation and sincere dialogues between the

²⁰ For details, see *The 1st South-North Ministerial Talks, 2000.7.31* (Seoul, Korea: Ministry of Unification, ROK, 2000).

two Koreas.

Second, reopening of the South-North liaison offices at Panmunjom indicates North Korea's policy change and its willingness to work together to resolve the Korean issue by the South and the North.

Third, by agreeing to let the pro-Pyongyang residents visit their hometowns in the South, the two sides were able to expand the scope of the separated families issue to extend to Koreans living abroad. Fourth, reconstruction of the Kyongui Railway marks the beginning of building an inter-Korean economic community. Fifth, the second inter-Korean ministerial talks were scheduled in late August, and both sides are expected to meet on the regular basis to implement the Joint Declaration.

3. The Second Inter-Korean Ministerial Talks in Pyongyang

Unification Minister Park Jae-kyu and the North's chief delegate, Jon Kum-jin, met on August 29-September 1 in Pyongyang, to discuss the follow-up measures after the first inter-Korean ministerial talks in Seoul, and made a 7-point statement as a result of the second inter-Korean ministerial talks. Chairman Kim Jong-il met with Minister Park Jae-kyu on September 1 and affirmed his efforts to implement the Joint Declaration. Kim and Park discussed issues of mutual concern in depth. Both sides agreed to continue to hold inter-Korean meetings to build trust and reduce tension on the Korean peninsula. Both sides didn't reach agreement on the issues such as the establishment of a military hotline and a meeting of defense ministers between the two Koreas. Although they failed to set a date, they on September 1 in Pyongyang agreed to hold inter-Korean military talks in the near future. The planned inter-Korean military talks would further improve relations and achieve peace on the Korean Peninsula. The two sides also agreed to hold a working-level meeting in September that will focus on making institutional arrangements for economic cooperation

such as an investment guarantee, the restoration of the Seoul-Sinuiju railroad line and the construction of a highway linking Munsan with Kaeseong in the North. Seoul and Pyongyang also agreed on exchange visits of separated families on two occasions in the latter part of this year. In the middle of September a group of 100 South Koreans is scheduled to visit Mt. Bakdu in the North, and a similar group of 100 North Koreans will climb Mt. Halla in the South. The two sides also agreed to hold a third inter-Korean ministerial meeting on September 27-30 on the Cheju Island.²¹

The second inter-Korean ministerial talks demonstrated once again that North Korea's foremost concern is economic cooperation. The North readily accepted the South's proposal to hold working-level talks on the legal framework for economic cooperation, including an agreement on investment guarantees. Pyongyang also drew a pledge by Seoul to provide food aid in the form of loans to North Korea. Furthermore, Chairman Kim Jong-il proposed to send an economic team to South Korea to study Seoul's economic development when he met Minister Park on September 1. These show the North's top priority is inter-Korean economic cooperation, rather than military and political issues. The agreement on the South's "loan" of rice to the North at the second inter-Korean ministerial talks is also noteworthy. It was the first time that the North formally asked for Southern rice aid.

Since 1995, the South Korean government and civic groups have sent food, fertilizer and other relief goods worth \$459 million to the North in grant-type aid. It has not yet been determined how the North will repay the loan. The decision to loan rice to the North is expected to weaken some criticism from conservatives in the South that the Seoul government has given up the principle of reciprocity in dealing with the North.²²

²¹ For details, see *Dong-A Ilbo*, September 2, 2000.

²² Shin Yong-bae, "N.K. emphasis on economic ties confirmed in talks with South," *The Korea Herald*, September 4, 2000

Korean Workers' Party Secretary Kim Yong-sun, a special envoy of Chairman Kim Jong-il, visited Seoul on September 11-14, 2000, to discuss pending issues, including Chairman Kim's visit to Seoul, reunion of separated families, inter-Korean defense ministers' meeting and inter-Korean economic cooperation, with Mr. Lim Dong-won, a special aide to President Kim. KWP Secretary Kim's four-day stay in Seoul provided better opportunities for strengthening inter-Korean ties. The two Koreas issued a seven-point joint press statement outlining the agreement they reached during his stay.²³ The agreement said that Chairman Kim will visit Seoul in the near future and that Mr. Kim Yong-nam, ceremonial head of the state, will also visit Seoul this year.

South and North Korea agreed to open inter-Korean economic talks on Sept. 25 to create institutional frameworks for bilateral economic cooperation, such as agreements on protection of investment and avoidance of double taxation. The two Koreas also agreed to organize a 15-member North Korean economic delegation's trip to Seoul in September.

With regard to military dialogue, the two Koreas agreed to a meeting between defense ministers on the Cheju Island on September 25-26, 2000. The inter-Korean defense ministers' meeting will discuss confidence-building measures, including the installation of a hotline and information sharing of each other's military exercises and troop movements. The Red Cross societies of the two Koreas are scheduled to resume talks on September 20 at Mt. Kumgang to discuss issues related to separated families, including the plan for two more exchange visits of separated families and the proposal to establish a permanent reunion place.

What should be done for the Seoul government to further improve inter-Korean relations in the coming months? The ROK government

will continue to pursue a consistent policy of engagement with North Korea. The inter-Korean ministerial talks will discuss a visit to Seoul by Chairman Kim Jong-il. And to prevent any unexpected military incidents, the ROK government will call for the establishment of a direct military hot line between the two Koreas.

In the area of inter-Korean economic cooperation, the ROK government will push forward the projects that benefit both sides. The South needs to prepare an institutional and legal framework for settling accounts and guaranteeing investments, and then propose these to the North.

With regard to inter-Korean cooperation in the cultural, arts and athletic areas, related private organizations will take the initiative in promoting inter-Korean cooperation in collaboration with the ROK government. In sports, the ROK government successfully realized simultaneous entry of South and North Korea under the same flag inscribed with a blue picture of the Korean peninsula in the opening ceremony of the 2000 Sydney Olympic Games. Seoul also wishes to organize a single team in the 2001 World Table Tennis Championship; will urge the North to take part in the 2002 Asian Games; will try to hold part of the 2002 World Cup soccer finals in the North and form a unified team; and will push the revival of the traditional Seoul-Pyongyang soccer match.

While strengthening the coordination of policies with the United States and Japan, South Korea will support the participation of North Korea in the international community. The South will continue to pursue its North Korea policy in conjunction with the Perry process proposed in 1999 by former U.S. Defense Secretary William Perry.

The ROK government has received international support for the inter-Korean summit and the principle of resolving the Korean issue by Koreans peacefully, as the G-8 Summit, the ASEAN Regional Forum (ARF) in July 2000 supported it. The United Nations Millennium Summit in early September 2000 in a statement issued by the co-chairs of

23 For details, see Chon Shi-yong, "Two Koreas to begin dialog on promoting trade, investment," *The Korea Herald*, September 15, 2000; Dong-A Ilbo, September 15, 2000.

the UN Summit²⁴ also supported the historic inter-Korean summit and the joint inter-Korean declaration. Such an effort will be also made at the Asia-Europe Meeting (ASEM) in October in Seoul.

If the peace process on the Korean peninsula continues in the future, there will be opportunities to implement Article 5 of the Basic Agreement (effective February 19, 1992), which is an important provision for establishing a durable peace system in Korea.²⁵

There are a few formulas for establishing a durable peace on the Korean peninsula. Among them, the four-party peace talks as an approach to peace are probably the best in order to establish a peace regime on the Korean peninsula from an international perspective. Let us now turn to the four-party Korean peace talks.

V. International Perspective on Peace Regime Building: The Four-Party Peace Talks

On April 16, 1996, the ROK and US governments jointly proposed a four-party peace conference to discuss the issue of building a new peace regime on the Korean peninsula.²⁶ The proposal called for a joint meeting of the four parties concerned—the two Koreas, China and the United States—as soon as possible and without preconditions.” “The

24 Chon Shi-yong, “Kim asks global leaders to back peace bid: Millennium Summit co-chairs issue statement supporting Joint Declaration,” *The Korea Herald*, September 8, 2000.

25 Tae-Hwan Kwak, “Basic Issues in the Peace Process on the Korean Peninsula,” Chapter 10, in Tae-Hwan Kwak and Edward A. Olsen (eds.), *The Major Powers of Northeast Asia: Seeking Peace and Security* (Boulder, Colorado: Lynne Rienner Publishers, Inc., 1996), pp. 217-220.

26 For details, see Tae-Hwan Kwak, “The Four-Party Peace Treaty: A Creative formula for Building a Peace Regime on the Korean Peninsula,” *The Korean Journal of Defense Analysis*, Vol. IX, No. 2 (Winter 1997), pp. 117-135; Tae-Hwan Kwak/Seung-Ho Joo, “The Four-Party Peace Talks: Inter-Korean Bilateral Agenda,” *Pacific Focus*, Vol. XII, No. 1 (Spring 1997), pp. 5-24.

purpose would be to initiate a process aimed at achieving a permanent peace agreement,” and “this process also should address a wide range of tension reduction measures,” according to the Korea-US joint announcement.

After sixteen months of protracted negotiations, the first round of preliminary peace talks was convened on August 5-7, 1997 in New York to decide on the date, venue, and agenda for substantive negotiations at the four-party peace talks. The US, China, and the two Koreas agreed to hold the four-party peace talks in Geneva and also agreed on the format for the peace talks, which envisages a general conference and sub-committee meetings on separate agenda items. As expected, the issue of determining the agenda items proved most difficult and the meeting was adjourned without agreeing on the agenda.

North Korea put forward the withdrawal of US forces from South Korea as an agenda item, and also proposed to discuss the issue of concluding a peace treaty between North Korea and the United States. On the other hand, South Korea proposed to discuss peace regime building and confidence-building measures between the two Koreas. The US wants a “general” agenda that focuses on stability, security and confidence-building measures. China proposed to discuss improvement of bilateral relations among the four parties along with confidence-building measures. Meanwhile, North Korean chief delegate Kim Gye-gwan noted that the withdrawal of 37,000 US forces stationed in the South is a “key issue” and that the establishment of a peace system on the Korean peninsula is possible only through the withdrawal of US forces and the signing of a peace treaty between the US and North Korea.

A second round of the four-party preparatory meeting was held in New York City on September 18-19, 1997. This meeting failed to produce an agreement on agenda items to be discussed at the four-party plenary session. At the second round, North Korea refused to soften its demands that the agenda for the four party peace talks include the

withdrawal of US troops from South Korea and a US-North Korea peace treaty. North Korea's firm position was viewed as its reluctance to hold the four-party peace talks with the Kim Young Sam government.

At the informal meeting, North Korea repeated its demand for a guarantee of massive food aid before the convening of the four-party Korean peace talks in Geneva. South Korea and the United States again rejected North Korea's demand, maintaining that food aid to North Korea should not be a precondition for holding the four-party peace talks.

On the other hand, South Korea and Washington proposed at the first round on August 5, 1997 that the four-party plenary session deal with two topics: peace regime building on the Korean peninsula and steps to reduce tension and building confidence between the two Koreas. South Korea, in fact, had slightly revised its position at the second round meeting by proposing a single, comprehensive agenda, i.e., peace regime building on the Korean peninsula and issues concerning tension-reduction.

The second round in September again stalled over the issue of US troops and food aid to North Korea. The North's demands for the agenda of the four-party Korean peace talks—the issue of US troop withdrawal and a Washington-Pyongyang peace treaty—are not acceptable to the United States and South Korea. However, the food aid issue could be negotiable. It appeared that North Korea would not participate in formal negotiations in the near future without a guarantee of massive food aid. At this point, South Korea could not take any further steps to realize the four-party peace talks unless North Korea showed willingness to compromise.

After the second round of the preliminary peace talks broke down, as North Korean chief delegate Vice Foreign Minister Kim Gye-gwan told reporters that “The only thing we require here is all the patience and time to settle these issues,” Pyongyang needed more time. Thus, it

may be in the best interest of Seoul and Washington to wait until Pyongyang changes its attitude.

At the third round of the preliminary talks on November 21, North Korea agreed to participate in the plenary session of the four-party peace talks on December 9, 1997 in Geneva. The four parties agreed to an agenda—“the establishment of a peace regime on the Korean peninsula and issues concerning tension reduction there.” The agenda is deliberately broad and simple enough to assure that all parties are free to raise any issue at the plenary meeting.

Why did North Korea agree to hold the plenary session? There are three plausible explanations: (1) the US government assured that it would provide more food aid to North Korea; (2) China may have persuaded the North Korean leadership to join the plenary session in Geneva; and (3) North Korea may have thought that the issue of US troop withdrawal could be added on the agenda at the Geneva meeting.

The first plenary session was finally held on December 9-10, 1997 in Geneva to discuss the establishment of a peace mechanism on the Korean peninsula. Little progress was made at the meeting because North Korea repeated two of its long-lasting demands: US troop withdrawal and the conclusion of a peace treaty with the US, excluding South Korea. The four parties failed to agree on a specific agenda and the formation of sub-committees. They, however, did agree to the date of the second plenary session on March 16, 1998 and an ad hoc sub-committee meeting in mid-February in Beijing to prepare for the March meeting in Geneva and to come up with recommendations for the parties.

The second plenary session was held on March 16-21, 1998 in Geneva. The South proposed that Seoul and Pyongyang set up joint committees to implement the bilateral Basic Agreement signed in 1991. Pyongyang rejected the proposal. The four-party peace talks were delayed by more than five hours because of a dispute over who would sit where in the meeting room at the first day of the session. The four parties failed to agree on how to organize subcommittees to deal with

the agenda of the peace talks aimed to come up with a peace regime on the Korean peninsula. The second session of the four-party peace talks adjourned on March 21 without making any tangible progress, even failing to set the date for a next session.

The third plenary session of the four-party talks was held in Geneva from October 21 to 24, 1998. The four parties agreed to establish two subcommittees to discuss respectively the establishment of a peace regime on the Korean Peninsula and tension-reduction there. The four party delegations adopted a Memorandum on the Establishment and Operation of the Subcommittees to spell out the proper procedures the subcommittees should follow. Much procedural work was completed, while the substantive matters became items to be discussed at the fourth and future plenary sessions. They agreed to the date of the fourth plenary meeting in Geneva in January 1999.

The fourth plenary session of the four-party talks was held in Geneva from January 18 to January 22, 1999. The two subcommittees on the establishment of a peace regime on the Korean Peninsula and tension-reduction there—held meetings over two days during the fourth plenary on January 20-21. The two subcommittees agreed on procedures for their operation, exchanged substantive views, and reported to the plenary on January 22 on their activities. The establishment of procedures by the two subcommittees is expected to expedite progress on substantive issues in future sessions of the Four Party Talks. The four parties can now begin to discuss substantive talks designed to take concrete steps towards establishing a new peace regime in place of the armistice, and reducing tension on the Korean Peninsula. They also agreed that the fifth plenary session would be held in Geneva in mid-April 1999.

The fifth plenary session of the four-party peace talks was held in Geneva from April 24 to April 27, 1999. The two subcommittees held meetings over two days, on April 25-26. North Korea repeatedly insisted that the U.S. troop withdrawal and a peace treaty between the U.S.

and North Korea be agenda items to be discussed at the plenary session of the four-party talks. On the other hand, South Korea proposed confidence building measures, including establishing a hotline between the two Koreas' military authorities and mutual exchange of observers during military exercises. South Korea maintained that the four-party talks should first discuss issues easy to resolve.

In the subcommittees, detailed substantive views were exchanged and the subcommittees reported to the plenary on their activities, noting in their reports that serious differences in positions exist. The four parties failed to set agenda items, but agreed to continue to discuss substantive issues, and proposals for agenda items, at the next session.

The sixth plenary session of the four-party talks was held in Geneva in August 5-9, 1999. The four parties again failed to set agenda items because of North Korea's repeated demands for U.S. troop withdrawal and a US-North Korea peace treaty.²⁷

As discussed above, the four parties have had six plenary sessions where North Korea repeatedly maintains that the four party peace talks should deal with the two issues of U.S. troop withdrawal and the conclusion of a peace treaty between the U.S. and North Korea. The four parties have yet to set agenda items to be discussed at the four-party talks. While South Korea has kept its stand that it is desirable to start with those issues that are easily resolved, North Korea has tenaciously maintained its position that the withdrawal of U.S. troops and a Washington-Pyongyang peace treaty should be resolved more than anything else. Consequently they have made little tangible progress in the talks. All the four parties have achieved as of today is to organize two subcommittees: a peace regime building committee and tension

27 For the role of U.S. forces in Korea in building a peace regime from a South Korean perspective, see Cho Seong-ryoul, "A Peace Settlement on the Korean Peninsula and U.S. forces in Korea," *Vantage Point*, Vol.23, No.8 (August 2000), pp. 40-50; Kim Sung-han, "Inter-Korean Summit & Its Regional Implications," *IFANS Review*, Vol.8, No.1 (June 2000), pp. 13-25.

reduction committee.

As President Kim Dae-jung on August 24, 2000 said, "Through the four-party talks, attended by the two Koreas, the United States and China, there should emerge a complete consensus on establishing the permanent peace system on the Korean peninsula,"²⁸ a peace regime on the Korean peninsula must be established at the four-party talks. President Kim said in a dinner speech before 700 American leaders in New York on September 8, 2000, "As principal parties, the two Koreas should sign the peace treaty, which the United States and China will support and endorse."²⁹ It is significant that President Kim wants to reactivate the deadlocked four party Korean peace talks in the new era of inter-Korean reconciliation and cooperation.

United Nations Secretary-General Kofi Annan called for an "international support structure" to bolster the current Korean peace process, which has been on track since the historic June inter-Korean summit. Although Mr. Annan didn't specify what an international support structure should be like, some experts said that it might mean a structure to guarantee peace and stability on the Korean peninsula jointly by the UN and/or the four major powers. With regard to the type of international support structure, Annan said it should depend on ensuing developments on the Korean peninsula. UN Secretary-General Annan himself pledged his full support to the current efforts by the two Koreas to end the animosity that lasted half a century.³⁰ At the Millennium Summit, Mr. Annan met President Kim Dae-jung, and did not meet Kim Yong-nam, ceremonial head of state as chairman of the Presidium of the Supreme People's Assembly, who cancelled his trip to the UN Millennium Summit because of an unfortunate security search

incident at Frankfurt Airport in Germany.³¹

The two Koreas should play central roles in transforming the armistice agreement into a peace regime on the Korean peninsula at the four-party peace talks. Since the 1953 Korean armistice agreement is a multilateral treaty, a peace treaty to replace the armistice agreement in the future should also be a multilateral one. As an alternative to the two plus two formula, the four parties could sign an international agreement, which might be called, "Joint Declaration on a Comprehensive Peace on the Korean Peninsula." This joint peace declaration is in effect equivalent to a four-party peace treaty and a system of collective security, whereby a unification-oriented peace regime on the Korean peninsula will be established. The four parties will collectively guarantee this agreement. In addition, the UN Security Council could pass a resolution to guarantee a Korean peace agreement.

VI. Concluding Remarks

As discussed in this paper, North Korea is economically a failed state. In a desperate attempt for survival, North Korea is now slowly to outside world. President Kim's Sunshine Policy toward North Korea will not attempt to absorb the North, but help the North survive with its own system. At present, the survival of North Korea is in the best interests of both South and North Korea. Now is the opportune time for South and North Korea to sincerely cooperate with each other for building a peace regime on the Korean peninsula.

The missile agreement between the U.S. and North Korea in September 1999 and the comprehensive approach to North Korea as con-

28 Lee Chang-sup, "Kim Proposes Inter-Korean Peace Accord," *The Korea Times*, August 25, 2000

29 For details of President Kim's dinner speech, see *The Korea Times*, September 10, 2000

30 Son Key-young, "UN Chief Annan Calls for 'Int'l Support Structure' on Korean Peace Process," *The Korea Times*, September 3, 2000

31 For details, see Colum Lynch and Don Phillips, "Angry Over Airline Search, N. Korea Skips U.N. Summit," *The Washington Post*, September 6, 2000; "NK Blasts US Over Search Incident," *The Korea Times*, September 7, 2000; Chon Shi-yong, "UN going ahead with Korea statement," *The Korea Herald*, September 7, 2000.

tained in the Perry's Report will contribute to the ending of the Cold War system on the Korean peninsula if North Korea is cooperative. I am cautiously optimistic about the future of inter-Korean relations.

Since neither the four major powers nor the two Koreas want another Korean war, a peace regime on the Korean peninsula could be achieved in the near future if the two Koreas really have the political will to do so. The June Inter-Korean summit produced the five-point Joint Declaration, which provides a framework for establishing peaceful coexistence between the two Korean states. Indeed, the summit meeting created a warm atmosphere to reduce mutual animosity, thus promoting both sides' incentives to make concessions.

The two Koreas need to compromise on their different approaches to peace regime building: South Korea needs to find an alternative to a South-North Korean peace agreement, while North Korea needs to give up a North Korea-US peace treaty. A durable peace on the peninsula will eventually be achieved when the two Koreas are willing to make joint efforts to achieve a peace regime.

A unification-oriented peace regime on the Korean peninsula needs to be established first and then the Korean unification process will follow. Unless the two Koreas demonstrate their desire to cooperate through sincere deeds and are willing to make concessions by working together for peace toward Korean reunification, there is little chance of establishing a peace regime on the Korean peninsula through mutual cooperation.

The historic summit has helped build up mutual trust and confidence between the two Koreas, and will promote closer economic exchanges and cooperation as well as government-to-government talks. A substantial momentum for preventing war and easing tensions is being created to induce the North to take part in the international community and vitalize economic cooperation aimed at enhancing interdependence between the two Koreas.

With the establishment of the Joint Military Commission, inter-Kore-

an government talks on military issues will be held to discuss a new Korean peace system from an inter-Korean perspective. The South-North liaison office resumed operation, and the two sides could discuss establishing permanent representative offices in the two capitals.

On the international level, the ROK government will reactivate the deadlocked four-party talks (the U.S, China, South and North Korea) to build a peace regime on the Korean peninsula by replacing the 1953 Korean armistice agreement. With such progress in the peace process, the two Koreas would be able to dismantle the Cold-War system on the Korean peninsula and realize peaceful coexistence, creating a state of de facto unification. If this peace process continues, the author is cautiously optimistic about peaceful inter-Korean relations.

KOREAN STABILITY AND THE U.S.-JAPAN-CHINA RELATIONSHIP

Jay M. Parker

As both a buffer state and an invasion route, Korea has always played a pivotal role in Asian stability. Its security hinged on the actions and reactions of its larger and more powerful neighbors. Long seen as “a dagger pointed at the heart” of other states, Koreans have traditionally labeled themselves “the shrimp that gets crushed between two whales.” With the re-emergence of China as a regional hegemon, formal changes in the U.S.-Japan security relationship and the possible impact of these changes on Korea’s future policy choices, the future of both Koreas is tied to the growing role of a China accommodated by a declining Japan. Ultimately, it is this regional dynamic that provides the important context for all scenarios of reunification and their realistic prospects for success. The longevity of a peaceful, stable, prosperous East Asia is inseparable from a peaceful, stable, unified Korea.

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seen as “a dagger pointed at the heart” of other states, Koreans have traditionally labeled themselves “the shrimp that gets crushed between two whales.” To survive this fate, Korea has historically had to rely on combinations of fortification, accommodation, alliance, isolation, and appeasement. In modern times, threats to Korean sovereignty have not been limited to regional neighbors.

Even before the Korean War, powers outside the region attempted to manipulate political events on the Korean Peninsula to advance their own broader interests. Ultimately, this manipulation led to tragic national division. For the past 50 years both Koreas have looked to varying degrees and with varying success to more powerful states to protect their sovereignty and to secure their economic growth and development. The South has looked to the United States and, to a lesser extent Japan, while the North has sometimes concurrently and sometimes alternately relied on China and the Soviet Union. Accommodating when necessary, and manipulating when possible, the Koreas have seen their division reinforced by the conflicts between their respective allies.

All this, however, was an extension of the Cold War in Asia. The end of the Cold War altered global and regional dynamics. Have the patterns of alliance altered as well? With the re-emergence of China as a regional hegemon, formal changes in the U.S.-Japan security relationship, and the possible impact of these changes on Korea’s future policy choices, the future of both Koreas is tied to the growing role of a China accommodated by a declining Japan. Just how stable that future will be and how well it will enhance the peaceful reunification of Korea is dependent on how well the United States maintains its own relations with China and on how it responds to closer ties between the nations of Northeast Asia.

I. Korea, the Future, and International Relations

Since 1950, the Korean Peninsula has consistently been characterized as one of the most likely spots for bloody conflict involving multiple powerful states and, under worst circumstances, escalating to nuclear war. With the April 10th announcement of a planned June 2000 summit between South and North Korea, the divided nation finds itself in world headlines once again.¹ Bitterly politically divided, unable until recent years to match the economic clout of its traditional rival Japan, outgunned by the superpowers of China and Russia on its borders, and reliant on security guarantees from other states, Korea seems an unlikely candidate for the focus of global power. Furthermore, these pending talks are not the first time that hopes of reconciliation have been raised. The recent U.S. initiatives undertaken by former Defense Secretary William Perry produced results that were significant given the obstacles but small and tentative in the minds of outside observers. Former President Carter’s 1994 attempts to bring the leaders of North and South together collapsed with the death of Kim Il-Sung. Behind these efforts stretched a long trail of hopeful but ultimately abortive diplomatic openings. As the two states cautiously approach this new opportunity for reunification, it might be easy for some to dismiss the significance of the event.

It is important to note, however, that despite past disappointments the future of Korea matters. Korea matters to the rest world in large part because of broad, troubling questions about the proliferation of weapons of mass destruction and the odds that such weapons will be used in a regional conflict. History demonstrates again and again that

1 CNN.com, “North Korea, South Korea to hold June summit,” April 9, 2000, from <http://dailynews.netscape.com/dailynews/cnnnews.tmpl?story=koreas.summit.030409.html>, accessed 9 April 2000; Howard W. French, “Mood-Dimming Question in Seoul: What Will Be Cost Of Ties to North,” *The New York Times*, April 11, 2000, pg A6.

regional conflicts and divided nations can provide the spark for war between more powerful, stable powers. Korea also obviously matters to Koreans and, as will be discussed, further it matters to Japan, to China, to the U.S., and to the bilateral and multilateral relations between all four nations. Ultimately, it is this regional dynamic that provides the important context for all scenarios of reunification and their realistic prospects for success. The longevity of a peaceful, stable, prosperous East Asia is inseparable from a peaceful, stable, unified Korea.

For almost forty years, the Cold War fueled Korean instability. First as a “hot war,” then as the site of an uneasy and heavily armed truce, Korea never enjoyed the gradually evolving detente that marked the Super Power confrontation in Europe. Indeed, when the Cold War ended throughout much of the world, the walls did not come down along the 38th parallel. Nevertheless, there are sporadic causes for guarded optimism. In the South, years of military dictatorship, corruption, and brutal political repression gradually gave way to the hopes for civil democracy, economic growth, and domestic stability. Even after the shocks of the recent Asian banking crises setback economic stability, South Korea was arguably the first nation in the region to show clear signs of recovery. While the North long since lost any economic edge over the South and as famine swept through the nation, the long feared, preemptive, suicidal military strike by the DPRK did not materialize. The predicted domestic upheaval in the wake of the death of Kim Il-Sung never occurred. Even though the formal, peaceful resolution of North-South conflict has not taken place, diplomatic options however imperfect and impermanent always seem to be available to resolve tense and threatening moments.

But the fact that the world’s fears have not yet been realized does not mean the peace has been established and maintained of its own accord. Avoidance of war has not been accidental. Nor will future stability in Northeast Asia result from benign neglect of Korea’s future. To

predict and prescribe for the future of East Asia and the global economy dependent on its growth and stability, one must do several things.

First, it is important to enumerate those nations other than Korea with a role to play in this process. While the nations in question may be obvious, their roles may not. Domestic politics within and relations between those states are as important to peace and stability as Korea’s domestic politics and its relationship with those nations.

Next, it is not enough to say that either the continued absence of war or the immediate act of reunification will provide stability. Constant crisis management is no substitute for consistently reliable processes and institutions that move nations toward cooperation and mutual benefit. The economic, social, and political costs of living on the brink of war are far too great. Likewise a rush to reunify at all costs will become just a hasty and naive act that will consume all economic, diplomatic, and political capital and quickly collapse back into chaos and even greater instability.

Finally, as a consequence of the two factors outlined above, it is important to examine independent, peaceful, and sovereign roles for a new Korea. Efforts at bringing peace and stability are in vain if all that result is a temporarily more stable but ultimately weaker buffer or increasingly more dependent on ally. One must view a successful Korean reunification in the broader East Asian and global contexts, but one still must do so through Korean eyes.

II. The Re-emergence of China²

To say China has dominated Korea for thousands of years is to

2 Portions of this section and subsequent sections on the U.S.-Japan Defense Guidelines are edited from an earlier work of the author, “Japan At Century’s End: Climbing on China’s Bandwagon?” now scheduled to appear in a forthcoming edition of *Pacific Focus: Inha Journal of International Studies*. I have made every effort to update,

assert the obvious. By the same token, however, this is also an overstatement. As Bruce Cumings notes, Korea was never truly Sinicized. Korean culture and language and even the powerful influences of Buddhism and Confucianism while clearly affected by China soon took on a character unique to the Korean Peninsula.³ But while China's historic role as a cultural influence should be viewed with greater subtlety and balance, China's modern role as the source of regional stability is sometimes underestimated.

It can be argued that Chinese internal domestic stability particularly in the modern era directly affected regional security and stability. Specifically, the emergence of Japanese imperialism and militarism and the resulting colonization and division of Korea can be directly traced to the end of Chinese stability and sovereignty in the 19th Century. With the collapse of one hegemon, a new one emerged far less benevolent than the first.

China's long "Century of Humiliation" drew to a close on the eve of the Korean War. With the establishment of the People's Republic in 1949, China was poised to reassert its traditional role as regional hegemon, but only after restoring domestic order and stability. This would be no simple task. First, the Nationalists forces now established in Taiwan were not ready to concede defeat. Second, with the Cold War already well under way the United States was not about to accept a Communist power at the center of Asia.⁴ Much has been written else-

edit, and modify consistent with the topical requirements of each article, however certain repetitive content is essential to both works. My thanks to the editors of both journals for their understanding, patience, and consideration.

3 Bruce Cumings, *Korea's Place In The Sun: A Modern History* (New York: W.W. Norton and Company, 1997), pp. 19-20; McDonald, while according a greater role for Chinese influence than Cumings, lists long term Chinese influence on Korea in the context of pre-existing cultural foundations as well as influences from Japan and the West. Donald S. Macdonald, *The Koreans: Contemporary Politics and Society*, Third Edition (Boulder: Westview, 1996) pg 26.

4 This is a fact in spite of the convincing argument made by Thomas Christensen that

where about the Chinese role in the Korean War, the further isolation of China, the divisive "Who lost China?" debate in America, and the brutal Cultural Revolution in China. It does not need to be detailed again here. That period drew to a close with the U.S. overtures to China in the early 1970s. Regional and global politics began to take a different turn.

American policy to China began to change from containment to encouragement. The U.S. ability to "Play the China Card" against Russia turned on China's sense of security and openness. As early as 1969, the Nixon Administration began reassessing its policy toward China.⁵ This dramatic shift in policy was immediately felt by America's Asian allies. The U.S. reversed its long-standing policy of support for Taiwan and began open discussions with the PRC. Some observers expressed cautious optimism at the prospects for East Asia's pro-western developing states in the wake of reduced tensions between the U.S. and China. Confidence was quickly eroded by the failure of the U.S. to come to the aid of collapsing Southeast Asian nations in 1975 and the Carter plan for further U.S. troop withdrawal from Korea in 1977. It was feared that the U.S. might abandon smaller, less influential Cold War nations to gain further advantage in the Super Power competition.⁶

Mao was prepared to establish trade and diplomatic relations with the United States just as he would quickly do with Great Britain. See Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947-1958* (Princeton: Princeton University Press, 1996), pp. 138-149.

5 Michael Yahuda, *The International Politics of the Asia-Pacific, 1945-1995* (London: Routledge, 1996), p. 133. Given subsequent changes in American policy toward Korea, it is worth speculating whether this reassessment was a factor in the U.S. decision to withdraw one of two U.S. Army divisions from Korea in 1970, despite the strong protests of the ROK.

6 For a further discussion of this time period, see Koji Murata "The Origin and Evolution of the Korean-American Alliance: A Japanese Perspective," Asia/Pacific Research Center, Institute for International Studies, Stanford University, August 1998. See also Yahuda, op. cit., pp. 133-139.

China's alliance with the DPRK, combined with its growing relationship with a U.S. now bent on reducing its presence in Asia, seemed to catch South Korea in the middle. Would the U.S. use its new relationship to urge Chinese intervention on behalf of North Korean restraint? Would the North Koreans see a shrinking American presence as an opportunity to attack? Would this be a painful repeat of the American sell-out of Korea by Theodore Roosevelt in the Taft-Katsura Agreement?

In fact, China began to act in ways that few might have predicted. As American initiatives to China increased, so did Chinese openings to South Korea. China was keenly aware that conflict in Korea ultimately led to Chinese intervention in 1950 at a time when the PRC could ill-afford the political, economic, and human costs. Regional fears of Chinese expansion and support for revolutionary insurgencies had helped fuel the Cold War while further isolating China from its neighbors. Any confusion China may have had about the methods it used to exercise power and influence in Asia was further resolved by its disastrous military foray into Vietnam. It was time for new directions.

Beginning in the early 1980s, China initiated a series of Track II style diplomatic initiatives with South Korea. Exchanges of athletic teams and other unofficial interactions began the process of dialogue at low levels. Meanwhile the two nations began to trade despite formal prohibitions of such activity. Slowly at first, Chinese goods would make their way to third party nations most frequently Japan and Hong Kong for transfer to South Korean vessels while Korean goods would make the reverse voyage. By the end of the decade the trade was no longer kept secret and by 1995 China was South Korea's third largest trading partner. Trade in those 15 years had climbed from estimates of less than a million dollars to more than \$16 billion.⁷

7 Macdonald, *The Koreans*, p. 216. I also researched this topic in 1985 for an academic study that was never formally published. At the time, open sources in both Korea and western media reported extensively on ROK-PRC athletic exchanges and spec-

Despite a decade marked by harsh and often violent domestic political upheaval in the South and continuing perceptions of imminent hostilities between the two Koreas, relations between the ROK and the PRC steadily improved.⁸ The economic benefits to both countries were obvious. What if any were the political and diplomatic benefits? As the Cold War tensions with the Soviet Union faded, fears of Chinese power re-emerged.

In the 1990s, China began to reassert its traditional regional hegemonic role. The economic modernizations of the Deng era continued with increasing success. China appeared poised on the brink of achieving the economic potential that had so long eluded its grasp. With that economic growth, however, had come pressures for political reform. The tragedy at Tiananmen sobered those who had seen nothing but positive benefits from China's dramatic growth.⁹

Along with the new tensions between open reform and domestic political stability, long standing unresolved issues reemerged. In a throwback to U.S.-China tensions of the 1950s, the Taiwan Strait again became a site for confrontation. The threat of a formally independent Taiwan escalated to show-of-force missile launches by the PRC and the deployment of U.S. Naval vessels within range of the confrontation. The Chinese talked of missiles that could reach Los Angeles, and U.S. rhetoric lumped together China with Iraq and Libya. Now the U.S. saw China as a hostile, emerging power rather than a stabilizing regional force with growing markets.¹⁰ China was depicted in the same grim

ulated that trades between the two countries had doubled in the course of three years.

8 Meanwhile, North Korea tilted toward the Soviet Union, a move that proved to be a mistake after 1991.

9 Barton Gellman, "U.S. And China Nearly Came To Blows In '96; Tension Over Taiwan Prompted Repair of Ties," *Washington Post*, Sunday, June 21, 1998, p. A01; pp. 8-12; Susan M. Puska, *New Century, Old Thinking: The Dangers of the Perceptual Gap in U.S.-China Relations* (Carlisle, PA: Strategic Studies Institute-Army War College, 1998).

language of aggression last heard in the 1960s. Was Korea about to assume its ancient proverbial role as the “shrimp crushed between two whales?”

The view of China as an powerful, aggressive, militarist state finds challengers from those, like Gerald Segal and Russell Howard, who argue that China’s military might and potential political and economic power is far less than imagined.¹¹ Furthermore, despite the harsh rhetoric, however, China is now clearly “playing by the rules.”¹² While critics warn of Chinese aggression and condemn both their domestic and international behavior, Beijing consistently conforms to the unwritten parameters of acceptable state behavior for a “mature” state. Western critics can and do attack China for its human rights record, disputed claims of territory, and bellicose rhetoric. Despite the continued alarm about an aggressive expansionist threat, China’s regional behavior largely reflects accepted diplomacy as broadly defined. It is interesting to note that China’s most significant threats of military action in recent years (aside from those directed at Taiwan as part of what Beijing considers its internal security and about which more will be said below) were directed not at regional neighbors, but at the United States. The threat to nuke Los Angeles was probably loose talk subject to wide interpretation when taken out of context, but there was no comparable casual aside about setting Osaka or Taegu on fire.¹³

10 Ibid.

11 Gerald Segal, “Does China Matter?” *Foreign Affairs*, vol. 78, no. 5 (September/October 1999) pp. 24-36; Russell D. Howard, *The Chinese People’s Liberation Army: “Short Arms and Slow Legs,”* Institute for National Security Studies Occasional Paper 28, Regional Security Series, U.S. Air Force Academy, Colorado, September 1999.

12 For discussions of China’s “playing by the rules,” see Sheldon W. Simon, *The Economic Crisis and ASEAN States’ Security* (Carlisle, PA: Strategic Studies Institute, Army War College, 1998) p. 22, and Xinbo Wu, “China as a Cooperative Power,” *Blue Horizon: United States-Japan-PRC Tripartite Relations* (Washington, DC: National University Press, 1997) p. 126.

13 Gellman, “U.S. And China Nearly Came To Blows,” *ibid.*

This is consistent with China’s practice in recent years. As fears of China’s growing economic power lead to speculation about its ambitions, China continues to focus on internal stability. Even in those matters where other nations such as Taiwan and Tibet challenge China’s assertions of sovereignty, China generally opts to stop at the “Line of Departure” for military action and then seek gradual restoration of diplomatic dialogue as quickly as possible. When push comes to shove, China rarely shoves.

Recent statements on Taiwan are certainly worrisome and bellicose and any attempts to turn those words into action would have disastrous results for the region and the world. However, such statements, when read carefully and in their entirety, are completely consistent with previous proclamations from Beijing. Coming in the wake of U.S. Congressional moves to restore U.S.-ROC military ties and the recent national elections in Taiwan, this is not out of the ordinary. Furthermore, observers must constantly be reminded that formal independence for Taiwan is inconsistent with U.S. policy under six Presidents. A reversal of that policy is tantamount to a formal declaration of support for what has historically been China’s worst nightmare civil war.

The Chinese has been cautious and diplomatic at other potential flash points. Despite continued assertions of rights under international law and the ongoing presence of PLA troops on contested islands and reefs, China has consistently shied from confrontation in the South China Sea. It has become less not more aggressive as its power has grown and as other states appear to move to contain that power. Meanwhile, the reestablishment of Chinese rule in Hong Kong while not without some expected political controversies has not seen the kind of violent repression that some predicted.

Compare contemporary Chinese foreign policy to either its weak and unstable compliance to both Western and Japanese demands in the early half of this century or to the excesses of the Cultural Revolution era. Compare China to the two polar opposites of the diplomatic

and security policy spectrum represented by its regional neighbors, Japan and the DPRK. Compare Chinese rhetoric and actions to any one of the rogue states found in any other region of the world. By any measure, China is far less the outlaw state than it is sometimes perceived to be.

Realists would argue that an aggressive, expansionist power would be more likely to exploit weakness and instability particularly in those states at the periphery, in ways that would be likely to weaken the status quo power. An example of such a target of opportunity would be Korea. A security crisis in Korea particularly one where the United States interest would be challenged and where a lack of U.S. resolve might be demonstrated would seem to be in the interest of an expansive power. Instead, with the collapse of the Soviet Union, China is arguably the only major power capable of productively dealing with both Koreas. In recent years its reaction to DPRK aggressive moves has been more like those of the U.S. than of mischief making expansionist challenger seeking to create turmoil it can then exploit.¹⁴

14 In making this assertion, I generally accept the conclusions of those like Sheldon Simon, Fei-ling Wang, and others that see contemporary China as less likely to take unilateral aggressive action consistent with a classic expansionist challenger state. See Simon, "Alternative Visions of Security in the Asia Pacific," *Pacific Affairs*, vol., 69, no.3 (Fall 1996), pp. 386-388 and Wang, "To Incorporate China," *The Washington Quarterly*, vol. 21, no. 1 (1997). I also accept the argument that China's traditionally preferred role is that of the cultural, political, economic hegemon avoiding offensive action in favor of defensive. There are examples in this century that would counter this assertion (India 1962, Vietnam 1979), but I would argue that these were limited and ultimately unsuccessful actions. Other actions sometimes categorized as aggressive were either driven by long standing and arguably legal (however distasteful) responses to what were considered internal stability crises (i.e. Tibet, Taiwan) and in the post Revolutionary Era the preference was to resolve these crises with the minimum necessary force. See also Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security*, vol. 23, no. 4 (Spring 1999), pp. 49-80 and the subsequent debate between Christensen and Jennifer M. Lind in "Correspondence: Spirals, Security, and Stability in East Asia," *International Security*, vol. 24, no. 4 (Spring 2000), pp. 190-200. While my conclusions

This is not to say China does not seek power. Indeed, China consistently seeks to restore the regional hegemonic role lost in the 19th century with China's political implosion under western imperial pressures and Japan's dramatic emergence from Tokugawa Era isolation. In fact one could argue that by choosing to pursue bilateral relationships with South Korea and Japan and by acting in a manner consistent with the expectations of a status quo power, China is being more of a comprehensive realist, status quo power than is sometimes acknowledged.¹⁵

This consideration of China's aspirations to hegemony extends to the evaluation of the strategic environment throughout East Asia. China, like other states in Asia, is struggling to achieve economic stability and modernization while maintaining domestic stability. It must also be noted that this view of China as a non-expansionist power does not necessarily make it a benign state that does not threaten American interests or even short-term stability as perceived by the U.S. The U.S., long guarantor of the stability, allowed East Asia (less China) to develop and grow. By re-enforcing its own status quo and constraining the emergence of potential peer competitors, the U.S. is now viewed as a potentially destabilizing hegemon by China and even by some other powers in the region.¹⁶

are not wholly supportive of the conclusions drawn by other scholars to include Alastair Ian Johnston and Arthur Waldron, I believe they are still compatible.

- 15 For a far more cogent and intelligent discussion of China and realist theory, see Thomas J. Christensen, "Chinese Realpolitik," *Foreign Affairs*, vol. 75, no. 5 (September/October 1996). Further discussion of China's role as a status quo rather than an expansionist state can be found in Robert S. Ross, "The Geography of Peace: East Asia in the Twenty-first Century," *International Security*, vol 23, no. 4 (Spring 1999), see particularly pp. 83-86.
- 16 Stratfor Global Intelligence Update, "Indonesia Re-Thinks Its Military Ties to the United States," 28 March 2000 from <http://www.stratfor.com/SERVICES/niu2000/032800.ASP> accessed 20 April 2000; See also "United States and Malaysia Volley for Asian Influence" 3 March 2000, from <http://www.stratfor.com/asia/commentary/0003030123.htm> accessed 20 April 2000. Critics of my argument here will correctly note that in both these instances, American criticism of domestic

U.S. strategic doctrine, exercised through what some have referred to as “peaceful evolution” toward a western style political and economic democracy, is viewed as challenge (and, in fact, as a threat by some) to the stability and growth of individual states. American led NATO intervention in the Balkans further served to heighten those fears, particularly in the context of increased independence rhetoric from Taiwan. The accidental bombing of the Chinese Embassy in Belgrade reinforced these concerns and heightened domestic political pressures on Beijing. As a non-expansionist hegemon, China offers to other states in Asia an alternative to this perceived American strategy of political transformation through intervention whether by peaceful engagement or by American air strikes.¹⁷

This is particularly attractive in Southeast Asia where leaders have resurrected post colonial era rhetoric to blame the West for what are mostly locally generated economic crises.¹⁸ China is in the same boat economically, socially, and, some would argue, politically. The U.S., no longer the guarantor of stability, is now viewed in Asia as the harbinger of ideals and practices that challenge the existing order and threaten to restrain and inhibit the growth and stability of Asia. Furthermore, domestic political pressures in the U.S. on both the right and the left fuel and sustain this approach.¹⁹

This image of America may be at odds with the empirical data. It

human rights policies in these states is a more significant factor than any systemic level realist concerns. I recognize this, but contend that this, in fact, reinforces my point.

17 One this particular contention over the issue of human rights, Japan sometimes shares the views of other states in Asia. See Michel Oksenberg, “China and the Japanese-American Alliance,” Gerald Curtis, ed. *The United States, Japan, and Asia: Challenges for US Policy* (New York: W.W. Norton, 1994), p. 100.

18 Simon, “Alternative Visions,” *Pacific Affairs*, vol., 69, no.3 (Fall 1996), pp. 386-388.

19 See, for example, Stephen J. Yates, “China’s Democracy Crackdown Demands a Presidential Response,” *The Heritage Foundation Executive Memorandum*, no. 567, January 25, 1999.

may be fundamentally contradictory to the principles of self-determination so passionately espoused by many nations in the region. In the long term, it may be a less effective means of achieving and sustaining economic prosperity. That does not mean it is any less salient to those states like Korea that perceive that they must choose between these two competing approaches.

III. Japan From Pacifism and Economic Power To Miscalculation and Decline

It is impossible to assess Korean security without discussing Japan. The other “whale” to Korea’s “shrimp,” the two nations share a tragic past. In Japan’s long history, there are only brief periods of significant militarism and aggression each separated by many centuries. All involve Korea and are still frequently invoked by Koreans as evidence of Japan’s true national character. The subjugation and brutal colonization of Korea in this century serve as the start point for modern Korean history.

The sad history of Japan’s rule of Korea ends with the defeat for Japan but not the independence of a unified Korea. With the division of the Peninsula, Japan ceased to play a role in the domestic life of Korea, but assumed a new role in Korea’s security. The American military in Japan soon became more than an occupying force. With the onset of the Cold War, U.S. troops in Japan were now the forward-deployed guarantor of Asian security and a visible defense against aggression. To the mission of serving as a “cork in the bottle” preventing the re-emergence of Japanese militarism was added the mission of “unsinkable aircraft carrier.” The Korean War hastened the end of formal occupation but ensured the continuation of American troop presence. Japan had to move from subservience to partnership. Unfortunately for U.S. strategists, the American sponsored constitution and

the resulting change in Japanese political culture ensured that Japan would not be a full partner. Japan lacked the military might to contribute to its defense, while the new constitution at best restrained and, according to most interpretations, completely prohibited the establishment of a military.

This was perfectly acceptable to Japan's neighbors, particularly Korea. American troops were on South Korean soil to ensure defense of the peninsula and on Japanese soil both to reinforce that defense and to ensure protection from Japan. In one sense, however, this backfired. While South Korea and America both contributed to Korea's defense, Japan initially contributed virtually nothing to its own security. Japan was free to focus its limited wealth on reconstruction. In a just a few decades, Japan the defeated power saw its domestic economy far outstrip that of its former colony.

U.S. domestic politics soon threatened to end that advantage. As Japan's economy to compete with that of the U.S., Americans began to question why the U.S. paid the lion's share of defending both Japan and South Korea. In the 1970s disturbing new questions arose about American commitments to Asia in general and Japan in particular. The so-called "Nixon Shocks" of both the China initiatives and the change in the gold standard, the collapse of U.S. military support for Southeast Asia, the debate over reducing force levels in Korea, and growing U.S. resentment of Japan's economic policies all focused attention on Japan's dependence on the U.S. defensive umbrella.

Slowly and incrementally, Japan took steps to reduce that dependence. Each step, however, was an individually negotiated revision rather than the implementation of a long-term strategy. Every change meant a domestic political battle in a Japan. Every failure to change raised doubts in Korea. Murata and Cha, both citing Glenn Snyder, have noted that the relationship between the two states was marked by Japan's fear of entrapment in a war in Korea and Korea's fear of abandonment by the U.S.²⁰

Often the changes were two steps forward and one back. Positive progress would be made, only to see Japanese officials "explain" the action that been so painstakingly constructed. For example, the Sato Government's "Korea Clause" of 1969 stated that "the security of the Republic of Korea is essential to the security of Japan." Shortly thereafter, in a process that would repeat itself over the years, a Japanese government official would come forward and provide a contradictory "explanation" of the policy, undercutting the specific, carefully crafted agreement that lead to this statement.²¹

All the while, tremendous economic strength gave Japan a false sense of international power and influence. With the end of the Cold War, Japan saw itself as a role model for others; a pacifist state whose anti-militarism combined with economic strength would make it a natural leader for all those states now adjusting to a new world order. This euphoria was short lived. Soon a combination of embedded pacifism, diplomatic miscalculation, and economic setbacks would combine to reverse Japan's progress and to render the Japanese incapable of effectively responding to changing dynamics in the international system.

While the original so-called "Peace Constitution" had renounced the need for a Japanese military, subsequent bilateral treaties and defense guidelines had established a role for a Japanese Defense Force.²² The Japanese Self Defense Force had evolved beyond that of a national police force. It had a part to play in buttressing the American Cold War response to perceived threat from China and particularly in the 1970s from the growing Soviet Pacific Fleet. But unlike the West

20 Murato, "Origin and Evolution" op. cit.; Victor Cha, *Alignment Despite Antagonism: The U.S.-Korea-Japan Triangle* (Stanford, Stanford University Press, 1999).

21 Murato, op. cit.

22 Japan Defense Agency, "Treaty of Mutual Cooperation and Security Between Japan and the United States of America," (1960) and "Guidelines for Japan-U.S. Defense Cooperation," (1978) [web site] (Tokyo, Japan: Boeicho Jieitai, February, 1999, accessed 12 February 1999); available from http://www.jda.go.jp/policy/f_work/sisin4_.htm; Internet.

German military, which had developed into a professional fighting force with an important military role in NATO, Japan's military role was far more symbolic than functional.²³

Japan's military, seriously constrained at its outset, became even more so as the Cold War continued. Two major barriers emerged that virtually assured the unlikelihood of a mainstream military force consistent with what some observers have termed a "normal" nation. The first constraint was cultural. One purpose of the American directed Peace Constitution was the suppression and eventual elimination of what was perceived as a traditional Japanese militarist culture.

In point of fact, this militarist tradition was and continues to be overstated. The western mythology surrounding the Samurai and their Bushido Code generally overlooks the fact that the Samurai traditions were centered on Japanese domestic politics and not the tactics and doctrine of a professional military. Furthermore, what is also often forgotten is that the overwhelming majority of instances of Samurai actually fighting involved fighting with other Samurai. Particularly when compared to other states in other regions, foreign invasion of Japan or instances of Japan aggressively venturing beyond the home islands were rare and ultimately unsuccessful. Japan's "militarism" was primarily domestic. For more than 300 years while European states engaged in a series of major conflicts Japan's Army did not march beyond its own borders. Indeed, a Japanese "Army" comparable to those of Europe did not exist.

When the Meiji Era military did march, their victories were against weak armies of overextended imperialist powers or of divided and unstable nations. In every case until 1942, they confronted militaries

23 For an overview of the roots of this security posture and an alternative to my views on its future, see Hidekazu Sakai, "From Defense to Prevention: Japanese New Defense Strategy in the Post-Yoshida Doctrine," unpublished paper presented at the 40th Annual Meeting of the International Studies Association (ISA), Washington, D.C., 16-20 February 1999.

that failed to keep pace with Japan's modernization in tactics and technology.²⁴ At first, Japan was effective at capitalizing on China's collapse and Korea's failure to keep pace with modernization. Other nations particularly those western states still pursuing imperialist policies of their own initially accommodated and even aided Japan, facilitating its rise to regional power. Japan could not, however, consolidate and sustain this newfound power. As soon as other nations took seriously the threat and moved to confront it, Japan's offensive military power was checked and defeat was inevitable. Faced with their failure to match the superior technology and logistics of allied armies on the front lines and their inability to fully suppress resistance and effectively rule their Korean and Manchurian colonies, the vastly overrated Japanese forces were ultimately defeated.

The militarism the post WWII Constitution sought to crush (and that every subsequent agreement guarded against) was inspired by the relatively brief anomaly of Japanese strategic behavior between 1885 and 1945. Furthermore, opposition to a stronger role for the Japanese military was already rooted in the domestic political consciousness. Japanese at all levels of society were aware that the one consistent pattern in Japanese military behavior over centuries was disruptive involvement in domestic politics and the enforcement of a repressive police state first under the Shoguns and then under the restored

24 This history was actually a barrier to militarization during the early stages of the Meiji Restoration. Japanese government officials were among those who consciously created and nurtured the myth of the warrior ethic, misappropriating Japan's history and even adapting elements of Shinto to advance nationalist objectives. The mass, western style Meiji Army was, in fact, a corruption of the elitist traditions of the Samurai. Ironically, some of the military mythology used to enhance the fighting spirit of Japanese units in the Pacific War were taken from examples of units who fought against the Meiji forces at the end of the reign of the Shogunate. See for example John Keegan, *A History of Warfare* (New York: Knopf, 1993); Jack Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell University Press, 1991); and Paul Varley, *Warriors of Japan as Portrayed in the War Tales* (Honolulu: University of Hawaii Press, 1994).

emperors. The Japanese people did fear the resurgence of a strong place in society for the military. These fears were based as much or more on the domestic costs as they were on the international ones.²⁵

This anti-militarism is reinforced by the historical absence of a strong, effective institutional role for the military in particular and national security in general. Government agencies not only reflect the culture of anti-militarism in practice, but also do so by formal design. As Katzenstein and Okawara note, “Japan’s security policy is formulated within institutional structures that bias policy strongly against a forceful articulation of military security objectives and accord pride of place instead to a comprehensive definition of security that centers on economic and political dimensions of national security.”²⁶

After 45 years the Cold War ended and with it the premise of much of America’s security policies based on a bipolar world. However, despite the apparent end of an immediate Soviet threat, the perceived need for the American security umbrella over Japan did not change. The first serious challenge to the existing security order would come from something other than the collapse of the Soviet Union; the 1990-1991 Gulf War.

As the rest of the world’s industrialized nations found ways to visibly and actively support the allied coalition in the Gulf, Japan looked

25 These and numerous other conclusions and observations about Japanese security beliefs and attitudes are based on more than 100 “non-attribution” interviews conducted in 1995 and 1996 with Japanese government officials, scholars, journalists, and businessmen as well as with foreign observers with extensive residence and professional experience in Japan. See also Thomas U. Berger, “From Sword to Chrysanthemum: Japan’s Culture of Anti-militarism,” in Michael E. Brown, Sean M. Lynn-Jones, and Steven E. Miller, ed. *East Asian Security: An International Security Reader* (Cambridge, Massachusetts: The MIT Press, 1996); Peter Katzenstein and Nobuo Okawara, “Japan’s National Security: Structures, Norms, and Policies,” in Brown, Lynn-Jones, and Miller, ed. *East Asian Security*; and Jay M. Parker, “The New Melians? Japan’s Security Dilemma,” unpublished paper presented at the annual meeting of the International Studies Association, March 1997, Toronto.

26 Katzenstein and Okawara, *ibid.*

for ways to avoid any involvement. The Constitutional constraints were cited, but Germany had found ways to bypass constraints on its post-war Constitution in order to contribute to the defense of the oil fields vital to its industrial capabilities. Japanese officials used back channels to contact American friends and professional counterparts. How much, they asked their stunned U.S. colleagues, would Japan have to pay to be a part of the effort? When told that other nations willing to pay in flesh and blood would not consider payment in Yen a comparable sacrifice, Japanese officials seemed surprised.²⁷ Japan had so thoroughly embraced the perceived role of “pacifist” economic superpower during the Cold War that it was unable to change that role in the new strategic environment when its own economic survival was at stake.

Economic survival was highlighted in other ways at the end of the Cold War. Trade friction between the U.S. and Japan had increased significantly since the 1970s. As heated as the trade conflicts were, they did not seriously threaten the defense alliance. The common security threat, more than a shared economic ideology, kept trade tensions from escalating to trade war. Now, however, the common threat was gone and domestic political voices in the U.S. called for an end to what were seen as unlevelled playing fields.

Furthermore, those critics of Japanese trade practices were also

27 This story, verified by several individuals, was from officials who understandably insisted on non-attribution. A comparable example was noted by Thomas Berger, who noted that JDA and JSDF officials were deliberately cut out of even routine interaction with Japan’s political leadership during the Gulf War for fear that their suspected militarist thinking might poison the minds of Japanese decision makers. See Berger, “Tangled Visions: Culture, Historical Memory and Japan’s External Relations in Asia,” paper presented at the American Political Science Association Annual Meeting, September 6, 1998. 21-22. This official pacifism spilled over into the domestic role of the JSDF. Following the devastating earthquakes in 1995, many JSDF units were prevented from carrying out disaster relief efforts despite their unique skills and equipment.

beginning to highlight the pacifist advantage provided to the Japanese economy. Our fiercest economic rival, it was argued, suffered no domestic economic drain from a fully mature defense capability, and enjoyed actual, measurable financial return on Japanese maintenance of U.S. troops and their facilities in Japan.

It was against this backdrop that Japan was next met with several new challenges that forced a reconsideration of traditional approaches to security. These challenges and the resulting reevaluation would produce a number of adjustments in Japanese policies and practices and would eventually culminate in new U.S.-Japan Defense Guidelines. However, these adjustments are clearly not yet permanent and, in fact, in some ways the old beliefs and practices have become more entrenched.

First, in the aftermath of the Gulf War, Japan saw its international image as economic role model tarnished by the perceived willingness to let others fight and die to provide the oil fueling Japanese economic power. Many Japanese interviewed after the war cited the exclusion of any acknowledgment of Japan's financial support in the full page "Thank You" newspaper advertisements purchased by the Kuwaiti Government.

Next, Japan bashing a recurring phenomenon in American Politics reemerged in the 1992 American Presidential race. Patience with unfair trading practices had worn thin. Several candidates saw no reason to accept these trade barriers now that they were no longer excused by the Cold War threat. At issue was Japan bearing the costs for its own defense as well as its ill-defined role in securing and stabilizing the region. If the U.S. is committed to the defense of South Korea in large part to ensure the economic security of Japan, and if the defeat of South Korea would have relatively minor effects on the U.S. economy and major effects on Japan, why was the U.S. bearing this obligation with little or no formal Japanese support?²⁸

New international demands were also being placed on Japan. The

campaign for a Japanese permanent seat on the Security Council had first been undercut by Japan's refusal to provide troops for UN mandated actions in the Gulf War.²⁹ Now the post-Cold War world was demanding more UN help in the form of peacekeeping missions. What seemed like a perfect role for a "pacifist force" still faced domestic political hurdles. The proposal to send JSDF troops to Cambodia was hotly and emotionally debated in the Japanese Diet. The Cambodian mission involved observing and protecting free elections in a nation where commitment to a cease-fire was tenuous.

Japan eventually deployed an all-volunteer force, comprised of JSDF personnel and National Police. This ad hoc organization was committed only after very specific restrictions on everything from the types of equipment deployed to the rules of engagement governing actions of individual members of the force. The death of one member of the force brought immediate fears of a dramatic public backlash against this and any future missions.

The tragedy was tempered in part by family members of the peacekeeping force member who lost his life. Their pride in his sacrifice and their endorsement of the continuation of the mission seemed to calm public opinion. This combined with the perceived success of the mission to enhanced prestige of the JSDF. The JSDF was now perceived by some as a positive organization. Anecdotal evidence pointed to greater

28 During the same campaign, American policies of engagement with China became the target of Democratic candidate and eventual victor Bill Clinton who criticized incumbent President George Bush for coddling Chinese dictators.

29 In fairness to Japan, the Japanese Overseas Cooperation Volunteers were serving in greater numbers than their counterparts, the U.S. Peace Corps. Despite suspicions of a deliberate role in advancing global Japanese economic influence, JOCV continues to do valuable development work around the world. However, it was also noted in numerous interviews that returning volunteers receive no benefits or returnee assistance comparable to that of the Peace Corps. Furthermore, volunteers and Japanese businesses both report that service in the JOCV is viewed as a professional setback. Far from being viewed as valuable assets in a global economy, they are thought to be behind the professional power curve; sometimes irretrievably so.

public acceptance of those in uniform.³⁰ When the Japanese Diet again debated proposed peacekeeping roles for the JSDF, protests were smaller and more subdued.

This new JSDF mission was not accepted by all, however. Some JSDF officers and JDA officials mirrored concerns of the American military as they took on peacekeeping missions. These missions, it was argued, were inconsistent with the training and purpose of a military force. Preparing for and conducting these missions undercut unit cohesion and effectiveness. Despite the first opportunity in almost fifty years to take part in a real operation, arguments were made that taking this step would leave the JSDF unprepared to conduct missions it was forbidden to conduct under the existing Japanese Constitution.³¹

The Cambodia mission was further confused by the assertive role of the Association of Southeast Asian Nations (ASEAN) in ultimately bringing about the accords that led to free elections. Despite its own initial, long standing, official rejection of any security role in the region, ASEAN had helped secure negotiations with the various Cambodian factions. What had been the loose trading links between newly emerging, recently decolonized economies had grown into an effective, assertive, collective voice in Asian affairs. This came at a time when Southeast Asian economies had gone from being Japan's customers to being Japan's competitors. One began to hear of "Japan Passing"—the bypassing of Japan and its markets by those now investing in the rapidly growing economies of Southeast Asia. In fact, many of those investments came from Japan. This was more than just concern over reduced market share. Japan's powerful economy appeared to be in serious trouble. Declining rates of economic growth, rising unemploy-

30 Shortly after the Cambodia mission, stunned observers told of seeing JSDF personnel assigned to the Headquarters in Tokyo's Roppongi district wearing uniforms in public outside the compound during the lunch hour.

31 Author's interviews with JSDF officers conducted at the National Institute for Defense Studies in the summer of 1995.

ment, reduced hiring of new graduates by some firms, and rumors of pending bank collapse undercut Japanese domestic confidence. The American image of Japan continued to be one of a threatening economic juggernaut.³²

Finally, old threats to Japanese security were reasserting themselves, replacing any perceived loss of dangers with the end of the Cold War. North Korea's perennial regional rogue power now seemed to be capable of possessing nuclear weapons and the means to deliver them. Always a destabilizing threat, the stakes of ignoring North Korea had considerably increased. Negotiations to contain the feared nuclear capability were further complicated by the early phases of a national agricultural crisis that would soon become a widespread famine and by the death of DPRK leader Kim Il-Sung. Facing crushing economic pressures, a series of natural disasters, uncertainty over the continuity of regime leadership, and traditional ally China adhering more to mainstream diplomacy than to revolution, the fear and perceived respect accorded to North Korea's new power fueled nationalism and Japanese fears of DPRK military actions.³³

In the midst of all this uncertainty and turmoil, both North Korea

32 American public awareness of Japanese economics traditionally lags behind fact. In the years when Japan first began to emerge as an economic power, "Made in Japan" was still a punchline alluding to shoddy goods. When America's trade imbalance with the Netherlands outstripped that with Japan, Americans still chose to sledge hammer Toyotas and VCRs instead of tulips and wooden shoes. Some observers saw any talk of declining Japanese power as, at best, premature. Some like Chalmers Johnson and other "revisionists" used sophisticated analyses of Japanese politics and comprehensive evaluations of economic data to counter alarmist accounts of the bursting of the Japanese economic bubble. See Johnson's *Japan: Who Governs?* (New York: W.W. Norton, 1995) and "Correspondence: Japan's Miracle Economy," *Orbis*, vol. 40, no. 3 (Summer 1996). See also R. Taggart Murphy, *The Weight of the Yen: How Denial Imperils America's Future and Ruins an Alliance* (New York: W.W. Norton, 1996).

33 Victor Cha, "Is There Still a Rational North Korean Option for War?" *Security Dialogue*, vol. 29, no. 4, 1998; United States Institute of Peace, "Special Report: North Korea's Decline and China's Strategic Dilemmas," October 1997.

and China heightened traditional nationalist anxieties by pointing to a Japanese threat. In official publications, academic gatherings, and in private conversations accusations ranged from a subtle increase in Japanese cultural militarism to the Japanese development and deployment of expensive, modern weapon systems (many of which were not even in the Japanese inventory).³⁴ Japanese officials did little to defuse these fears.

The recurring issue of Japan's apology for aggression during World War II was rekindled by the debate over compensation for "comfort women," forced into sexual slavery by the Japanese military in World War II. Attempts to resolve or even downplay public attention to this issue were frequently foiled by Japanese government officials who would issue denials and even rationalizations for these abuses, fueling hard line nationalists in China, Korea, and throughout Southeast Asia.³⁵

Against this backdrop the Nye Initiative began in 1994. Aimed at focusing U.S. strategy in Asia and solidifying a long term U.S. presence in the region, this effort became the new centerpiece of the U.S. alliance with Japan. It was meant to clarify Japan's defensive role, ending some speculation that had begun to erode domestic U.S. support for the alliance. Furthermore, it reasserted America's commitment to remain forward deployed in East Asia. In this role, the U.S. could serve as off-shore balancer/honest broker among Asian nations to help preserve

34 One alarmist story in DPRK news publications during 1995 excitedly reported the building and launching of Japanese aircraft carriers. Meanwhile, numerous Chinese participants in U.S. academic conferences insisted that Japan was rearming and conditioning its public for a reassertion of the "traditional" martial culture. One senior Chinese academic told a 1996 APSA panel that "All the signs are there!"

35 Cameron Barr, "The Politics of Apology in the Orient," *The Christian Science Monitor*, November 30, 1998, p. 1; Berger, "Tangled Visions," *ibid.*; Yanan He, "The Effect of Historical Memory on China's Strategic Perception of Japan," unpublished paper prepared for 94th Annual Conference of the American Political Science Association, September 3-6, 1998, Boston, MA; Puska, *New Century, Old Thinking*, *ibid.*

stability during important years of economic growth.³⁶

The Nye Initiative was also a way to reassure other powers of American willingness to continue to serve as the "cork in the bottle," restraining Japanese militarism by eliminating the need for Japan to play a dramatically increased role in its own security. The Cold War was over, but fears of regional instability still existed. In some specific cases, such as Korea, those fears were justified. The U.S. maintenance of a forward presence in Asia would continue with a clearer outline of Japanese responsibilities exercised under U.S. restraint.

The Nye initiative led to the formal 1994 proposal to conduct bilateral discussions aimed at revising the 1978 Guidelines. After overcoming bureaucratic obstacles and delays within the U.S. foreign and defense policy establishment, the revision process gained further momentum provided by the 1996 Clinton-Hashimoto talks. In September 1997, after long negotiations, numerous trial balloons and press speculation throughout Asia, the new Guidelines were formally announced.³⁷

A portion of the guidelines was the clarification of the role Japan would play in the defense of Korea. Sensitive to Korean objections to Japanese troops on its soil, but mindful of the need for Japanese basing for vital logistics and support elements, America and Japan had appeared to have carefully threaded a path that met the strategic needs. America also managed to resist domestic political pressure for

36 Joseph Nye, Jr. "The Case for Deep Engagement," *Foreign Affairs*, vol. 74, no. 4 (July/August 1995), pp. 90-102; see also The White House, *A National Security Strategy of Engagement and Enlargement*, February 1996, and *A National Security Strategy for a New Century*, May 1997.

37 Asher, "Fresh Perspectives on East Asia's Future: A U.S.-Japan Alliance for the Next Century," *Orbis*, vol. 41, no. 3, pp. 343-373; "The Grunts Behind the 'Nye Initiative'," *Tokyo Insideline*, no. 38, March 31, 1995. For a further summary of the guidelines negotiations, their outcome, and an analysis of their consequences, see Jay M. Parker, "Japan At Century's End: Climbing on China's Bandwagon?" *Pacific Focus*, forthcoming.

linkage between trade and the security alliance. Cooperation in the event of war in Korea was at least clarified if not fully and favorably resolved.

The Guidelines also sent an important message to the remainder of the region. Fears of unchecked Japanese resurgence were put to rest. The DPRK was put on notice that Japan would not effectively block a U.S. defense of South Korea. Most important of all, the U.S. was still committed to Asia for the long run.³⁸ As for any threat from China, former U.S. Ambassadors James Lilly and Richard Solomon were optimistic that the proper balance had been struck. "Instead of fulfilling any of the more pessimistic assessments of Chinese behavior, American policy has struck a balance between engagement and deterrence. U.S. efforts to develop a theater missile defense for the region and the strengthening of the U.S.-Japan Guidelines have been offset by substantive gestures to China on a range of issues. This has been a workable and desirable approach that seems to function well, incorporating as it does elements of engagement and deterrence."³⁹

Despite all this, however, the Guidelines would soon prove to be more strategic challenge than strategic success. At the center of the challenge was the important provision on actions outside Japanese territory. As noted above, this section led to the long sought clarification of Japan's potential role in support of any U.S. contingencies in Korea. Instead, China immediately perceived this as a potential opening for Japanese involvement in future crises in the Taiwan Strait. A Japanese cabinet minister fueled this perception by stating that the new Guidelines, in fact, meant a potential opening for Japanese involvement in

38 Associated Press, "Japan, U.S. OK Military Compact," *St. Louis Post-Dispatch*, September 24, 1997, Wednesday, p. 06A.

39 James Lilley and Richard Solomon, "Strategic Perspectives," in *Strategic Trends In China*, ed. Hans Binnendijk and Ronald N. Montaperto (Washington, DC: Institute For National Strategic Studies, National Defense University, 1998); available from <http://www.ndu.edu/ndu/ndu/inss/books/china/chinasess9.html>, accessed 12 February 1999; Internet.

future crises in the Taiwan Strait. Japan was now empowered (or trapped, depending on the perspective) to act in future crises.⁴⁰

The fact that China was an indirect target of the new Guidelines had been acknowledged and published well before the final draft was completed. During the process of the Guidelines negotiations, the fear of a growing China was frequently cited as a rationale for clarifying the existing relationship.⁴¹ China's reaction to a general perception of opposition to its traditional regional hegemony was not unexpected. "We cannot help but suspect that there is something new (in the guidelines) because you have produced new ones," the Chinese foreign minister said.⁴² In all likelihood, such rhetoric actually helped reinforce elements of contemporary Chinese nationalism. However, the perceived interference in what was viewed as the strictly domestic political matter of Taiwan was viewed as a dangerous threat.

Korea also responded to the guidelines. As expected, the DPRK was scathing in its criticism. Somewhat unexpectedly, South Korea was only cautiously supportive. Publicly, ROK government officials said both Japan and the U.S. should "continue to hold close consultations with South Korea on matters related to its sovereignty." Off the record, ROK officials "expressed concern that the new defense guidelines might pave the way for heightened Japanese military influence in the region."⁴³

40 Mary Kwang, "Hashimoto admits he failed to win China over on U.S.-Japan pact," *The Straits Times* (Singapore), September 27 (?) 1997, p. 21; Goro Hashimoto, "China blasts revised defense guidelines," *The Daily Yomiuri* (Tokyo), September 30, 1997, p. 1.

41 "Views From Abroad/More consultation needed on security pact," *The Daily Yomiuri* (Tokyo), September 26, 1997, p. 11. Lexis-Nexis accessed 12 February 1999; Kavi Chongkittavorn, "Japan-U.S. pact renews fear of militarism," *Daily Yomiuri* (Tokyo), May 2, 1996, Thursday, p. 8

42 Goro Hashimoto, "Chian blasts revised defense guidelines," *The Daily Yomiuri* (Tokyo), September 30, 1997, p. 1.

43 "Seoul Wants Say in Expanded Japanese Defense Role," *The Korea Herald*, September 25, 1997.

Once the guidelines were announced, governments in Southeast Asia were cautiously supportive. Southeast Asia's support, however, came as the region's banking crisis was just beginning. Within a year, anti-Western themes would underlie much domestic political rhetoric. The U.S. was now blamed, in part, for the financial crises that had cut short the once promising domestic economic growth of the region.

Japan's response to regional reactions was first to work to reassure China. While moving forward with legislation and administrative policies to support implementation of the Guidelines, Prime Minister Hashimoto worked quickly to reassure China of Japan's unwillingness to be drawn into the controversy over Taiwan. Traveling to Beijing the same month the Guidelines were released, Hashimoto pledged that Japan would never support Taiwan's independence.⁴⁴

China was not completely reassured by Japan's efforts. However, Chinese officials did begin to subtly distinguish between the official Japanese position on the question of Taiwan, the U.S. position, and the requirements of what were described as bilateral U.S.-Japan issues in the "vague" Guideline definition of the "areas surrounding Japan". Pointedly criticizing the U.S. while downplaying Japan's role, the Chinese moved toward greater dialogue with Japan while specifically rejecting three way U.S.-China-Japan talks. Within six weeks of the announcement of the Guidelines, Japan and China began to increase discussions on bilateral security.⁴⁵ These talks continued, and within a year the two nations planning for the unprecedented 1998 exchange visits between senior JSDF officials and their PLA counterparts.⁴⁶

44 Kwan Weng Kin, "China rejects security dialogue with Japan, US" *The Straits Times* (Singapore), October 1, 1997, p. 2; Masahiko Sasajima, "China still on guard over guidelines," *The Daily Yomiuri* (Tokyo), October 1, 1997, p. 6; Mishio Suzuki, "Japan, China seek new Asia security framework" *The Daily Yomiuri* (Tokyo), November 13, 1997, Thursday p. 3.

45 Ibid.

46 Editorial/Boost Japan-China defense ties *The Daily Yomiuri* (Tokyo), February 5, 1998, p. 6.

Meanwhile, the legislation to implement the guidelines began to bog down in the Diet. In the wake of increased threats of missile attacks by North Korea and with growing reports of DPRK missile capabilities focused on the United States, Prime Minister Keizo Obuchi—Hashimoto's successor and U.S. Secretary of Defense William Cohen met. They issued calls for greater U.S.-Japan-ROK cooperation that is confronting what was seen as a growing nuclear threat from North Korea.⁴⁷

Despite this meeting and increased evidence of the specific threat to both nations from the DPRK and despite Obuchi's public assurance to Cohen that the Diet would act, the Diet has balked. Two weeks after the Cohen-Obuchi meetings, the ruling parties in the Diet moved to amend the bills. Still at the center of the dispute is the issue of "areas surrounding Japan." Government officials maintain that the term is "circumstantial" rather than "geographic". Meanwhile, in a speech in Tokyo that same week, the Chinese Ambassador focused his criticism on the U.S. for "taking extreme measures to strengthen Japan-U.S. security cooperation."⁴⁸

Despite all the success they appeared to achieve, the new Guidelines were not the bureaucratic and diplomatic triumph they were hoped to be. Aimed in part at confronting China, they led to an increase in Japan-China diplomacy. Meant to draw Japan and the U.S. closer together, Japan now sought to balance its relationships with the two countries. The agreement was designed to ensure the reliability of America's commitment to defend Korea. Ironically, some three years after the signing of the guidelines, Korea sees China playing a greater diplomatic role in reducing the tensions that serve as much of the rationale for the U.S.-Japan Alliance.

47 "Japan, US agree close ties needed to curb N. Korea," *The Daily Yomiuri* (Tokyo), January 15, 1999, p. 1.

48 "Govt, ruling parties to clarify Japan-U.S. defense legislation with Japan, U.S.," *The Daily Yomiuri* (Tokyo), February 2, 1999, p. 1.

IV. The Shape of Future Alliances

As the new century begins, U.S. forces are still in Asia, Korea is still divided, and Japan conducting a healthy and important but ultimately unresolved political debate on security issues has not set course for an independent military capability nor is it likely to in the near term. Japan once a rising “pacifist” role model and economic superpower is an increasingly weak and ineffective state. Unable to restart its economy and still incapable of approaching its own security without the expressed consent and oversight of other states, it is not now nor in the foreseeable future either a serious threat to or a credible guarantor of Asian stability and security.⁴⁹

Many of the points about the U.S.-Japan relationship that should bring cause for optimism now lead to concern. Within days of completing years of comprehensive and painstaking talks with its partner in what is constantly referred to as the world’s most important bilateral relationship, Japan made significant overtures to China. The Japanese leadership perceived (and perhaps correctly so) that it had little choice but to concede to its largest, most powerful neighbor; the state that for thousands of years served as regional hegemon and as Japan’s social, cultural, and political mentor. Perhaps most significantly, China ensured the restoration of a Japan-China security dialogue not through rhetorical bluster or military threat but by conducting the diplomacy expected of a normal nation.

Meanwhile Japan is likely to view a unified Korea and not China as a threat. Japan cannot successfully face such a challenge alone. One

49 With his assumption of the Prime Minister duties in the wake of Keizo Obuchi’s recent stroke, Yoshiro Mori put forth an economic program in the wake of recent market turmoil that some predict will make Japan’s economic problems even worse. Stratfor analysts state “Despite the unfettered stupidity of this plan, Japan will likely implement it.” See Stratfor Global Intelligence Update, “Japan’s Misguided Stock Market Bailout” 18 April 2000 from <http://www.stratfor.com/SERVICES/giu2000/041800.ASP> accessed 20 April 2000.

could assume that the U.S. will continue to serve as a shield and intermediary between the two states. However China certainly has no less at stake than the U.S. in ensuring peace in East Asia and has the added advantage of access and a degree of diplomatic credibility on both Seoul and Pyongyang. Japan may perceive a means of restoring and maintaining its powerful economic role without the political, diplomatic, and economic costs of re-militarizing. If it could do so under the sponsorship of a non-expansive China rather than with a confrontational U.S. urging costly and controversial Japanese security revisions, the recent past would seem to indicate that Japan would take that gamble.

This is a particularly attractive option when China may be best able to restrain the DPRK while maintaining good relations with the ROK. With China as a reliable intermediary in Korea and restrained regional power in its dealings with Japan, the U.S. role in Asia could rapidly change. China can take the “cork in the bottle” mission now held by the U.S. and further reassert a traditional regional hegemony it long held.⁵⁰

The ROK is already setting a course separate from that of the U.S. In recent months, South Korea has taken a number of steps to include testing missile capabilities that demonstrate a greater degree of independence.⁵¹ These actions if left unchecked are likely to stimulate an

50 Edward Olsen argues that the U.S. can build on recent successes and serve the key intermediary in any Korean reunification. His bold and compelling argument has much to offer from the perspective of U.S. foreign policy in East Asia. However, from the Korean perspective a post-reunification threat environment and defensive posture center less on U.S. perceptions of China and more on regional harmony and stability is both politically and economically more advantageous. See Olsen, “U.S. Security Policy and the Two Koreas,” *World Affairs*, vol. 162, no. 4 (Spring 2000), pp. 150-157.

51 Stratfor Global Intelligence Update, “South Korean Popeye Purchase No Replacement for Domestic Ballistic Missiles,” 28 July 1999 from <http://www.stratfor.com/asia/specialreports/special38.htm> accessed 14 March 2000; see also Stratfor, “U.S. Concerned By South Korean Missile Test,” 20 April 1999 from <http://www.>

arms race. At the same time, however, the ROK appears prepared to take other actions most notably the reduction of U.S. troops that some speculate could have reassuring affect on the DPRK and other neighbors. As some observers have noted, the desire to maintain its “Sunshine Policy” toward the North while sustaining its own precarious security creates a classic security dilemma for the ROK.⁵² Extending more diplomatic initiatives and greater accommodation toward its most powerful but less threatening neighbor particularly when that neighbor can effectively mediate with the nation that poses the greatest threat to South Korea provides an alternative to escalating confrontation.

Meanwhile, the message from the DPRK is still typically mixed and hard to discern. On the one hand, the summit with the ROK appears on track and nuclear negotiations with the U.S. continue. Track II diplomacy efforts, to include sporting events between the two Koreas, go on. There was even preliminary talk in Seoul of the U.S. lifting sanctions against the DPRK, provided the North’s leadership moves forward on resolving the dispute over the suspected underground nuclear weapons site.⁵³ Despite continuing economic pressures and uncertainty over the Kim Jong-Il’s succession to the DPRK’s leadership, no war has occurred, and diplomacy seems to be on equal footing with ideological rhetoric.

On the other hand, the DPRK continues its traditional rhetorical belligerence. Talks with the U.S. broke down as North Korean domestic political concerns loomed. The reports of massive starvation and political unrest (albeit isolated and extremely limited) could explain a harder

stratfor.com/asia/aiuarchive/b990420.htm accessed 14 March 2000,

52 Stratfor, “South Korea Preparing For U.S. Troop Withdrawal,” 0043 GMT, 000309, from <http://www.stratfor.com/asia/commentary/0003090043.htm>, accessed 14 March 2000.

53 Compilation of international and regional press reports in “Northeast Asia Peace and Security Network Daily Report,” from <http://www.nautilus.org/napsnet/latest.html> accessed February 9 and February 10, 1999.

foreign policy line. A threatened resumption of missile tests has led to an escalation of western pressure and a resulting return to traditional DPRK rhetorical offensives. At the same time, China and the DPRK have stepped up their traditional ties.⁵⁴ While this can be seen as a potential threat to the South, this is directed more at the U.S. than at the ROK. China is most likely attempting to complicate the American decision making calculus on Taiwan. With a heightened threat to Korea, the U.S. is less likely to fully commit its military assets to the defense of the ROC, particularly when those threats seem ambiguous.

What does all this mean for Korean reunification and stability? There are many possible scenarios.⁵⁵ In one, Korea and Japan draw closer to China even at the expense of their relationship with the U.S. China eager to continue modernizing without instability on its borders and unwilling to trust Japan’s unrestrained power draws on its successful experience with Hong Kong and continues to use its influence to mediate between the North and South. The two powers establish a “One Nation/Two Systems” pattern of gradual reunification under China’s umbrella.

This gradual course allows for the evolution of open and effective institutions in the North as both Japan and China provide the economic and technical capacity needed to rebuild the DPRK. Such a process softens the expensive and destabilizing blow that sudden reunification

54 Stratfor, “China and North Korea Coordinate,” 7 March 2000 from <http://www.stratfor.com/SERVICES/giu2000/030700.ASP> accessed 14 March 2000.

55 Ming Zhang and Ronald Montaperto draw a number of fascinating scenarios involving the future stability of East Asia. However, these scenarios focus on the U.S.-China-Japan alignment and do not see Korea either divided or unified as major actor in those scenarios. Zhang and Montaperto, *A Triad Of Another Kind: The United State, China, And Japan* (New York: St. Martin’s Press, 1999). Neil E. Silver also highlights the importance of Korea to any future stability in “The United States, Japan, and China: Setting the Course,” (New York: Council on Foreign Relations, 2000) when he notes the need for both Japan and the U.S. to develop and foster relations with North and South Korea to “enhance the prospects for multilateral security dialogue and cooperation in East Asia.” pp. 56-57.

would certainly bring. Meanwhile the U.S. seizes the opportunity to encourage China as a means of reinforcing positive behavior while hailing China's behavior as indicative of that required of a nation that deserves greater recognition from and membership in organizations like the WTO.

In the next scenario Japan and the two Koreas seek to accommodate China as a hedge against American pressures. For Japan, the trade off is avoiding the domestic battle of rearming while South Korea sees the need to chart a more independent course. Both fear being drawn into the Taiwan conflict because of ties to the U.S. Both seek avenues to restrain the DPRK. Meanwhile the U.S. forces the issue of alliances with both powers as tensions in Taiwan increase. The two states opt to openly bandwagon with China. The U.S. now becomes the aggressor on every issue from open trade to recognition of Taiwan.

In yet another scenario, however, the immediate dangers are less evident and the actions of all states are more ambiguous. China continues to re-emerge as a regional hegemon. Japan continues to open initiatives towards China as a means of forestalling re-armament and reassuring other states threatened by Japan's potential for militarism. South Korea continues to walk a narrow and dangerous path between its Sunshine Policy and the establishment of a more independent, credible defense against China while hedging its bets with a continued U.S. presence. Meanwhile the weak regime in Pyongyang stumbles from one crisis to the next, bolstered by China's desire to force Taiwan's allies to watch their back and by the domestic capital gained from escalating ROK offensive capabilities.

Which scenario if any is most likely? The key to the future is premised on an increased role for China and that, in turn, hinges on how Beijing exercises its diplomacy. There are already signs that the most optimistic assessments noted in this article may be in jeopardy.⁵⁶

⁵⁶ For a summation of the pessimistic view of the future of China-U.S. relations as they might affect this argument, see Puska, *New Century, Old Thinking*. See also Richard

At the center of this is the ongoing dispute over Taiwan. As noted above, domestic political stability is the first among equals in any Chinese calculation of policy options. Western observers often equate any PRC move against Taiwan with Iraq's invasion of Kuwait. In the Chinese view, a more appropriate analogy would be Fort Sumter. To China, the relationship between Taiwan and the mainland is a strictly domestic issue and Taiwan's independence would mean civil war.

The perceived threat posed by Taiwan's moves toward independence places significant hard-line pressure on the Beijing government. Such pressure translates into a tougher stance in other disputes. In the Spratly Islands, for example, some observers now see a more visible and unyielding claim of ownership on the part of China. While such moves are unlikely to disrupt China's attempts to mediate in Korea, they will certainly not reassure a Japan seeking greater evidence of China's mature, reliable diplomacy.

A generational shift in leadership may bring new directions in Japanese policy.⁵⁷ While that is less likely than domestic hard-line pressure in China, the combination of accelerated economic decline and a frustration with the caretaker government of Yoshiro Mori could finally challenge the current direction of Japanese policy and encourage a more independent course. Even if this were to occur, however, Japan is unlikely to have the fiscal wherewithal to provide its own defense. It is also more likely that newer, younger leadership will set a course independent of U.S. control.

How, then, can the two Korean nations achieve a peaceful, lasting unification and an independent and sovereign role in this important region? As it has for centuries, Korea will be pictured as the weak state

Bernstein and Ross H. Munro, "The Coming Conflict with America," *Foreign Affairs*, vol. 76, no. 2 (March/April 1997).

⁵⁷ Kevin J. Cooney, "The Maturation of Japanese Foreign Policy," Paper Presented at the International Studies Association Annual Convention, Los Angeles, CA, March 15-18, 2000.

forced to respond to the actions of others. This view, however, only reveals a portion of the broader picture. Every other power in the region is as dependent on the outcome of Korean reunification as the two states on the Peninsula. For China, the threat of conflict on its border (particularly if Taiwan's status remains unresolved) brings unpleasant reminders of 1950. The consolidation of their first revolution was hampered by the perceived need to intervene in Korea. The future of the second revolution this time an economic one can never be secure until Korea is stable.

Like China, Japan is also haunted by its past in Korea. Failure to either come to terms with its history or to prepare for the potentially staggering costs of a "hard landing" reunification across the Strait makes Japan dependent on the success of diplomatic initiatives between North and South Korea. The same economic and political factors that make it too late for Tokyo to effectively contend with a Korean collapse make Japan unable to prepare for a reunified and militarily daunting power next door.

Meanwhile the United States is caught in its own dilemma. The more it pressures Japan to change and the more it paints China as a threat the more it makes both countries move closer together. In doing so, it opens the possibility for a reunification of Korea with only a supporting role played by the U.S. America's role in Asia particularly since the end of the Cold War has been tied in large part to the need to face a major regional contingency (or MRC) on the Korean Peninsula. With the resolution of Korea's division and with China playing facilitator rather than threat, the stated rationale for America's strategic role in Asia must be revisited and redefined.

This is both a dangerous and an optimistic time for Korea. Some picture Korean unification as something to get out of the way so that larger states can settle the issues of regional stability.⁵⁸ In truth,

⁵⁸ Zhang and Montaperto, *Triad*, *ibid.*; Silver, "U.S., Japan, and China," *ibid.*

however, Korea is the key and not the pawn. South Korea's admittedly painful recovery from the banking crisis and its growing willingness to confront the need for political reform make it both an important market and a role model for other states.⁵⁹ Meanwhile North Korea's economic implosion, its military capabilities, and its unpredictable intentions make it impossible to ignore. Once again, swimming between whales that have much of their own at stake in a peaceful outcome, Korea's success will determine the peaceful stability and economic success of East Asia.

⁵⁹ Michael Baker, "Koreans demand democracy, one protest at a time," *Christian Science Monitor*, April 12, 2000, p. 7; Stratfor, "New South Korean Parliament Presents Challenge for President Kim," 0030 GMT, 000415, from <http://www.stratfor.com/asia/commentary/0004150030.htm>, accessed 17 April 2000

ESTABLISHMENT OF THE SOUTH-NORTH ECONOMIC COMMUNITY: A SOUTH KOREAN PERSPECTIVE

Kyu-Ryoon Kim

In order to make progress in building the South-North Economic Community, it is necessary to overcome impediments and to maximize usefulness of facilitating factors. Since political impediments work against making progress, political measures should be used to create favorable environment. Once a political initiative is taken by the government, it should guide important directions consistently. In this vein, it may be necessary for us to consider confidence-building stage for a process of building the South-North Economic Community.

Now it is time for North Korea to admit reality that South Korea is the most important economic partner, which can help solving its economic problems. It is necessary for North Korean leaders to rethink about the beneficial effects of intra-Korean economic exchanges and cooperation. Indeed it is a prerequisite for North Korea to expand its economic ties with South Korea to induce foreign investment and to enlarge economic relations with other countries.

I. Introduction

South-North Korean economic exchanges and cooperation began with the initiative of the South Korean government in 1988. At that time, South Korea was preparing for the Summer Olympics in Seoul. One of the concerns of South Korea and the international community was to deter North Korea's aggressive behavior toward the South. Thus South Korea and the United States decided to mitigate North Korean belligerency by suggesting friendly gestures toward the North. South Korean President Roh Tae-Woo made the Special Presidential Declaration for National Self-Esteem, Unification, and Prosperity in order to initiate South-North Korean economic exchanges and cooperation.

In this sense, South Korean efforts to build an economic community between the two Koreas began more than ten years ago. South Korean initiative was materialized in 1988 when Daewoo received approval from the South Korean government on importing North Korean-made porcelain. Subsequently South Korean firms began economic transactions with North Korean counterparts. During the initial stage, South-North Korean economic exchanges and cooperation were performed along the lines of mere indirect trade. These intra-Korean economic exchanges and cooperation developed further to include processing trade, in which South Korean firms provide capital and North Korea provides labor. Now numerous South Korean tourists can visit North Korea via cruise ships and climb Mt. Kumgang, which is famous for its magnificent scenery throughout four seasons after Hyundai launched Mt. Kumgang project in 1998.

All these achievements have been made possible primarily by the initiatives of South Korea. In contrast North Korea has maintained a rather reactive and/or lukewarm attitude towards South Korean efforts to accelerate economic exchanges and cooperation between the two Koreas. It may be more proper to say that the North Korean attitude is that of minimizing economic interactions with the South

because it still fears a possible adverse effect of opening up economically. North Korea may still want to deal with economic hardship under its own terms even though it is in need of outside help to feed its people.

Under these circumstances, how can we proceed to build a South-North Korean economic community? First, in order to delineate future paths of building a South-North Korean economic community, the current paper attempts to analyze the past achievements of South-North Korean economic exchanges and cooperation. Second, South Korean governmental policies regarding intra-Korean economic exchanges and cooperation shall be examined. Third, an analyses of the impediments against an expansion of economic interactions and feasible solutions to expedite the process of building an economic community shall be suggested.

II. Past Achievements

The Basic Agreement

In the early years of the 1990s, South and North Korea engaged in a series of high-level governmental talks. The two Koreas put into effect the Agreement on Reconciliation, Non-Aggression, and Exchanges and Cooperation (hereafter the Basic Agreement) in February 1992. The Basic Agreement is composed of three chapters, one of which is primarily concerned with exchanges and cooperation between South and North Korea. Especially, Article 15 stated that "in order to promote the integrated and balanced development of the national economy and the welfare of the entire people, the South and the North shall engage in economic exchanges and cooperation, including the joint development of resources, the trade of goods as intra-Korean commerce, and joint venture."¹ In other words, the two parties agreed that economic

exchanges between the South and North should be considered as intra-Korean matters, and subsequently, intra-Korean trade would not be subjected to imposed tariffs by either parties. Furthermore the two Koreas agreed on concrete measures for the implementation of Chapter III of the Basic Agreement as follows.²

1. South and North Korea shall carry out exchanges of goods, the joint development of such resources as coal, minerals and marine resources, and projects for economic cooperation in fields such as manufacturing, agriculture, construction, banking and finance, and tourism.
2. South and North Korea shall, through consultations in the Joint Commission for Economic Exchanges and Cooperation, determine the subject of and form of projects of economic cooperation such as the joint development of resources, joint ventures and investment, and the items and quantities of goods to be exchanged.
3. South and North Korea shall determine such practical matters as the scale of projects of economic cooperation, including the joint development of resources, joint ventures and investment, the quantity per item of the goods to be exchanged, and the terms of trade through discussions between the parties from the two sides directly involved in exchanges and cooperation.
4. The parties that shall be directly involved in South-North economic cooperation and the exchange of goods shall be trading houses, business enterprises, public economic agencies which have been registered as juridical persons, and, depending on the

1 'Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation between South and North Korea,' <http://www.unikorea.go.kr/eg/load/D41/D4130.htm>.

2 'Protocol on the Implementation and Observance of Chapter III, South-North Exchanges and Cooperation, of the Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation between South and North Korea,' <http://www.unikorea.go.kr/eg/load/D41/D4125.htm>.

circumstances, they may also be individuals.

5. South and North Korea shall carry out projects of economic cooperation and the exchange of goods by concluding contracts with the parties directly involved in the exchange and completion of the necessary procedures.
6. The prices of goods to be exchanged shall be determined in consideration of international market prices through consultations between the parties directly involved.
7. The exchange of goods between South and North shall be carried out in accordance with the principles of reciprocity and complementarity.
8. The payment for goods exchanged between the South and the North shall be settled, in principle, through a clearing account, providing however, that other methods of settlement may be used by agreement between the two sides when necessary.
9. South and North Korea shall determine by mutual agreement matters necessary for the settlement of payments and capital movement, including the designation of banks for managing clearing accounts and the selection of currencies for settlement.
10. South and North Korea shall not impose tariffs on goods exchanged between themselves and shall discuss and take measures to develop economic relations between the South and the North into an intra-Korean relationship.
11. South and North Korea shall exchange various information, including industrial standards, for the smooth implementation of economic exchanges and cooperation, and will inform the other side of relevant laws and regulations that the parties directly involved must comply with.
12. South and North Korea shall determine, through agreement, the procedures for the guarantee of investment, the avoidance of double taxation, the procedure for arbitration disputes and other matters necessary for the smooth implementation of economic

exchanges and cooperation.

13. South and North Korea shall guarantee free economic activities and essential services to personnel of the other side who participate in economic exchanges and cooperation in their own areas.

As the above agreement was entered into force on September 17, 1992, economic exchanges and cooperation between the two Koreas was expected to flourish soon at that time because the above phrases encompass most aspects of the economic transactions. Thus if North Korea had been sincere in implementing the Basic Agreement, which specifies what to do about promoting economic transactions, we could have achieved an economic community by now. However North Korea suddenly halted high-level talks at the end of 1992. Subsequently South-North Korean economic exchanges and cooperation have been performed with limited scales only through private-level contacts. Now we will turn to actual records of economic exchanges and cooperation between the two Koreas during the past decade.

Economic Exchanges and Cooperation

Intra-Korean trade has steadily increased despite sporadic periods of slow growth and setbacks. As shown in <Table 1>, several trends can be identified as follows: First, intra-Korean trade enlarged rapidly during the period between 1989 and 1992. In 1991 it recorded more than one hundred million dollars for the first time.

Second, the growth rates of 1993 and 1994 were recorded as only 7.6% and 4.3% respectively. This rather sluggish growth reflected the insecurity caused by the North Korean nuclear development program. Third, trade volume rose again in 1995 to exceed two hundred million dollars. North Korea agreed on freezing its nuclear development program and signed on the US-DPRK Agreed Framework in 1994. This eased tensions on the Korean peninsula and intra-Korean trade was reinvigorated during the years of 1995 and first half of 1996.

Table 1. Intra-Korean Trade: 1989-1999

(Unit: \$1,000)

Year	Import		Export		Total	
	Amount	CPT*	Amount	CPT	Amount	CPT
1989	18,655	0	69	0	18,724	0
1990	12,278	0	1,188	0	13,466	0
1991	105,719	0	5,547	0	111,266	0
1992	162,863	638	10,563	200	173,426	839
1993	178,167	2,985	8,425	4,023	186,592	7,008
1994	176,298	14,321	18,249	11,343	194,547	25,663
1995	222,855	21,174	64,436	24,718	287,291	45,892
1996	182,400	36,238	69,639	38,164	252,039	74,402
1997	193,069	42,894	115,270	36,175	308,339	79,069
1998	92,264	41,371	129,679	29,617	221,943	70,988
1999	121,604	53,736	211,832	45,883	333,437	99,620
Total	1,466,173	213,357	634,896	190,123	2,101,069	403,480

Data: Ministry of Unification, *Intra-Korean Interchange & Cooperation and Humanitarian Projects, Monthly Report*, January 2000.

* CPT: Commission-based Processing Trade

Fourth, the North Korean submarine infiltration caused instability in Korean peninsula, thereby, causing intra-Korean trade to shrink in 1996. The South Korean government reacted to the North Korean aggression with policy measures of temporarily banning aid and investment toward North Korea. South Korea resumed aid and investment in 1997 following a North Korean apology at the end of 1996. Thus trade volume is recorded to have exceeded three hundred million dollars in 1997. It shrank again in 1998 due to the financial crisis that occurred at the end of 1997 and in 1999 it recovered from previous year's low record.

It should be noted here that South Korean imports have always been greater than exports except for the years 1998 and 1999.³ This

means that North Korea earned trade surplus in its economic exchanges with the South. The primary cause of these imbalances is North Korea's chronic foreign currency shortage. On the other hand, Commission-based Processing Trade (CPT) has been gaining more importance to become a future model of economic cooperation. CPT began when Kolon manufactured sacks in North Korea in 1991. The initial form of CPT was that of North Korean laborers manufacturing goods using raw and subsidiary materials sent by South Korean firms. Then South Korean firms imported finished products from the North. In these days, South Korean firms provided North Korea with production facilities and materials so that North Korea can manufacture more sophisticated goods such as computer monitors. Thus shares of CPT in total intra-Korean trade have increased steadily: 0.5% in 1992; 3.8% in 1993; 13.2% in 1994; 16.0% in 1995; 29.5% in 1996; 25.6% in 1997; 32.0% in 1998; 30.0% in 1999.

Comparing trends of South-North Korean trade with of North Korean trade in general during the past decade, we could discern several distinguishing features. First, intra-Korean trade has steadily increased while North Korean total trade volume has been continuously decreased. Second, the nuclear crisis of 1993-1994 affected both adversely, thereby, intra-Korean trade and North Korea's total trade shrank at the same time. Third, both intra-Korean trade and North Korea's total trade of 1998 decreased compared with that of the previous year.

Regarding investment activities by South Korean firms in North Korea, the South Korean government has granted investment permission to 42 companies. Fifteen projects acquired permission to invest in North Korea. Hyundai's Mt. Kumgang project was made possible owing to the consistent policies of the separating economics from poli-

3 If we exclude non-tradable goods such as KEDO and aid related items, South Korean side still records trade deficit because the above statistics include those and South Korea sent more such items than before in 1998 and in 1999.

tics principle adopted by the current South Korean government. Because of its scope and scale, the Mt. Kumgang project became a cornerstone of South-North Korean economic exchanges and cooperation. However there exist several peculiar characteristics behind this accomplishment: agreement among top decision-makers; massive up-front investment; providing cash for the North Korean counterpart. It may be hard for other companies to follow the Hyundai model because of the above special arrangements. Anyway, the Mt. Kumgang project allowed many Korean people to visit North Korea.⁴

III. South Korean Policies

The South Korean government has made efforts to enlarge and enhance economic exchanges and cooperation with North Korea during the past decade even though there were periods of contraction and sluggish growth. In this sense, the process for building an economic community began in 1988. The following section scrutinizes the Kim Dae-jung administration's economic policy toward the North along with a brief overview of the two previous administrations of the South. Since President Kim Dae-jung already delineated future course of the South-North Economic Community in his New Year's Message and in the Berlin Declaration, suggestions to realize his vision will follow based on an analyses of the impediments, which prohibit further development of South-North economic exchanges and cooperation.

Previous Administrations

The Roh Tae-Woo administration initiated South-North Korean eco-

4 In 1998, 14, 228 people visited Mt. Kumgang and 163,623 people visited Mt. Kumgang in 1999. Up until the end of March, more than two hundred thousand tourists visited Mt. Kumgang.

economic exchanges by announcing its intention to allow South Korean firms to engage in economic transactions with North Korea in the so-called 7.7 Declaration. This initiative was intended to provide a turning point to the confrontational structure of the Cold War and to begin a new era of intra-Korean exchanges and cooperation through liberalization and reconciliation.⁵ South Korea subsequently lifted economic sanctions against North Korea in October 1988 and enacted the Guidelines for Intra-Korean Exchanges and Cooperation in June 1989. These measures encouraged contacts between the residents of the South and the North and economic transactions between the two Koreas. Later in 1990, the South Korean government provided a more legal framework: the Intra-Korean Exchanges and Cooperation Act. This act provided South Korean firms with legal foundations, which regard South-North economic exchanges as domestic transactions. This act was followed by an enactment of The Intra-Korean Cooperation Fund Act on August 1990.⁶

5 The major contents of the Special Declaration for National Self-Esteem, Unification, and Prosperity are as follows: First, South Korea makes efforts to open a new era of national self-esteem, unification, and prosperity by building a social, cultural, economic, and political community in which all Koreans can participate under the principles of independence, peace, democracy, and welfare. Second, South Korea will actively promote exchange of visits between the people of South and North Korea, including politicians, businessmen, journalists, religious leaders, cultural leaders, academics and students, and will make necessary arrangements to ensure that Koreans residing overseas can freely visit both Koreas. Third, South Korea will open doors of trade between South and North Korea, which will be regarded as internal trade within the national community. Fourth, to create an atmosphere conducive to durable peace on the Korean peninsula, we are willing to cooperate with North Korea in its efforts to improve relations countries friendly to us including the United States and Japan, and in parallel with this, we will continue to seek improved relations with the Soviet Union, China, and other socialist countries. *Special Presidential Declaration for National Self-Esteem, Unification, and Prosperity*. July 7, 1988. <http://www.unikorea.go.kr/eg/load/D41/D4113.htm>.

6 The major contents of The Intra-Korean Cooperation Fund Act are as follows. First, the government would raise and supply the funds needed to promote intra-Korean

The Ro Tae-Woo administration provided a foundation for the initiation of South-North Korean economic exchanges. Its economic policy toward its northern counterpart was to supplement, rather than lead, South Korea's broader North Korea policy with the hope that North Korean belligerency would be mitigated by economic exchanges.

The Kim Young-Sam administration tried to expand economic exchanges and cooperation, but experienced severe fluctuations because of military-security tensions on the Korean peninsula. The Kim Young-Sam administration, though, had also taken measures to reinvigorate economic cooperation in 1994. Despite its achievement to expand economic exchanges to reach the level of more than three hundred million dollars, the Kim Young-Sam administration's economic policy toward North Korea had been blamed by many specialists.⁷ The primary reason for the accusations was that the Kim Young-Sam administration's policy was inconsistent in the sense that it tried to use economic transactions as a leverage in its dealings with North Korea. In other words, attempts to link economics with politics were destined to fail since North Korea did not have significant economic ties with South Korea. Thus North Korea did not feel threatened by the policy measures of the Kim Young-Sam administration's severing economic ties. To make things worse, the Kim Young-Sam administration reversed its economic policies toward the North several times during his five-year term presidency.

exchanges and cooperation, form the sources including government and private contributions, long-term loans, and proceeds from the operation of the fund. Second, the fund would be managed and run by the Minister of Unification, although this authority could be entrusted to a financial institution on his discretion. Third, the fund would be used to provide financial assistance for intra-Korean exchanges and cooperation projects.

7 For example, Dong-Ho Cho criticized the Kim Young-Sam administration's inconsistent policies. Dong-Ho Cho, "Evaluation on the Economic Policies toward the North during the Past Decade", Paper Presented at the Seminar, titled on *South North Korean Economic Cooperation: Evaluation and Tasks*, Korea Development Institute, 1998 (in Korean).

The Current Administration

The Kim Dae-jung administration's economic policy toward the North is based on the three principles of its broader North Korea policy: (1) No armed provocation by North Korea will be tolerated; (2) A takeover or absorption of North Korea will not be attempted; (3) Reconciliation and cooperation will be expanded.⁸ The current administration of South Korea, thereby, promotes economic exchanges and cooperation between the two Koreas under the principle of "Separation of Economics from Politics." Following this initiative, the Kim Dae-jung administration announced its 'Measures for Expanding Intra-Korean Economic Cooperation' on April 30, 1998.⁹ The Major contents of the measures for expanding economic cooperation are as follows. First, various procedures and regulations related to inter-Korean exchange and cooperation were modified: the ceiling on investment in North Korea was lifted; the term of validity for stay in the North was extended to three years; and the multiple visit permission system was broadened. Second, the ban on the export of manufacturing facilities was removed in an effort to promote commission-based processing trade. Third, a three-year restriction on the duration of stay for South Korean businesses in the North was abolished and application procedures for the Intra-Korean Exchange and Cooperation Fund simplified as well.

After two years of his presidency, South Korean President Kim Dae-jung announced his initiative to build South-North Economic Community in his New Year's Message of 2000. He proposed that "government-funded research institutes of the two sides start discussing the formation of the South-North Economic Community." In addition President Kim indicated that the government of South Korea was ready for helping North Korea in improving its poor infrastructure and

8 "North Korea Policy of the Kim Dae-jung Administration," <http://www.unikorea.go.kr/eg/load/C315.htm>.

9 <http://www.unikorea.go.kr/eg/load/c316.htm>.

Table 2. The Main Contents of Measures for Expanding Intra-Korean Economic Cooperation

Contacts and Visits to North Korea	<ul style="list-style-type: none"> * Allow CEOs of large corporations and leaders of business associations to visit North Korea * Enlarge the multiple visit permission system * Extend the term of validity for permission to make contact with North Koreans to three years
Trade	<ul style="list-style-type: none"> * Expand the list of comprehensive approval items * Reduce the number of items that require an import permit from 205 to 178 * Lift the limit on exports of manufacturing facilities to promote commission-based processing trade * Simplify application procedures for import and export materials used in cooperation projects
Cooperation Projects	<ul style="list-style-type: none"> * Remove ceiling of investment in North Korea * Adopt a negative list of the business sectors that are not allowed for joint venture* Simultaneous issuance of permission for cooperation partnership and cooperation projects

in solving the structural problems of its agricultural sector in a speech, named the 'Berlin Declaration,' delivered at the Free University of Berlin on March 9, 2000. He presented four tasks to achieve peace and unification in the Korean peninsula: (1) Assisting North Korean economic recovery through South-North economic cooperation; (2) Ceasing the Cold War in the Korean peninsula and promoting peaceful co-existence between South and North Korea; (3) Solving separated family problems; (4) Promoting official talks between the South and North Korean governments.

The Berlin Declaration reflects President Kim's peace plans, which he has continuously sought throughout his life. Indeed President Kim has been well known as a unification specialist by South Koreans as well as by international community. President Kim may have decided

that it is right time for North Korean leaders to respond favorably to his proposals.

According to the Ministry of Unification (MOU), the objectives and processes of building the South-North Economic Communities are set forth as follows.¹⁰ The South-North Economic Community sets out to make the overall economy on the Korean peninsula balanced, prosperous and welfare-oriented. The body rests on the assumption that the two Koreas eventually share a common economic sphere, which in the process will be carried over by the increasing volume of South-North trade and the number of cooperation projects. To realize the common economic sphere, carried out under the mantle of the South-North Economic Community, all Koreans of the South, the North and Korean expatriates will have to pool their capital, land, technology and manpower to maintain and widen economic exchanges.

MOU also identified long-term tasks as follows:¹¹ First, South and North Korea have to augment mutual dependence of the two Korean economies by increasing the volume of goods traded. Second, economic cooperation projects between the two Koreas must spread to cover a wide range of industries spanning manufacturing, agriculture, fisheries, construction, tourism and finance. Conglomerates as well as small and medium - sized companies should step up investment in the North. Third, we have to connect land, sea, and air routes. And we have to build a joint communications and energy infrastructure between the two Koreas so that information and technology can be shared. Fourth, institutional and legal bases are necessary in order to facilitate smooth economic exchanges. A transparent payment system, guarantee on South Korean investment in the North, elimination of double taxation, mechanism for dispute settlement, and protection of trademark and intellectual property rights procedures are indispens-

10 <http://www.unikorea.go.kr/eg/load/A12/A1243.htm>.

11 Korean Unification Bulletin, January 2000, Ministry of Unification. <http://www.unikorea.go.kr/eg/load/A12/A1243.htm>.

able apparatuses.

MOU also presented the following immediate tasks. First, we need to secure a sufficient base of manpower for the ongoing construction of the two 1,000 Mega-Watt lightwater nuclear reactors in Sinpo, North Korea, in addition to finding secure financing for the construction. The second task is to decide on the site where the proposed industrial park will be built, and find an economically viable method for building the site. Third, the Mt. Kungang Tourism Project needs to be diversified and expanded. Fourth, the range of goods currently allowed for inter-Korean trade should include goods that the North desires. Also, the government can consider using the South-North Cooperation Fund in exporting outdated facilities and machinery to the North, and increase the volume of processing-on-commission trade. The fifth task lying before us is improving the transportation system between the two Koreas by connecting land, air and sea routes. Lastly, but not the least, before the two Koreas can officially agree to enter in the inter-Korean economic body, the state-run think tanks of both the South and the North should aggressively discuss what the body will contain.

The above two initiatives, the New Year's Message and the Berlin Declaration, suggest a blueprint for building the South-North Economic Community. Following President Kim's New Year's Message, government-funded research institutes launched a committee for preparation and consultation of the South-North Economic Community and held the first meeting on January 17, 2000.¹² The committee will discuss projects and measures of consultation with North Korea in promoting the South-North Economic Community.

Since President Kim already provided us with his vision about the

12 Participation institutes are: Korea Institute for National Unification, Korea Development Institute, Korea Rural Economic Institute, Korea Institute for Industrial Economics and Trade, Korea Research Institute for Human Settlements, Korea Transport Institute, Korea Energy Economics Institute, and Korea Institute for International Economic Policy.

South-North Economic Community, the following sections will deal with the issues related with implementing South Korean policies. Indeed it is necessary for us to prepare gradual and incremental approach in order to enhance South-North Korean economic exchanges and cooperation. As noted above, expansion and enhancement of South-North economic exchanges and cooperation is a primary task for us in accelerating the process of building the South-North Economic Community in Korean peninsula.

IV. Impediments and Solutions

Impediments

South Korea has shown great interest in building an economic community between the two Koreas since 1988, when economic exchanges began. On the other hand, North Korea has been reluctant to fully engage with South Korea. However it is also true that South-North Korean economic exchanges account for more than one fifth of North Korean total trade. What kinds of factors work against expansion of intra-Korean trade? Basically politics guide more general and fundamental aspects of intra-Korean economic interactions whereas economic considerations affect more specific and technical aspects.

Unfortunately there exist numerous impediments to make progress in building the South-North Economic Community. These impediments are caused by the political stalemate between the two Koreas. More specifically there exist four political factors which inhibit a smooth flow of economic transactions between the South and the North: the unstable and transient South-North Korean relationship; North Korea's rigid policy of maintaining a socialist regime; North Korea's unbending attitude of avoiding governmental talks and cooperation; the difficulty of the South Korean government in maintaining

consistent policies due to the fluctuations of domestic public opinion. As a matter of fact, it is still insecure to do business businesses with the North if we compare with other business opportunities.

First, unstable and transient relationship between the two Koreas affects the expansion of economic transactions in an adverse manner. On the one hand, North Korean infiltration toward the South, as noted above, directly affected South-North economic interactions. On the other hand, if North Korea continues developing weapons of mass destruction, it would undermine the stability of the Northeast Asian region. In turn this instability of the region affects South-North economic cooperation as in 1993 and in 1994.

Second, North Korea has rigidly insisted that its socialist regime and/or socialism in its way should be maintained under whatever circumstances. Thus it prioritizes military build-up. Kim Jong-il has been preoccupied with solidifying his power since his father's death. Thus North Korea showed an attitude to limit interactions with the outside world as little as possible until recently.¹³ This kind of policy works against deepening South-North economic interdependence in two ways. One is that it cannot adopt a policy of economic opening-up in a sincere manner. The other is that it cannot revive North Korean economy because most resources from limited sources are to be used for other purposes than economic development.

Third, North Korea has maintained its policy of avoiding governmental talks since Kim Il-Sung died, though vice-ministerial talks were held twice in previous two years. The scope and duration of the high-level talks, however, were limited and discontinued. In order to pursue an economic community, it is imperative for the two parties to make governmental agreements concerning guarantee of investment and avoidance of dual taxation and so on. Without governmental talks,

¹³ We could discern some changes in the North Korean attitude because it engages more with outside countries such as its recent normalization of relations with Italy and successive contacts with other Western countries.

they cannot discuss the ways by which both parties can cooperate in pursuing large-scale economic projects. And without governmental agreements, South Korean businesses would be hesitant to advance further to launch ambitious economic cooperation projects.

The Fourth political problem is related with South Korean public opinion. As all of us know, there still exists animosity against North Korea in South Korea because the two parties had experienced war against each other. It is also true that the long history of division makes South Korean people suspicious of North Korean intentions. This situation demands that the South Korean government receive direct reciprocal feedback from its counterpart when the former grants aid to the latter. In other words, the South Korean government feels pressure from domestic public opinion and from opposition parties. As a result, the South Korean government has difficulty in keeping patience when it deals with North Korea.

Political factors play important roles to characterize fundamental directions while economic ones affect short- to medium-term prospects for development. The North Korean economic situation such as North Korea's economic difficulty and unfavorable investment environment may primarily be an economic factor to the enlargement or contraction of South-North Korean economic exchanges and cooperation.¹⁴ In addition there exist several practical-level impediments for South Korean businesses to deepen their economic ties with the North: high transaction costs; the financial difficulties of medium and small sized firms; complicated and cost incurring settlement methods; the limited market for North Korean originated goods; the low continuance rate of South-North Korean economic cooperation projects; complex procedures of South-North Korean economic transactions.

14 Cho and Zang provided general overview of the North Korean economic situation, for example. Myung Chul Cho and Hyounghoo Zang, *The Present and Future Prospects of the North Korean Economy*, Korea Institute for International Economic Policy, 1999.

Solutions

Building an economic community between the two different economic systems will not be an easy task. This is particularly true when we consider economic integration among different political systems. Then how can we promote economic exchanges and cooperation between the two Koreas so that their economies are fully integrated? It is primarily dependent on the willingness and capability of the two Koreas.

One of the most important factors promoting South-North Korean economic exchanges and cooperation is South Korea's willingness to help North Korea. As indicated above, South Korea has taken policy measures to expand its economic interaction with North Korea even though the latter did not respond favorably. South Korea's willingness comes from its judgement that it cannot leave North Korea as it is and/or it should enhance the well-being of North Korean people. Thus South Korea has tried to provide North Korea with opportunities that would contribute to overcoming its economic difficulty. On the other hand, South Korea wants to mitigate North Korean hostility through economic cooperation. This is based on the belief that economically close political systems are less prone to fight against each other. In other words, South Korea is expecting peaceful effects of economic exchanges.

In contrast North Korea's willingness to perform economic exchanges with the South originates primarily from economic calculations. North Korea badly needs hard currency to activate its economic revival program. And South Korea may be the only reliable source of hard currency for North Korea as the international community regards North Korea as bankrupt country. Under these circumstances, North Korea reluctantly has accepted South Korea's call for economic cooperation, but with strict conditions-economic cooperation packages should not affect the North Korean system. Thus North Korea allows limited

South Korean firms to operate businesses on its soil if they agree not to influence the North Korean people and system.

There exist facilitating factors such as common language and geographical proximity. These factors could easily be transformed into economic factors. When we consider economic cooperation among the nations of Northeast Asia,¹⁵ North Korean participation is almost a prerequisite for the smooth flow of goods and services. Once North Korea opens up its borders to South Korea and China and allows free movement of goods and services, the Northeast Asian region will become more economically dynamic.

In order to make progress in building the South-North Economic Community, it is necessary to overcome impediments and to maximize the usefulness of facilitating factors. Simply put, it is important to enhance facilitating factors and minimize adverse effects of prohibiting forces. Since political impediments work against making progress, political measures should be used to create a favorable environment. It should also be emphasized here that political moves should not be used frequently because those could erode credibility about the proposals and promises. Thus political initiatives should be used at a critical moment when there is a great need to leap forward. Once a political initiative is taken by the government, it should guide important directions consistently. In this vein, it may be necessary for us to consider the confidence-building stage for a process of building the South-North Economic Community.

For the initial stage, priority should be given to the policy measures that would contribute to earn credibility from North Korea. Then in the second stage, we need to deepen economic interactions by implementing the Basic Agreement. Especially it is necessary to provide a legal framework for South-North economic cooperation. It is also necessary

15 Inkyo Cheong provided an analysis of possible economic integration in Northeast Asia, for example. Inkyo Cheong, *Economic Integration in Northeast Asia: Searching for a Feasible Approach*, Korea Institute for International Economic Policy, 1999.

for us to establish infrastructure to connect the South with the North. Increasing economic interdependence between the two Koreas would lead to the final stage, when the two economies are fully engaged.

Under these broader principles in establishing the South-North Economic Community, it is necessary for us to consider important tasks to promote the process of establishing the South-North Economic Community.

(1) Implementation of the Basic Agreement and Governmental Talks

It is very important to reinvigorate 'The Basic Agreement' effectuated in 1992 in order to fully develop South-North economic exchanges and cooperation. More importantly, it is imperative to begin the 'Joint Economic Committee' between the two Koreas as agreed in 1992.¹⁶ If both parties agreed to establish the committee, they could discuss ways to provide various legal and institutional frameworks for economic exchanges and cooperation. However, the North Korean side maintains its attitude of avoiding official contacts or talks with South Korean counterparts. Thus it may be necessary for us to consider other practical and readily implemented solutions to enhance South-North Korean economic exchanges and cooperation as an interim solution. For this matter, President Kim Dae-jung made proposals in the 'Berlin Declaration' regarding an exchange of envoys to solve current deadlocked situation.

It is necessary to continuously make an effort to resume official meetings between the South and North Korean governments. In addition to the exchange of special envoys, we may need to consider initiat-

16 South and North Korea effectuated an agreement on "Protocol on the Implementation and Observance of Chapter III, South-North Exchanges and Cooperation, of the Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation," on September 17, 1999. This document is available at <http://www.uniorea.go.kr/eg/load/D41/D4125.htm>.

ing working-level official meetings to discuss practical matters. For example, we could make proposals to discuss methods to economize transaction costs involving South-North Korean trade between working-level government officials. In this way, we could turn around sensitive political issues and accomplish detailed agreements that could contribute to the enhancement of South-North Korean economic transactions. In other words, we could diversify official contacts so that high-level talks may deal with broader issues and low-level talks for more specific issues.

(2) Establishment of a Supporting Institution

It is necessary to establish a supporting institution for South-North Korean economic exchanges and cooperation. Currently North Korea refuses to hold governmental level meetings with South Korea even though such meetings greatly needed due to increasing economic transactions. Thus it is necessary to launch a semi-governmental organization to handle practical matters involved with economic exchanges between the South and North. This institution could have dual constructive functions: on the one hand, it could support South Korean firms' business activities by providing information about North Korea and by providing financial help; on the other hand, it could play the role of an intermediary between the South and North Korean governments. We may utilize the already established 'Committee for Preparation and Consultation of the South-North Economic Community' to envisage desirable forms of such a supporting organization.

(3) Provision of Economic Education for North Koreans

It is necessary for us to actively participate and support the economic education of North Koreans. North Korea needs to present economic data in order to acquire membership in the international financial insti-

tutions such as International Monetary Fund and World Bank. North Korea shows its intention to become a member of international financial institutions because it wants to receive financial support to revitalize its economy. In this vein, an official from World Bank visited North Korea to investigate North Korea's economic situation and he concluded that economic education was necessary for North Korean government officials. Following these movements, South Korea could participate in the international effort to educate North Koreans about market economy. In its initial stage, South Korea can provide education program manuals in Korean. And South Korea can provide financial support to educational institutions also. If North Korea is ready to accept, South Korea could send teachers who could participate in the education program.

(4) International Issues

It is necessary for the South Korean government to clarify the basic characteristics of South-North Korean economic exchanges and cooperation. South and North Korea agreed to treat the South-North Korean economic exchanges and cooperation as intra-national economic transactions. Consequently both parties do not impose tariffs for the economic transactions. However this position has not been approved by international authorities such as the World Trade Organization. The International community has not paid special attention until now because intra-Korean trade comprises a small fraction of South Korea's total economic activity. However, if South-North Korean economic exchanges and cooperation expand more rapidly, it is probable that concerned countries will raise this issue. Thus it is necessary for the South Korean government to prepare for this problem in detail.

It is necessary for South Korea to consult with the United States regarding North Korean originated products. Currently the United States is working on detailed measures regarding the easing of eco-

economic sanctions against North Korea. Then South Korean firms could export products manufactured in North Korea to the United States. However these products would be put under high tariffs because the United States would not provide North Korea with Normal Trading Relations. Thus the South Korean government needs to prepare for close consultation with the United States about this matter.

(5) The Relationship between Politics and Economics

It is necessary for the South Korean government to prepare detailed measures about applying the 'separation of economics from politics' principle. The Kim Dae-jung government proclaimed that economic transactions between South and North Korea should be decided based on the business sectors' own judgement. However it is necessary for the government to guide and scrutinize South-North economic exchanges and cooperation because the business sector demands governmental support to enlarge its transactions with North Korea. It is also true that current relations between South and North Korea are unstable and transient in nature. Under these circumstances, it is unavoidable for the South Korean government to play a certain role. Besides providing a legal frameworks it is necessary for the South Korean government to guide businesses so that they pursue continuity and consistency in their dealings with North Korea. On the other hand, the South Korean government needs to urge conglomerates to ask small and medium-sized industries to participate in their projects.

V. Conclusion

The ultimate solution for the development of South-North economic exchanges may be North Korea's economic recovery. If North Korea were to succeed in transforming and vitalizing its economy, South-

North economic transactions would flourish in the long run. In this way, South and North Korea could establish an economic community more smoothly for mutual economic development.

President Kim Dae-jung suggests that the South Korean government is ready to help North Korea to recover from economic difficulty in the Berlin Declaration. Now it is time for North Korea to admit the reality that South Korea is the most important economic partner, which can help solve its economic problems. It is necessary for North Korean leaders to rethink the beneficial effects of intra-Korean economic exchanges and cooperation. Indeed it is a prerequisite for North Korea to expand its economic ties with South Korea to induce foreign investment and to enlarge economic relations with other countries.

It should also be noted here that South Korea has made sincere efforts to expand and enlarge economic exchanges and cooperation with North Korea during the past decade. As noted above, South Korea made the 'Intra-Korean Exchanges and Cooperation Act' in order to provide a legal background for South Korean firms to actively participate in economic cooperation with the North. However North Korea has not prepared a domestic legal framework governing South-North economic cooperation. It is only vaguely assumed that North Korean joint venture laws would apply to South-North Korean economic cooperation projects. Thus it is necessary for North Korea to make specific laws concerning South-North Korean economic interactions.

In conclusion it may be necessary for us to have more patience in its dealings with North Korea. After a long history of isolation from the international community and of survival with its own methods, North Korea may still need more time to adapt to rapid environmental changes.

THE ROLE OF THE UNITED STATES IN THE CONSTRUCTION OF A NORTH-SOUTH KOREAN ECONOMIC COMMUNITY

Edward A. Olsen

One of the purposes behind the Clinton administration's engagement policy toward North Korea has been to help bring the Pyongyang regime out of its shell and into contact with the larger world. The creation of the proposed economic community could make it easier for the United States to fulfill these objectives. It also would facilitate the United States' manifest desires to aid the Kim Dae-jung government's efforts to achieve an incremental economic convergence between the two Koreas and avoid a hard landing.

Regardless of whether the United States is led by a President Gore or a President Bush, there are some other cautionary factors worth noting with respect to prospective U.S. policy toward President Kim's proposed economic community. In terms of basic U.S. national interests with regard to the Korean peninsula one can legitimately question whether the United States would be better served by pursuing relationships with two coexisting Korean economies or by facilitating Korean economic convergence. Despite reasons for U.S. caution, the desire on the part of an overwhelming majority of American foreign affairs experts to avoid doing anything which could

reduce strong U.S. influence in key regions of the world is likely to predispose Washington toward active support for the Korean economic community as a means to perpetuate American influence in and around Korea and to impede the growth of other countries' influence over Korea.

I

As part of a New Year's address for 2000, entitled "New Millennium, New Hope," President Kim Dae-jung proposed what could become an innovative step toward Korea tension reduction through a "North-South Economic Community."¹ In support of that effort South Korea is engaged in a series of studies and conferences intended to flesh out and publicize that proposal. The conference for which this paper was prepared is a portion of that evolving process.

The theme of this paper also represents a policy work in progress, namely the existing and potential roles of the United States in the proposed inter-Korean economic community. There are three disclaimers which must be noted prior to delving into substantive topics. First, since this paper's focus amounts to a moving target, namely an unfolding set of U.S. policies and reactions in response to evolving packages of South and North Korean policies toward a "community" which may or may not be created, the following cannot pretend to be a definitive analysis. Rather, it is an evaluation of transitory circumstances. Secondly, the author is a foreign policy and security analyst rather than an economics analyst. Accordingly the analysis and comments offered on the subject at hand are offered and should be received in that light.

1 *The Korea Herald*, January 4, 2000, p. 1. For background on the proposal, see "Building the North-South Economic Community," *Korean Unification Bulletin*, No. 15, January 2000, pp. 2-3.

And, thirdly, although I teach and conduct research at the U.S. Navy's graduate school, my views do not represent the position of the Department of Defense or any other branch of the U.S. Government. The views presented here are solely personal evaluations.

The inter-Korean economic community proposal may prove to be constructive or it may go the way of a long series of prior South Korean suggestions which yielded sparse results.² Against that backdrop some degree of realism about the prospects for President Kim's proposal might easily be absorbed by pessimism based on the legacy of past failures. However such realism/pessimism must be tempered by the context in which the proposed community has been suggested. Therefore, before probing likely American responses to the economic community idea, it is worth briefly assessing its feasibility in the context of the two Koreas which would have to make it work.

II

Any effort to peacefully reconcile the two halves of the divided Korean nation must necessarily stress one of several issues in which overlapping interests exist. Arguably the category with the greatest promise at the beginning of the 21st century is economic relations. Obviously both Korean states possess economies which function on the same peninsula, subjected to the same natural resource and environmental constraints and opportunities. Equally obviously, both economies are run by Koreans who—despite their many political and

2 For background on the history of inter-Korean reconciliation efforts which produced little, see: *The Record on Korean Unification, 1943-1960*, Washington: U.S. Department of State, Publication 7084, Far Eastern Series 101, October 1960; Kim Hakjoon, *Unification Policies of South and North Korea: A Comparative Study*, Seoul: Seoul National University Press, 1978; and Choy Bong-youn, *A History of the Korean Reunification Movement: Its Issues and Prospects*, Peoria: Institute of International Studies, Bradley University, 1984.

strategic differences—share a fundamental cultural heritage which informs their identity and shapes their ability to work with each other. So, at the most basic level there are some commonalities at play in the physical and human facets of the economic arena. Nonetheless, these factors have not produced remotely equivalent economic structures or results for the Republic of Korea (ROK) and Democratic People's Republic of Korea (DPRK). The economies of the rival Korea are vastly different.³ At the same time as a succession of South Korean leaders from Park Chung-hee to Kim Dae-jung have guided the South Korean economy toward the “miracle of the Han” and made it the focus of much admiration around the world,⁴ the Kim Il-sung/Kim Jong-il regime in Pyongyang proceeded to fritter away many of the comparative advantages the DPRK enjoyed in terms of natural resources and infrastructure experiences dating back to the Japanese colonial era as it hobbled the North Korean economy and caused it to be derided by much of the world.⁵ By the mid-1990s it was clear to most of the world that the two Korean economies were on opposite ends of the spectrum of success and failure. South Korea was reaching new heights and North Korea was probing for new depths, although it was bent on avoiding them.⁶ It seemed clear that North Korea's blatant need for a

3 For an overview, see Hwang Eui-gak, *The Korean Economies: A Comparison of North and South*, New York: Oxford University Press, 1993.

4 For mainstream assessments of those successes, see: Song Byung-nak, *The Rise of the Korean Economy*, Hong Kong: Oxford University Press, 1990; C. Fred Bergsten and Il Sakong, Editors, *Korea-U.S. Economic Cooperation in the New World Order*, Washington: Institute for International Economics, 1995; and Yoo Seong-min, “Korea's Economy in the 20th Century,” *Korea Focus*, November-December 1999, pp. 58-73. For a more skeptical treatment, see Mark L. Clifford, *Troubled Tiger: Businessmen, Bureaucrats, and Generals in South Korea*, Armonk: M.E. Sharpe, 1994.

5 For overviews of North Korea's economic evolution and the problems it spawned, see: Joseph S. Chung, *The North Korean Economy*, Stanford: The Hoover Institution Press, 1974; and Marcus Noland, “Prospects for the North Korean Economy,” in Suh Dae-sook and Lee Chae-jin, *North Korea After Kim Il Sung*, Boulder: Lynne Rienner Publishers, 1998.

thoroughgoing economic overhaul⁷ was in sharp contrast to South Korea's persistent economic progress.

Even as North Korea's economy suffered climatic reverses that caused an already weak agricultural sector to be severely set back, leading to widespread starvation in the mid-to-late 1990s which continue into the new century,⁸ South Korea's economy also experienced traumatic reverses which necessitated the IMF bailout of 1997-98.⁹ While North Korea's economy was in dire straits, South Korea's also was on the ropes in ways that could not have been imagined by most observers just months earlier. This juxtaposition of economic setbacks in both Koreas, albeit for radically different reasons, created an odd parallelism between the two Koreas in which both were in need of external assistance and both were compelled to relax some of each society's internal cultural-political inhibitions with regard to foreign intervention in the management of their domestic affairs. In a perverse way this situation fostered a degree of attitudinal common ground between the two Koreas.

This movement did not have major short-term consequences for

6 For a relatively upbeat treatment of North Korea's economy, see Shen Shenyang, “Politics and Strategies for Economic Development” in Han S. Park, Editor, *North Korea; Ideology, Politics, Economy*, Englewood Cliffs, NJ: Prentice Hall, 1996.

7 For insights into what North Korea needed to do economically, see: Marcus Noland, Sherman Robinson, and Monica Scatasta, “Modeling North Korean Economic Reform,” *Journal of Asian Economics*, Vol. 8, No. 1, Spring 1997, pp. 15-38; and Lee Kuen, “The road to the market in North Korea: projects, problems and prospects,” Helsinki: United Nations University, World Institute for Development, Working Paper No. 139, 1997.

8 For a cross section of media coverage of the devastation North Korea's economy absorbed, see: *The Washington Post* (Weekly) October 27, 1997, pp. 6-7; *Far Eastern Economic Review (FEER)*, January 15, 1998, p. 26; *The Christian Science Monitor*, March 5, 1998, pp. 1, 9; *The Economist*, March 7, 1998, p. 42; *The Korea Herald*, March 30, 1998, p. 1; and *The New York Times*, December 10, 1998.

9 For analyses of the causes and impact of that international rescue, see *Korea's Economy 1998*, Washington: Korea Economic Institute, Volume 14; and *FEER*, March 26, 1998, pp. 10-15.

meaningful convergence of the two economies, but it did provide reason to be hopeful about the future.¹⁰ As an inadvertent by-product of South Korea's severe reversal in 1997-98 and North Korea's efforts to climb out of its stagnation the formerly widening economic gap between the North and South narrowed in 1998.¹¹ That clearly was a transitory phenomenon as South Korea's economy rebounded rapidly in response to liberalization reforms throughout 1998-99.¹² One result of these events was to reinforce a sense of caution and prudence with regard to the prospective pace of inter-Korean reconciliation and unification which could be aided by the previously noted parallelism. It was not in the interests of either Korea to rush into negotiated arrangements that could undermine each's efforts to reform its economy which, in turn, could jeopardize a range of other ways they might interact in productive ways. More obviously it was not in the interests of either Korea for North Korea's economy to collapse, leading to the fall of the Pyongyang regime and forcing a still fragile South Korean economy to bear the responsibility and stupendous costs of taking over what would be left in the North.¹³

Against this background in the mid-to-late 1990s, South Korea's evolving approach to North Korea has placed the Pyongyang regime within a larger process of "globalization" (*seggyehwa*) in which South Korea simultaneously reaches out to become more interdependent

with diverse trading partners and is modifying the ethnocentrism of Koreans to make them more capable of acting in interdependent ways.¹⁴ This societal and foreign policy transformation predates South Korea's 1997 economic crisis, but was accelerated by the spill over impact of that crisis. "Globalization" in South Korea has clear linkages to the simultaneous efforts made by neighboring Japan in the name of "internationalization" (*kokusaika*). However, it also has roots in South Korea's Nordpolitik (modeled on West Germany's *Ostpolitik*) in that Korea's version enabled Seoul to reach out to a broader spectrum of countries to establish supportive relationships. Significantly, whereas the "northern politics" precedent was targeted against North Korea by diluting Pyongyang's ties with its allies, "globalization" enables South Korea to establish an inclusive international framework open to North Korean participation. This global shift reflects remarkable sophistication and magnanimity on South Korea's part.

Concurrent with these evolving policies toward the entire world, South Korea's regional policies toward North Korea also shifted emphasis. While the ROK persists in its deterrence policies based on the U.S.-ROK alliance,¹⁵ supplemented by a strengthened U.S.-Japan alliance which was partially designed to send a signal to Pyongyang,¹⁶ South Korea has placed far more emphasis in recent years on the importance of "engagement" with the North Korean regime.¹⁷

10 For insights into the interaction of change in each society, see: L. Gordon Flake, "Patterns of Inter-Korean Economic Relations," in Hahn Bae-ho and Lee Chae-jin, *Patterns of Inter-Korean Relations*, Seoul: The Sejong Institute, 1990.

11 Sim Sung-tae, "Worlds Apart? Income gap between two Koreas narrowed in 1998," *Korea Newsreview*, November 13, 1999, p. 25.

12 For detailed analyses of this trend, see: "Korea and the Asian Economic Crisis: One Year Later," *Joint U.S.-Korea Academic Studies*, Volume 9, 1999, Korea Economic Institute of America; and "The Korean Economy in an Era of Global Competition," *Joint U.S.-Korea Academic Studies*, Volume 10, 2000, KEI.

13 An estimate by the Korea Economic Research Institute (of the Federation of Korean Industries) places the cost to Seoul of a post-collapse unification at \$561 billion, *Korea Now*, February 12, 2000, p. 13.

14 See, Samuel S. Kim, "Korea's Globalization Drive: An Assessment," *Joint U.S.-Korean Academic Studies*, Volume 10, 2000, KEI, pp. 19-54.

15 For Seoul's expectation that the alliance will persist, see the ROK Ministry of National Defense's "National Defense in the 21st Century and the Defense Budget," March 2000 (www.mnd.go.kr) which also contains a proposal that the ROK might create armed forces which could cope with the prospect that U.S. forces might leave Korea.

16 Ahn Byung-joon, "The Impact of the U.S.-Japan Defense Cooperation Guidelines on East Asian Security," *IGCC Policy Paper*, No. 45, La Jolla: University of California Institute on Global Conflict and Cooperation, 1998.

17 For a recent example of this stress on engagement, see *Policy Towards North Korea for Peace, Reconciliation and Cooperation*, Seoul: Ministry of Unification, 1999.

Although Seoul's use of the engagement concept resonates with major echoes of the Clinton administration's "strategy of engagement and enlargement,"¹⁸ it also displays distinctly South Korean innovations appropriate for the inter-Korean situation. These are epitomized in President Kim Dae-jung's "Sunshine Policy" which is basically a variation of "enlargement" which stresses the utility to South Korea of improved U.S.-DPRK relations.¹⁹ Moreover, the sunshine metaphor signals a desire to thaw the Korean remnant of the Cold War, cast light upon problems, and engender transparency which collectively can enhance the prospects for North-South dialogue, tension-reduction, and coexistence.²⁰ At the core of this effort by South Korea to reach out to North Korea in a constructive manner is its attempt to separate the sensitive realm of politics from the less sensitive realm of economics so that North Korea will not perceive South Korean economic overtures as having any hidden agendas intended to subvert the North Korean political system through organic change.²¹ Interestingly, and reminiscent of the parallels between South Korea's "globalization" and Japan's "internationalization," President Kim's stress on the duality of political

18 *A National Security Strategy of Engagement and Enlargement*, Washington: The White House, July 1994.

19 President Kim Dae-jung, December 7, 1998, explicitly advocated U.S.-DPRK diplomatic normalization as part of his broader set of overtures toward North Korea, *The Korea Herald*, December 8, 1998, p. 1. For a former American official's insights into this policy shift's relevance to the United States, see Morton Abramowitz, "Kim's Revolutions," *FEER*, March 4, 1999, p. 29.

20 For academic insights into the workings of this policy, see Moon Chung-in, "Understanding the DJ Doctrine: The Sunshine Policy and the Korean Peninsula," in Moon Chung-in and David I Steinberg, Editors, *Kim Dae-jung Government and Sunshine Policy: Promises and Challenges*, Seoul: Yonsei University Press, 1999. For official insights, see an interview with Unification Minister Park Jae-kyu, "The Sunshine Policy is Peace Policy," *Diplomacy*, Vol. XXVI, No. 1, January 2000, pp. 14-17; and a speech by Minister Park, "Direction of ROK Government's North Korea Policy in 2000," *Korean Unification Bulletin*, February 2000, p. 1.

21 For a concise description of this effort, see Frank Ching, "Kim's 'Sunshine' Policy at Work," *FEER*, March 9, 2000, p. 36.

and economic overtures is evocative of Japan's *seikei bunri* policies (separating politics and economics) which were calculated to ease Tokyo's mid-Cold War commercial expansion worldwide without reminding its trade partners of Japan's Imperial age baggage. In the ROK's case this policy of separation may facilitate post-Cold War inter-Korean economic cooperation without allowing lingering Cold War-style strategic baggage to get in the way.

A prominent illustration of South Korea's sophistication in this regard was Seoul's refusal to allow North Korea's recurring use of military tensions, which are central to Pyongyang's form of deterrence by keeping the U.S.-ROK allies off balance via their shared uncertainty about the rationality of North Korean actions, to derail South Korea's economic overtures. An example of this during the Sunshine policy era was North Korea's provocative naval actions in the Yellow Sea near Yonpyong island in June 1999.²² In past years such actions would have wrecked any ongoing ROK overtures toward the DPRK, but this time the necessary military responses by South Korean forces were compartmentalized and not permitted to contaminate the validity of economic overtures.

This was the setting in which President Kim Dae-jung's economic community proposal was launched. Compared to past South Korean efforts which produced little or nothing because the odds were stacked against them from the outset, this proposal appears to be far more realistic and entirely feasible. The economic conditions and political timing seem to be propitious. It is manifestly clear that the South Korean private sector would enthusiastically embrace the concept were the proposal to be put into practice. The logic behind North Korea also embracing it is more problematic in light of that regime's tendencies toward paranoia and its *juche* fetish. However, as the pre-*juche* era track record of North Korea indicates, it is possible for North Korea to

22 *FEER*, June 24, 1999, pp. 20-21; and Korea Newsreview, June 19, 1999, pp. 5-7.

engage in economic relations with diverse countries that are intended to bolster North Korea's economy.²³ Given North Korea's proven ability to redefine its *juche* philosophy to meet its needs, and its current exploration of improved ties with the United States and Japan, there is every reason to believe that the Kim Jong-il government could adapt to the circumstances likely to be embodied by the proposed economic community if Seoul and Pyongyang can achieve a working consensus. There is no reason to doubt the sincerity of the Kim Dae-jung administration which reinforces its stated goal at every opportunity.²⁴ The proposed "community" also is compatible with regional trends toward multilateral cooperation in that, for it to be successful, it would be valuable for the peninsular economic community to attract the interest and support of other players in international economic affairs.

III

This is where the United States is likely to enter the picture. Along with China and Japan, neighbors that possess a major stake in the question of when and how the two Koreas may accelerate the process of national reconciliation, the United States' position as the ROK's strategic partner and the DPRK's de facto buffer²⁵ compels Washington to be responsive to any proposal for an improved North-South dialogue. Also, since all three—along with the European Union—comprise the leaders of the international economy which shall be instru-

mental in determining whether the proposed Korean economic community can attract external support, the success or failure of the "community" will partially depend on these outside players.

On the surface there appears to be no reason why the United States should object to the proposed economic community since it represents the fruition of the kind of North-South communications aimed at tension-reduction which the United States has supported for years. American leaders are well aware of the problems attendant to Korean unification and have long been supportive of a North-South dialogue.²⁶ One of the purposes behind the Clinton administration's engagement policy toward North Korea, with roots that reach back to the Reagan-Shultz "smile diplomacy" era,²⁷ has been to help bring the Pyongyang regime out of its shell and into contact with the larger world. The United States' nuclear policy toward North Korea had that as an ulterior motive,²⁸ as did the United States' broader diplomatic/economic policies toward North Korea.²⁹ The creation of the proposed economic community could make it easier for the United States to fulfill these objectives. It also would facilitate the United States' manifest desires to aid the Kim Dae-jung government's efforts to achieve an incremental economic convergence between the two Koreas³⁰ and avoid a hard

23 Koroly Fendler, "Economic Assistance From Socialist Countries To North Korea In The Postwar Years: 1953-1963," in Han S. Park, Editor, *North Korea: Ideology, Politics, Economy*, Englewood Cliffs, NJ: Prentice Hall, 1996.

24 President Kim Dae-jung and Unification Minister Park Jae-kyu have repeated their entreaties to North Korea to join with South Korea in building the proposed community, see *The Korea Herald*, February 19, 2000; March 10, 2000; and March 15, 2000.

25 The author explores that double containment role more fully in his "U.S. Security Policy and the Two Koreas," *World Affairs*, Spring 2000.

26 For insights into that support, see Robert A. Scalapino, "The Major Powers and Korean Reunification," in Jay Speakman and Lee Chae-jin, Editors, *The Prospects for Korean Reunification*, Claremont: The Keck Center for International and Strategic Studies, 1992; and Nicholas Eberstadt, *Korea Approaches Reunification*, Armonk: M.E. Sharpe, 1995.

27 *FEER*, May 12, 1983, pp. 16-17; and *The Korea Herald*, April 4, 1983, p. 1. and April 10, 1983, p. 1.

28 For analysis of that policy, see Michael J. Mazarr, *North Korea and the Bomb*, New York: St. Martin's Press, 1995.

29 For useful background on these efforts, see Selig S. Harrison, *Dialogue With North Korea*, Washington: Carnegie Endowment for International Peace, 1989; and Nicholas Eberstadt, "U.S.-North Korean Economic Relations: Indications from North Korea's Past Trade Performance," in Park Tong-whan, Editor, *The U.S. and the Two Koreas*, Boulder: Lynne Rienner Publishers, 1998.

landing.³¹

Along these lines U.S. support for President Kim's proposed community can be expected to continue because the proposal is in harmony with what the Clinton administration's Korea policy point man, former Defense Secretary William Perry, has advocated for the United States which stresses the use of economic incentives and eased sanctions to improve U.S.-DPRK relations as an instrument to help reduce tensions on the Korean peninsula.³² Subsequent consultations between Secretary Perry and President Kim Dae-jung in September 1999 made it clear that the United States and South Korea were closely coordinating their policies toward North Korea.³³ On the local level, in Seoul, U.S. Ambassador Bosworth reiterates that support.³⁴

Having acknowledged the ways in which the proposed economic community is likely to be overtly embraced by the Clinton administration, and a possible successor Gore administration, it is important to note some cautionary factors which could alter U.S. responses. One very obvious factor is the prospect that there could be another Bush administration which would be sensitive to conservative criticisms of the Clinton era policies toward Korea which allege appeasement and urge a much harder line toward North Korea.³⁵ One could also envi-

sion George W. Bush being influenced by Senator John McCain's campaign recommendations for a U.S. "roll back" policy aimed at North Korea, among others. Were anything of that sort to materialize in the next administration, the odds for continued U.S. support for engagement with North Korea along the lines of President Kim's Sunshine Policy would likely diminish or be changed dramatically. Such changes could include a type of engagement, but of the sort that is calculated to undermine the North Korean regime rather more rapidly than Seoul is likely to be comfortable with.³⁶

Regardless of whether the United States is led by a President Gore or a President Bush (or an unlikely third party alternative), there are some other cautionary factors worth noting with respect to prospective U.S. policy toward President Kim's proposed economic community. Despite all the attention paid to the harmonious side of U.S.-ROK interaction with regard to Sunshine policy-related initiatives, some South Koreans remain suspicious about hidden U.S. agendas with regard to North Korea.³⁷ It is impossible to relieve South Korean concerns that are driven by an inability to gain access to the tightly held inner workings of U.S. policymaking with regard to Korea. One can only note that South Koreans are not alone in harboring such frustrations—virtually all of the United States' counterparts in world affairs share the desire for more knowledge.

On the broader level, however, there are a number of issues that can be addressed here which might negatively bear on the United States'

30 See, Bradley O. Babson, "Economic Perspectives on the Sunshine Policy," in Moon Chung-in and David I. Steinberg, Editors, *Kim Dae-jung Government and Sunshine Policy, Promises and Challenges*, Seoul: Yonsei University Press, 1999.

31 See, Selig Harrison, "Promoting a Soft Landing in Korea," *Foreign Policy*, Spring 1997, pp. 57-75; and David E. Brown, "No Thanks Expected: America's Effort to Nurture a 'Soft Landing'," in Dong Wonmo, Editor, *The Two Koreas and the United States*, Armonk: M.E. Sharpe, 2000.

32 For coverage of Secretary Perry's trip to North Korea and of the Perry Report's recommendations and implications, see: *FEER*, June 10, 1999, p. 22; *The Korea Herald*, September 16, 1999, p. 1; and *The Christian Science Monitor*, September 20, 1999, p. 6.

33 *The Korea Herald*, September 23, 1999, p. 1.

34 See, Ambassador Stephen W. Bosworth's remarks to the Federation of Korean Industry, January 21, 2000 (<http://usembassy.state.gov/posts/ks1/wwwwh4491.html>).

35 See, for example, Daryl M. Plunk, "Time for a New North Korea Policy," *Heritage Foundation Backgrounder*, No. 1304, July 2, 1999.

36 The author was a very early advocate of such uses of economic engagement. See his, "Modifying the United States' Korea policy: Offering Pyongyang an economic carrot," *The Journal of Northeast Asian Studies*, September 1982, pp. 41-52.

37 See, for example, Kim Jae-bong, "Political and Economic Implications of the Perry Report," *Korea Focus*, November-December 1999, pp. 25-33, which raises questions about what be contained in classified sections of the report that were not released to the public.

readiness to embrace the concept of a Korean economic community and to participate in building that community. In terms of basic U.S. national interests with regard to the Korean peninsula one can legitimately question whether the United States would be better served by pursuing relationships with two coexisting Korean economies or by facilitating Korean economic convergence. The proposed economic community could conceivably foster either outcome and American officials may decide to reevaluate comparative U.S. interests in both alternatives.

Koreans who try to follow the sporadic American debate over how a range of U.S. economic and diplomatic choices could influence the course of the U.S.-ROK alliance that remains a high priority for Washington and Seoul understandably have reason to be concerned about American inconsistency revealed through that debate.³⁸ That process is more fluid than South Koreans might prefer and the proposed Korean economic community could intensify its fluidity. Americans may be reassured that the community's role in tension-reduction makes it a low cost and low risk proposition that could help end Korea's division and eliminate Asia's last outpost of the Cold War. This could be viewed as an opportunity to move on to new and improved U.S.-Korean strategic cooperation that is based on continuity or as an opportunity for more radical change that would sanction a break with continuity. The community also could be conducive to greater regional multilater-

alism with diverse implications for both Seoul and Washington.

On the face of it these factors may seem reassuring to Koreans too. However, they also open up possibilities that could prove unsettling for Korea. It is uncertain how China and Japan will react to the emergence of a Korean economic community in between them. They may well be supportive, but they could try to manipulate it. Would the United States be better served by any of these outcomes than it is by dealing with China, Japan, and the two Koreas under status quo conditions? It is uncertain whether a peninsular economic community would strengthen or weaken the entire Korean nation's roles in regional multilateralism. Would a converging Korean tandem entity, which could easily experience aroused nationalism, be a better participant in regional multilateralism than two separate Koreas with distinct sets of assets and divided nationalism? Which multilateral situation might the United States prefer to deal with? The answers to these questions remain unclear in ways that cast a shadow over the certainty that the United States should be enthusiastic about the proposed economic community.

This is not to suggest that the United States is likely to abstain from the Korean economic community, but that it may well second guess its policies even as they are implemented. Because there are such obscure reasons for doubt about the wisdom of embracing this form of engagement, it is plausible that American private sector firms may experience mixed feelings about the prudence of trading with, and investing in, the component parts of a combined Korean economic entity. U.S.-ROK economic relations seldom generate such anxieties, but—despite tentative feelers by U.S. firms in South Korea represented by the American Chamber of Commerce in Seoul with regarding reaching out to North Korea³⁹—it is difficult to envision North Korea becoming competitive

38 For examples of that debate, see, Lee Manwoo, Ronald D. McLaurin, and Moon Chung-in, *Alliance Under Tension, The Evolution of South Korean-U.S. Relations*, Boulder: Westview Press, 1988; Doug Bandow and Ted Galen Carpenter, Editors, *The U.S.-South Korea Alliance; Time for a Change*, New Brunswick: Transaction Publishers, 1992; Jonathan D. Pollack and Cha Young-koo, *A New Alliance for the Next Century; The Future of U.S.-Korean Security Cooperation*, Santa Monica: RAND National Defense Research Institute, 1995; Kwak Tae-hwan and Thomas L. Wilborn, *The U.S.-ROK Alliance in Transition*, Seoul: Kyungnam University Press, 1996; and Doug Bandow, *Tripwire; Korea and U.S. Foreign Policy in a Changed World*, Washington: The Cato Institute, 1996.

39 For coverage of the AMCHAM's interest in North Korea, see Samuel Len, "Setting Up Shop, AMCHAM forms trade mission to N.K." *Korea Newsreview*, October 23, 1999, p. 25; and *FEER*, March 9, 2000, p. 36.

any time soon as a magnet for U.S. trade and investment. Put bluntly, there are many other places around the world which are far more attractive to American business representatives and investors than North Korea. Melding those unattractive qualities with the virtues of South Korea may make the composite entity considerably less appealing to the American private sector than South Koreans may assume. Consequently, the commercial pros and cons of the proposed economic community must be carefully weighed by both the U.S. government and the public it represents.

Similarly, the ways in which the proposed economic community could add to, or detract from, the prospects for regional strategic multilateralism for the United States, China, Japan, and both Koreas must be evaluated with an eye on the pros and cons. For the United States this evaluation should include consideration of the ways that multilateralism functions to the United States' advantage or disadvantage. As part of that evaluation Americans should pay attention to how current U.S. policy toward multilateralism is predicated upon a foundation of U.S. bilateral ties with a series of countries. Could the convergence aspects of the proposed community dilute some of that bilateralism? Would the United States be better served in its multilateralist policies by stressing separate economic ties with the two Koreas? On a different facet of multilateralism, would the United States be better served by stressing the singularity of a prospective Korean economic community's role in various regional multilateral organizations—those that presently exist and those which could be created in the future to enhance regional peace and stability—precisely because the singularity element could dilute sometimes onerous U.S. obligations to the two Koreas?⁴⁰ In short, there are various aspects of multilateralism which could influ-

ence the ways in which the United States ultimately perceives its role in the proposed Korean economic community.

IV

As one looks to the future of this proposed community, the potential roles of the United States in it may be instructive in another way. In the past the ROK's relationship with the United States evolved from a protege, through a client state, to that of a distinctly junior partner. In all three categories, stretching from the 1940s to the end of the Cold War, South Korea's dependency upon the United States evolved from abject at the start to a conscious choice by the end of the Cold War. However, beginning in the late Cold War years and reaching into the post-Cold War era South Korea's foreign policy became more sophisticated as the ROK's dependency was diversified through acceptance of interdependence with a far broader spectrum of countries. Although it is clear that Seoul still places a premium on the importance of U.S.-ROK relations, it is equally clear that South Korea's options are no longer as constrained by the United States' willingness to go along as an active supporter. Economically, diplomatically, and politically South Korea has been effectively normalizing the distorted qualities that formerly prevailed in U.S.-ROK relationships. Only on the security front are U.S.-ROK ties seriously stewed and even there Seoul is exploring its options with China, Russia, and Japan.

This is not to suggest that South Korea is prepared to declare itself rid of the United States' support or to be dismissive of the United States' importance to Korea. However, on some issues it is plausible that Korea could productively sanction a parting of the ways with the United States. As much as South Korea today seems to want steadfast U.S. support for, and participation in, the proposed Korean economic community—and as much as the United States seems poised to do

40 The author evaluates in depth that controversial U.S. policy option in his non-interventionist security analysis, *Grand Exit Strategy: U.S. National Defense in the 21st Century*, London: Frank Cass Publishers, forthcoming-2000.

what Seoul desires—it would not be a disaster if the United States displayed some reluctance or caution for the reasons cited above. Such an outcome might even prove beneficial for North-South Korean economic cooperation if it enabled the two Koreas to jointly display national confidence to Americans, and in the process make it easier for the Korean nation to open its dual state economy to a range of countries without the overbearing presence of the world's only superpower. Again, I am not contending that this will occur, but that—if it does happen—Korea might well be as well off as it would be with strong U.S. backing. Korea might even be better off.

Ironically, American awareness of that possibility could well cause many of those Americans who are tempted to drag their feet on this issue to avoid doing so. Even though reasons for U.S. caution exist, the desire on the part of an overwhelming majority of American foreign affairs analysts and policy makers to avoid doing anything which could reduce existing strong U.S. influence in key regions of the world is likely to predispose Washington toward active support for the Korean economic community as a means to perpetuate American influence in and around Korea and to impede the growth of other countries' influence over Korea. Consequently, as Americans weigh the pros and cons regarding the proposal, the United States is likely to discount the "cons," remain supportive of Seoul's initiative, and use its influence with Pyongyang to get North Korea to accept the proposal. As long as this process is not too protracted, i.e., does not stretch into the watch of a possibly less well disposed Bush administration, it is likely to receive active U.S. support. Hence, it is in Seoul's interest to accelerate this process so that it is well under way before the upcoming U.S. elections and whatever results materialize in Korea will have become the status quo for the next U.S. administration.

As noted at the outset, this analysis of a "moving target" is necessarily tenuous. Given the contextual volatility of the marketplace, of North Korean domestic affairs, and of non-Korean regional factors (especially

U.S.-PRC relations), the conclusions drawn here must remain somewhat tentative. However, within those constraints, there is reason for Korea to be optimistic about the likelihood of a continued U.S. supportive role with regard to building and sustaining the proposed Korean economic community.

JAPANESE SECURITY AND PEACE REGIME ON THE KOREAN PENINSULA

C. S. Eliot Kang and Yoshinori Kaseda

The sharp rise of North Korea's threat to Japan's security in recent years has prompted Japan to play a more active role in the uncertain peace-building effort on the Korean peninsula. Indeed, Tokyo has adopted a multifaceted security policy toward the management of problems associated with a divided Korea. On the one hand, it has committed itself as a major underwriter of the Korean Peninsula Energy Development Organization (KEDO) and is a supporter of the Four-Party Peace Talks and other multilateral confidence and security building efforts in the region. On the other hand, Tokyo has also strengthened its long-standing bilateral military ties with Washington, sought ways to cooperate with Seoul on security matters, and unilaterally instituted measures to beef up its defense capabilities. In fact, Japan's trilateral cooperation with the United States and South Korea on diplomatic as well as military measures has limited North Korea's ability to exploit the inevitable differences in national priorities among the three democratic countries. The continuation and deepening of this cooperation should help in convincing Pyongyang that it needs to moderate its confrontational behavior. This should in turn increase the prospect of establishing a stable peace regime on the Korean peninsula.

Japan has vital security interests at stake in Korea, and it would be to Japan's advantage to see the establishment of a stable peace regime on the Korean peninsula. In fact, Japan in recent years has played an active role in the uncertain peace-building effort between North Korea on the one side and South Korea and the United States on the other.

Japan has committed itself as a key financial sponsor of the Korean Peninsula Energy Development Organization (KEDO) and is a supporter of the Four-Party Peace Talks and other multilateral confidence and security building efforts in the region. However, Japan has hedged these more optimistic bets by strengthening its long-standing bilateral military alliance with the United States, seeking ways to cooperate with South Korea on security matters, and unilaterally beefing up its own defense capabilities in case that things go very wrong on the Korean peninsula.

On the whole, this multifaceted Japanese security policy has had a positive impact on the maintenance of regional stability in Northeast Asia and the ongoing effort to build a permanent peace on the Korean peninsula. In particular, Japan's trilateral cooperation with the United States and South Korea on diplomatic as well as military measures has limited North Korea's ability to exploit the inevitable differences in national priorities among the three democratic countries. The continuation and deepening of this cooperation should prompt North Korea to make a realistic appraisal of its strategic options and moderate its belligerent behavior. This in turn should increase the prospect of creating a stable peace regime on the Korean peninsula.

I. The Problem of Divided Korea

Japan's active participation in the security affairs of the Korean peninsula is a post-Cold War phenomenon. Of course, during the Cold War, Japan stood with the United States and South Korea against com-

munist "expansionism" in Asia. However, Japan could, and did, take a more aloof stance toward Korea during this period given the fundamental intra-Korean nature of the conflict on the peninsula, the strong commitment of the United States to regional defense, and the simple fact that North Korea lacked the capability to directly harm Japan.

Unfortunately for Japan, the end of the Cold War only increased the security dilemma arising from the division of Korea. Namely, North Korea did not go the way of East Germany in Europe. In fact, the collapse of the Soviet Union and the entrance of China into the capitalist market system dramatically heightened the danger North Korea posed to Japan.

North Korea's security was severely undermined by the demise of the Soviet Union. To make matters worse, Moscow and Beijing normalized their relations with Seoul in 1990 and 1992, respectively, to forge closer commercial links with the dynamic economy of South Korea. In the zero-sum contest between Pyongyang and Seoul, the end of the Cold War was a severe blow to North Korea. In order to cope with the changed strategic situation, North Korea forged ahead in the early 1990s with its nuclear weapons and long-range missile programs, acquiring the ability to directly threaten Japanese security.

There was an initial period of moderating behavior when Pyongyang was absorbing the shock of the loss of Soviet patronage and Japan reached out to North Korea following the lead of South Korea and the United States.¹ However, since then, North Korea has engaged in brinkmanship diplomacy aided by its nuclear weapons and missile development programs.

Arguably, Japan has been the country most troubled by the sharp

¹ In the early 1990s, the United States reached out to North Korea in tandem with South Korea's moderating inter-Korea policy. This resulted in North and South Korea signing the October 1991 Joint Declaration of the Denuclearization of the Korean Peninsula and the February 1992 Agreement on Reconciliation, Non-Aggression and Exchange and Cooperation.

increase in North Korea's militancy in the post-Cold War period. South Korea and the United States have long dealt with misbehaving North Korea.² Indeed, the South Koreans have lived for decades under the constant threat of North Korean invasion and conventional artillery while the Americans do not fear, at least for now, North Korea's limited nuclear weapons and long-range missiles programs that remain untested and of questionable deterrent value against the United States.³

Tokyo's anxiety about Pyongyang reached a peak with the nuclear crisis of 1994. Two years earlier, the suspicion of North Korea's nuclear weapons development prompted the United States and the United Nations to begin tense and tortuous negotiations with North Korea. They demanded that North Korea accept special inspections by the International Atomic Energy Agency (IAEA) to assure the world that Pyongyang was not weaponizing its nuclear program. However, North Korea rejected a special inspection requested by the IAEA in February 1993 and declared that it would leave the Nuclear Nonproliferation Treaty (NPT) regime in March 1993. The tension heightened by these North Korean actions was increased to a crisis level in April 1994 when North Korea removed spent fuel rods from its nuclear reactor in Yongbyon and refused to segregate rods that could provide evidence of a weapons program.⁴

The crisis was defused by former President Jimmy Carter's June 1994 visit to Pyongyang. Carter's meeting with Kim Il-Sung paved the

2 For example, in the past, North Korea seized the *USS Pueblo*, attacked the South Korean presidential mansion, shot down U.S. aircraft, instigated incidents in the DMZ, engaged in terrorist actions, etc.

3 Assessments by the CIA, the DIA, and NSA, and the Energy Department suggest that Pyongyang may have produced some crude nuclear weapons by reprocessing plutonium taken from the Yongbyon reactor during a 100 day period in 1989 when it was shut down. *New York Times*, 26 December 1993, p. 1 and p. 8.

4 For a comprehensive discussion of the North Korean nuclear issue, see Young Whan Kihl and Peter Hayes, eds. *Peace and Security in Northeast Asia: The Nuclear Issue and the Korean Peninsula* (Armonk, New York: M. E. Sharpe, 1997).

way for the signing of the Agreed Framework between the United States and North Korea in October 1994. In the Agreed Framework, North Korea pledged to freeze its nuclear program under IAEA supervision. More specifically, Pyongyang agreed to stop the operation of its graphite reactors (with a high weaponization potential) in exchange for the provision of light-water ones (with a low weaponization potential).

The overall handling of the crisis was left to the United States, but Japan played an important supporting role in the nuclear diplomacy.⁵ Japan pledged cooperation with the United States and South Korea in operationalizing the Agreed Framework through a multilateral body called the Korean Peninsula Energy Development Organization (KEDO).⁶ Although South Korea took the primary responsibility for supplying North Korea with two light-water reactors, Japan agreed to make a significant financial contribution to the procurement of the reactors while the United States agreed to provide Pyongyang with fuel oil until the completion of the new reactors.

In addition to the nuclear threat, Japan also had to deal with the emergence of the North Korean long-range missile threat in the post-Cold War period. In May 1993, North Korea test-launched a missile, what is believed to be Nodong-1, into the Sea of Japan (called the East Sea by the Koreans). This test signaled to the alarmed Japanese that North Korea now possessed the missile capacity to attack cities in the southern half of Japan including Osaka, the nation's second largest city.

Even more upsetting to the Japanese was North Korea's launching of a rocket, Taepodong-1, in late August 1998. The missile entered the

5 Lead author's interviews with Japanese foreign ministry officials. Tokyo, fall of 1997.

6 Their cooperation led to the successful launching of the Korean Peninsula Energy Development Organization (KEDO) in March 1995. The KEDO and North Korea concluded an agreement on the provision of two light-water nuclear power plants on the conditions that North Korea suspend its nuclear development program, remain a signatory to the NPT and observe its agreement with the IAEA. In this arrangement, South Korea and Japan committed themselves to shoulder between them most of the cost for the construction of the light-water nuclear power plants.

stratosphere in Japanese airspace and had a psychological impact on the Japanese equivalent to the Sputnik shock on the Americans in 1957. This event heightened their sense of vulnerability now that all Japanese cities, including Tokyo, fell within the reach of North Korean missiles possibly armed with weapons of mass destruction (WMD).

At about the same time, the United States acknowledged the intelligence that North Korea might be violating the terms of the Agreed Framework by constructing new underground facilities for nuclear weapons development near Kumchang-ni. This revelation alarmed the Japanese. Their irritation toward North Korea was aggravated when two North Korean spy ships were discovered in Japanese territorial waters in March 1999, an incident that led Japan Maritime Defense Force (JMSDF) escort ships to fire their guns in anger for the first time since the end of World War II.

All of Japan was on edge when North Korea appeared to be readying another test of its long-range missile in the summer of 1999. The newly instituted "Perry Process" (discussed below) and the beginning of the U.S.-North Korea bilateral missile talks in Berlin in the fall of 1999 gave much comfort to the Japanese as they seemed to be working in moderating North Korea's bellicose behavior. However, what is obvious is that, in the post-Cold War era, Japan has come to see North Korea as a clear and present danger and the establishment of a stable peace regime on the Korean peninsula as a national priority.

II. Coping with North Korea

In dealing with North Korea, Japan has employed methods ranging from diplomacy to bursts of naval gunfire. At the one end of the spectrum, it has supported various multilateral efforts to build a peace regime on the Korean peninsula, and at the other end it has expanded its military options given North Korea's provocative actions. To be

sure, this "full-set" approach to the North Korean problem has not been always in step with the security policies of the United States and South Korea. As it matures and becomes coordinated with the policies of the United States and South Korea, however, it should increase the prospect of a permanent peace on the Korean peninsula.

Multilateral Diplomacy

Japan has been a strong supporter of multilateral peace-building efforts on the Korean peninsula. These efforts include two Korean peninsula-specific measures, the participation in the KEDO and the support of the Four-Party Peace Talks, and one East Asia region-wide initiative, the encouragement of North Korean involvement in the ASEAN Regional Forum (ARF). In its multilateral diplomacy, however, Japan has been more often a follower or a supporter rather than a leader or an initiator. There are good reasons for this.

Because of its own self-imposed limit on military power, Japan has relied on the security protection extended by the United States. The dependence has resulted in Japan's security policy being shaped mostly by that of the United States. This is particularly true of Japan's policy toward the Korean peninsula.

Until the establishment of the KEDO in March 1995, the United States has shunned multilateral peace-building efforts on the Korean peninsula. During the Cold War, almost all initiatives of this type came from the Soviet Union, attempting to drive a wedge between the United States and its East Asian allies.⁷ The U.S. attitude toward multilateralism did not change much after the collapse of the Soviet Union. Even today, Washington tends to view military readiness and deterrence as the key to peace and stability in Northeast Asia. It sees multilateralism as at best a distraction and at worst a threat to the San Francisco system

⁷ See David Youtz and Paul Midford, *A Northeast Asian Security Regime: Prospects After the Cold War* (Public Policy Paper 5) (New York: Institute for EastWest Studies, 1992).

of bilateral security alliances linking the United States to its Pacific rim allies.

The KEDO, however, is an exception to the rule necessitated by the U.S. need for a huge sum of money to finance the mission of the organization. Although an American heads the KEDO, Japan plays a prominent role in the organization that includes South Korea as well as European members. When the United States requested that Japan become a member of the organization and provide funds, Japan readily agreed since its national security was at stake.⁸ From the beginning, Japan took responsibility for a large portion of the money needed for providing North Korea with “safe” nuclear reactors, and, on 31 January 2000, Japan signed a formal agreement with the KEDO to provide about one billion dollars to fulfill its commitment.⁹

Japan’s policy toward the Korean peninsula has also been limited by the fact that, until the South Korea-U.S. Joint Announcement of the Four-Party Peace Talks proposal of 1996, South Korea held to the line that matters having to do with a new peace system on the Korean peninsula must be resolved through inter-Korean dialogue.¹⁰ The South Korean people’s sensitivity to what may be perceived as a Japanese interference in what they consider inter-Korean affairs is very high, and Japan has been careful not to offend South Korean sensibilities.¹¹

In fact, Japan has been shut out of the formal workings of the Four-Party Peace Talks process, and this has been a source of some unhappi-

8 Hang Nack Kim, “Japan’s Policy Toward the Two Koreas in the Post-Cold War Era,” *International Journal of Korean Studies*, Vol. 1, No 1 (Spring 1997), p. 143.

9 This figure represents the second largest contribution to the KEDO after that of South Korea. Of the estimated \$4.6 billion cost, Seoul pledged to provide \$3.22 billion, or 70 percent of the total, while Tokyo has committed \$1 billion, or 116.5 billion yen.

10 C. S. Eliot Kang, “The Four-Party Peace Talks: Lost Without a Map,” *Comparative Strategy*, Vol. 17, No. 4 (October/December 1998), pp. 327-344.

11 Lead author’s interviews with Japanese foreign ministry officials, Tokyo, Japan, Spring 1998.

ness in Tokyo.¹² However, Japan has consistently supported the process. As the talks have become bogged down and North Korea has maneuvered successfully to make the process more bilateral (between itself and the United States), Tokyo no doubt feels less marginalized. Nonetheless, with South Korea’s tacit approval, Japan has recently proposed a six-party security forum consisting of the two Koreas, Japan, China, Russia, and the United States.¹³ Also, Japan has been persistent in its effort to persuade North Korea to join the ARF, a multilateral security organization that Tokyo played a leading role in creating.¹⁴ What is clear is that, to the extent possible, Japan wants an official channel of communication with North Korea and to be involved in formal discussions with other concerned parties to promote peace and security on the Korean peninsula.

Trilateral Coordination

Japan has played an important but peripheral role in the multilateral peace-building efforts on the Korean peninsula, but it is a key principal in the “Perry Process.” In fact, in important ways, the Four-Party Talks initiative toward North Korea has been supplanted by the Perry Process that combines the engagement (cum counter-proliferation)

12 Lead author’s interviews with Japanese foreign ministry officials, Tokyo, Japan, Summer 1997.

13 More on multilateral regimes pertaining to the Korean peninsula, see Tae-Am Ohm, “Toward a New Phase of Multilateral Security Cooperation in the Asia-Pacific Region: Limited Multilateralism or Issue-Based Regionalism,” *The Korean Journal of Defense Analysis*, Vol. 9, No. 2 (Winter 1997), pp. 137-164.

14 It is interesting to note that the original Japanese proposal of the ARF to ASEAN countries in July 1991 was made “despite American reservations about creating new security organizations.” Mike Mochizuki sees Japan’s promotion of multilateral security institutions as a hedge against a substantial withdrawal of US forces from East Asia. See Mike M. Mochizuki, “Japan as an Asia-Pacific Power,” in Robert S. Ross, ed. *East Asia in Transition: Toward a New Regional Order* (Armonk, NY: M.E. Sharpe, 1995), pp. 152-153.

approach of the United States with South Korea's new "Sunshine Policy" and Japan's more wary and tough stance toward North Korea. The ultimate aim of the process, however, is the same as the goal of the Four-Party Peace Talks, the creation of a permanent peace regime on the Korean peninsula.

The Perry Process is a product of U.S. congressional discontent with the Clinton administration's handling of North Korea. Having doubts about the Agreed Framework and the efficacy of the KEDO and the Four-Party Peace Talks, Congress became even more skeptical with the August 1998 launch of the Taepodong-1 missile. It was also troubled by the Kumchang-ni affair in which the Clinton administration essentially exchanged a large food-aid shipment for the right to inspect a suspicious underground complex in Kumchang-ni that turned out to be no more than a hole in the ground.

With mounting domestic criticism, President Clinton named William S. Perry (a former Secretary of Defense respected by the congressional Republicans) as the U.S. North Korea Policy Coordinator in November 1998. Perry, with congressional consent, was charged with a full and complete review of U.S. policy toward North Korea and with producing a policy report by May 1999.

The Perry Report, issued only in September 1999, concluded that the United States should intensify its engagement with North Korea. The report recommended that the United States establish diplomatic relations with North Korea. It advocated, as a short-term measure, that the United States lift some economic sanctions in exchange for North Korea's suspension of its missile testing. It recommended that the mid-term goal of the United States should be getting the North Koreans to agree to cease engaging in nuclear and missile development. The ultimate goal, it stated, was the dismantling of the Cold War structure on the Korean peninsula.

A key element of the peace-building process associated with the Perry Process is the trilateral coordination of the respective North

Korea policy of Japan, the United States, and South Korea. Of course, the United States and South Korea already had well-established channels of communication (ranging from the Combined Forces Command to the Four-Party Peace Talks process) to coordinate their North Korea policies. Japan, however, was not very well integrated into the network as it does not have a formal alliance relationship with South Korea and is a newcomer to managing the North Korean threat.

Indeed, before being integrated into the KEDO and, in particular, the Perry Process, Japan dealt with North Korea on its own if it had to deal with North Korea at all. The Perry Process brought Tokyo into a close trilateral coordination with Washington and Seoul in dealing with Pyongyang. This was all for the good because Japan acting alone had complicated the United States and South Korea's engagement strategy toward North Korea.

For example, when North Korea test-fired the Taepodong-1 over Japan in late August 1998, Japan reacted viscerally. On 1 September 1998, the Japanese government announced its decision to halt its KEDO involvement, suspend its normalization talks with North Korea, and freeze its food and other support to North Korea.¹⁵ Tokyo also threatened to impose additional unilateral sanctions on Pyongyang if the North Koreans tested another missile over the Japanese territory.

Neither the United States nor South Korea was very pleased by these Japanese actions. The policymakers in Washington and Seoul were particularly alarmed by Japan's threat to pull out of the KEDO project, which would have undermined the engagement policy of the

15 The Japanese government also announced its decision to consider measures to increase Japan's own information-gathering capacity, such as promotion of surveys on the use of visual image satellites, continue research on ballistic missile defense, and promote the early approval of bills related to the New Guidelines for Japan-U.S. Defense Cooperation. And, on 2 September 1998, the government revoked its permission to North Korea's Air Koryo for nine chartered flights between Pyongyang and Nagoya and decided not to permit any further chartered flights. Japan Ministry of Foreign Affairs, *Diplomatic Blue Book 1998*.

Clinton administration and the Sunshine Policy of the Kim Dae Jung administration. In fact, as a result of strong pressure from the United States and South Korea, Japan withdrew the suspension of its commitment to the KEDO on 21 October 1998.

The Perry Process, fortunately, has narrowed the policy gap among Japan, the United States and South Korea. It institutionalized trilateral policy coordination and led to the establishment of Trilateral Coordination and Oversight Group (TCOG) in April 1999. This solidarity was clearly evident in their coordinated response to North Korea's plan to launch a Taepodong-2, which was expected on or around 9 September 1999, the 51st anniversary of the North Korean communist government. Since the preparation for the launch was detected in mid June and North Korea confirmed the plan in early July, the three countries deepened their coordination and issued strong warnings against another missile launch.¹⁶ The trilateral coordination culminated in the summit meeting of Prime Minister Obuchi, President Clinton, and President Kim on the occasion of the APEC meeting on 12 September of 1999, where they reiterated their determination to penalize North Korea if it proceeded with the planned missile launch.

This unity greatly facilitated the Berlin agreement on 13 September 1999 in which North Korea agreed to halt testing of long-range ballistic missiles in exchange for a commitment from the United States and Japan to move forward with economic assistance for the Pyongyang regime.¹⁷ After the agreement, Japan lifted the sanctions it had imposed on North Korea after the August 1998 missile launch.¹⁸ Indeed,

16 Japan warned North Korea on 5 August 1999 that it would suspend all cash remittances and goods shipments by Koreans living in Japan to North Korea if North Korea proceeded with its plan to test-fire a new long-range ballistic missile. *New York Times*, 9 August 1999.

17 *New York Times*, 13 September 1999.

18 In November 1999, Tokyo lifted the ban on chartered flights between Japan and North Korea. A month later, it lifted the freeze on food aid to Pyongyang and the suspension of the resumption of the bilateral normalization talks.

through the TCOG, Japan joined the United States and South Korea in sending North Korea the message that it had more things to gain through cooperation than confrontation and that the three countries were united in their resolve to counter any North Korean provocation.

Military Measures

Japan has also taken military measures to deal with the problem of divided Korea. Despite the pacifist inclination of many Japanese, the fact is that Japan is susceptible to North Korea's nuclear blackmail and its long-range missiles.¹⁹ Japan is particularly vulnerable because its military lacks offensive capacities to deter or counter North Korean attacks in contrast to the strong retaliatory capabilities possessed by the armed forces of the United States and, to a lesser extent, South Korea.

Feeling exposed, Japan has resorted to self-help measures that might have been considered unthinkable only a few years earlier. For example, in November 1998 Japan decided to acquire spy satellites for the first time. Although they have been billed as "multipurpose" satellites and, therefore, not included in the official defense budget, the decision to acquire them necessitated the Japanese government to override the Diet resolution of 1969 that limits the use of space technology to nonmilitary activities. In addition, in March 1999, Defense Agency Director General Hosei Norota told a Diet defense panel that Japan had the right to make preemptive military strikes if it felt a missile attack on Japan was imminent. This was a remarkable development in Japan's post-World War II security policy.

19 On Japan's pacifist "strategic culture," see Thomas U. Berger, "From Sword to Chrysanthemum: Japan's Culture of Anti-militarism," *International Security*, Vol. 17, No. 4 (Spring 1993), pp. 119-150 and "Unsheathing the Sword? Germany and Japan's Fractured Political-Military Cultures and the Problem of Burden Sharing," *World Affairs*, Vol. 158 (Spring 1996), pp. 174-191. See also Peter J. Katzenstein and Nobuo Okawara, "Japan's National Security," *International Security*, Vol. 17, No. 4 (Spring 1993), pp. 84-118.

Although Japan at present does not have the capability to carry out such a threat, the statement was clearly made as a warning against North Korea testing another long-range missile over Japan.²⁰ To demonstrate its resolve, Japan has decided to acquire mid-air refueling aircraft to enable the Japan Air Self-Defense Force (JASDF) to conduct long-range strike missions. Originally contemplated when North Korea test-fired its Nodong-1 missile into the Sea of Japan/East Sea in 1993, the decision to acquire the capacity was announced by Prime Minister Obuchi during a meeting of the Japanese National Security Council in December 1999.²¹

Japan also moved to solidify its alliance with the United States by revising in September 1998 the guidelines for their security cooperation of 1976. Although it had been reluctant to increase security cooperation with the United States for the fear of “entrapment,” Japan now obviously feels that the benefits of a closer military alignment with the United States in case of a contingency on the Korean peninsula outweigh potential costs.²²

The new guidelines indeed represent a milestone in Japan-U.S. security relations since the mutual security treaty was signed during the Korean War. Whereas the Article 6 of the mutual security treaty limits Japan’s cooperation to little more than allowing U.S. forces to use bases in Japan, the new guidelines allow Japan during crises to supply those forces with non-lethal material assistance as well as open civilian ports and airfields. They also allow new missions for Japan’s Self-

20 *Yomiuri Shimbun*, 5 March 1999.

21 Following the North Korea’s first test-launch of a missile in May 1993, Japan included in its 1996-2000 Mid-Term Defense Program a plan to study and decide on the acquisition of airborne refueling capacity. See Boei-cho, *Boei Hakusho*, Heisei 10 nen ban [Defense White Paper, 1998 edition] (Tokyo: Okura-sho Insatsu-kyoku, 1998), p. 118

22 For a discussion on the concept of “entrapment,” see Victor D. Cha, *Alignment Despite Antagonism: The United States-Korea-Japan Security Triangle* (Stanford: Stanford University Press, 1999), pp. 38-43.

Defense Forces (SDFs). For example, the Japan Maritime SDF (JMSDF) could re-supply U.S. warships during a crisis, evacuate civilians and U.S. soldiers from dangerous situations, remove mines from the high seas, and enforce U.N. sanctions. The concrete operational language of the new guidelines is clearly designed to deal with a contingency on the Korean peninsula.

Japan has also agreed to deepen its cooperation with the United States on a joint project to develop a theater missile defense (TMD) system in September 1998, following the August 1998 launch of the Taepodong-1.²³ Japan’s decision to make a significant financial commitment to the TMD project is noteworthy given its previous reluctance to do so because of its skepticism over the technological viability of the project and its large expected cost.²⁴

Furthermore, Japan has initiated security cooperation with South Korea in contrast to its earlier lack of willingness to forge a closer security tie during the Cold War. At the historic Obuchi-Kim summit in Tokyo in October 1998, Japan and South Korea agreed to increase their security cooperation to handle the mutual North Korean threat. Japan’s eagerness to improve its relation with South Korea was reflected in its decision to include in the summit joint statement its first-ever written apology to the South Koreans for its oppressive colonial rule.

The summit was followed by such cooperative security measures as the establishment of military hotlines in May 1999 and the first joint naval “search and rescue exercise” in August 1999 when Japan, South Korea, and the United States were urging North Korea to abandon its plan to launch a Taepodong-2. This joint naval exercise is particularly noteworthy because it was no ordinary search and rescue exercise. The

23 *Asahi Shimbun*, 21 September 1998.

24 For more on Japan’s previous reluctance about the TMD project, see Patrick M. Cronin and Michael J. Green, *Redefining the U.S.-Japan Alliance: Tokyo’s National Defense Program*, McNair Paper 31 (Washington, D.C.: Institute for National Strategic Studies, 1994), pp. 12-13.

five-day mission involved three MSDF destroyers, two ROK Navy destroyers, and aerial and intelligence support. The search and rescue component of the exercise was followed by joint formation training and tactical maneuvers. The latter part of the exercise was clearly conducted with a contingency involving North Korea in mind.

III. Looking Ahead

What is striking about Japan's security policy toward the Korean peninsula in the post-Cold War period is its multidimensionality. Given Japan's self-image and reputation as a "civilian power" and a pacifist country, the range and flexibility of Japanese security policy may surprise many, but, on the whole, it has contributed to a more effective regional response to the North Korean threat.²⁵

The continuation and deepening of Japan's "full-set" security strategy should increase the chance of building a stable peace regime on the Korean peninsula. In particular, Japan's active participation in the TCOG as well as its intensification of security cooperation with the United States and South Korea should increase the leverage of Tokyo, Washington, and Seoul over Pyongyang. The trilateral diplomatic coordination and security cooperation have already helped to pressure North Korea both to keep its Agreed Framework commitments and to continue negotiating the abandonment of its long-range missile program. An intensification of trilateral coordination and cooperation should help in convincing North Korea to consider seriously a permanent peace settlement and reconciliation with South Korea.

Toward this goal, the most important task that remains undone is the normalization of relations between North Korea on one side and Japan, the United States, and South Korea on the other. In fact, the

25 On Japan as a "civilian power," see Yoichi Funabashi, "Japan and the New World Order," *Foreign Affairs*, Vol. 70, No. 5 (Winter 1991/92).

most important contribution that Japan can now make is, in coordination with the United States and South Korea, to go ahead with normalizing relations with North Korea.

Japan must avoid, however, getting ahead of the United States and, in particular, South Korea. Japan must keep in mind that its "solo" normalization drive in 1990 led to the development of tension and suspicion between Tokyo and Seoul. The absence of consultation and coordination at that time fed the South Korean paranoia that Tokyo was trying to prop up Pyongyang because of Japan's desire to keep Korea divided.²⁶

Japan has cautiously embarked on this normalization task already. Unlike the situation in 1990, this time, Japan's normalization effort has the support of Seoul and it complements the engagement strategy of its allies. Following the Berlin Agreement of September 1999, Japan lifted the ban on the charter flights between Japan and North Korea in early November. This was followed by the visit of a supra-partisan delegation headed by former Prime Minister Murayama to Pyongyang from 1 to 3 December. Following the visit, Japan lifted the freeze on normalization talks and the freeze on food aid on 14 December, thus lifting all the sanctions it had placed on North Korea following the August 1998 Taepodong-1 missile test. These developments in turn led to the initiation of the preliminary normalization talks between 19 and 21 December. It also led to Japan's decision on 3 March 2000 to provide 100,000 tons of rice to North Korea as a humanitarian aid in order to promote a successful resumption of full-fledged normalization talks in April.²⁷

26 Japan's offer of 500,000 tons of rice to North Korea in the summer of 1995 without consulting South Korea is another example. President Kim Young Sam criticized the Japanese action by saying "when there is no progress in the South-North Korean dialogue, Japan's attempts to improve relations with North Korea in defiance of South Korea's wishes can be construed by South Koreans as attempts to obstruct Korean reunification." *Nihon Keizai Shimbun*, 10 October 1995, cited in Hong Nack Kim, "Japan's Policy Toward the Two Koreas in the Post-Cold War Era," *International Journal of Korean Studies*, Vol. 1, No. 1 (Spring 1997), p. 147.

Of course, negotiation with North Korea is never predictable, and there are many obstacles in the way of Japan-North Korea bilateral relations. Besides the nuclear weapons and missile issues, the primary obstacle has been the issue of the abduction of Japanese nationals by North Korean agents. So far, Japan's demand for progress on this issue as a condition for normalization and North Korea's denial of the abduction have prevented normalization talks from moving forward. Since North Korea is unlikely to admit the allegation, normalization talks would make little progress unless the Japanese government drops the resolution of this issue as a precondition. However, given the strong public support for the resolution of the abduction issue and little public interest in improving relations with North Korea, taking a soft stance on the issue is a highly risky proposition for the Japanese government.²⁸

Progress on the issues of nuclear weapons and long-range missiles could reduce Japan's strong public sentiment against North Korea and thereby help the Japanese government moderate its stance on the issue of abduction. In order to realize such progress, it is crucial for Japan to maintain its common front with the United States and South Korea in dealing with North Korea.

To be sure, the road to normalization has some tough obstacles. However, if all goes well, Japan should be able to gain a powerful leverage over North Korea through its promise of economic assistance, initially food aid but the most important prize being the reparation payment that may amount to as much as 10 billion dollars. This leverage should be able to strengthen not just Japan's position but also the engagement policy of the United States and the Sunshine Policy of

27 *Yomiuri Shimbun*, 3 March 2000.

28 A survey conducted by *Mainichi Shimbun* on 19-20 February 2000 revealed that only 10 percent of the respondents said that normalization talks with North Korea should be conducted "eagerly" while 60 percent favored a cautious approach. *Mainichi Shimbun*, 26 February 2000.

South Korea.

Indeed, Japan's normalization diplomacy in the context of the trilateral diplomatic coordination and cooperation in security matters should have a powerful moderating effect on North Korea. It should have the effect of greatly enlarging the size of the "carrot" dangling before North Korea as well as increasing the length of the "stick." It may turn out that Japan's diplomacy toward North Korea is more effective than the United States and South Korea's diplomacy in convincing the North Koreans that peace-building is more profitable than missile-building.

If Japan's current security policy has a drawback, it may be its negative impact on China. In particular, Tokyo's security cooperation with Washington and Seoul comes as an un-welcomed development to Beijing. China is nervous about the strengthening of the U.S.-Japan alliance and the joint TMD project.²⁹ Indeed, many in China see the increased trilateral security cooperation as a precursor to a new collective security arrangement aimed at China.³⁰

On the other hand, this perception could increase Chinese cooperation in moderating the behavior of North Korea and thereby enhance the prospect of a permanent peace on the Korean peninsula. China may see a faster resolution of the divided Korea problem as being in its best interest rather than sustaining a bellicose North Korea that provokes the anger of Japan, the United States, and South Korea. In other words, Japan's closer security policy coordination with the United States and South Korea could increase China's stake in creating a permanent peace regime on the Korean peninsula.

29 On 10 December 1999 in Beijing, Boris Yeltsin and Jiang Zemin issued a joint communique in which they criticized the development of new missile defense systems. *Asahi Shimbun*, 10 December 1999.

30 Lead author's interviews with Chinese security analysts and officials, Tokyo, Japan, Spring 1998. Also, for China's concern over a closer Japan-U.S. alliance, see Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security*, Vol. 23, No. 4 (Spring 1999), pp. 49-80.

JAPAN'S ENGAGEMENT OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA, 1990-2000

C. Kenneth Quinones

Japan stands at a critical junction in its relationship with the two Koreas. Tokyo, like Washington, Seoul and Pyongyang, faces a profound choice. It can strike out on a new path that will depart from the practices and priorities of the Cold War and, potentially, toward a durable peace in northeast Asia. Essential to this process is close trilateral coordination with Seoul and Washington, a process already underway. Success will require that all parties make major adjustments in their conduct, attitudes and priorities, particularly toward North Korea. The potential reward for these changes would be the improvement of both relations and prospects for peace and stability in northeast Asia.

Ultimately, a durable peace for the region will be possible only after Pyongyang relinquishes its reliance on coercion and fear as ways to pursue its national interests. For Japan, the dual policy of persistent engagement and restrained deterrence backed by trilateral diplomatic and military cooperation between Tokyo, Seoul and Washington appears the best approach.

Japan's decade of intermittent courtship with its neighbor the Democratic People's Republic of Korea (DPRK or North Korea) has yet to erase any of the formidable barriers that bar the normalization of their relationship. Nothing has improved between them in spite of several visits to Pyongyang by several prominent members of Japan's national legislature, the Diet, and numerous rounds of working level discussions between both sides' diplomats. The most recent round of talks was held December 21-23, 1999 in Beijing, China. They ended like all the others over the past decade—nothing was agreed upon except to meet again.

Japan's relationship with North Korea most likely will persist in a state of estrangement well into the foreseeable future, barring the abrupt disappearance of the incumbent regime under Kim Jong Il. The high expectations excited by deceased Diet member Shin Kanemaru's unprecedented visit to Pyongyang in 1990 linger now as a fading memory of what might have been. These expectations collided with revelations in the fall of 1992 that North Korea had not complied fully with its obligations under the Treaty on the Non-proliferation of Nuclear Weapons (NPT), and shattered all hope of quick normalization. Numerous false starts followed the October 1994 signing of the Agreed Framework between the U.S. and the DPRK, but Japan-DPRK relations only seem to have worsened.

Japan, like the United States, stands at a critical junction in its increasingly complex relationship with the two Koreas. Tokyo, Washington, Beijing, Seoul and Pyongyang face a profound choice. On the one hand, they can all strike out on a new, albeit unchartered path that will lead away from the practices and priorities of the Cold War and, potentially, toward a durable peace in Northeast Asia. All sides would have to make major adjustments in their conduct, attitudes and relationships, particularly North Korea. The difficulties would be profound, but the potential reward could be equally profound—improved prospects for durable peace and stability in Northeast Asia. On the

other hand, these nations can continue on their conventional course, one defined by the perceptions, priorities, practices and relationships of the Cold War, as well as the legacies of World War II and the Korean War.

This latter path is well known to all. It embraces ideological rivalry, economic competition, intense mistrust, mutual hostility tempered by the Korean Armistice and the alignment of alliances that emerged during the Korean War. For half a century, however, this arrangement has perpetuated a highly volatile situation in Northeast Asia, and could too easily contribute to a resumption of the Korean War to resume. The choice, in short, is no less than one of eventual peace or war.

Our focus here will be on Japan and North Korea. What is obstructing their efforts to normalize relations? Have both sides endeavored to erase the intense mistrust forged by Japanese imperialism, and the loyalties and rivalries that linger from the Cold War? Too what extent has Japan broken with its Cold War pattern of dealing with North Korea, reshuffled its long standing priorities and altered its approach to Pyongyang? To what extent has North Korea attempted to do likewise? Are its overtures to North Korea likely to promote a "new friendly relationship" as called for by the unidentified Japanese diplomat at the end of the December 1999 round of talks?

I. Global Warming in the Changing Diplomatic Context

The international context for Japan's relations with North Korea changed dramatically between 1990 and 1995. Moscow and Washington, Seoul and Pyongyang, and Tokyo and Beijing broke impressively with past patterns of confrontation and containment, and moved toward engagement and reconciliation. Moscow moved first by establishing full diplomatic relations with Seoul on January 1, 1991.¹ Also in 1991, the superpowers facilitated the simultaneous admission of North

and South Korea into the United Nations. Seoul and Pyongyang pursued their most productive and substantive dialogue that led to the signing of the Basic Agreement of December, 1991, the Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation Between the South and North.² The United States followed South Korea's lead. President Bush had advanced the lessening of tensions on the Korean peninsula by announcing in his September 27, 1991 address to the American people the withdrawal of U.S. tactical nuclear weapons from around the globe.³

Several significant developments followed. The two Koreas announced their joint South-North Declaration on the Denuclearization of the Korean peninsula in December 1991. The first ever high-level meeting between officials of the U.S. and DPRK governments was held in New York on January 21, 1992.⁴ Pyongyang responded constructively by signing a nuclear safeguards agreement with the International Atomic Energy Agency (IAEA) and allowing IAEA inspectors to visit North Korea's foremost nuclear facility, the Nuclear Research Center at Yongbyon. Beijing rounded out the realignment by establishing diplomatic relations with Seoul on August 24, 1992.

Moscow and Beijing had moved decisively to break with past patterns while Washington and Tokyo moved hesitantly. Consequently, Seoul benefited the most while Pyongyang lagged far behind. Within two hectic years, 1991-92, Seoul had gained normal diplomatic and commercial relations with two superpowers, Moscow and Beijing. It had also gained admission to the United Nations, strengthened its alliance with the United States and witnessed Pyongyang's entry into

the global nuclear non-proliferation regime. Despite some warming in Japan-DPRK relations, Tokyo remained a reliable friend and a valuable trading partner.

Pyongyang's initial gains were much less impressive. Actually, it had lost more than it had gained from the realignment. First the Communist Bloc and then the Soviet Union had evaporated. Gone was the major market for Pyongyang's exports. Also gone was the Soviet Union, the DPRK's long time ally, major trading partner, and the source of large amounts of foreign aid in the form of basic commodities like wheat and crude oil. China continued as a friend, but its adoption of a "two Korea" policy unnerved Pyongyang. North Korea's leader President Kim Il Sung (revered in the DPRK as the "Great Leader") sought to restore balance in the regional alignment by pursuing improved relations first with Tokyo and then Washington, D.C. Hopes of improving relations with Japan faltered in November 1992, but eventually Kim's son and successor Kim Jong Il established relations, albeit tentative, with the United States by their signing of the October 1994 Agreed Framework which defused the Korean nuclear crisis of 1993-94.⁵

II. Burdens of the Past Over the Present

Tokyo's efforts to normalize relations with North Korea faltered and continue to lag far behind those of Washington, despite a two-year head start. Actually, the Japan-DPRK relationship remained essentially unchanged at the end of 1992 compared to 1990 when the two nations initiated their diplomatic dialogue. Even now, one decade later, the

1 Don Oberdorfer, *The Two Koreas* (Indianapolis: Basic Books, 1997).

2 National Unification Board, *Intra-Korean Agreements* (Seoul: ROK Government, 1992).

3 George Bush, "New Initiatives to Reduce US Nuclear Forces," in: US Department of State, *Dispatch*. Vol. 2, No. 39, pp. 1-4.

4 Don Oberdorfer, *op cit*.

5 For discussions of the changing relations between the two Koreas and the superpowers between 1990 and 1994, see: Doug Joong Kim, editor, *Foreign Relations of North Korea* (Seoul: The Sejong Institute, 1995), and Bae Ho Hahn and Chae-jin Lee, editors, *The Korean Peninsula and the Major Powers* (Seoul: The Sejong Institute, 1998).

relationship appears to be even more problem-ridden than in 1990. What is blocking progress? Obviously, the reasons are numerous. Even more troublesome is the fact that some of these more potent difficulties are deeply ingrained both into legacy of the Japan-Korea relationship as well as into each nation's contemporary political fabric.⁶

Ghosts of the Past

At the conclusion of the December 21-23, 1999 Japan-DPRK talks held in Beijing, an unnamed senior Japanese official who took part in this round of talks was quoted in the press as having said, "... the most basic theme is how to clear up problems of bygone days and create a new friendly relationship."⁷ In short, the long troubled history of mutual animosity between the Japanese and Korean peoples weights heavily on the present. North and South Koreans disagree about many things, but not the history of their relations with Japan. Here they have much common ground and share deep distrust of the Japanese. They date their dislike of the Japanese from medieval times when pirates from Japan, whom Koreans named "wako" or "dwarfs," plundered Korea's east coast in the fifteenth century. Koreans' perception of the Japanese as a ruthless, brutal and war loving people was greatly enhanced when Hideyoshi Toyotomi, the sixteenth century unifier of feudal Japan, unleashed his samurai legions on the Korean peninsula in a futile effort to conquer China. The ensuing carnage of these invasions between 1592 and 1598 even today plague Japan's relations with the Korean people.

6 Kenneth Pyle, "North Korea in U.S.-Japan Relations," an occasional paper of the Woodrow Wilson Center's Asia Program (Washington, D.C. January 1999). Also see: Byung Chul Koh, "Japan and Korea," pp. 55-60, in: Bae Ho Hahn and Chae-jin Lee, *op.cit.*

7 "Japan's Colonialist Past Looms in Talks with North Korea," Agence France Presse, in Northeast Asia Peace and Security Network (NAPSNET), December 23, 1999, Item I.1.

A recurring concern of modern Japan has been the potential for instability on the Korean peninsula. Dating from the mid-nineteenth century, Japan's rulers have feared that trouble on the Korean peninsula could adversely affect Japan's security. The first modern government of Japan under Emperor Meiji (reigned 1868-1912) determined the best response to the rise of imperialism in Northeast Asia was to create a Japanese empire. As the European empires of Great Britain, Russia, Germany and France scrambled at the turn of the century to carve up the Chinese empire among themselves, the leadership of Japan's imperial army came to view China's hapless tributary Korea as "a dagger pointed at the heart of Japan" if occupied by a hostile rival like Imperial Russia. Japan fought two victorious wars over Korea: the Sino-Japanese War of 1894-1894 and the Russo-Japanese War of 1904-1905. During the Sino-Japanese War, soldiers of the Imperial Japanese army determined that the queen of Korea was attempting to obstruct their efforts to expel China from the peninsula. One morning, Japanese soldiers invaded the palace grounds and murdered the queen. After chopping up her body, they burned the remains. Memories of this dreadful event and Japan's subsequent annexation and harsh colonial rule of Korea between 1910 and 1945, still poison Japan-Korea relations.⁸

Japan has attempted with mixed results during the latter half of the twentieth century to alter its negative image on the Korean peninsula. When Japan and South Korea normalized relations in 1965, the Japanese government recognized the Seoul government as the only legitimate government on the Korean peninsula, pledged to pay the South Korean government \$300 million over a ten-year period and granted Korean residents in Japan permanent residence.⁹

8 Carter J. Eckert, Lee Ki-baik *et. al.*, *Korea Old and New - A History* (Seoul: Ilchokak, 1990).

9 Youngnok Koo, "The Conduct of Foreign Affairs," in Edward Reynolds Wright, editor, *Korean Politics in Transition* (Seattle: University of Washington Press, 1975), pp. 221-222.

The effort assuaged some of South Koreans concerns, but did not address one that all Koreans, North and South, expect of Japan a formal, sincere apology for its colonization of Korea. Several Japanese prime ministers have made such apologies, beginning with Nakasone Yasuhiro during his 1983 visit to Seoul. Emperor Hirohito expressed his regrets to visiting South Korean President Chun Doo Hwan in September 1984 over "an unfortunate past between our two countries...."¹⁰

Japan has achieved impressive progress in its dealings with South Korea, but it has not even begun to erase its negative image in North Korea. Lingering issues from the past that still trouble Japan-DPRK relations include: Tokyo's 1965 recognition of Seoul as the sole legitimate government on the Korean peninsula, the amount of compensation Tokyo should pay Pyongyang for Japan's colonization of Korea, the Imperial Japanese Army's use of Korean women as "comfort" women, etc. The Japanese also have their list of claims rooted in the past: the return to Japan for trial and punishment of Japanese Red Army members who fled to North Korea after hijacking a Japan Airlines plane in 1972; North Korea's kidnapping of Japanese citizens to the DPRK for use as Japanese language instructors to train North Korean espionage agents and terrorists, visits to Japan by the Japanese citizen spouses of Koreans who returned to the DPRK between 1958 and 1984, and more than \$130 million North Korea owes Japanese businessmen for goods and services rendered more than a quarter of a century ago.¹¹

The Cold War's Legacy—Friends and Foes

Japan's foreign policy since the end of World War II has been

¹⁰ B. C. Koh, "Japan and Korea," in Hahn and Lee, *op. cit.*, pp. 35-36.

¹¹ See Japan-DPRK Joint Declaration of 1990 quoted in full below. Regarding South Korea, see also: Kim Sang-woo, "Future of Korea-Japan Ties," in *Korea Focus*, Vol. 6, No. 5 (September, October, 1998), pp. 48-49.

defined within the context of the so-called Yoshida Doctrine that dates from the mid-1950's. A separation was to be maintained between economic and political goals and strategies. Economic prosperity was to be achieved through unilateral initiatives abroad. National security, the preeminent political goal, was to be safeguarded through the U.S.-Japan alliance. The alliance required that Tokyo align its defense policies with those of the United States. For half a century, beginning with the Korean War, Japan has willingly played a supporting role for the U.S. military presence in East Asia while simultaneously engaging in intense economic competition with its closest ally.

The arrangement has served both nations well. Tokyo benefited from the protection of the U.S. nuclear umbrella and presence of U.S. Forces in Japan. Japan's "peace" constitution was narrowly interpreted and respected, assuaging neighboring nations' concerns that Japan might rearm. The arrangement also gained a cornucopia of Japanese goods access to the enormous U.S. domestic market. There was a price, but it seemed small relative to the benefits. The arrangement narrowed the range of foreign policy options available to Japan. Japan's friends and enemies were determined more by American priorities than those of Japan.

In terms of Japan-DPRK relations, however, the alliance presents profound and persistent problems. On the one hand, the U.S.-Japan alliance is a formidable impediment to the improvement of Japan-DPRK relations. Because of the alliance, Japan remains firmly committed to supporting the U.S. military presence in Northeast Asia, specifically on the Korean peninsula. For Pyongyang, this is a serious irritant. The DPRK's continuing intense hostility toward Japan, on the other hand, excites pervasive public fear and insecurity among Japan's citizens and reinforces their commitment to their government's maintenance of the U.S.-Japan alliance. Consequently, the Japanese government since 1996 has felt compelled to choose between improving relations with the DPRK or further alienating Pyongyang by reinforcing its

defense posture. Given North Korea's persistent development of ballistic missiles, hostile attitude to Japan and intransigence in addressing issues of concern to the Japanese people, the Japanese government has understandably chosen to take steps to reinforce its security. These have included subscribing to new U.S.-Japan Defense Guidelines and a commitment to joint U.S.-Japan development of a Theater Missile Defense (TMD) system.

The inability of Japan and the DPRK to normalize their relations has contributed to a very significant realignment in Northeast Asia. The fear the U.S. and Japan share over North Korea's potential acquisition of weapons of mass destruction, primarily long range ballistic missiles since the U.S.-DPRK nuclear accord of 1994, has caused both to reinforce their defense postures in Northeast Asia. This has adversely affected Washington's and Tokyo's efforts to pursue *dtente* with Pyongyang. The DPRK, feeling increasingly threatened by the U.S.-Japan alliance, has sought safe haven in Beijing. The U.S.-Japan accord on TMD appears to have given Beijing and Pyongyang reasons to repair their relations.

Once again, the legacy of the past, in this case the Cold War, haunts the efforts of Japan and the DPRK to improve their relations. As each nation has sought to reinforce their alliance with their Cold War champion, the Japan-DPRK relationship has become further estranged. Frankly speaking, the true contestants in Northeast Asia would appear to be the United States and China. Japan and the DPRK would appear to be shadow boxers, each throwing punches at one another that are reality intended as blows aimed at Washington and Beijing.

III. Unilateralism and Frustrated Expectations

The 1990's has been a decade of frustrated expectations for Japan in its pursuit of *dtente* with the DPRK. For the previous half century,

Japan's policy toward North Korea closely adhered to the dual tracks of containment and deterrence practiced by Seoul and Washington. Beginning in 1990, however, Japan's ruling political party leaders launched a quasi-official, unilateral diplomatic initiative aimed at normalizing diplomatic and commercial relations with Pyongyang. Japan's Foreign Ministry, concerned about criticism from its ally the U.S. and neighbor South Korea, hesitated. Caught between offending either the ROK or alienating powerful politicians in Tokyo, the Foreign Ministry opted to accommodate the Diet members' desires.¹²

Shin Kanemaru, then one of the most powerful members of the ruling Liberal Democratic Party (LDP) and a member of the Diet's lower house, led the unprecedented bipartisan delegation to Pyongyang. He teamed up with Japan Socialist Party (JSP) Vice Chairman of the Central Executive Committee Tanabe Makoto, also a member of the Diet and since deceased. During their stay in Pyongyang on September 24 to 28, 1990, they held formal talks with their political equal, Korean Workers' Party (KWP) then General Secretary of the Central Committee Kim Young Sun. They also paid a courtesy call on DPRK President Kim Il Sung and delivered to him personal letters from the president of the LDP, Prime Minister Kaifu Toshiki, and Chairwoman of the JSP's Central Executive Committee, Doi Takako.

The three politicians, representing their respective political parties, signed the "Joint Declaration" of September 28, 1990. North Korean leader Kim Il Sung sanctioned the accord the following day. An unofficial translation of the declaration's entire text follows:¹³

Considering that to normalize and develop Korea-Japan relations on the basis of the idea of independence, peace and friendship confirms to the interests of the peoples of the two countries and would contribute to peace and prosperity of a new Asia and the world, the

12 Masao Okonogi, "Japan's Policy Toward North Korea: Diplomatic Normalization Talks and the Nuclear Inspection Issue," in Doug Joong Kim, *op. cit.*, pp. 193-222.

13 Source: *People's Korea* at <<http://www.Korea-np.co.jp/pk>>

delegations of the three parties declare as follows:

1. The three parties consider that Japan should fully and officially apology and compensate to the DPRK for the enormous misfortunes and miseries imposed upon the Korean people for 36 years and the losses inflicted upon the Korean people in the ensuing 45 years after the war.

In his personal letter to president Kim Il sung, President Kaifu Toshiki of the LDP admitted that there was an unfortunate past imposed by Japan upon Korea and expressed the hope to improve the DPRK-Japan relations, saying, "Former Prime Minister Takeshita expressed deep remorse and regret over such unfortunate past at the Diet in March last year. I, as Prime Minister, share his views.

Head of the LDP delegation Kanemaru Shin, member of the House of Representatives, too, expressed the same apology for Japan's past colonial rule over the Korean people. The three parties consider that in connection with the establishment of the diplomatic relations, full compensation should be made by the Japanese government for the past 36 year long colonial rule and the losses inflicted upon the DPRK people in the ensuring 45 years.

2. The three parties consider that the abnormal state between the DPRK and Japan must be eliminated and diplomatic relations be established as soon as possible.

3. The three parties consider that, for the improvement of the relations between DPRK and Japan, it is necessary to develop exchanges between them in various domains including politics, economy and culture and, for the present, to use satellite communications and open direct air services between the two countries.

4. The three parties consider that the Koreans in Japan must not be discriminated against, their human rights and all national rights and legal status be respected and the Japanese government should guarantee them by law. The three parties regard it necessary for the Japanese authorities to remove the entries made in the Japanese passport as regards the DPRK.

5. The three parties consider that Korea is one and that the peaceful reunification through north-south dialogue accords with the national interests of the Korean people.

6. The three parties consider that it is necessary for them to make joint efforts for the building of a peaceful and free Asia and eliminate nuclear threats from all regions of the globe.

7. The three parties agreed to strongly recommend the start of inter-governmental negotiations for the realization of the establishment of diplomatic relations and the solution of all the outstanding problems within November 1990.

8. The three parties agreed to strengthen party relations and to further develop mutual cooperation between the Workers' Party of Korea (WPK), and the LDP and between the WPK and the JSP in conformity with the desires of the two peoples and in the interest of peace in Asia and the world.

The "Joint Declaration" has since served, in Pyongyang's eyes, as the guiding principles for its normalization talks with the Japanese government. The Japanese government, however, does not share this view.¹⁴

Japan's unilateral approach worried Seoul. When Shin Kanemaru called on South Korea President Roh Tae Woo on October 8 to brief him about the visit to Pyongyang, President Roh urged Japan to:

- consult closely with South Korea once the Japan-DPRK talks began;
- urge North Korea to sign a nuclear safeguards agreement with the IAEA;
- withhold compensation to the DPRK until Japan-DPRK relations had been normalized and Japan was in a better position to monitor North Korea's use of the compensation fund to prevent it from benefiting the military;

14 Hong Nack Kim, "North Korea's Policy Toward Japan in the Post-Cold War Era," in Doug Joong Kim, editor, *Foreign Relations of North Korea During Kim Il Sung's Last Days* (Seoul: The Sejong Institute, 1994). Also see: Bae Ho Hahn, *op. cit.*, pp. 55-59.

- urge North Korea to reform and to open itself to the outside world.

The U.S. made a similar request to Japan.¹⁵

To assuage its ally and friend, the Japanese government adopted four guidelines for its talks with the DPRK. The talks should:

- promote peace and stability on the Korean peninsula;
- Japan-DPRK rapprochement should not undermine Japan's relations with Seoul;
- Japan was prepared to compensate North Korea for the 36 year period of its colonial rule, but not for the period since the end of World War II;
- North Korea's acceptance of IAEA inspections at its nuclear facilities was important to Japan's national security.¹⁶

Neither Washington nor Seoul had any further objections to Tokyo's engagement of Pyongyang in normalization talks.

Five weeks after the document had been signed, normalization talks commenced on November 11, 1990. Eventually, eight rounds of talks were held between Japan's chief negotiator Nakahira Noboru and his North Korean counterpart Chon In-chol until they were discontinued in November 1992. Despite the initial appearance of progress, the first eight rounds of official talks proved inconclusive. North Korea had demanded that Japan's emperor apologize to its people and compensate the DPRK government upwards of \$10 billion for Japan's colonization between 1910 and 1945. Japan countered that it had already paid compensation to South Korea and offered instead loans, investment and technology valued at about half the amount Pyongyang sought. Japan insisted that North Korea address allegations that it had kidnapped more than one dozen Japanese citizens to use to train North Korean covert agents in the Japanese language and culture. North

Korea adamantly rejected the request. Finally, mounting international suspicions about whether North Korean was hiding plutonium from the International Atomic Energy Agency (IAEA) caused Japan to formally suspend the talks. Finally in November 1992, without any enduring progress having been made, the talks were suspended.

Normalization, Pyongyang had hoped, would enable Tokyo to fill the commercial void left after the collapse of Communist Bloc in the late 1980's. Sixty percent of the DPRK's entire foreign trade had been with socialist nations. The Soviet Union and China had accounted for the bulk of this trade. As the Soviet Union slid into economic bankruptcy and political turmoil, Japan's trade with North Korea increased to the point of virtually matching that between Beijing and Pyongyang.

In anticipation of normalization of relations with Japan, the DPRK promulgated several laws designed to facilitate Japanese investment in joint ventures in North Korea. A sixty-member private trade mission from Japan arrived in Pyongyang on July 14, 1992 to seek out possible joint venture opportunities in North Korea's light industries and mining sector. In fact, in the fact that DPRK's two decade old trade deficit with Japan was abruptly reversed. North Korea actually had a positive trade balance with Japan during the two years that of normalization talks, 1990-92.¹⁷

Pyongyang had also hoped Japan would become a major partner in the Tumen River Development Project and its Free Economic and Trade Zone (FETZ) in North Korea's northeast corner. Since the mid-1980's North Korea had begun to promote the twin ports of Najin and Sonbong as a potential international port of trade. It aimed to create a

15 Hong Nack Kim, "North Korea's Policy Toward Japan," in Doug Joong Kim, *op.cit.*, p. 171.

16 *Ibid.*, p. 172.

17 Hong Nack Kim, "North Korea's Policy Toward Japan in the Post-Cold War Era," *op. cit.*; United Nations Development Program, *Development Cooperation - Democratic People's Republic of Korea 1993-94 Report* (Pyongyang, 1995), p. 20; . U.S. Bureau of the Census, International Programs Center, "Financial Transfers From Japan to the DPRK: Estimating the Unreported Flows," unpublished Memorandum of the North Korea Trade Project (July 1995), Table 1.

North Korean based hub of international trade that would serve Japan, China and the Soviet Union. Pyongyang hosted the October 1991 United Nations Development Program's (UNDP) conference that formalized the Tumen River Region Economic Development Programme. Representatives also attended from Japan, the ROK, China, the USSR and Mongolia attended the conference. As the project's centerpiece, Pyongyang declared the establishment of the Rajin/Sonbong Free Economic and Trade Zone (FETZ) on December 28, 1991.¹⁸

Although hardly in a position to press Japan, North Korea nevertheless pursued its usual negotiating strategy of striving for maximum gains while giving up only minimal concessions. North Korea overestimated Japan's eagerness to become an economic player in the North Korea market. To begin with, Japan's mainstream business community was increasingly reluctant to risk investment in North Korea. The Japanese government had stopped insuring Japanese investment in North Korea in 1986. At the time, North Korea owed Japanese firms more than \$600 million. But until diplomatic relations had been normalized, the Japanese government had no reason to make such guarantees. Then too, by 1991 Japan's economy was quickly sliding into recession. The "bubble economy" that had lifted Japan's economy to unprecedented prosperity in the 1980's had bust and with it any inclination to risk investment in North Korea's rapidly faltering and thoroughly isolated economy.

Support for the normalization talks also waned throughout the Japanese public and among Tokyo's allies. The Japanese public was reluctant to see its government make apologies to North Korea for past misdeeds without North Korea at least first agreeing to make good

faith effort to investigate allegations that some Japanese citizens had been kidnapped to North Korea. Then too, Seoul and Washington were pressing Tokyo to join their mounting multilateral campaign to get North Korea to make its nuclear program more transparent by cooperating with the International Atomic Energy Agency's (IAEA) inspection program. Japan's frustrating effort in unilateral diplomacy with the DPRK ended when North Korea's delegation walked out of the November 1992 round of talks after adamantly refusing to discuss the plight of kidnapped Japanese citizens.¹⁹

IV. Trilateral Diplomacy: Phase One

Beginning late in 1992 and continuing well into 1995, Japan eagerly pursued close coordination of its North Korea policy with the U.S. and South Korea. The first working level meeting between diplomats from the U.S., South Korea and Japan was held at the Department of State in February 1993. At the time, Seoul was so uncomfortable with the idea of trilateral cooperation that it insisted there had to be a bilateral U.S.-ROK meeting before the trilateral consultations could commence. Gradually, however, North Korea's continuing refusal to cooperate with the IAEA and intensifying suspicions about its nuclear intentions forged a solid trilateral bond between Washington, Seoul and Tokyo.

Japan actively and vigorously supported the U.S. and ROK diplomatic offensive designed to convince North Korea to remain in the Treaty on the Non-proliferation of Nuclear Weapons (NPT) and to cooperate with the International Atomic Energy Agency. These efforts were centered in international fora such as the UN Security Council and the International Atomic Energy Agency. When U.S.-DPRK negotiations reached a dangerous impasse in May 1994, Japan supported

18 Lew Seok-jin, editor, *Tumen River Area Development Project* (Seoul: The Sejong Institute, 1995), pp. 279-286. United Nations Industrial Development Organization (UNIDO), *DPRK Korea's Tumen River Area Rajin-Sonbong Free Economic and Trade Zone Investment Guide* (Exeter, UK: Icon publishing, 1993). Also, Development Cooperation - Democratic People's Republic of Korea 1993-94 Report, pp. 22-23.

19 Okonogi, *op.cit.*, pp. 208-211.

U.S. efforts to mobilize support in the United Nations for UN sanctions against the DPRK. After the U.S.-DPRK Agreed Framework had been signed in October 1994, Japan became an ardent supporter of the Korea Peninsula Energy Development Program (KEDO) established to finance the construction of two light water nuclear reactors in North Korea as promised in the U.S.-DPRK nuclear accord. Japan became one of KEDO's founding members with membership on the executive board. Eventually the government of Japan pledged to contribute one billion dollars toward the reactor construction project.²⁰

Unprecedented cooperation has developed between South Korea and Japan by the fall of 1994. Diplomats from both countries were routinely consulting one another in Washington, Tokyo and Seoul. They coordinated their efforts at the United Nations and the IAEA. In an unprecedented initiative, Japan and South Korea cautiously initiated limited cooperation in the area of defense. A working level dialogue began in 1994 between members of their respective armed forces. The sharing of intelligence began. The exchange of visits by ranking officials in each defense ministry and naval vessels followed. Japanese and South Korean naval officers took turns being assigned temporarily to one another's ships. Joint rescue at sea exercises have also taken place.²¹

Trilateral Diplomacy Unravels

Trilateral cooperation proved temporary. Pyongyang despised the arrangement, and repeatedly demanded that it cease. Seoul responded with repeated claims that Pyongyang was "trying to drive a wedge between Washington and Seoul." The refrain became a diplomatic cliché. Pyongyang's displeasure, however, had little to do with ending

20 Lee Eu-gene, "North Korea-Japan Rapprochement and Inter-Korea Relations," in *Korea Focus* (May-June 1995) Vol. 3, No. 3 (May-June 1995), pp. 22-38. National Institute for Defense Studies, *East Asian Strategic Review* (Tokyo, 1996), pp. 2-3.

21 Japan Defense Agency, *Defense of Japan* (Tokyo: The Japan Times, 1997), p. 87.

the collaboration. Washington and Seoul must share responsibility for this. Despite Tokyo's consistent best efforts to be a reliable ally to the U.S. and a good friend to South Korea, Washington and Seoul only seemed to take Japan for granted.

Despite Japan's stagnate economy, Washington throughout 1995 and well into 1996 repeatedly pressed Tokyo for more of everything. Japan had publicly pledged in the fall of 1994 to finance a major portion of KEDO's LWR project. The Clinton Administration, having promised Congress shortly after the signing of the Agreed Framework that it would not seek substantial funds to finance the accord, pressed Japan to increase its contribution to KEDO. The Clinton Administration had belatedly realized that placing North Korea's spent nuclear fuel in long term, safe storage and supplying 500,000 metric tons of heavy fuel annually to the DPRK would be more much more costly than anticipated. Japan's Foreign Ministry recognized the criticality of these projects, but was hard pressed to convince Japan's Diet to pay for something the U.S. Administration was hesitant to ask the U.S. Congress to fund. The Clinton Administration's repeated requests angered many prominent Japanese politicians in the Diet. Why, they wondered aloud, should Japan be expected to pay more after it had already pledge a huge sum of money and when the United States itself was putting up only a very small sum to implement an agreement it had negotiated with only marginal Japanese involvement?

While the Department of State was pressing Japan to increase its contribution to KEDO, the U.S. Department of Defense was asking Japan to increase its host nation support of U.S. military forces in Japan and to contribute to the development of the Theater Missile Defense system. Amid all of this, a U.S. serviceman stationed on Okinawa raped a Japanese schoolgirl in September 1995. The Japanese public was outraged, and so too was its government.²²

22 *East Asian Strategic Review, op.cit.*, p. 211.

Japan's Foreign Ministry found itself caught in the cross fire between the Diet and the Clinton Administration. What had begun in 1993 as a well-intended commitment on the part of the Japanese Foreign Ministry to promote trilateral cooperation between Tokyo, Washington and Seoul vis a vis Pyongyang had turned into a political nightmare by 1995. Adding injury to insult, Washington and Seoul excluded Japan for their consultations about the Joint Proposal for Four Party Talks proposal Presidents Clinton and Kim Young Sam made in April, 1996. Japan was taken completely by surprise. Support in the Japanese government for trilateral cooperation was severely eroded.²³

Problems with Seoul

Japan's commitment to trilateral cooperation continued after the head of Japan's Social Democratic Party (SDPJ), Murayama Tomiichi, became prime minister at the end of June 1994. Murayama's policy toward North Korea adhered to the principles enunciated prior to the start of the first round of Japan-DPRK normalization talks in January 1991. The Agreed Framework had removed the nuclear issue as an impediment to the resumption of Japan-DPRK talks. An underlying inducement of the Agreed Framework was the normalization of relations between North Korea and other nations. Tokyo, after duly consulting with Seoul and Washington, resumed its efforts to engage Pyongyang in a diplomatic dialogue. As had been the case in 1990, members of the Diet took the initiative, not Japan's Foreign Ministry. Former Deputy Prime Minister Watanabe Michi of the LDP headed a delegation, which represented the political parties in Japan's ruling coalition. North Korea Workers Party Secretary for International affairs Kim Yong-sun greeted the delegation. Another agreement to resume

23 Personal discussions with Japanese parliamentarians, businessmen and government officials in June and November 1995 and June 1998. *East Asian Strategic Review*, op.cit., pp. 207-219.

normalization talks was reached on March 30. Relations briefly warmed. Pyongyang sent its Minister of Trade, Li Song Rok, to Tokyo at the end of May to encourage investment by Japan's Korean residents in North Korea's Free Trade Zone at Najin-Sonbong. The response was mixed. Nevertheless, the Murayama government extended the good will gesture of food aid.²⁴

The March 1995 initiative nevertheless yielded no enduring results. The Japanese government had objected to the stipulation in the March 30 political party accord that there should not be any preconditions for the resumption of government to government talks, and the agreement was judged not be binding between the two governments. Working level diplomatic contacts nevertheless followed, but progress was immediately blocked by North Korea's refusal to respond to Japan's inquiries about Japanese citizens allegedly kidnapped by North Korea between 1977 and 1987.²⁵

Meanwhile, South Korean President Kim Young-Sam began to encounter increasing domestic criticism of his policies. Japan's approach to North Korea had simultaneously aroused Koreans' anti-Japanese sentiment. President Kim began to use Japan as a political whipping board beginning in the summer of 1995 and continuing until the end of his tenure in December 1997. He did so despite Tokyo's close coordination with Seoul on its overture to Pyongyang, eagerness to facilitate nuclear non-proliferation on the Korean peninsula, support for KEDO and close coordination with Seoul on all matters involving North Korea.

Kim's negative attitude toward Japan severely complicated efforts to maintain trilateral cooperation between Washington, Seoul and

24 Hong Nack Kim, "Japan's Policy Toward The Two Koreas in the Post-Cold War Era," *International Journal of Korean Studies* (Spring 1997) Vol. 1, No. 1 (Spring 1997), pp. 142-145 and pp. 144-145.

25 Korean Asia Pacific Peace Committee, "Memorandum on DPRK-Japan Relations," (February 1, 1998), *People's Korea on the Internet* (February 1, 1998).

Tokyo regarding policy toward North Korea. After Seoul agreed to send Pyongyang 150,000 tons of food aid in June, 1995, Tokyo won President Kim's approval to follow his gesture with even more food aid. The Korean public, however, reacted very negatively to President Kim's gesture to North Korea. By then, however, Tokyo had promised Pyongyang 300,000 metric tons of rice as a humanitarian gesture of good will in return for the aid North Korea had sent to victims of the January 1995 earthquake that had devastated the Kobe area west of Osaka. (Note: The United States had compelled Japan to purchase the rice as part of a trade dispute settlement. When the Japanese public refused to purchase and eat the rice, the Japanese government decided it would be best to reduce the expense of storing it by using the unwanted rice as humanitarian aid.) The aid please Pyongyang but angered Seoul, both its government and the public.

In August, 1995, torrential rains devastated North Korea's grain crops. Pyongyang appealed to the United Nations for food aid. Encouraged by Washington, Tokyo in September 1995 sent another 200,000 metric tons of food aid to the DPRK. President Kim chastised Japan. Later, when diplomatic representatives from Seoul, Tokyo and Washington held their first vice-ministerial level trilateral consultations in Honolulu on January 24, 1996, Tokyo found itself caught in the middle. Washington pushed Tokyo to supply more food aid to North Korea while Seoul argued against any more food aid. Tokyo sided with its irate neighbor South Korea. When they held the second vice-ministerial meeting on Cheju Island on May 14, again Seoul pressed Tokyo not to send additional rice assistance to North Korea. Despite Washington's displeasure, Tokyo concurred with Seoul's insistence.²⁶

Japan-South Korea relations continued to deteriorate throughout 1996. Two weeks after the January 24 trilateral meeting in Honolulu,

²⁶ *EASR*, 1996-97, p. 244 and 247. Recollections as a U.S. diplomat who traveled frequently between Washington, Seoul, Pyongyang and Tokyo between 1995 and 1997.

President Kim on February 9 accused Japan of "infringement" on its sovereignty when Tokyo's Foreign Minister Ikeda protested Seoul's construction of a pier on a bilaterally disputed island, Tokto in Korean or Takeshima in Japanese. Also at issue was the name of the sea between the Korean peninsula and Japan. South Korea insisted the name should be changed from the "Sea of Japan" to the politically more neutral "East Sea." Seoul's position was historically sound since use of the "Sea of Japan" dated from the rise of Imperial Japan in the later half of the 19th Century. When the Japan-Korea fishing treaty came up for review in May 1996, the ensuing negotiations became tangled with the island and ocean name disputes. President Kim's efforts to use Korean's traditional dislike of Japan as a way to deflect criticism of his domestic political shortcomings succeeded in exciting anti-Japanese sentiment. On the other hand, the effort undermined trilateral cooperation and reduced diplomatic pressure on North Korea to be more forthcoming with Washington, Seoul and Tokyo.²⁷

By the spring of 1996, trilateral cooperation had completely unraveled. Tokyo moved to repair its relationship with Washington and began to reconsider unilateral approaches to Pyongyang. No sooner had Washington and Seoul announced their Joint Four Party Proposal for talks with Pyongyang and Beijing than the two allies began to squabble over how best to realize their proposal. The discovery of heavily armed North Korean commandoes and their submarine on South Korea's eastern coast frightened and outraged the people of

²⁷ B.C. Koh, *op.cit.*, pp. 39-50; *EASR*, 1996-97, p. 244. Hong Nack Kim, "Japan's Policy Toward The Two Koreas in the Post-Cold War Era," *op. cit.*, pp. 149-151. On February 9, 1996, Japanese Foreign Minister Ikeda claimed the ROK's construction of a port facility on Takeshima Island (Tokto Island) "is a violation of Japan's sovereignty." South Korea's foreign Ministry announced that the ROK "stance remains firm on not being able to accept Japan's claims" to the island of Tokto (*East Asian Strategic Review*, *EASR*, p. 244). On February 15, 1996, the ROK Navy asserted ROK claims to Takeshima Island by sending a destroyer and fighter aircraft on a training mission to the island. Japan protested this action (*East Asian Strategic Review*, *EASR*, p. 245).

South Korea. President Kim responded to public pressure by shifting the goal of his North Korea policy from co-existence to isolation of the regime. Washington advised restraint and continued efforts to induce North Korea into further engagement of the outside world and reform. The dispute crystallized around advocates of a “hard landing,” a collapse of the North Korean regime, versus a “soft landing” or gradual transformation of the regime along the same lines as China’s experience. The debate split the Washington foreign policy community, both within and outside the Clinton Administration. Soon the Clinton Administration found its implementation of the Agreed Framework encountering increasingly severe criticism in the Republican dominated Congress.²⁸

V. A Return to Tradition

Tokyo concluded in the spring of 1996 that the harder it attempted to promote trilateral cooperation, the more it seemed to put itself into a no win situation vis-a-vis its ally the United States and neighbor the Republic of Korea. At home, Japan’s sagging economy preoccupied its hesitant political leadership. Pursuing normal relations with Pyongyang fell to the bottom of Prime Minister Hashimoto’s priority list. Relations with South Korea could also languish. The cautious Prime Minister Hashimoto shelved further effort at trilateral coordination of policy toward the DPRK. Instead, he reverted to Japan’s traditional foreign policy of relying on the U.S.-Japan security alliance. As

for the Korean peninsula, actions that might further irritate South Korea were to be minimized, but Japan would fulfill its commitments to KEDO. As for North Korea, the door for a possible unilateral approach would be retained as an option. Further effort at trilateral cooperation was suspended.

Prime Minister Hashimoto’s priority was to improve relations with the U.S. The American servicemen’s rape of a Japanese schoolgirl late in 1995 had jarred the Japanese public. A loud public debate ensued over the wisdom of continuing to host upwards of 70,000 U.S. military personnel in Japan, half of whom were stationed on Okinawa where the rape had occurred. Prime Minister Hashimoto and President Clinton calmed the debate when they met in April 1996 and issued a joint statement, which reiterated each side’s continuing commitment to their close security alliance. The statement also called for a review of the “Guidelines for U.S.-Japan Defense Cooperation.” The review was to focus on “... the situation that may emerge in areas surrounding Japan...” This was a veiled reference to the Korean peninsula. The statement reassured the Japanese that they were in fact an equal partner in the alliance. Furthermore, it confirmed the need for the alliances continuity despite the end of the Cold War and the demise of their former common enemy. Together, the U.S. and Japan would reinforce their joint capability to deter possible attack by North Korea and its arsenal of ballistic missiles. As for diplomacy toward North Korea, this would be left to the U.S. and South Korea and their joint pursuit of four parties talks with North Korea and China. Meanwhile, Hashimoto would focus on improving relations with Russia.²⁹

28 The main themes of this debate are summarized in the Council on Foreign Relations Task Force Report on North Korea. See : Morton Abramowitz and James T. Laney, co-chairs, *Managing Change on the Korean Peninsula* (New York: Council on Foreign Relations Press, 1998). For a more detailed discussion of these views, see: Kim Kyung-won and Han Sung-joo, co-chairs, *Managing Change on the Korean Peninsula* (Seoul: Seoul Press, 1998).

29 Akira Ogawa, “Simulation: A Contingency on the Korean Peninsula, How the US and Japan Move According to the New Guidelines,” *This Is Yomiuri Magazine* (November 1997). Nigel Holloway *et. al.*, “Not to Our Liking,” *Far Eastern Economic Review* (June 26, 1997). “North Korea, Covering the Bases,” *ibid.*, pp. 30-34. Japan Defense Agency, *Defense of Japan* (Tokyo: The Japan Times, 1997), pp. 114-115. For the text of the April 17, 1996 US-Japan statement, see: *EASR: 1996-97*, pp. 314-322.

The Japanese government endeavored to keep open various channels of communication with the DPRK in the hope of sensing a softening of Pyongyang's position regarding kidnapped Japanese citizens. A trickle of humanitarian aid continued to flow from Tokyo through the World Food Program to Pyongyang, and a small number of Japanese non-governmental humanitarian relief organizations were able to make visits to North Korea. Private visits by Koreans resident in Japan, members of the pro-DPRK Chosenren Association, continued to visit North Korea at normal levels for tourism and to visit relatives. Contacts between Japanese professors and their North Korean counterparts were encouraged and several visits were exchanged. Pyongyang, however, closed these academic channels after North Korea Workers Party Secretary for International Affairs Hwang Chang-Yop, ranked 24th in Pyongyang's ruling hierarchy, defected to South Korea from Beijing after a visit to Tokyo in February 1997.

Japan's politicians also continued their unilateral approaches to Pyongyang in 1997. The initial efforts proved futile, but persistence eventually yielded results. The Liberal Democratic Party (LDP) sent two delegations to Pyongyang. One was headed by Sakurai Shin, which spent March 28-31, 1997 in Pyongyang. A second delegation of six LDP members led by Japan's House of Representatives member Nakayama Masaaki visited Pyongyang from March 29 to 31, 1997. Nakayama had four hours of "frank and friendly" talks with Kim Yong Sun, chairman of North Korea's Asia Pacific Peace Committee and a ranking member of the Korea Workers (Communist) Party. Neither visit, however, did have any substantial results.³⁰

30 "LDP Starts Coordination to Provide New Assistance to DPRK," and "Interview with Head of LDP Delegation to the DPRK," in *People's Korea* (April 16, 1997 and March 29, 1998).

Ruling Coalition Delegation to Pyongyang—November 1997

Japan's unilateral strategy of keeping the channels of communication open and facilitating a trickle of "private" (Japanese Red Cross supplied) food aid to the DPRK finally paid concrete dividends in November 1997. Japan announced on October 11, 1997 that it was ending its fifteen month long embargo on government food aid to the DPRK, initiated at Seoul's behest, and pledged \$27 million worth of food aid to the World Food Program for distribution to the DPRK.³¹ North Korea responded with private talks in Beijing to work out the details of the first visit to Japan from North Korea of Japanese spouses of former Korean residents in Japan. The long awaited visit finally materialized on November 8 when fifteen Japanese wives arrived in Japan. The women represent 1,831 Japanese citizens who had married former Korean residents of Japan and accompanied their husbands to North Korea between 1959 and 1984. They ranged in age from 55 to 84 years old. Communication with relatives in Japan had been sporadic. Although warmly welcomed by the frantic Japanese mass media, receptions by the women's relatives were mixed. Nevertheless, the continuation of the visits by other small groups of women have tempered slightly Japan-DPRK animosity.³²

A November 11 to 14, 1997 visit to Pyongyang by representatives of Japan's three party ruling coalition the Liberal Democratic Party, Social Democratic Party and Sakigake Party followed. The three Japanese political parties and their host in Pyongyang, the Korea Workers Party, issued a joint communique, which read in part:³³

1. The sides, considering that the resumption of inter-governmental

31 "Pyongyang, Tokyo Quietly Beat Path to Normalization Talks," *People's Korea*, (October 22, 1997).

32 "Fifteen Korean Women Visit Japan on Humanitarian Program," *People's Korea*, (November 8, 1997); . B. C. Koh, *op. cit.*

33 "WPK, Japanese Coalition Issue Communique," *People's Korea* (November 14, 1997).

talks for the normalization of Japan-DPRK diplomatic ties fully accords with the aspiration and demand of the two peoples, agreed to exercise the parties' influence to promote the reopening of the ninth round of full fledged inter-governmental talks as early as possible.

The Korean side stressed that the talks should be aimed at the improvement of relations between the two countries and it is necessary to refrain from hurting the other side and doing things unfavorable to the improvement of bilateral ties and to respect the will and desire of the two peoples and pursue mutually fair policies with an independent stand.

2. The sides shared the view that it is necessary to solve humanitarian and cooperation issues between the two countries even before the normalization of the bilateral diplomatic ties.

The Korean side expressed the willingness to continue to allow Japanese wives in Korea to visit their hometowns.

The chairman of the Korea-Japan friendship association said that the allegations regarding a missing Japanese girl are false and have nothing to do with the DPRK, nevertheless, the DPRK, taking the Japanese side's earnest request into account, may make an investigation into the case along with the investigation regarding other missing persons.

While in Korea, the Japanese delegation visited disaster-stricken areas and confirmed the urgency of food assistance. It expressed the willingness to ask the Japanese government to continue offering food aid to the DPRK through international organizations.

Both sides affirmed that the solution to the humanitarian and cooperation issues will be conducive to deepening mutual understanding and friendship and developing bilateral relations as it perfectly coincides with the international usage, the requirements of the present time and the interests and desires of the two peoples.

3. The sides considered that it is desirable for the ruling parties of the two countries to frequently visit each other and promote understanding with a view to creating an atmosphere favorable to the govern-

mental talks and successfully solving the humanitarian and cooperation issues. They agreed to further strengthen multilateral and bilateral visits and contacts between the ruling parties. The three-party ruling coalition delegation of Japan expressed gratitude to the Korea Workers Party for its warm hospitality.

Japan's unilateral political party approach seemed to produce at least tentative results. Certainly it yielded more concrete benefits for Japan than had been the case during the period of trilateral government-to-government cooperation with Washington and Seoul during the two previous years. The three political parties represented in the delegation had achieved what the Japanese Foreign Ministry had not been able to do since normalization talks began in January 1991. The Korea Workers Party in paragraph two of the communique broke with the DPRK government's long held, adamant refusal to discuss the case of missing Japanese citizens and indicated a willingness to investigate the matter. North Korea's previous refusal to do this, plus its non-compliance with the IAEA nuclear safeguards, had blocked resumption of Japan-DPRK normalization talks since the fall of 1992. A major impediment appeared to have been removed. Furthermore, the DPRK reaffirmed its pledge to allow the Japanese spouses of former Korean residents of Japan to visit relatives in Japan.

A full explanation for the Japan-DPRK dtente in November 1997, however, must await access to the diplomatic archives in both capitals. We can at least conjecture about some of the reasons. One may have been that the Japanese delegation, unlike the two earlier LDP delegations, represented a solid political coalition that Pyongyang may have concluded possessed the political influence essential to the fulfillment of any commitments made during a visit. Pyongyang, in short, seems to prefer to deal with politicians who can act decisively not just over the negotiating table, but more importantly once they have returned to their capital. Certainly this had been the case with Shin Kanemaru in 1990. Possibly the ruling Japanese political party coalition could deliver

on its promises. Another possible consideration in Pyongyang may have been to further distance Tokyo from Seoul by projecting a benign posture of the DPRK to Japan's most prominent politicians and the general public. This, Pyongyang may have hoped, would further diminish Tokyo's commitment to coordinating its North Korea policy with Seoul and Washington. Then too, Pyongyang probably hoped it could weaken Diet support for the new U.S.-Japan Defense Guidelines by tempering its hostility toward Japan and responding constructively to some of Japan's humanitarian concerns. If in fact these were some of Pyongyang's aims, it did not achieve any of them. U.S.-Japan relations were again on a firm footing and South Koreans were about to elect a new president whose attitude toward Japan was much more positive than that of President Kim Young Sam.³⁴

Trilateral Cooperation Reconsidered

Japan-DPRK relations began on a positive note in 1998, but soon turned icy once again. The second home visit of twelve Japanese spouses of former Korean residents of Japan took place between January 27 and February 2. Occasional encounters in New York and Singapore between diplomats from two nations failed to produce results. Then came very bad news in June. North Korea's Red Cross informed its Japanese counterpart that its investigation into allegations about missing Japanese citizens in the DPRK uncovered nothing. The DPRK once again denied any connection with the disappearance of missing Japanese citizens.³⁵

The chilling of Japan-DPRK relations and the intersecting of

34 "US-Japan Alliance Shifts Cloud Peace in Asia," editorial in *People's Korea*, October 8, 1997. DPRK Foreign Ministry Statement, "DPRK on Guidelines for Japan-US Defense Cooperation," *Korea Central News Agency*, April 29, 1998. in: *People's Korea*.

35 S. H. Cho, "Dad I'm Back Home," and "Hometown Visit of Japanese-Korean Women Urges Need for Normalized Relations," in *People's Korea* (February 4, 1998).

changes in Seoul and Pyongyang in 1998 convinced Tokyo to keep its options open regarding its North Korea policy. Priority would go to strengthening its defense posture through cooperation with Seoul and Washington. Tokyo would try to maintain its channels of unilateral communication to Pyongyang, but these efforts would be of secondary importance.

The first decisive development of 1998 was the inauguration of Kim Dae Jung as South Korea's president in February. President Kim immediately shifted from his predecessor's pursuit of North Korea's collapse to what the Korean press inappropriately nicknamed his "Sunshine" diplomacy. The new president's aim was to achieve détente, and eventually reconciliation with Pyongyang while forging an international consensus supportive of his policy. In dealing with Pyongyang, Seoul would accent dialogue and peaceful coexistence, not just between the two Koreas but also between Seoul's allies and friends and Pyongyang.

At the time, however, many government officials, not just in Seoul but also in Washington and Tokyo, saw the policy as naive and idealistic. As for most South Koreans and Japanese at the time, they were more preoccupied with the consequences of the Asian Financial Crisis of 1997-98 than with North Korea. Undeterred, President Kim set out in search of international support. During his visit to Washington, D.C. in May, he won qualified approval of his policy from the U.S.. Japan and China followed in the fall of 1998. Other important nations, including Great Britain, France and Russia voiced their support of South Korea's new engagement policy with the DPRK.

Secondly, North Korean leader Kim Jong Il reverted to his nation's conventional policy of coercive diplomacy. The DPRK was gradually regaining its composure after Kim Il Sung's death, the devastating floods in the summer of 1995 and pervasive famine throughout 1996. International humanitarian assistance and warming relations with China had buttressed DPRK leader Kim Jong Il's confidence that his regime would survive these calamities. The primary motivation for a

resumption of its coercive diplomacy, however, appears to have been Pyongyang's intensified concerns for its security prompted by the revised U.S.-Japan Security Guidelines. North Korea's leading official newspaper, *Nodong Shinmun*, almost daily beginning in the fall of 1997 insisted that Japan "... must renounce its policy of hostility toward Korea." This view is amply represented in an April 11, 1998 article which reads in part, "Japanese reactionaries have strengthened moves for a comeback (sic) to Korea, clamoring about a 'threat from North Korea.'" An 'overture' made by the LDP of Japan last year, which is called 'Japan-U.S. Joint Security Declaration and guarantee for Future Security,' states that 'capabilities' should be enhanced to cope with 'emergency' on the Korean peninsula. Also, the author had extensive private discussions with officers of the Korean People's Army in Pyongyang during the entire month of July 1997 that focused on their concerns regarding Japan's perceived "remilitarization."

Pyongyang's Summer of Miscalculation

As Seoul enhanced its international image, Pyongyang further discredited itself. In June, one week after South Korean business leader and founder of the Hyundai business group Chung Ju-yung had accompanied 1,000 cattle to famine stricken North Korea, a North Korean submarine was caught off South Korea's east coast, the second one in two years.³⁶ In July, North Korea's Foreign Ministry announced the DPRK would pull out of the Agreed Framework and resume its nuclear program if the U.S. did not fulfill its commitment to supply heavy fuel oil on schedule and in the amount promised. (The U.S. had always been behind in its deliveries of heavy fuel oil, and was still struggling to fund each delivery.) In August, the leak of highly classified intelligence about a suspected secret, new underground nuclear

³⁶ *Korea Focus* (July-August, 1998), Vol. 6, No. 4. (July-August, 1998), pp. 156-157.

facility at Kumchangni, DPRK created a sensation around the world. Before anyone could catch their breath, North Korea launched a three stage, long-range ballistic missile through Japanese air space into the North Pacific on August 31, 1998.³⁷

Japan Reacts to the Taepodong Launching

Japan reacted with uncharacteristically vehement outrage to North Korea's launching of a missile through its air space. Japan's Diet adopted resolutions condemning North Korea's action. Further food aid and all cargo flights between Japan and Pyongyang were halted. On September 2, within days of the launching, Japan's Foreign Ministry announced it would suspend further financial support to KEDO. (Later the Foreign Ministry would reinstate Japan's pledge to contribute one billion dollars to the KEDO project, but actual release of the funding would require Diet approval.) Japan's defense cooperation with South Korea abruptly intensified. Japan's Defense Agency (JDA) became increasingly vocal in its concerns about North Korea's missile threat to Japan and the need to join the U.S. in the development of a Theater Missile Defense System (TMD).

Japan's economic sanctions on North Korea were more symbolic than substantive, but they nevertheless underscored and lent concreteness to the Japanese people's outrage with Pyongyang. All charter flights between the two countries were halted. This affected nine weekly cargo flights. More importantly, it caused the cancellation of fourteen passenger flights scheduled to carry Korean-Japanese residents to festivities commemorating Kim Jong Il's formal recognition as North

³⁷ Japan Defense Agency, "North Korean Missile Launch," unpublished and unsigned paper dated October 30, 1998; *Korea Focus* (9-10/98) Vol. 5, No. 6 (September-October 1998), p. 156. *The Far East Economic Review* (December 3, 1998 issue), citing the U.S. military commands in Hawaii and Seoul, reported details of previously classified contingency war plans aimed at defeating North Korea "in detail."

Korea's leader. This denied Pyongyang a significant amount of hard currency that would otherwise have contributed to the regime. Japanese government funded food aid had been halted in 1996 at the request of the South Korean government so there was no food aid scheduled to go to North Korea when this sanction was announced in September 1998. Private food aid funded by non-governmental organizations was allowed to continue. As for the diplomatic talks, these had been previously suspended.

Other Japanese government sanctions paradoxically included suspension of support for the Korea Peninsula Energy Development Organization's (KEDO) construction of light water nuclear reactors in North Korea, government food aid and bilateral diplomatic talks. This move affected the U.S. and South Korea more than North Korea. The intent, according to anonymous Japanese Foreign Ministry officials, was to send a clear message to Seoul and Washington that both should appreciate Japan's support for KEDO and realize that without that support, KEDO's implementation of the Agreed Framework would not be possible. After Seoul and Washington indicated they understood this message, Tokyo quietly allowed the "sanction" to evaporate at the end of October 1998.³⁸

38 *ABC News.com* as reported by the Associated Press, "Japan Ends Flights to North Korea," September 2, 1998. Tokyo decided to halt additional food aid to Pyongyang and to suspend normalization talks with the DPRK. *Korea Focus* (9-10/98), Vol. 6, No. 5 (September-October 1998), p. 156. On May 14, 1996, Japan, the U.S. and ROK held the second vice-ministerial meeting on Cheju Island. It was confirmed that there was no plan to send additional rice assistance to North Korea (*Asian Strategic Review, ASR*, p. 247). The day after (September 1, 1998) North Korea launched a Taepodong 1 ballistic missile over Japan's air space, Japan announced it would halt food aid to Pyongyang, suspend normalization talks and impose selected economic sanctions (*Korea Focus, KF* Vol. 6, No. 5 [September-October 1998], p. 156). On February 2, 1999, the Associated Press quoted Japan's Foreign Minister Masahiko Komura as having said Japan would not send food aid to the DPRK unless the DPRK takes "constructive measures" regarding its missile program (NAPSNET, "Japanese Food Aid for DPRK," February 2, 1999, item 2).

Japan Defense Agency - Beyond Deterrence

The timing of North Korea's launching could not have been better to promote defense cooperation between Japan and South Korea. ROK Defense Minister Chun Yong-taek was in Tokyo that day to meet Japan Defense Agency head Nakaga Fukushima. Topping the agenda was the expansion of military cooperation. They agreed to open a high-level "hot line" between their respective ministries to facilitate rapid communication regarding developments on the Korean peninsula to coordinate measures against North Korea's missile development program. They also affirmed they would implement and elaborate previously agreed upon collaboration.³⁹

But then the Japan Defense Agency (JDA) exceeded the needs of deterrence. Beginning immediately after the September launch, Japan's Chief Cabinet Secretary Nunaka Hiromu repeatedly warned North Korea of the potential consequences if it repeated another missile launching without giving Japan prior notification. For months JDA officials reiterated Japan's "constitutional" and "sovereign" right to unilaterally strike North Korea's missile facilities.

39 *KF* (9-10/98) Vol. 6, No. 5, p. 156. *EASR*, p. 235. 2/2/99, item I.3, "Japan and ROK naval officials will discuss Seoul's proposal that a joint naval exercise be held annually in the East China Sea," NAPSNET, February 2, 1999, item I. 3, p. 2. President Kim Dae Jung and Japanese Prime Minister Keizo Obuchi during Kim's April 1998 visit to Tokyo agreed to initiate the joint exercises. ROK and Japanese defense ministers concurred on the specifics for the exercise when they met in Tokyo in September 1998. Joint exercise is intended to prepare for search and rescue missions of civilian ships in distress in the seas between the two countries (NAPSNET, March 12, 1999, I.7. p. 4). KYODO reported on March 11, 1999 that Japan and South Korea agreed to establish an emergency contact system using telephones and fax machines. The agreement was reached in January 1999 between Japanese Defense Agency head Hosei Norota and ROK Defense Minister Chun Yong-taek. The system will link the Japanese Defense Agency to the ROK Defense Ministry, Japan's Maritime Self-Defense Force to the ROK Navy, and the Air Self-Defense Force to the ROK Air Force.

Within this context, JDA continued to publicly advocate an unprecedented upgrading of Japan's ability to project its force capability beyond Japan. The program encompassed the development of intelligence satellite technology and the Theater Missile Defense System (TMD). It called for the purchase of tanker aircraft to refuel fighters in mid-flight. Tokyo's Yomiuri Daily February 24 issue quoted JDA Vice Minister Seiji Ema as having explained, "Tanker planes are needed to allow us to carry out new operations. They will enable combat air patrol planes to stay airborne longer, and they will also allow other plans to fly nonstop over long distances."⁴⁰

Japan-ROK Cooperation Intensifies

When President Kim Dae Jung began a four-day visit to Japan on October 7, North Korea's missile launch one month earlier facilitated rapid repair of the damage his predecessor had done to Japan-Korea relations. Japanese Emperor Akihito expressed "deep sorrow" for the suffering that Koreans experienced during Japan's colonial rule. The next day, for the first time the apology was incorporated into a bilateral declaration between the two countries. In this "Joint Declaration on the New Korea-Japan Partnership for the 21st Century" dated October 8, 1998, President Kim Dae Jung and Prime Minister Keizo Obuchi agreed to:⁴¹

"firmly maintain their respective security arrangements with the U.S. and further intensify their efforts for multilateral dialogue in order to guarantee peace and security in the Asia-Pacific region.

the two leaders shared the opinion that it is important that North Korea should pursue reform and openness and take a more constructive posture through dialogues for peace and stability on the Korean peninsula. PM Obuchi supported President Kim's North Korea policy to pursue active reconciliation and cooperation while maintaining a firm national defense posture.

"confirmed the importance of maintaining the Agreed Framework signed in Geneva in October 1994 between the U.S. and the DPRK.

"to support private-level cooperation for the successful organization of the 2002 World Cup and actively promote exchanges in culture and sports.

"continue bilateral consultations for the promotion of the status of Korean residents in Japan...

Trilateral diplomatic coordination intensified through the spring of 1999.

Washington and Tokyo focused on presenting Pyongyang a united diplomatic front by supporting President Kim Dae Jung's policy of reconciliation. President Clinton had initiated the process during his November 1998 visit to Seoul. ROK Minister of Defense Chun Yong-taek and Secretary of Defense Cohen stated at a joint press conference in Seoul on January 29, 1999 that, "Secretary Cohen and I reconfirmed the unswerving U.S. support of Korea's policy toward North Korea."

During the same press conference, Secretary Cohen said, "We do not, in any way, want to substitute the U.S. for the direct dialogue that should occur between the North and South (Korea). ... we support President Kim's engagement policy. We hope that will produce a very positive result, but we do not want, in any way, to either undercut that or interfere with that, because we believe that the best hope for resolving tensions and issues that exist between North and South Korea should be resolved between the two."⁴²

40 NAPSNET, March 15, 1999, pp. 2 and Air Strikes: NAPSNET, March 12, 1999, III. 1 & 2. "Watch Out for Japan's Defense Trend," *China's People's Daily*, March 11, 1999 cited Japan Defense Agency Director-General Taichi Sakaiya as having said Japan might take preemptive measures against military bases of any enemy country intending to attack Japan with missiles, a veiled reference to the DPRK. The PRC Foreign Minister spokesman was quoted as having said, "...we are quite surprised at the comments of Taichi Sakaiya." NAPSNET, March 2, 1999, p. 7 and March 15, 1999, p. 2.

41 *Korea Focus*, vol. 6, no. 5 (September-October 1998), Vol. 6, No. 5, pp. 148-152; *Korea Focus*, vol. 6, no. (November-December 1998), vol. 6, No. 6, p. 156.

Former Defense Secretary William Perry, Washington's North Korea policy coordinator, upon his arrival in Seoul on March 8 released a statement, which read in part, "First, I believe President Kim's engagement policy is a very positive factor on which we should build. Indeed, President Clinton has affirmed U.S. support for the policy...." He reportedly reiterated the same point in subsequent meetings with Foreign Minister Hong Sun Yong. Japan's Prime Minister Obuchi said essentially the same thing during his March 19-21 state visit to Seoul.⁴³

Seoul Advices Caution

JDA's continuing and unusually assertive vocalization of deterrence had unnerved not just Pyongyang, but also Washington and Seoul. Secretary of Defense Cohen during his January 29, 1999 press conference in Seoul knocked down rumors of possible military action against North Korea. When JDA did not temper its rhetoric, Seoul stepped into the picture. ROK Defense Minister Chun Yong-taek told the Seoul Foreign Correspondents Club on March 6 that, "If Japan launches a preemptive strike or if North Korea launches another missile and Japan retaliates, that is not acceptable to the ROK government. There is nothing more important than sustaining peace on the Korean peninsula. Close coordination between Japan, the ROK and U.S. forces is essential."⁴⁴

Meanwhile, President Kim Dae Jung sought to refocus Washington and Tokyo on intensifying their diplomacy toward Pyongyang. On February 24, the ROK President proposed a new "package deal to Pyongyang." If it would curb its ballistic missile development and deployment, and end suspected nuclear weapons programs, South

Korea would give the North food and economic aid, and the U.S. would end trade sanctions. Also, the U.S. and Japan would move to normalize relations with the DPRK.⁴⁵

Japan responded quickly and positively to Kim Dae Jung's invitation. Early in March, Japanese diplomats held informal talks in Singapore with representatives of the quasi-DPRK government entity Asia-Pacific Peace Committee. Chief Japanese government spokesman Nunaka Hiromu was quoted in the press on March 12 as having said, "I would like to refrain from commenting specifically on informal negotiations, but I will not deny they took place.... Unofficial contacts between Japan and North Korea should be held at all possible places and times." The day before Nunaka's remarks, on March 11, Japanese House of Councilors member Akiko Domoto revealed plans to make a six-day visit to the DPRK at the invitation of the Korea Asia-Pacific Peace Committee. One week later, Prime Minister Obuchi's press secretary Sadaaki Numata told the press that Japan is ready to restore normal relations with the DPRK if it responds positively to Japan's concerns, including nuclear and missile issues. The aide was quoted to have said, "Our government waits for an answer from North Korea. ... "We have been making appeals to North Korea for talks about improving our relations." Another issue weighing heavy on the minds of Japanese officials from a humanitarian viewpoint is the DPRK's suspected abduction of Japanese citizens, Sadaaki added.⁴⁶

42 Official transcript of the press conference that followed the annual U.S.-ROK Security Consultative Meeting, reproduced in NAPSNET, Special Report, January 29, 1999, p. 1.

43 USIA transcript reproduced in NAPSNET, March 15, 1999, pp. 1-2.

44 NAPSNET, March 15, 1999, p. 4.

45 NAPSNET, February 26, 1999, I.3., p. 2., Reuters, "South Korea's Kim Seeks 'Package Deal' with N.Korea." Lim Dong-won, President Kim's adviser on national security and reunification issues, had visited Tokyo on February 2, 1999, to meet Japan's senior security and foreign policy officials. Lim sought support for ROK's position that Japan continue its engagement policy toward the DPRK. Lim made a similar appeal to US Presidential Adviser William Perry and Department of State Undersecretary for Political Affairs Pickering while in Washington, D.C. See: NAPSNET 2/2/99, ITEM IL2, p. 2, *Korea Herald*, "President's Aide in Japan for Talks on DPRK."

46 NAPSNET, March 12, 1999, I. 3. p. 2. Reuters based on a 3/11/99 Kyodo report, "Japan and North Korea Held Informal Talks - Kyodo," NAPSNET. 3/20/99. II.2.

Japanese Prime Minister Obuchi Keizo arrived in the ROK for a state visit from March 19-21 to discuss bilateral DPRK policy and economic cooperation issues with President Kim Dae Jung. After Obuchi had reiterated publicly Japan's support for President Kim's "sunshine diplomacy" toward the DPRK, Kim was quoted in the press as having said, "We have an intention to improve ties with North Korea. We urge North Korea to stop escalating confrontation and tension and open the door for reconciliation and exchanges. Our engagement policy is not an illusion." Prime Minister Obuchi reportedly responded, "Together with President Kim Dae Jung, I would like to tell North Korea that we are ready to improve our relations with North Korea."⁴⁷

Trilateral cooperation was back on track. Despite the lingering disagreement over some specifics, the U.S., ROK and Japan had once again moved back toward trilateral cooperation and coordination of their policy toward North Korea. Clearly, this was a major consequence of Pyongyang's summer of miscalculations. At the same time, President Kim's success in aligning for the first time in history the support of all four superpowers (China, Russia, Japan and the U.S.) for South Korea's policy toward the North merits considerable credit. The trilateral arrangement again reduced Pyongyang's ability to play one partner against the other. It brought greater precision and clarity to the U.S. negotiations with the DPRK concerning weapons of mass destruction in that it can more clearly distinguish between the potential bene-

p.4. Korea Herald, "Japan Ready to Resume Talks with North Korea."

47 NAPSNET, February 23, 1999, II. 1. Chosun Ilbo, "DPRK Encouraged into World Community." The ROK government reportedly no longer opposes other nations normalizing relations with the DPRK (and made this clear at MOFA's annual meeting for ROK diplomatic mission chiefs. NAPSNET, 3/17/99.II.2. *Joongang Ilbo*, March 16, 1999). NAPSNET 3/23/99. I.3.p.2. Reuters and AP. NAPSNET. 3/20/99. Korea Herald, "President Kim calls on Washington, Tokyo to Seek Direct Ties with Pyongyang." President Kim Dae-Jung said, "Now I hope that Washington and Tokyo engage in direct exchange and cooperation with Pyongyang, instead of passing through Seoul."

fits and disadvantages of its conduct vis a vis the three nations. At the same time, trilateral cooperation is more likely to deter Pyongyang's reliance on coercive diplomacy to assert its interests.

Pyongyang Goes to the Edge

Pyongyang reacted to the resumption of trilateral cooperation and Kim Dae Jung's "package deal" offer first with an arrogant and provocative one-two combination of diplomatic and military punches, but later back-pedaled once it realized the extent to which it had put itself in a very disadvantageous and vulnerable position. Pyongyang first took aim at Tokyo. On February 1, 1999, the Korean Asia-Pacific Peace Committee of the Korean Workers Party issued a "Memorandum on DPRK-Japan Relations" via the DPRK's official Korea Central News Agency (KCNA). After a concise review of earlier efforts to restart normalization talks, the Committee accused Japan's "right-wing conservative forces" of having "slandered the DPRK over the missile test. Japan's negative attitude toward the DPRK was described as "a radical product of its hostile policy toward the DPRK." Japan was accused of answering "benevolence with evil, and favor with enmity." The memorandum concluded on a threatening note, "the character of the Korean people is to answer a sword with a sword, and rice cake with rice cake. Japan must ponder this."⁴⁸

Six weeks later, Pyongyang summarily dismissed Seoul's offer of a "package deal." Radio Pyongyang on March 17, 1999 declared:

The Sunshine Policy is nothing more than a variant of engagement policy and, at bottom, both are anti-DPRK schemes that foster confrontation. (In regard to President Kim Dae Jung's February news conference statement that, "I desire a fair dialogue [between North and South Korea] that all the people can understand.") This is a fortu-

48 KCNA, "Memorandum on DPRK-Japan Relations," Korea Central News Agency (KCNA), February 1, 1999 on the Internet at <*People's Korea* (80th issue)>.

itous response to the [DPRK's] Joint Council's February proposal for dialogue, but the fly in the ointment is that Kim continues to brandish the sunshine policy, which is antithetical to unification and to the interests of the Korean people. The South Korean power-holder asserts he will lead the DPRK to opening and reform via his sunshine policy. In fact, the policy is only a variation of the ROK's anti-DPRK, confrontational strategy. It rebuffs the DPRK's ideological tasks and aims to prepare the way for an invasion of the DPRK. The sunshine policy is pure fantasy; it can never exist. It is a pipe dream.

If South Korean officials really want unification, they must respond positively to our patriotic and pro-national proposal for dialogue, they must stop toadying to foreign powers, rescind the National Security Law, and guarantee complete freedom of action to individuals and organizations in the ROK's unification movement. These are absolute conditions that must be met before dialogue can begin. South Korea's power-holder must assume responsibility for advancing the sunshine policy that has interrupted the nation's unification, thereby disappointing the Korean people who long for unification.

(NOTE: Prior to this statement, the DPRK official newspaper, *Nodong Shinmun*, earlier had run an editorial which called for a broad dialogue with the South but reiterated three preconditions before dialogue as stated in the above text. "Toadying to foreign powers" was a reference to trilateral cooperation.)

Pyongyang then appeared to slam the door shut on any possibility of resuming dialogue with Tokyo when on March 23, Japanese Self Defense Forces spotted two intelligence-gathering ships off the northwest coast of Japan's main island (Honshu). In an unprecedented move, Japan's Naval Self Defense Forces fired at the two ships as they fled toward North Korea. The Japanese government sought to calm the public by not immediately identifying the armed ships as have come from the DPRK. The DPRK's Foreign Ministry three days later issued an adamant denial that denounced "Japanese reactionaries for an anti-DPRK smear campaign." Once again, the DPRK government publicly warned Japan's "reactionaries" to "action with prudence, mindful that

they will be wholly responsible for the grave consequence to be entailed by their reckless smear campaign against the DPRK."⁴⁹

Pyongyang's anti-Japan rhetoric intensified further once Japan's Diet passed on April 27, 1999 the Bill Concerning the Japan-U.S. Guidelines for Defense Cooperation, which embodied the revised U.S.-Japan Defense Guidelines. North Korea's Foreign Ministry noted the passage by issuing another statement on April 27 in which it claimed the legislation "may trigger escalating tension and an arms race in Asia..." and "...aims primarily at the DPRK." The guidelines were seen as a consequence of the U.S./Japan/South Korea trilateral cooperation. Japan was warned that the guidelines would severely impede any improvement in relations. The statement concluded that Japan's "aggressive anti-DPRK legislation" justified North Korea's efforts to "increase its national defense capabilities."⁵⁰

Pyongyang Back-Pedals

Just as Japan and North Korea seemed destined for an even more serious confrontation than had been the case after the Taepodong missile test of August 31, 1998, Pyongyang backpedaled. The Korean Workers Party reopened a long dormant academic channel of communication to Japan and invited a Korea expert from Japan to engage in a "security dialogue." Once assurances had been given early in August that the DPRK would not conduct another missile test, the "dialogue" was scheduled to commence early in September in a third country.

The overture's earnestness and credibility were subsequently confirmed on August 10, 1999, by the DPRK government's issuance of a statement entitled, "Japan Cannot See into the 21st Century as Long as Relations with the DPRK Remain Unsettled." (KCNA, August 10,

49 KCNA. "Statement by the Foreign Ministry Spokesman," KCNA, March 27, 1999.

50 *Korea Central News Agency* (KCNA,) April 11, 1999.

1999) As had been the case with earlier, quasi-governmental statements, the history of Japan-DPRK relations were reviewed and judged to have been very negative.

But mid way through the statement, the tone changed and the DPRK government began to set forth its negotiating position if official talks with Japan resumed. Pyongyang said Japan would first have to liquidate “the crimes Japan committed against the Korean people in the past,...” Instead of repenting, Japan was accused of “persistently pursuing the U.S.-toeing policy and policy of hostility toward the DPRK” Plus Japan would have to be “obliged” to:

- stop pursuing the policy of stifling the DPRK;
- make a sincere apology and full compensation to the Korean people for all its past crimes; and
- if “Japan dare try to have a showdown of strength in a bid to find a pretext to realize its wild ambition of re-invasion (of Korea), we will have no option but to take corresponding countermeasures.”

The statement concluded with the enticing promise that, “If Japan opts to open good neighborly relations by liquidating the past, the DPRK will welcome it with pleasure.”

Informal Japan-DPRK “Security Dialogue”

Even before the statement's release, the Korea Workers' Party (KWP) had moved at the end of July to reopen one of its long closed private channels of communication to Japan. An element of the KWP invited a private Japanese citizen to initiate a “security dialogue.” With the full concurrence of Japan's Foreign Ministry, the dialogue began in Beijing in early September. The KWP participants listed six reasons why the DPRK sought to resume engagement with Japan:

- Japan's decision to launch its own intelligence satellite,
- U.S.-Japan collaboration on Theater Missile Defense,

- Japan's decision to fire on the DPRK's intelligence gathering ships in March, 1999,
- the revised U.S.-Japan Defense Guidelines,
- Prime Minister Obuchi's public statement that he would ask the Diet to pass new laws to authorize the Japanese government to take emergency action in the event of a crisis in “a neighboring nation”, i.e. on the Korean peninsula, and
- the Japan Defense Agency's decision to develop in-flight refueling capability for its combat aircraft.

The KWP participants during three days of informal “security dialogue” reportedly stated North Korea had concluded that Japan had made the decision to significantly expand its defense role and capability in Northeast Asia. Prior to Japan's adoption of the revised U.S.-Japan Defense Guidelines, North Korea apparently believed Japan would limit its role to “passive logistical support” of any U.S. military activity in the region. But now, Pyongyang had concluded, Japan had decided upon a much more active role. Japanese officials' earlier assertion “of a sovereign right” to defend Japan had surprised authorities in Pyongyang, and they subsequently concluded it would be best to resume talks with Japan to temper Japan's unexpected assertiveness, the KWP members reportedly stated.

The United States was also an important subject during the “security dialogue” in Beijing. Surprisingly, there was no mention of U.S. Presidential Adviser William Perry's policy report on U.S. policy toward the DPRK. Instead, the two KWP officials spoke at length about North Korea's lack of trust in the Clinton Administration. They referred to the letter President Clinton had sent to DPRK leader Kim Jong Il in conjunction with the signing of the U.S.-DPRK Agreed Framework of October 21, 1994. In his letter, President Clinton had given Kim Jong Il unqualified assurances that the U.S. government would fulfill its commitments according to the terms of the Agreed Framework. After five years of faltering implementation of the Agree-

ment, the DPRK had concluded that President Clinton's ability to fulfill his promises were severely handicapped by opposition to him in the U.S. Congress.

The DPRK government, the KWP officials claimed, had concluded that the Clinton Administration was no longer in a position to fulfill any future commitments to the DPRK. In other words, Pyongyang had concluded that President Clinton was a lame duck. As proof, the North Koreans cited the Clinton Administration's inability to gain Congressional approval of the Comprehensive Nuclear Test Ban Treaty. Some in Pyongyang, the North Koreans continued, had decided it would be better to deal with a Republican Administration. Such an administration might press harder in negotiations, but it would be more likely to fulfill its commitments. At the same time, if the Democrats gained control of the Congress, the North Koreans expressed the belief that this would auger well for the future implementation of the Agreed Framework.

Normalization Talks to Resume

The August 10 KWP statement and the "security dialogue" in Pyongyang, according to confidential sources in Pyongyang, reflected DPRK leader Kim Jong Il's decision in July 1999 to resume normalization talks with Japan. By October, the stage was set for yet another visit to Pyongyang by a Japanese Parliamentary delegation. Former Prime Minister and Socialist Party President Murayama Tomiichi headed the subsequent Japanese Diet delegation visit of December 1-5, 1999. Murayama and DPRK Working Party (KWP) Central Committee Secretary for International Affairs Kim Yong Sun worked out a joint communique that "unconditionally" opened the way for a resumption of Japan-DPRK talks. The governments in Seoul and Washington immediately welcomed the Murayama-Kim Yong Sun understanding.⁵¹

The Japanese government, intent upon avoiding any appearance of

making it too easy for Pyongyang to resume the normalization talks and thus exciting public criticism, moved with deliberate caution. Japanese Chief Cabinet Secretary Aoki Mikio was quoted in the Japanese press on December 2, as having stated, "... it will be quite difficult to conduct normal negotiations unless questions, including another missile launch, are resolved in a clear cut manner." Murayama, sensitive to the Obuchi Administration's concerns, coordinated closely with the Foreign Ministry in Tokyo. In his talks with Kim Yong Sun, Murayama had agreed any formal government-to-government talks should first address Japan's humanitarian concerns in a non-governmental channel.

Tokyo and Pyongyang thus agreed that representatives of the Japanese and DPRK Red Cross organizations would meet prior to any government-to-government talks. The agenda would address:

- the question of missing Japanese citizens allegedly kidnapped by the DPRK,
- Japanese food aid for the DPRK, and
- the next visit to Japan by the Japanese spouses of Koreans residing in the DPRK.

If these talks proved productive, government-to-government normalization talks could then resume.

As anticipated, the bilateral Red Cross talks held in Pyongyang December 19-21, 1999, readily yielded positive results. DPRK Red Cross vice Chairman Ho Hae Ryong and his Japanese counterpart Konoe Takaderu issued a joint statement on December 21 that read in part:⁵²

1. Both sides decided to restart the third hometown visit of Japanese

51 Seoul's Yonhap Press, Agence France Presse, and U.S. Department of State Spokesman Rubin at the daily noon briefing, December 3, 1999.

52 "Joint Statement on DPRK-Japan Red Cross Talks," *People's Korea*, December 22, 1999 on the Internet at <Korea-np.co.jp/p k /125th issue>.

women in the DPRK next spring (2000)

2. The DPRK side, considerate of the proposal made by its Japanese counterpart, decided to ask a relevant organ (i.e. the DPRK government) to conduct a thorough investigation into the Japanese missing persons on the list presented by the Japanese side.
3. ...the Japanese Red Cross Society decided to propose to the Japanese government that it resume humanitarian food aid at the earliest possible date....
4. Both sides decided to discuss further to settle the issue of the welfare and whereabouts of Korean victims missing before 1945.

Two separate rounds of Japan-DPRK talks followed. First, diplomats of each government met on December 22, 1999, to work out the general parameters for the resumption of formal normalization talks. Japan named career diplomat and current ambassador to Saudi Arabia Takano Tetsujiro as its representative to the forthcoming ninth round of Japan-DPRK normalization talks. The agenda was agreed upon in principle:

1. Historical problems (apology for past misdeeds,)
2. Economic issues (questions of compensation, reparations and property claims),
3. International and Security Issues (diplomatic normalization, nuclear and missile issues, Japan's involvement in Theater Missile Defense and North/South Korea dialogue).
4. Other Issues (humanitarian issues including the Japanese missing persons, food aid, and status of Koreans in Japan).

The date for the resumption of the normalization talks has yet to be set. A late February date was initially envisioned but has now be set back to March, at the earliest. Japan apparently requested the delay to allow its chief delegate time to return to Japan from Saudi Arabia and receive briefings about the issues he is to negotiate.

VI. Future Prospects

Prospects for the resumptions of Japan-DPRK talks are the best they have been since 1991, but actual normalization of relations is an entire different matter. Before Tokyo and Pyongyang can exchange ambassadors and resume normal commercial relations, they must resolve several politically sensitive and highly complex issues. Here we review the current status of these issues:

Humanitarian Issues

Some progress toward resolution of these issues can be anticipated. The most difficult issue to resolve will remain the question of "missing" Japanese citizens. One possible tentative solution to this problem is for both sides to agree upon the establishment of a joint commission to investigate both sides' claims of missing persons. This would allow the normalization talks to continue and to focus on other issues, particularly those involving questions of past history. The home visit by Japanese spouses of former Korean residents of Japan is no longer a major stumbling block. The question of Korean "Comfort Women," however, remains an emotionally highly charged issue for Koreans, both in North and South Korea. The issue is also related to the problems of history, i.e. apologies and compensation.

"Missing" Japanese Citizens: (also commonly referred to as kidnapped or abducted persons)

Second to the question of transparency for North Korea's nuclear program, this issue has blocked the resumption of Japan-DPRK normalization talks since 1992. The Japanese government has considerable evidence that North Korean agents between 1977 and 1980 kidnapped at least ten Japanese citizens ranging in age from 13 to 52. Another three Japanese citizens are believed to have been abducted by North

Korean agents in Europe and sent to North Korea between 1980 and 1982. Japan wants North Korea to cooperate fully in an investigation of what happened to several Japanese citizens kidnapped twenty years ago and believed to have been taken to North Korea.

Evidence of North Korea's involvement in these disappearances continues to mount. In 1977, a North Korean living in Japan confessed to police that he had abducted a Japanese security guard and turned him over to the crew of a North Korean submarine. Similar stories have appeared in the Japanese press. One of the most famous cases involves one of the two North Korean agents, Kim Hyon Hui, who bombed a South Korean jetliner in 1987. Ms. Kim, who was carrying a Japanese passport when arrested in Bangkok, told Japanese authorities that she had learned the Japanese language and customs from a Pyongyang resident named Li Un Hye. The Japanese police eventually identified Ms. Li as Yaeko Taguchi of Tokyo who had disappeared in 1979.

Until December 1999, North Korea adamantly and repeatedly refused to discuss these abductions with Japanese authorities, much to the keen displeasure of Japanese politicians and the general public.⁵³

Japanese Spouses in North Korea:

The health and welfare of some 6,637 Japanese women married to Korean men and residing in North Korea remains a divisive issue. Between 1959 and 1982, about 93,000 Koreans resident in Japan immigrated to North Korea. Most made the move between 1960 and 1964. About 6,637 Japanese women accompanied their Korean husbands to North Korea. Of this number, 1,828 retained Japanese citizenship as of the early 1990's. Pyongyang had promised that the women could visit Japan every two or three years, but this was never allowed. In November 1998, the Japanese Red Cross was finally able to arrange the visit to

53 *The Japan Times*, June 9, 1998, p. 3.

Japan of a small group of the women who had retained their Japanese citizenship. The results were mixed. Some of the women had tearful reunions with aging parents. Others, however, were rejected by their kinsmen after they had made pro-North Korean comments to journalists upon their arrival in Japan. No further visits are envisioned.⁵⁴

Korean Comfort Women Issue:

The Japanese Imperial Armed Forces during World War II "drafted" upwards of 250,000 women from Korea, the Philippines and Taiwan to serve as "comfort women" or prostitutes for Japanese military personnel. Many of these women have long sought apologies and compensation from the Japanese government. The 54th Session of the UN Commission on Human Rights held in Geneva March 16-April 24, 1997 condemned Japan's past actions and urged the Japanese government to respond compassionately to the former "comfort women's" grievances. The Japanese government refused to do so. On April 28, 1998, a Japanese District Court in Yamaguchi Prefecture ordered the central government to make an official apology and to pay compensation to ten former "comfort women" from South Korea. The Japanese government has refused to apply the ruling to all the former comfort women. The North Korean government is adamant that the Japanese government must compensate the comfort women residing in North Korea before bilateral relations can improve. So far the Japanese government has rejected this and all other claims.⁵⁵

Korean Residents in Japan:

The Japanese government has taken several important steps since 1992 to defuse many of the core concerns of the Korean community in Japan. Ethnic Koreans must still register with local authorities, but they

54 Library of Congress, *North Korea: A Country Study* (Washington, D.C.: U.S. Government Printing Office, 1993).

55 *The People's Korea* (Tokyo), June 6, 1998.

are no longer finger printed. History textbooks have undergone extensive revision to more accurately and comprehensively reflect Korea's cultural and intellectual contributions to Japanese culture and history, Japan's exploitation and abuse of Koreans prior to the end of World War II and continuing prejudice against Koreans in contemporary Japanese society. This issue, however, is no longer a major obstacle to normalization of Japan-DPRK relations.

Economic Issues:

The DPRK will want to address these and related issues very early in the normalization talks. Pyongyang is certain to present Tokyo a long list of grievances to strengthen its claims to a comprehensive apology from ranking Japanese officials, beginning with the emperor, for Japan's past misdeeds prior to 1945, a large compensation package that includes cash, long term loans and access to Japan's technology, market and private investment capital.

The Japanese government is prepared to apologize in a manner similar to the several apologies it has already made to the South Korean government and people. Here, South Korea could complicate the situation if it insists that Tokyo avoid any appearance of recognizing the DPRK government as a "legitimate" political entity on the Korean peninsula. In its 1965 normalization treaty with Seoul, Tokyo recognized the Republic of Korea as the sole legitimate government on the Korean peninsula.

The Japanese government will most likely attempt to limit the amount of compensation the DPRK can be expected to demand. Tokyo will point to its sizable contribution to the LWR project, approximately one billion dollars, as a portion of its compensation. Also, it is certain to present the DPRK with a long list of claims by Japanese corporations and citizens whose property was seized at the end of World War II by the DPRK government.

Unlike 1991, the DPRK cannot rely on the Korean community in

Japan and the Japanese business community in general to pressure the Japanese government to be generous in its economic dealings with the DPRK. Japan is no longer a source of large sums of private money for North Korea. The Kobe earthquake of January 1996 affected the largest concentration of Korean-Japanese residents in Japan. The Korean-Japanese community's economic vitality sustained severe damage. The usually large flow of money from this community to North Korea was diverted to rebuilding the Korean-Japanese community. Subsequently, deterioration of Japan-DPRK relations and the aging of the Korean-Japanese population in Japan has reduced the flow of money to North Korea. South Korea's President Kim Dae Jung then opened the way for Korean-Japanese to visit South Korea. Approximately 80 percent of Koreans in Japan trace their ancestry to South Korea. President Kim's benevolent act shifted the allegiance of many Korean-Japanese residents away from Pyongyang and toward Seoul.⁵⁶

Prospects for growth in Japan-North Korea trade are dim. China remains North Korea's primary trade partner (\$656.3 million in 1997), accounting for 30 percent of North Korea's entire trade. Japan ranks second with 22.5 percent of total trade worth \$489.3 million. South Korea comes next with \$308 million, both direct North-South trade and trade between the two halves of Korea via third countries. But in 1997, North Korea's trade gap with Japan worsened significantly. North Korean exports to Japan declined by \$3 million while imports from Japan increased \$5 million.⁵⁷

The shrinking Korean-Japanese business community involved in this trade is determined to reverse these trends and restore previous levels of trade. Many political observers in Japan believe these businessmen, aided by profits from Pachinko gambling parlors, have put up the large sums of money to induce prominent politicians like Prime

56 Discussions between 1997 and 1999 with leaders of the Korean community in Japan and Japanese business leaders.

57 *A Handbook on North Korea* (Seoul: Naewoe Press, 1998), p. 33.

Minister Murayama and fourteen other members of the Diet to visit Pyongyang in late November 1999. This highly visible delegation struck a party-to-party deal with Korean Workers Party Secretary for International Affairs Kim Yong Sun that promises a resumption of bilateral government-to-government talks. This is all well and good, particularly for the Japanese politicians who are certain to have reaped significant financial support from the Korean-Japanese business community for traveling to Pyongyang. Numerous divisive issues remain to be resolved, however, before there can be any significant progress toward the normalization of Japan-DPRK relations.

International and Security Issues

U.S.-Japan Alliance and Trilateral Cooperation:

Pyongyang can be counted on to press Japan to forego its diplomatic and security cooperation with Washington and Seoul in conjunction. It will point to the revised U.S.-Japan Defense Guidelines and the growing Japan-ROK defense cooperation as proof of Japan's alleged remilitarization and preparation to "re-invade" the DPRK. North Korea will insist these elements of Japan's foreign and security policies reflect its "hostile" attitude and continuing efforts to "strangle" the DPRK. Tokyo is highly unlikely to accommodate Pyongyang's demands in this regard. The U.S.-Japan Alliance remains the foundation of Japan's security policy. Also, Tokyo can be counted on to maintain its long held position that Pyongyang should resume dialogue with Seoul regarding the resolution of problems on the Korean peninsula.

Nuclear Issue:

Japan is certain to press Pyongyang to facilitate greater transparency for its nuclear program and to enhance the DPRK's cooperation with the IAEA. Tokyo can also be counted on to continue its support of the Korean peninsula Energy Development Organization's (KEDO)

light water nuclear reactor construction project at Shinpo, DPRK. Despite occasional disagreements with KEDO, Tokyo sees implementation of the Agreed Framework, including the reactor project, as a pillar of its security and nuclear non-proliferation policies in Northeast Asia.

Missile Issue:

Japan supports the U.S. and South Korea's insistence that North Korea cease its development, production and export of ballistic missiles. To counter North Korea's ballistic missile program, Japan has publicly committed financial and technical support for the U.S. Theater Missile Defense (TMD) program. TMD's aim is to equip the U.S. and Japan with the ability to use ballistic missiles to counter any ballistic missile attack from North Korea or China. North Korea will claim its development of missiles is a "sovereign" right, central to its defense needs in light of Japan's perceived "remilitarization."

VII. Conclusion

Japan's re-emergence as a core member of the diplomatic coalition encompassing the United States and the Republic of Korea enhances prospects for gradual movement toward a more durable peace in Northeast Asia. For the first time in history, all the superpowers share common goals on the Korean peninsula - a peaceful, stable and nuclear free Korean peninsula where North and South Korea pursue reconciliation through direct dialogue. For Japan, progress in this regard is consistent with its priorities of ensuring its future security and prosperity.

Japan's policy toward North Korea has become increasingly sophisticated since it opened bilateral normalization talks with the DPRK in 1991. Despite repeated frustrations in dealing with North Korea, Tokyo

appears intent now to pursue a persistent policy of engagement of North Korea backed by a stance of resolute deterrence. At the same time, Tokyo, along with Washington and Seoul, appears to have learned that its primary interests are shared with its friends, and thus are best served through common, and not unilateral action both in the areas of diplomacy and security. Consequently, Tokyo is better prepared to negotiate with the DPRK from a position of strength and supported by its allies and friends. Tokyo's allies and friends would do well to recognize this and resolve support of Japan's efforts.

The process of achieving normalization with the DPRK is certain to be long and arduous. Japan's leaders must temper the public's expectations about how quickly progress can be achieved. The outstanding Japan-DPRK issues involving the past and security will be extremely difficult to resolve. Impatience on the part of the Japanese public would only undermine the ability of their government to achieve balanced progress toward normalization.

Pyongyang would do well to recognize the new realities of Japan's more sophisticated approach to bilateral normalization. Tokyo, despite its lingering economic recession of the past decade, remains an economic power in the global economy. North Korea's severely depressed economic situation is hardly an enticement to rush toward normalization. Nor can Pyongyang expect its conventional coercive diplomacy to have any significant impact on Japan. Pyongyang's miscalculations, both its repeatedly slighting of Japanese concerns regarding missing citizens and efforts to develop weapons of mass destruction, angered the Japanese public to the extent of facilitating the Japanese government's efforts to enhance the nation's defense posture.

DPRK-RUSSIAN RAPPROCHEMENT AND ITS IMPLICATIONS FOR KOREAN SECURITY

Seung-Ho Joo

This article explores the reestablishment of normal state-to-state relations between Pyongyang and Moscow and its implications for peace and security of the Korean peninsula. This research begins with a historical overview of the process leading to DPRK-Russian rapprochement. It then discusses the new friendship treaty between Russia and North Korea, DPRK-Russian military relations, and Russia's position on North Korean nuclear and missile issues. In conclusion, this article analyzes the implications of the Pyongyang-Moscow rapprochement for Korean security. Russia wants to maintain a balanced relationship with the two Koreas, while separating politics and economics. Russia's even-handed approach toward the two Koreas thus will be most visible in political relations, and Moscow will continue to lean toward Seoul in economic and military cooperation. Pyongyang-Moscow military cooperation may intensify if they share a common threat or enemy.

I. Introduction

Russia's efforts to normalize its relations with the Democratic People's Republic of Korea (DPRK or North Korea) began in earnest in 1996 and the signing the "Treaty of Friendship, Good Neighborliness, and Cooperation" between Moscow and Pyongyang in February 2000 opened a new chapter for bilateral relations. By mending its estranged relationship with Pyongyang, Moscow wishes to maintain a balanced relationship with the two Koreas and by doing so to maximize its national interests on the Korean peninsula.

Moscow-Pyongyang relations deteriorated rapidly after Moscow opened diplomatic relations with Seoul in September 1990. Yeltsin's Russia continued to cultivate warm relations with Seoul, while keeping Pyongyang at arms length. Russia's renunciation of the 1961 mutual assistance treaty with the DPRK in 1995 (and its expiration in 1996) formally ended the anachronistic alliance, which had been based on common ideology and complementary geo-strategic interests.

This article explores the reestablishment of normal state-to-state relations between Pyongyang and Moscow and its implications for the peace and security of the Korean peninsula. My research begins with a historical overview of the process leading to DPRK-Russian rapprochement. It then discusses the new friendship treaty between Russia and North Korea, DPRK-Russian military relations, and Russia's position on North Korean nuclear proliferation issues. In conclusion, my article analyzes the implications of Pyongyang-Moscow rapprochement for Korean security.

II. Checkered Path to Rapprochement

In 1992-1995, Russian policy towards the two Koreas was unequivocally tilted toward South Korea. Moscow further cultivated a coopera-

tive partnership with Seoul and allowed its relations with Pyongyang to remain distant. Like Gorbachev, Yeltsin intended to improve Russia's ailing economy with South Korea's financial assistance and cooperation. In contrast, the main concern of President Roh Tae-Woo (1998-1993) of South Korea was to elicit Russia's political support for Seoul's position with respect to inter-Korean relations and North Korea's nuclear issues.

Moscow's tilt towards Seoul became evident with Yeltsin's official visit there in November 1992, when the two countries signed the treaty on basic relations. At the time, Yeltsin ignored and alienated North Korea, considering it to be an anachronistic regime with no future. Consequently, Russia maintained limited contacts with North Korea. In January 1992, former Soviet Deputy Foreign Minister Igor Rogachev visited Pyongyang as a special envoy of President Yeltsin and reached an understanding with the North Korean leadership about revising the Soviet-North Korean Treaty of 1961.¹ In late January 1993, Deputy Foreign Minister Georgi Kunadze visited Pyongyang as Yeltsin's special envoy in an effort to reestablish normal, good-neighborly relations between Pyongyang and Moscow.² The visit, however, did not produce any immediate, tangible improvement in bilateral relations. Although Russian leaders felt the necessity of maintaining a balanced relationship with the two Koreas to maximize Russian national interests, Russia's Korea policy remained tilted in favor of Seoul. Moscow's gestures towards Pyongyang were lukewarm at best, and more importantly Pyongyang was not ready to restore normal relations.

Beginning in 1996, actions finally caught up with rhetoric when Moscow began to pursue a "balanced" relationship with the two Koreas in earnest. Soon after Primakov's appointment as foreign minister,

1 Yonhap, January 28, 1992, in FBIS-EAS-92-020, January 30, 1992, p. 33.

2 Alexandr Zhebin and Vadim Tkachenko, "Kunadze Flies to Pyongyang Via Beijing," *Nezavisimaya Gazeta*, February 17, p. 4, in *The Current Digest of the Post-Soviet Press*, March 24, 1993, pp. 13-14.

Moscow accelerated its efforts to normalize relations with Pyongyang. Russia was “gradually overcoming ‘a stage of romanticism,’” and entering a stage of balanced development in relations with both the DPRK and the ROK.³ Russia sustained its complementary partnership with South Korea in political, economic, and military areas, while it moved to reestablish a normal relationship with North Korea.

For reasons of national security, as well as for political and economic reasons, Russia seeks to establish a normal state-to-state relationship with North Korea that is based on the principles of good neighborliness and cooperation. Fearing a North Korean collapse would endanger its Far East security, the Russians want to minimize security risks by mediating between the two Koreas and by inducing inter-Korean dialogue and peaceful unification. Russia is no longer considered a major player in the resolution of the Korean question because it neglected its relations with North Korea and, by doing so, lost its leverage over the Stalinist regime. Russia seeks to regain political influence and prestige in Northeast Asia by maintaining influence over both Koreas.

In the economic realm, Russia is disappointed with Seoul’s limited investment activities inside its territory. Moscow needs to normalize its relations with Pyongyang in order to recover the 3.6 billion rubles in debt from North Korea. North Korea’s cooperation is necessary for the successful completion of the natural gas pipeline project from Yakutiya to South Korea. Furthermore, a resumption of economic cooperation with Pyongyang will benefit the Russian economy, especially in the Russian Far East.

Deputy Premier Vitali Ignatenko’s Pyongyang visit on April 10-12, 1996, was a watershed, after which Moscow-Pyongyang normalization gained momentum. Ignatenko led a Russian delegation to participate

3 V. I. Denisov, “Russia and the Problem of Korean Unification,” in Tae-Hwan Kwak (ed.), *The Four Powers and Korean Unification Strategies* (Seoul: Kyungnam University Press, 1997), p. 38.

in the first meeting of the Russo-North Korean Inter-governmental Commission on Economic and Science-Technological Affairs.⁴ Deputy Foreign Minister Aleksandr Panov also accompanied Ignatenko. This was the highest-level meeting (at the deputy prime ministerial level) between Moscow and Pyongyang since the collapse of the Soviet Union. During the visit, the two countries agreed to restore bilateral trade and economic cooperation to its 1991 level. The two sides also agreed to restore bilateral inter-governmental commissions and to establish working-level bodies between North Korea and the Russian Far Eastern province for bilateral cooperation in science-technology, forestry, light industry, and transportation.

Ignatenko carried Yeltsin’s personal message to Kim Jong Il. In the message, Yeltsin expressed his hopes for tension reduction on the Korean peninsula and North Korea’s continuing observance of the Armistice Agreement. Kim Jong Il, predicting that Zyuganov, the Communist Party leader, would win the coming presidential election in June-July 1996, did not even send a letter of reply, nor did he meet with the Russian delegation.⁵ On April 26-29, 1996, Grenadier Seleznev, speaker of the Russian State Duma and a communist, led a Russian parliamentary delegation on an official visit to North Korea for the purpose of continuing the Russian government’s efforts to normalize bilateral ties. During the visit, representatives from both countries discussed ways to develop relations between the two countries and exchanged views on the present situation on the peninsula.⁶ Kim Jong Il, however, still refused to meet with the Russian delegation. By sending Ignatenko and a State Duma delegation to Pyongyang in April

4 Moscow and Pyongyang agreed to establish the intergovernmental commission for economic and technological-scientific affairs in May 1991 and scheduled its first meeting for October 1992 in Pyongyang. Its first meeting, however, materialized three and a half years later than originally scheduled.

5 *Choson Ilbo*, April 12, 1996.

6 Voice of Russia World Service, May 29, 1996 in FBIS-SOV-96-105, May 29, 1996.

1996, Moscow restored high-level political dialogue with Pyongyang which had been discontinued in the early 1990s.

In the wake of Ignatenko's trip, Moscow and Pyongyang rapidly signed a number of bilateral agreements on investment protection, scientific cooperation, and cultural exchanges. On November 28, 1996, DPRK Ambassador to Russia Son Song-Pul and Russian Minister of Economy Yevgeniy Yasin signed an agreement on the encouragement and mutual protection of investment in Moscow.⁷ On December 16, Vice-Director Pak Yong-Hyop of the DPRK National Academy of Sciences and Secretary General N. Aplate of the Russian Academy of Sciences signed an agreement on scientific cooperation and a protocol on 1996-2000 scientific cooperation in Moscow.⁸ On December 26, Vice-Chairman Kim Yong-Su of the Korean Committee for Cultural Relations With Foreign Countries and Russian Ambassador to the DPRK Valeriy Denisov signed an agreement on cultural cooperation in Pyongyang.⁹

In 1997, regular contacts and exchanges were established between the Russian and North Korean Foreign Ministries and between the two parliaments. In May 1997, a Russian parliamentary delegation led by Vladimir Lukin, chairman of the State Duma International Affairs Committee, visited Pyongyang. In June 1997, another Russian delegation led by Mikhail Monastirskiy, chairman of the Southeast Asia and Asia-Pacific Area Subcommittee of the Geopolitical Affairs Committee of the State Duma, visited Pyongyang for talks with members of DPRK Supreme People's Assembly.

In addition, economic and trade relations between Russia and North Korea were being restored. The second meeting of the inter-governmental commission on trade, economic, scientific and technological cooperation was held in Moscow from October 13 to 15, 1997. The pur-

7 Pyongyang KCNA, December 2, 1996, in FBIS-EAS-96-232.

8 Pyongyang KCNA, December 22, 1996, in FBIS-EAS-96-247.

9 Pyongyang KCNA, December 26, 1996, in FBIS-EAS-96-249.

pose of this meeting was to find ways to resume cooperation in the various fields that had been interrupted since early 1990s. This meeting was considered a framework meeting and is of a consultative and recommendatory character. During the session, the DPRK and Russia signed four documents of an economic nature: three protocols on agricultural cooperation, interaction in the sphere of the veterinary science and a quarantine of plants and the protocol "on economic and technological cooperation."¹⁰ In this session, North Korea for the first time officially pledged to repay its debts to Moscow, and the parties signed an agreement in principle to resolve the debt problem.¹¹ The details on debt repayment would be worked out in the future.

In a goodwill gesture to the famine-stricken neighbor, Russia delivered humanitarian aid to North Korea twice in 1997. Russia sent to North Korea food and medicine, worth 4.5 billion "old" Rubles, in the fall, and 370 tons of sugar, canned meat, fish and milk worth 3.5 billion rubles, in December.¹²

In the same year, the two countries began discussions on a new treaty that would replace the 1961 Treaty of Friendship, Cooperation and Mutual Assistance concluded by the USSR and the DPRK.¹³ Leonid Moiseyev, head of the Russian Foreign Ministry's First Asian Department, visited Pyongyang in March 1998 for political consultations. While in Pyongyang, he discussed a new treaty. Both parties agreed to jointly celebrate the 50th anniversary of the opening of diplomatic relations between the two countries.¹⁴ Vice Foreign Minister Grigoriy Karasin visited Pyongyang in March 1999 to initial the new treaty. In 1999, exchange visits continued. A DPRK-Russia Goodwill

10 Vladimir Nadashkevich, ITAR-TASS, October 14, 1997, in FBIS-SOV-97-288.

11 *Korea Times*, October 17, 1997, p. 1; Alexei Filatov, "Russia, North Korea Sign Four Economic Accords," ITAR-TASS, October 16, 1997 in FBIS-SOV-97-289, October 16, 1997.

12 ITAR-TASS, March 7, 1998, FBIS-SOV-98-066, March 7, 1998.

13 *Choson Ilbo*, November 9, 1997.

14 ITAR-TASS, March 12, 1998, in FBIS-SOV-98-071, March 12, 1998.

Association delegation, headed by Yi Song-ho vice chairman of the Committee for Cultural Relations With Foreign Countries, visited Moscow in February and a DPRK-Russia goodwill parliamentarian's delegation visited Russia twice in March and April.

In February 2000, Foreign Minister Igor Ivanov arrived in Pyongyang to sign the new treaty that had been initialed in March of the previous year. This was the first visit to the DPRK by a Russian Foreign Minister.¹⁵ In contrast, South Korea and Russia have held six summit meetings and exchanged four foreign ministers' visits over the past 8 years. During his two-day visit, he met with DPRK leaders including Kim Young-Nam chairman of the Presidium of the Supreme People's Assembly, but could not meet with Kim Jong Il.¹⁶

III. The Treaty of Friendship, Good Neighborliness, and Cooperation

The fate of the 1961 alliance treaty between the DPRK and the Soviet Union was a sensitive issue in Russian relations with the two Koreas. Seoul repeatedly expressed strong misgivings about Article 1 of the treaty, which stipulated automatic military involvement of the parties in case of war. Since Moscow did not renounce the treaty in 1992, it was extended for another five years in accordance with the treaty stipulation.

The Russian Foreign Ministry initially intended to amend individ-

15 Eduard Shevardnadze's last visit to Pyongyang was on September 2-3, 1990, whose main purpose was to inform the North Korean leadership of the imminent conclusion of diplomatic ties between the Soviet Union and South Korea. But at the time he visited the DPRK in the capacity of *Soviet* Foreign Minister.

16 Russia had requested a meeting between Ivanov and Defense Commission Chair Kim Jong Il, but North Korea did not grant the request, which was one of the reasons why Ivanov's trip had been delayed. "Russian Minister's Visit to N.K. Won't Affect Seoul-Moscow Ties," *The Korea Herald*, February 10, 2000.

ual articles of the 1961 treaty rather than renounce it. Under the Russian Constitution, renunciation of a treaty requires the approval of the Russian parliament, and it was feared that then Russian parliament, which was dominated by opposition parties at that time, might not approve the termination of the old treaty. The Russian Foreign Ministry wanted to amend the treaty by exchanging letters with the DPRK at the foreign minister level, bypassing the parliamentary procedure.¹⁷

During his trip to Pyongyang in January 1993, Deputy Foreign Minister Georgii Kunadze proposed that Russia and the DPRK exchange supplementary memoranda providing an interpretation of the clause in the treaty that calls for automatic military intervention. According to the interpretation, Russia would intervene militarily only if North Korea becomes a target of an unprovoked attack. North Korea, however, did not show any interest in the proposal. Under the circumstances, Kunadze unilaterally informed the North Korean government that Russia would honor the clause strictly in accordance with the UN Charter and its international obligations and only when North Korea comes under "unprovoked attack."¹⁸

On August 7, 1995, Russian Foreign Minister Andrei Kozyrev proposed to the DPRK Ambassador in Moscow that the two countries conclude a new treaty on the grounds that the 1961 treaty "had grown outdated and did not correspond to the new circumstances." At the same time, the Russian Foreign Ministry handed him the Russian draft of the new treaty.¹⁹ In this way, Russia initiated negotiations on the new treaty without going through the formal parliamentary procedure for treaty renunciation. Georgi Kunadze, then Russian Ambassador to

17 Vadim Tkachenko, "Russian-Korean Cooperation to Preseve the Peace on the Korean Peninsula," *Far Eastern Affairs*, No. 2, 1999, p. 31.

18 Georgy Kunadze, "Russia's Hands Tied over N. Korea," *The Daily Yomiuri*, December 2, 1999; Yonhap, February 5, 1993, in FBIS-SOV-93-023, February 5, 1993, p. 9.

19 Tkachenko, "Russian-Korean Cooperation to Preseve the Peace on the Korean Peninsula," p. 32.

Seoul, shed light on this matter:

As a result of the outcry [over Russia's exclusion from the 1994 U.S.-DPRK nuclear deal], the Russian government had to forgo the procedure of denouncing the alliance treaty with North Korea. According to the Russian Constitution, the right to ratify or nullify any treaty is vested in the State Duma (lower house), which must decide the issue by majority vote. Extending the treaty was inconceivable.

But for a denouncement plea to be rejected by the Duma would have been a total embarrassment, and the Russian government therefore had to settle for a less formal procedure. In the summer of 1995, it forwarded a draft of a new standard treaty to North Korea.²⁰

In 1996, Russia formally announced the expiration of the 1961 alliance treaty.²¹ On September 3, 1996, the DPRK handed over its own draft of the new treaty to the Russian Foreign Ministry.

In February 1997, the first round of talks on the new treaty was held in Pyongyang.²² The negotiations, however, encountered obstacles when North Korea insisted on the inclusion of an automatic military intervention clause and of Russia's support for Pyongyang's unification formula (the Koryo Confederation) in the new treaty. Russia rejected these demands, and instead insisted on a provision stating that the resolution of inter-Korean problems should be based on the UN Charter and the principles of international law.²³ In July, the second round of meeting was convened, but the two sides failed to narrow their differences.²⁴ By late 1998, Russia and the DPRK had agreed that the new treaty should not include a clause on automatic military intervention.²⁵

20 Kunadze, "Russia's Hands Tied over N. Korea," *The Daily Yomiuri*, December 2, 1999.

21 The 1961 treaty expired on June 10, 1996.

22 Tkachenko, "Russian-Korean Cooperation to Preserve the Peace on the Korean Peninsula," p. 32.

23 KBS-1 Radio Network in Korean 0600 GMT June 17, 1997, in FBIS-EAS-97-168.

24 *Choson Ilbo*, November 9, 1997; *Tonga Ilbo*, December 1, 1997, p. 2.

After more than two years of negotiations, the Treaty of Friendship, Good Neighborliness and Cooperation between Russia and the DPRK was initialed on March 17, 1999, by Deputy Foreign Ministers Grigory Karasin and Lee In Koo, when the Russian diplomat was on a visit to Pyongyang.

The signing of the treaty was delayed several times. Initially, Russian Foreign Minister Igor Ivanov was scheduled to visit Pyongyang in late May of the same year to sign the treaty. His visit was delayed due to Russia's involvement in NATO's air strike in the former Yugoslavia and ROK President Kim Dae Jung's official visit to Moscow. Ivanov planned to visit Pyongyang in early June right after President Kim Dae Jung's visit to Moscow in late May. This time, North Korea requested the postponement of the visit citing its Foreign Minister's busy work schedule as the reason.²⁶ Obviously, by delaying Ivanov's Pyongyang trip, the DPRK wished to express its displeasure over President Kim Dae Jung's Moscow trip. Ivanov then planned to go to Pyongyang in November 1999 but, "for purely internal Russian reasons connected with the fact that it was necessary for the Minister to be in Moscow in that period," this time the Russian side requested a postponement of the visit.²⁷

Such delays were an obvious sign that neither Moscow nor Pyongyang was eager to sign the treaty early. Russia was preoccupied with more pressing problems at home and abroad, and an early conclusion of the treaty with North Korea was not high on its agenda. North Korea, in turn, was still biding its time hoping that political changes in Russia would usher in a pro-Pyongyang regime in the Kremlin. Besides, North Korea could not expect tangible and immediate benefits such as substantial economic and military aid from the

25 Yury Alekseyev, "North Korea Starts Emerging from Isolation," *Dipkouryer* (Moscow), February 3, 2000.

26 ITAR-TASS, July 14, 1999, in FBIS-SOV-1999-0714.

27 ITAR-TASS, December 7, 1999, in FBIS-SOV-1999-120.

treaty.

Finally, Foreign Minister Igor Ivanov came to Pyongyang for a two-day visit on February 9-10, 2000. Ivanov and his counterpart Paik Nam-Sun signed the "Treaty of Friendship, Good Neighborliness and Cooperation between the Russian Federation and the DPRK" on February 9. Thereby the legal foundation on the two countries' basic relations was laid.

The first article of the twelve article treaty stipulates that the sides intend to develop friendly relations on the principles of mutual respect for state sovereignty, non-interference in internal affairs, equality, mutual benefit, territorial integrity, and other universally recognized principles.²⁸

As expected, a clause on automatic military intervention is absent from the new treaty. Nor does it contain support for DPRK's confederate unification formula. The treaty does, however, call for "mutual contact" if a security emergency arises: "In the event of the emergence of the danger of an aggression against one of the countries or a situation jeopardizing peace and security, the sides undertake to enter into contact with each other immediately." This clause does not stipulate military intervention or military aid between the parties in case one of the parties is involved in an armed attack.

Still, this vague and ambiguous clause may be subject to different interpretations. The treaty does not clarify the meaning of "contact", nor does it stipulate what measures may (or may not) be taken after "contact." The inclusion of this clause and its ambiguity seem to be a result of two factors.

First, instead of further alienating North Korea by completely ignoring its position, Russia seems to have chosen a compromise solution.

28 At this writing, the full text of the treaty is not available, and author's description of the treaty is based on the information included in Alexander Valiyev and Alexei Golyayev, "Russia-DPRK New Treaty is Historical Landmark in Relations," *Itar-Tass*, February 10, 2000.

The DPRK had insisted on the inclusion in the new treaty of a clause stipulating automatic military intervention, whereas the Russian Federation had maintained that such an inclusion would be anachronistic and unrealistic. The two parties seem to have met half way by agreeing on the insertion of the "contact" requirement.

Second, Russia will have a maximum level of flexibility in interpreting and implementing the treaty because of the vagueness. By not clearly defining the meaning of "contact" in advance, Russia may have wanted to retain the right to intervene (or not to intervene) militarily or otherwise in an armed conflict on the Korean peninsula. Russia's intervention (or non-intervention) would then depend on its own interpretation of the clause under specific circumstances.

In January 1993, Deputy Foreign Minister Georgi Kunadze unilaterally notified North Koreans that Russia would render military assistance to North Korea only when the latter became the victim of an unprovoked attack. The new treaty would allow Russia even more flexibility than such a re-interpretation of the old treaty would have in deciding military intervention in the Korean peninsula. In this sense, the new treaty is tantamount to a watered-down "defensive" alliance.

In addition, the new treaty stipulates that the two sides will "not conclude any treaty of agreement with a third country nor join in its action if it stands against the sovereignty, independence and territorial integrity of any of the parties."²⁹ Except for the two clauses mentioned above, the new treaty is similar to the basic treaty between the ROK and the Russian Federation concluded in November 1992.

29 "Normalized N.K.-Russia relations seen to help cement inter-Korean ties," *The Korea Herald*, February 11, 2000.

IV. Military Cooperation

The Soviet Union was North Korea's main source of modern weaponry and military equipment. The Soviet Union, however, stopped supplying North Korea with offensive weapons after establishing diplomatic relations with Seoul in September 1990.³⁰ The Russian Foreign Ministry has repeatedly stated that Russia, on the basis of commercial profit, is ready to supply North Korea with defensive weapons. Nevertheless, the current level of military-technical cooperation between Moscow and Pyongyang is negligible due mainly to the lack of hard currency on the part of the latter.

According to Colonel General Leonid Ivachev of the Russian Defense Ministry, Russia maintains military technology cooperation with North Korea and continues to ship, on a limited scale, military weapons (mostly spare parts of the weapons provided by the USSR to North Korea in the Soviet era) to its former ally.³¹ Asked if Russia gave priority to North or South Korea in military trade, Russian Foreign Minister Primakov responded: "Why should we give priorities? We are prepared to and do cooperate with everybody." He further added: "It [arms sales] keeps much of our [military] industry afloat, makes payment of wages possible and helps the social spheres."³²

North Korea's military has not acquired Russia's modern weapons. Although Pyongyang proposed a Moscow-North Korean joint production of these weapons and subsequent exports of portion of the products, negotiations on this issue became deadlocked because Moscow demanded payments in cash, whereas Pyongyang requested credit.³³

As long as Moscow insists on payment in cash for military purchases, Moscow's arms sales to Pyongyang will remain limited. Although some pro-North Korean groups inside Russia, especially Zhirinovskiy's Liberal Democratic Party of Russia, favors renewing weapons subsidies to North Korea, Russia is not likely to ship sophisticated weapons to North Korea on credit.

The report in January 1994 on Moscow's decision to sell 12 de-commissioned submarines to Pyongyang attracted much attention. The submarines were to be sold as scrap metal at \$276,000 for a total of 2,126 tons (\$130 a ton) to North Korea, and ten of which were Golf II class equipped with three SSN-5 ballistic missiles. It was feared that North Korea might use parts of the Golf II class submarines for its missile program.³⁴ There were also reports that Russia, on a regular basis for a fee, continues to supply North Korea with spy satellite photos of both South Korean and U.S. military installations.³⁵

Cash-strapped North Korea cannot afford expensive military hardware. North Korea's imports of military items in recent years are modest. According to the ROK Defense Ministry, in 1999 Pyongyang imported eight MI-8 helicopters from Russia and 40 MIG-21 fighters from Kazakhstan for \$12 million. In 1998, Pyongyang purchased \$51.8 million worth arms from abroad: \$2.78 million for ammunition, tank engines and blankets from China; \$2.6 million for ammunition and anti-air guns from Kazakhstan; \$3.15 million for tank engines and engine batteries from Slovakia; and \$43.27 million for MI-8 and MI-26

30 When South Korea decided to provide \$3 billion in economic aid to the Soviet Union, it asked the Soviet Union not to supply offensive weapons to North Korea.

31 *Seoul Shinmun*, May 26, 1997, p. 16.

32 Interfax, July 24, 1997, in FBIS-SOV-97-212.

33 Northeast Asia Peace and Security Network, The DPRK Report (November-December 1996) at http://www.nautilus.org/napsnet/special_reports/.

34 Vladimir B. Yakubovskiy "Economic Relations between Russia and DPRK," *Korea and World Affairs*, Vol. 20, NO. 3 (Fall 1996), p. 462.

35 This allegation is based on the testimonies of Major Lee Chul-Soo, who defected to South Korea flying a MiG-19 in 1996, and Lee Kwang-Soo, the infiltrator captured during the 1996 submarine infiltration incident. Cf. *Kyonghyang Shinmun*, September 18, 1997, p. 2; *The Korea Times*, June 25, 1996. The spokesman of the Russian military's General Staff refuted the allegation. See "Russia: Army Denies Selling Satellite Intelligence to North Korea," ITAR-TASS, June 25, 1996, in FBIS-SOV-96-124, June 25, 1996.

choppers and trucks from Russia.³⁶

In an effort to import military hardware at bargain prices, North Korea is engaged in smuggling weapons and military equipment through illegal channels. In October 1998, officers of Khasan Customs Office on the Russian-DPRK border detained five Mi-8T military helicopters that were prepared for a flight to the DPRK. The helicopters were without any weapons and aircraft identification device, and the export document was without any signatures of the Russian government and military authorities.³⁷ Investigation revealed that Russian military personnel sold each helicopter to a middleman-firm Arden in the Khabarovsk, for 60,000 to 100,000 Rubles at an official military sale at a Moscow auction. Examination of the helicopters also revealed that all the weapons control systems on board remained intact, although they should have been dismantled.³⁸

In 1999, North Korea illegally purchased 40 MiG-21 jet fighters from Kazakhstan. According to a senior government official of the ROK, from July 1999, North Korea was assembling 40 MiG-21s that it had imported from Kazakhstan.³⁹ In March 1999, Azerbaijan detained a Russian transport plane in Baku that was carrying six MiG-21 jet fighters for North Korea. The transport plane took off from Kazakhstan and was impounded after stopping in Baku for refueling.⁴⁰ According to the BIS counter-intelligence service of the Czech republic, Agroplast, one of the world's largest weapons smuggling groups, was behind the illegal export of six MiG-21 planes. Agroplast, which operates from Russia, was reportedly linked to illegal exports of weapons to North Korea, Iran, Libya and Ecuador.⁴¹

36 *The Korea Herald*, September, 29, 1999.

37 *The Korea Times*, October 8, 1998.

38 Yevgeniya Lents, ITAR-TASS, October 14, 1998, in FBIS-SOV-98-287; Boris Reznik, "How a Combat Squadron was Stolen," *Izvestia*, October 30, 1998.

39 *The Korea Herald*, August 9, 1999.

40 Michael R. Gordon, "Azerbaijan Detains Russian MIG Shipment" *The New York Times*, March 24, 1999.

According to Park Choon-Taek, Air Force Chief of the General Staff of the ROK, North Korea is intent on purchasing MiG-29 fighter planes: "We have information that North Korea has wanted to buy new fighters since 1998, and to that end, it has been reinforcing airstrips."⁴² North Korea now possesses 16 MiG-29 fighters that were assembled from components imported from Russia in 1989.⁴³

V. North Korean Nuclear and Missile Issues

Russia is committed to nuclear nonproliferation in the Korean peninsula because nuclear weapons in the possession of unpredictable and unstable North Korea would pose a grave threat to the Russian Far East. Furthermore, nuclear armament by North Korea (or South Korea) would prompt Japanese nuclear armament and accelerate its remilitarization, which Russia wishes to avoid.

Nuclear Weapons Program

Since the 1980s, North Korea's suspected nuclear weapons program has attracted worldwide attention.⁴⁴ The international belief that North Korea was engaged in the production of nuclear weapons allowed Pyongyang to use the nuclear issue as a bargaining device in dealing with South Korea, the U.S., and Japan.

It was with Soviet help that North Korea initiated its nuclear pro-

41 Prague CTK, October 12, 1999, in FBIS-EEU-1999-1013.

42 *Chungang Ilbo*, October 6, 1999, in FBIS-EAS-1999-1006.

43 "NKorea starts assembly of MiG-29sreport," *ITAR/TASS*, August 20, 1999.

44 For North Korea's nuclear weapons program, Tae-Hwan Kwak and Seung-Ho Joo, "The Denuclearization of the Korean Peninsula: Problems and Prospects," *Arms Control*, Vol. 14, No. 2 (August 1993), pp. 65-92; James Clay Moltz and Alexandre Y. Mansourov (eds.) *The North Korean Nuclear Program: Security, Strategy, and New Perspectives from Russia* (New York: Routledge, 2000).

gram. In 1956, Pyongyang signed a nuclear research agreement with the Soviet Union. In the same year, North Korean scientists and engineers were sent to the Soviet Union to study nuclear energy at the Dhubna International Institute of Nuclear Research and other Soviet research centers. Since then, over 60 North scientists and engineers were trained in areas such as construction of reactors, radiology, radio-chemistry, nuclear physics, and nuclear facilities. In 1961, North Korea launched a major nuclear development program at Yongbyon, some 60 miles north of Pyongyang. In 1965, the Soviet Union provided North Korea with a 2 MW IRT-2000 research reactor for the Yongbyon nuclear facilities and annually supplied 2 kilograms of enriched uranium as the reactor's fuel.⁴⁵ In 1967, the research reactor began to produce radioactive isotopes for industry and science. In 1977, North Korea joined the International Atomic Energy Agency (IAEA).

During the Kim Il Sung-Chernenko Moscow summit in 1984, the construction of nuclear power plants in North Korea with Soviet aid was first broached. The Soviet Union promised to assist North Korea with nuclear technology and materials on the condition that North Korea would sign the Nuclear Non-Proliferation Treaty (NPT). In December 1985, North Korea signed the NPT, and in the same month North Korea and the Soviet Union signed in Moscow two inter-governmental agreements on technical-economic cooperation and on building atomic power plants in North Korea. In 1987 Russia began to conduct several feasibility studies to build three light-water reactors at Sinpo on North Korea's east coast.

After Seoul-Moscow normalization in September 1990, the Soviet

45 North Koreans later expanded the reactor's capacity to 4 MW and then to 8MW on their own. North Korea has enough supply of uranium ore on its soil. It is estimated that North Korea has 26 million tons of uranium ore in reserve. See Oleg V. Davydov, "Russia's Position towards North Korea's Nuclear Development," Il Yung Chung and Eunsook Chung eds., *Russia in the Far East and Pacific Region* (Seoul: The Sejong Institute, 1994), p. 367.

Union doubled its efforts to urge North Korea to renounce its nuclear weapons program. Seoul and Moscow shared a common interest in preventing a nuclear-armed North Korea. The South Korean government repeatedly asked for the Kremlin's cooperation in attempts to abort Pyongyang's nuclear weapons program. Soviet pressure on North Korea over the nuclear issue invited only negative reactions from Pyongyang. Yielding to mounting international pressure, North Korea belatedly signed the safeguards agreement in January 1992, six years after signing the NPT.

In 1991 Moscow agreed to provide Pyongyang with three 660-megawatts light-water nuclear reactors (LWRs) nuclear power plants valued at \$4 billion. By the beginning of 1993, the fieldwork to construct the nuclear power plants was almost complete, but North Koreans refused to pay Russian governmental and private enterprises for their work (estimated at \$1.7-\$4.7 million).⁴⁶

Differences over the issue of the IAEA inspection of two suspected nuclear waste sites in North Korea led to heightened tensions in Korea and in Northeast Asia in 1993. North Korea announced its plan to withdraw from the NPT in 1993 in defiance of mounting international pressure to fully renounce its nuclear weapons program. The LWRs project between Russia and North Korea discontinued in April 1993, when President Boris Yeltsin signed an executive order suspending the project in the midst of heightened tensions following North Korea's announcement to withdraw from the NPT. At the same time, Moscow discontinued its nuclear assistance to North Korea, which entailed an abrupt halt to personnel training, supplying of nuclear fuel and exchange of nuclear specialists.⁴⁷

46 Alexander Zhebin, "A Political History of Soviet-North Korean Nuclear Cooperation," in James Clay Moltz and Alexandre Y. Mansourov (eds.), *The North Korean Nuclear Program: Security, Strategy, and New Perspectives from Russia* (New York: Routledge, 2000), p. 33.

47 Shim Jae Hoon, "Korea: Silent Partner," *Far Eastern Economic Review*, December 29 &

Finally, U.S.-North Korea high-level talks in Geneva resulted in a compromise solution to the North Korean nuclear issue on October 21, 1994. North Korea pledged to abandon its suspected nuclear weapons program in exchange for economic and technical assistance, including the construction of two light water nuclear reactors (LWRs), and improved relations with the U.S. The Agreed Framework between Washington and Pyongyang, to be implemented in three phases, set forth a timetable of 10 years during which the North Koreans have agreed to dismantle their nuclear program.⁴⁸ In accordance with the agreement, an international consortium, the Korean Peninsula Energy Development Organization (KEDO) was created to implement economic and technical assistance to North Korea. The international consortium, led by the U.S., South Korea, and Japan, decided in principle to supply Pyongyang with two South Korean model LWRs.

Russia complained about the October 1994 nuclear agreement between Washington and Pyongyang. Russian commentators criticized the U.S. for not having consulted with Russia in forming the international consortium.⁴⁹ Aleksandr Panov, Deputy Foreign Minister, expressed Russia's misgivings about the U.S. treatment of Russia as a "junior partner" in the international consortium and even threatened to boycott the organization: "[Russia] may even refuse to join the organization which is being formed for this purpose by the United States, South Korea, and Japan, if it be only offered a secondary role in it."⁵⁰ As a matter of fact, the U.S. initially wanted to provide North Korea with Russian model LWRs. In the summer of 1994, the U.S. had decided to supply North Korea with light-water reactors of a Russian

January 5, 1995, p. 14.

48 Michael R. Gordon, "US-North Korea Accord Has a 10-Year Timetable," and Alan Riding, "US and NK Sign Atom Pact," *The New York Times*, October 22, 1994.

49 Valeriya Sycheva, "For Some They Are Terrorists but For Others They Are Partners," *Kommersant Daily* (Moscow), January 10, 1995, A4.

50 "Russia Wants Large Role in Reforming North Korean Nuclear Program," ITAR-TASS, January 25, 1995.

model.⁵¹ However, insistence of South Korea, KEDO decided to adopt South Korean model LWRs for North Korea.

While U.S. government sources estimate that North Korea had already produced sufficient plutonium to manufacture one nuclear bomb or more, Soviet (and later Russian) government sources consistently maintain that North Korea did not possess nuclear weapons nor sufficient weapons-grade plutonium needed to make a nuclear bomb.

The Russian Foreign Intelligence Service issued a report in 1992 that North Korea did not yet possess nuclear weapons.⁵² In a press conference held during his visit to Seoul in November 1992, Yeltsin stated that Pyongyang had neither nuclear materials nor the required technology to manufacture nuclear bombs.⁵³ Russian Foreign Minister Kozyrev stated in an interview with *Izvestiya* held in June 1994 that North Korea did not possess nuclear weapons, and it would take at least 3 to 7 years before they could develop nuclear weapons. Two officials from the Russian Ministry of Atomic Energy, one of whom headed construction at the Soviet-built nuclear facility in North Korea, said in June 1994 that North Korea has no nuclear weapons and possesses only a tiny fraction of the plutonium needed to make a viable nuclear device.⁵⁴ Georgii Kunadze, Russian ambassador to Seoul, also told a South Korean newspaper that North Korea did not possess

51 This information is revealed by Lee Byong-Ryong, the former leader of the DPRK LWR Team at the Korea Atomic Energy Research Institute. Lee was the only South Korean who participated in all stages of the DPRK LWR negotiation. See Lee's article in *SINDONG-A* (in Korean), February 1996, pp 394-419, in FBIS-KST-96-005-L.

52 "A New Challenge After the End of the Cold War, The Proliferation of the Weapons of Mass Destruction," *The Report of Foreign Intelligence Service of Russian Federation* (Moscow: 1992, in Russian), pp. 92-93, cited in Oleg V. Davidov, "Russia's Position towards North Korea's Nuclear Development," p. 369.

53 Yeltsin stated: "I do not think the North can develop nuclear arms without assistance from Russia. Russia has stopped supplying the North with nuclear materials and related technology, and I believe that the North has stopped developing nuclear arms" (Source material in *Korea and World Affairs* [Winter 1992], p. 754).

54 *Chosun Ilbo*, June 19, 1994.

nuclear weapons.⁵⁵

On March 10, 1992, the Russian newspaper *Argumenty I Fakty* (Arguments and Facts) published the text of a February 1990 report on North Korea's nuclear program submitted by then KGB director Vladimir Kryuchkov to the Central Committee of the Soviet Communist Party.⁵⁶ The KGB report stated: "According to available data, development of the first explosive nuclear device has been completed at the DPRK nuclear research center in Yongbyon." The report further stated that North Korea had decided not to test the device in order to avoid international detection.⁵⁷ Then Russian Foreign Minister Andrei Kozyrev later dismissed this report as "worthless."

The dissolution of the Soviet Union increased the danger of nuclear proliferation. In the transition to a new political order, the CIS (Commonwealth of Independent States) cannot exercise full control over its nuclear scientists, nuclear parts, and materials. There have been reports that nuclear materials in the CIS are being smuggled out of the country to Third World countries. Nuclear scientists and technicians who lost their positions due to extensive nuclear disarmament may seek new opportunities in Third World countries, including North Korea.

North Korea has attempted to smuggle Russian nuclear and missile specialists into its country. On December 8, 1992, thirty-six Russian nuclear and missile specialists were detained by Russian security agents at the Moscow Airport shortly before their departure for Pyongyang. These specialists had been hired by North Korea at monthly salaries of \$1,500—\$3,000 to help the North Korean nuclear weapons program.⁵⁸ According to Larry Nicksch of Congressional Research Service, Russian military officials confirmed the presence of Russian

55 *Chosun Ilbo*, May 26, 1994.

56 It was published again by *Izvestiya* of June 24, 1994.

57 *The Korean Herald*, June 25, 1994.

58 KBS-1 Radio network in Korean, December 20, 1992, in FBIS-EAS-92-245, December 21, 1992, p. 32.

nuclear scientists inside North Korea in January 1994.⁵⁹ Furthermore, there have been numerous reports that North Korea smuggled plutonium from Russia.

Pyongyang's Missile Development

Along with Pyongyang's nuclear capability, its development of long-range missiles capable of delivering weapons of mass destruction is a critical issue for Northeast Asian security.

After the SCUD missile test with a range of 600 miles in 1993, Pyongyang's test-fired a three-stage Taepodong 1 (TD-1) missile, which flew 1,500 KM over Japan on August 31, 1998. This testing proved that the DPRK has acquired a medium-range missile capability, and the surrounding countries reacted to this event with great alarm. North Korea's test firing of TD-1 appears to have been intended to strengthen its bargaining position *vis-à-vis* the U.S. and to demonstrate its missile products for potential buyers. According to Chinese sources, TD-1 relied on Japanese technology acquired by North Korea from third countries and was developed with the help of experts from the former Soviet republics, especially Ukraine.⁶⁰

After the test firing of TD-1, the U.S., Japan, and South Korea intensified pressures on North Korea to discontinue its missile program. But North Korea has maintained that it will continue its missile program as a matter of sovereign right. With regard to missile exports, North Korea is willing to discontinue the sale of missiles and missile technology if the U.S. provides adequate financial compensation (\$500 million a year) and lifts economic sanctions against it. The following commentary by the Korea Central News Agency (KCNA) on June 16, 1998,

59 Larry A. Nicksch, Congressional Research Service Reports 91141: North Korea's Nuclear Weapons Program, December 12, 1996

60 *The DPRK Report*, No. 15 (November-December 1998) at <http://www.nautilus.org/pub/ftp/napsnet/RussiaDPRK/DPRK_Report_15.txt>.

clearly conveys these messages:

For us, the missile issue is a matter that has to do with the autonomy of the nation and its people's right to life. And the consistent principle of the military policy of this republic's government is to produce arms on its own and to deploy them to preserve the security of the nation and the people as long as military threats [to North Korea] from outside remain. We shall continue to develop, test, and deploy missiles, based on this principle.

Now when missiles of the United States, which is in a state of belligerence with us, are targeted at the territories of this nation, what is the reason why we cannot develop and deploys missiles to match them? The issue of this country stopping its development of missiles is something that should be discussed only after a peace treaty has been concluded between the DPRK and the United States, and the United States' military threats to this nation have been completely removed.

We are exporting missiles, but we are doing that to obtain foreign currency necessary for us. With the United States having isolated this country economically for more than a half century so far, sources of foreign currency for us are very limited. As such, the export of missiles is an unavoidable choice for us. If the United States really wants us to stop exporting the missiles, it should lift the economic sanctions without any further delay and move toward paying compensation for economic losses (of North Korea) that will arise from its half in exporting the missiles.

In contrast to the U.S., Japan, and South Korea, Russia plays down North Korea's missile threat. Russian leaders view that North Korea's missile capability does not pose a global threat. During his visit to Seoul in September 1999, Russian Defense Minister Igor Sergeev stated: "North Korea's missile program is 'a sensitive area,' but 'we do not see a global danger in the tests as such'"⁶¹ Russian leaders also suspect that the United States and Japan are exaggerating its danger while using the missile issue as an excuse to push forward a new Japanese-

61 Interfax, September 2, 1999, in FBIS-EAS-1999-0902.

U.S. military alliance and developing a Theater Missile Defense (TMD) anti-missile system in Northeast Asia.⁶²

Like China, Russia is opposed to the imposition of international sanctions upon and the use of force against North Korea as the means to resolve North Korea's nuclear issue. Russians point out that any attempt to coerce North Korea with sanctions and force will not change North Korea's behavior but will only heighten tensions on the Korean peninsula. Moscow holds that tensions on the Korean peninsula should be resolved through political dialogue and peaceful means.⁶³

VI. Obstacles to Pyongyang-Moscow Relations

A number of circumstances led Russia to take the initiative in normalizing relations with North Korea. The October 1994 U.S.-North Korean Nuclear Agreed Framework served as a catalyst for a general reorientation of Russian policy toward the two Koreas. Russian policymakers felt slighted when Russia was completely ignored and excluded from the nuclear deal, and were particularly bitter that Russia was not even consulted. Russia complained that its legitimate economic interests in North Korea were completely sacrificed. It concluded that it can only regain respect from its Northeast Asian neighbors by reestablishing strong ties with Pyongyang while maintaining a cooperative partnership with Seoul.

Another sobering event for Russia was the four-way talks proposal. On April 16, 1996, Presidents Kim Young Sam and Bill Clinton jointly proposed to North Korea and China that four-party (South and North Korea, the U.S. and China) peace talks be held at the earliest possible

62 "Hype Over North Korea Rockets Spurs TensionsMoscow," Interfax, September 3, 1999, in FBIS-EAS-1999-0903.

63 Moscow Voice of Russia World Service in Korean 1200 GMT 27 Jul 99, in FBIS-SOV-1999-0729.

date without any conditions. Russia expressed regret at its exclusion from the proposed four-party peace talks. Russia favors a multilateral conference of all parties concerned as a mechanism to create a new peace regime on the Korean Peninsula to replace the 1953 Armistice Agreement.⁶⁴

Despite Russia's sincere efforts at restoring bilateral ties, the Moscow-Pyongyang relationship is far from close, due mainly to a lack of enthusiasm on the part of North Korea. Pyongyang's primary concern has been improved relations with the U.S. High on Pyongyang's diplomatic agenda are ensuring its regime survival through diplomatic negotiations with the U.S. and improving its dismal economic situation through economic and technological cooperation with the U.S. Therefore, North Korea has been preoccupied with its relations with the U.S., and its relations with Russia are of secondary importance. Unlike the U.S., Russia has nothing substantial to offer to the DPRK due to its own economic woes.

The formal power transition in North Korea, which lasted more than four years, further impeded an early rapprochement between the DPRK and Russia. After Kim Il Sung's death in July 1994, Kim Jong Il was in a three-year mourning refusing to formally assume power positions. During the three years, he ruled the DPRK in the capacity of the Supreme Commander of the armed forces. He was finally elected General Secretary of the Korean Workers' Party in October 1997 and Chairman of the National Defense Commission (NDC) in September 1998. During this transitional period, Kim Jong Il did not take new foreign

64 For Russia's multilateral conference proposals on the Korea questions, see Seung-Ho Joo, "Russia and Korea," in Bae Ho Hahn and Chae-Jin Lee (eds.) *The Korean Peninsula and the Major Powers* (The Sejong Institute & the Keck Center, Claremont McKenna College, 1998), pp. 108-112; Valentin Moiseev, "On the Korean Settlement," *International Affairs* (Moscow), vol. 43, no. 3 (1997), pp. 68-72. Evgueni Bajanov, "A Russian Perspective on Korean Peace and Security," *Northeast Peace and Security Network Special Report* (July 28, 1997) at http://www.nautilus.org/napsnet/special_reports/.

policy initiatives *vis-à-vis* Russia, while staying out of the diplomatic limelight.

The Negative portrayal of the Pyongyang regime by the Russian mass media has irritated the North Korean leadership and further strained Moscow-Pyongyang relations. For example, the showing of the TV program, "Democratic People's Republic of Korea 'The Red Monarch' and 'Successor to the Throne'" by the Russian media on 29 June and July 6, 1997 invited a strong protest from North Korea toward the Russian government. Pyongyang demanded that the Russian government intervene to stop the broadcast of these highly critical TV programs concerning Kim Il Sung and the North Korean regime. The Russian Foreign Ministry, however, refused to intervene noting that it "has nothing to do with those television programs and does not bear responsibility for them."⁶⁵

Russia's military cooperation (particularly, arms sales and military technology cooperation) with the ROK invokes anger and bitterness from Pyongyang.⁶⁶ As part of debt repayment to South Korea, Russia has provided arms and military hardware worth \$240 million to South Korea, including 33 T-80U tanks, 33 BMP-3 armored personnel vehicles, 70 Metis-M movable tactical rocket systems and 50 Igla air defense systems. Over 60 South Korean officers have been trained at institutions of the Russian Defense Ministry.⁶⁷ Russia is also keen on exporting sophisticated weapons to South Korea such as S-300 anti-ballistic missiles, SU-35 fighter planes, and Amur-class diesel submarines. Pyongyang views increased military ties between Moscow and Seoul with indignation.

65 Andrey Kirillov, "Foreign Ministry Distances Itself From TV Programs on DPRK," in ITAR-TASS World Service, July 9, 1997, FBIS-SOV-97-190.

66 For ROK-Russia military cooperation, see Tae-Hwan Kwak and Seung-Ho Joo, "Military Cooperation Between Russia and South Korea," *International Journal of Korean Unification Studies*, Vol. 8 (1999), pp. 147-178.

67 Interfax, September 3, 1999, in FBIS-SOV-1999-0903.

Russia, in turn, has some reservations about Pyongyang. Pyongyang's involvement in criminal activities inside Russia reinforces negative images of North Korea among Russians. On a state level, North Korea has been engaged in drug trafficking in Russia, and Russia's public security authorities have confirmed that North Korea's Workers' Party operates opium farms inside its country.⁶⁸ According to a Russian news report, illegal drugs were smuggled into Vladivostok from Chegdomyn and Tyrma in Khabarovsk Kray, where North Koreans were engaged in timber operations. North Koreans used the money from the sale of drugs to purchase photographic paper, pumps, electric motors, and chain saws, and sent them back to North Korea.⁶⁹ Initially, North Korean citizens arrested for drug trafficking were not punishable by Russian laws, but were sent back to their homeland according a bilateral agreement between the DPRK and Russia. Since the mid-1990s, North Korean criminals have been prosecuted in Russia. Needless to say, North Korea's illegal activities do not play well in Russia's media and dampen cooperative mood between the two countries.

Pyongyang's debt to Moscow is another source of friction. North Korea owed the Soviet Union about 3.3 billion hard currency Rubles (rubles used in the past for international settlements; one rouble equaled \$1.6). North Korea incurred over two-thirds of the debt (about 2.4 billion Rubles) through the purchase of arms and military equipment from the Soviet Union.⁷⁰ As the legal successor to the Soviet Union, Russia has demanded Pyongyang's assumption of the debt responsibility. According to a Russian Foreign Ministry official, as of

68 Fedor Gurko, "The Korean Syndrome: Drugs Are Arriving in Maritime Kray Through the Channel of the Special [Intelligence] Services," *Interfaks-AiF*, June 16-22, 1997, No. 24, pp. 1,5 in FBIS-SOV-97-147-S, June 22, 1997; KBS-1 Television Network, November 14, 1996 in FBIS-TDD-96-033-L, November 14, 1996.

69 Fedor Gurko, *Interfaks-AiF*, June 16-22, 1997, No 24, pp 1,5, in FBIS-SOV-97-147-S

70 Vladimir B. Yakubovsky, "Economic Relations between Russia and DPRK," *Korea and World Affairs*, Vol. 20, No. 3, (Fall 1996), p. 461.

February 2000, North Korea's debt to Russia amounted to approximately 3.8 billion Rubles.⁷¹ During the second session of the Russia-North Korea Joint Economic Commission, North Korea for the first time officially promised in principle to repay its debt to Russia. Still, Russia and the DPRK have failed to agree on the details of debt repayment even after numerous talks on this issue. North Korea's insolvency toward Russia continues to be a main obstacle in the improvement of bilateral relations.

VII. Conclusions

The DPRK and Russia normalized bilateral relations by signing a new "treaty of Friendship, Good Neighborliness, and Cooperation" in February 2000. Moscow's rapprochement with Pyongyang means the shift from the *de facto* "one-Korea" policy to "two-Korea" policy. Shortly after the collapse of the Soviet empire, Russian leaders had expected that the North Korean regime would face the same fate as that of the Soviet Union and Eastern European countries disappearance into the "dustbin of history." They predicted that Korean unification would occur in the near future and on South Korean terms. At the time it seemed logical that Russia should cultivate a cooperative partnership with Seoul, while disregarding Pyongyang. Pyongyang still survives, however, and it does not show signs of imminent collapse. Given the situation, the Kremlin reconsidered its policy toward the Korean Peninsula, and moved to reestablish a normal state-to-state relationship with Pyongyang.

Russia will seek a balanced relationship (or even-handed approach) with the two Koreas, while separating politics and economics. In other words, Russia will maintain a neutral position between the ROK and

71 *Choong-Ang Ilbo*, February 12, 2000.

the DPRK as regards political issues particularly relating to inter-Korean affairs. On certain international matters, such as U.S.-led UN sanctions against North Korea over nuclear weapons and missile issue, Russia may exercise veto power. Russia, however, will continue to support unequivocally nuclear non-proliferation on the Korean peninsula, while championing a peaceful and diplomatic solution to the Korean question and North Korea's nuclear and missile development issue.

As far as economic (trade and investment) and military relations (arms sales and technology cooperation) are concerned, Seoul is by far a more important partner to Russia than Pyongyang is. Therefore, Moscow will continue to lean heavily toward Seoul in economic and military cooperation, hoping that Seoul will play a central role in the development of the Russian Far East and Siberia. Barring Russia's massive economic aid to North Korea, bilateral economic cooperation will not increase drastically. Given Russia's economic difficulties and North Korea's inability to repay its debt owed to Russia, we cannot expect a breakthrough in the economic relationship in the near future.

Therefore, Russia's even-handed approach toward the two Koreas will be most visible in political relations. By separating political issues from economic benefits, Moscow will try to enhance its influence and prestige in Korean affairs and at the same time continue to intensify economic cooperation with Seoul particularly in connection with the Nakhodka Korean industrial complex and the Koviktinskoe gas pipeline project.

Will Moscow increase its influence over Pyongyang and then enhance its influence on the Korean peninsula? Moscow-Pyongyang relations will not revert to the "old" ties, which were predicated upon ideological unity and military alliance. Instead they are likely to develop into normal neighborly states. If Moscow decides to provide modern weapons and supplies as well as fuel (gas and oil) to Pyongyang in favorable terms such as credit, bilateral political ties are likely to rapidly warm up. North Korea's weapons and military equipment are based

on the Russian weapons system and North Korea's military relies on a stable supply of parts of weapons and equipment as well as sophisticated military hardware. Moscow can use the dependent relationship to control Pyongyang's behavior. Pyongyang-Moscow military cooperation may intensify if they share a common threat or enemy. The development of the Theater Missile Defense system by the U.S. and Japan or a surgical military operation against North Korean missile targets by the U.S. or Japan may bring Moscow and Pyongyang closer militarily.

THE RUSSIAN ROLE IN CONSTRUCTING A SOUTH-NORTH KOREAN ECONOMIC COMMUNITY

Alexander N. Fedorovsky

Expansion of South-North Korean economic cooperation would give an opportunity for Russia to increase trade, investment and technological exchanges with Korea. Because Russia has already constructed about 70 large factories and power stations in North Korea, it would be possible for Russia to take part in the modernization of North Korean industry and infrastructure. Also, a South-North Korean Economic Community would have more opportunities to take part in the development and reconstruction of the Russian Far East. Human resources from the North and highly-skilled management from the South, financial resources from East Asia, Russia's mineral resources and high technology could be successfully combined in a cooperative effort that would be fruitful for all participants.

The process of the establishment and improvement of an institutional framework for inter-Korean relations could develop successfully if both sides are involved in the process of preparing and establishing the essential institutional arrangements. On a large scale this process depends on North Korea's transition to a market economy. However, Pyongyang is still afraid that every radical transition towards a market economy, including the establishment of domestic market institutions, could undermine political and ideological stability in the North. Thus,

institutional arrangements stimulating inter-Korean cooperation are expected to be introduced very slowly.

The modernization process of North Korean infrastructure may be the first real step to the establishment of a South-North Korean Economic Community. As both the ROK and DPRK are interested in a stable supply of energy, oil and gas, timber, sea products and other raw materials, as well as technology from Russia, this triangular cooperation has a good chance of stimulating inter-Korean exchange positively. One of the most important principles of inter-Korean as well as multinational economic cooperation on the Korean peninsula may be gradualism. One of the main obstacles to direct inter-Korean cooperation is the lack of mutual confidence. Under these conditions other countries, including Russia, could support inter-Korean economic exchanges. It is necessary to note that Russian foreign policy will follow a more pragmatic course. Russia is interested in developing North Korea's infrastructure and has a real opportunity to participate in these international projects.

I

There are two aspects (or two levels) of inter-Korean economic relations: bilateral and international. The development of inter-Korean relations towards constructing a South-North Korean Economic Community (SNEC) will depend on the domestic situations in both countries as well as principles of the security strategies and the foreign policies of the countries in North-East Asia. Besides, Seoul's and Pyongyang's bilateral economic and political relations with the four powers (Japan, China, the USA, and Russia) will also be crucial for inter-Korean dialogue on economic issues, including negotiations on SNEC.

The North Korean economy has been in a deep crisis since the beginning of the 1990s. The production of electric power, coal, steel, fertilizer, textile and some other products decreased more than 50 percent during that period. The factories produce low quality goods. The daily food distribution has been reduced from 0.9kg to 0.2kg per capita. It is therefore necessary for North Korea to import about 1.0-1.6 million tons of food annually. The United States supplied North Korea with 900,000 tons of food, China's contribution was about 150,000 and the European Union 100,000 tons.¹

Last year the Supreme People's Assembly held its first budget session since 1994. According to North Korean official data the national economy had shrunk 50% in five years. The Assembly passed a state budget of \$9.38 billion, which is 2% increase from 1998, but in 1994 the SPA had passed a state budget of \$18.7 billion.²

The foreign trade crisis is more evident, characterized by a decrease in the amount of exports and a large trade deficit. The foreign trade crises is evidence that the domestic economy is unbalanced and not adequately suited to the world market. The North Korean export sector is very small, but at the same time the country depends on imports of fuel, capital goods, foods, etc.

North Korea received about \$350 million from the United Nations relief aid in 1999. Bilateral aid totaled \$200 million. Also, after delays in the wake of the North's missile test in August 1998, the KEDO project to build two light-water nuclear reactors for North Korea has been resumed. At the very least, preparations for the main construction work on the reactor are continuing.

Nevertheless the situation in the North Korean economy improved slowly in 1999. For the first time in several years agricultural, marine and forestry output increased. For example, food production last year exceeded 4 million tons thanks to good weather conditions and the

¹ *Far Eastern economic review*, Asia 2000 yearbook, p.141.

² *Ibid.*

increased import of fertilizer.

Although bilateral inter-Korean relations were fluctuating constantly, economic trade (including aid relief) between the North and the South increased from \$80 million in 1989 to \$300 million in 1999. Hyundai's Mount Kumkang tourism project provided an estimated \$150 million. South Korea signed a loan agreement for the realization of the KEDO project. Humanitarian exchanges increased significantly, and thousands of South Korean residents (tourists and businessmen) visited North Korea.

II

Russian-North Korean relations were frozen during the first half of 90s. Russian-North Korean trade decreased from \$600 million in 1992 to \$70 million in 1997. Because the problem of North Korean debt to Russia hasn't yet been resolved successfully, Russian investment to the DPRK has shrunk and there have been no new Russian loans to Pyongyang. Political consultations have also been interrupted. As a result Moscow had a limited opportunity to negotiate with its neighbor and to play a positive role on the Korean peninsula. Other countries involved in negotiations on the Korean Peninsula's problems refused to treat Russia as an equal partner. Moscow tried to change this negative trend and to improve bilateral relations with North Korea in order to play a more positive role on the Korean peninsula. Russian-North Korean exchanges began to restore slowly during the second half of the 90s.

Russia and North Korea improved conditions for development of bilateral institutional arrangements by signing an investment protection agreement on avoidance of double taxation; an agreement on technical and economic cooperation; and various agreements on cooperation in agriculture and wood industry. The North Korea-Russia Joint

Committee on Economic, Science and Technological Cooperation resumed session in 1996 in Pyongyang and in 1997 in Moscow. Nevertheless, economic relations between Russia and North Korea are developing very slowly, for example, bilateral trade was no more than \$100 million in 1999 and unbalanced in Russia's favor (Russian exports - \$75 million, imports - \$25 million). Russian foreign minister Igor Ivanov visited Pyongyang in February 2000 (the first visit of a Russian foreign minister to North Korea in the decade since Mr. Shevardnadze's visit to Pyongyang in 1990) and signed a new Friendship and Cooperation Treaty between Russia and North Korea. Mr. I. Ivanov emphasized "Russia wants to participate in the process of the normalization of the situation on the Korean peninsula."³ The visit provided incentives for more political dialogue between the two countries, but economic cooperation is still at the stage of stagnation.

The main reason for this is Pyongyang's old-style economic policy at home and abroad. A transition from the existing economic system towards at least a quasi-market system is the only chance for the ruling hierarchy to remain as the dominant political group in the North. For Pyongyang the alternative to beginning reforms is dependence on the food and humanitarian aid being delivered by the ROK, the USA, and some other countries and international organizations.

Some Russian and foreign experts believe that there are limited opportunities for Moscow to exert influence in the world's power politics. Russia has not played any significant role on the Korean Peninsula until now and will not in the near future. Some others believe (some of them hope) that the main reason for the recent successful development of relations between Russia and China, as well as improvement in Russia-North Korea relations, is due to Moscow's desire to counterweight growing American influence in the region and all over the world. Indeed there are some political forces (left wing and nationalist mainly)

3 Itogi, Moscow, February 22, 2000, p. 35 (Russian).

that insist on changing Russian foreign policy to an anti-American bias. But, as the last parliamentary elections show, the influence of these groups is limited and these forces are not determining Russian foreign policy.

In spite of some fluctuations in Russian foreign policy at the end of Yeltsin's era, Moscow is in the process of elaborating a more pragmatic strategy for the establishment of predictable and long-term cooperation with the USA and European community, as well as with the Asia-Pacific region. The Security counsel adopted on March 24 a new concept of Russian foreign policy. Minister of Foreign Affairs I. Ivanov described the conception as "more realistic."⁴ The domestic economic factor is determining the Kremlin's foreign policy as not pro-West or pro-East, but pro-Russian. It means that Russia has to resolve its domestic economic problems while taking into account Russia's role in the world.

The beginning of the process of economic recovery has stimulated Russia's foreign economic policy. It is necessary to stress that at this stage, the beginning of economic growth, one can see an absolutely new factor within Moscow foreign policy - the growing influence of Russian business groups on the development of foreign economic relations.

Russian businessmen are paying more attention to Northeast Asia. During 1999-2000 some Russian leading corporations began to develop economic relations with China, Japan and Korea. One leading Russian oil company, "YUKOS" is going to construct an oil pipeline running from West Siberia via Mongolia to China. The Gas monopoly "GAZPROM" is going to construct a gas pipeline to neighboring countries. Such Russian companies as "Surgutneftegaz," as well as foreign companies such as TNK, and British BP Amoco also may be involved in the realization of these huge projects. As a result of the aggressive

activity "YUKOS" and "GAZPROM" the Russian Minister of Fuel and Energy has to take an active part in elaborating and realizing a long-term program of cooperation between Russia and Northeast Asian countries on energy issues.⁵ At the same time the Russian state power corporation is interested in establishing an energy bridge connecting Siberia and Russian Far East power stations with the Northeast Asia region.

In initiating all of these projects Russian big business must take into account the possibility of becoming involved in the Korean energy market. Besides, Russian business groups are interested in rebuilding the railroad connecting the Russian Trans-Siberia railroad with South Korean railroads via North Korea. The economic factor has become one of most important elements of Russian foreign policy towards Northeast Asia. Isolated North Korea is the most serious obstacle to Russian economic expansion into Northeast Asia.

III

Expansion of direct North-South Korean economic cooperation would give an opportunity for Russia to increase trade as well as investment and technological exchanges with Korea. It would be a new growing market for Russia's traditional export good, such as oil, gas and coal, mineral resources, lumber, fish and marine products, etc. On the other hand, SNEC could supply Siberia and the Russian Far East regions with food stuffs and consumer goods. Because Russia constructed about 70 large factories and power stations in North Korea, it will be possible for Russia to take part in the modernization of North Korean industry and infrastructure. Besides, Russia has experience in the transition from a military industry to civilian production. The

⁴ Kommersant, Moscow, March 25, 2000, p. 2 (Russian).

⁵ Kommersant, Moscow, March 21, 2000, p. 4 (Russian).

reconstruction of transport and communication networks in North Korea would make it easy for Russia to cooperate directly with South Korea. On the other hand, SNEC would have more opportunity to take part in the development and reconstruction of the Russian Far East. Human resources from the North and high-skilled management from the South, financial resources from East Asia, Russian mineral resources and high technology may be successfully combined for fruitful cooperation.

On March 9, President Kim Dae-jung delivered a speech under the title of “Lessons of German Reunification and the Korean Question” at the Free Berlin University. In the course of this speech President Kim made a declaration addressed to North Korea which encompassed some important issues. In order to jump-start inter-Korean economic relations President Kim proposed 1) improving [North Korean] basic infrastructure, such as the roads, ports, railways, electricity and communications; 2) putting in place essential institutional arrangements, including an investment protection agreement, an avoidance of double taxation agreement and an agreement for communications, travel and trade.

Indeed, the establishment of adequate institutional arrangements is the most urgent factor which could improve conditions for inter-Korean economic cooperation radically. It has been very important that South Korea tries to institutionalize its economic relations with the North and to develop bilateral relations on a solid legal basis since the beginning of the 1990s.

According to this policy the ROK government adopted the inter-Korean Exchange and Cooperation Act in August 1990. It is necessary to stress that it was given “priority over any other existing system of laws when applied to any activities that are conducted for inter-Korean exchanges and cooperation and deemed justifiable under such objectives.”⁶ It was a significant contribution to the legal background of the North-South dialogue. Of course it was only the beginning of the

creation of a legal framework for the ROK’s economic policy towards the North, but even the existence of the Act changed the climate of inter-Korean economic cooperation positively. Meanwhile the process of the establishment and improvement of the institutional framework of inter-Korean relations can develop successfully if both sides are involved in the procedure of preparing for the establishment of essential institutional arrangements. On a large scale this process depends on North Korea’s transition to a market economy.

As a matter of fact, Pyongyang is still afraid that every radical transition towards a market economy, including establishment of domestic market institutions, could undermine political and ideological stability in the North. A step back will follow every step and a half forward. The Pyongyang government established the special Rajin-Sunbong economic zone, adopted more flexible legal rules on foreign trade and investment and then tried to control economic processes rigidly. Rising revenues from blackmail policy have allowed North Korea to slow down realization of radical economic reforms. One of the most recent examples of Pyongyang’s orthodox socialist economic policy is the Law on the Plan of the National Economy, which eliminates market forces and emphasizes a socialist planning system. It looks like evidence of fluctuations in Pyongyang’s economic policy: continued disputes among party elites on economic issues, or North Korean leader Kim Jong-il’s opposition to the early introduction of market reforms. It seems that institutional arrangements stimulating inter-Korean cooperation will be introduced very slowly because North Korean leaders regard the introduction of pro-market institutions as a concession to Seoul’s pressure on Pyongyang.

North Korean leaders are seemingly satisfied with the results of their blackmail foreign policy. According to Former US Defense Secretary William Perry’s recommendations, the USA began face-to-face

6 *White paper on Korean Unification*, 1996 (Seoul, 1996), p. 139.

negotiations with Pyongyang in order to postpone the second North Korean missile test. After a long period of bilateral talks Pyongyang agreed to invite American inspectors to examine a large underground construction site in return for supplementary food aid. Last September the United States lifted some trade, banking and other economic sanctions that it had imposed on North Korea for half a century. At last, this March a North Korean deputy foreign minister, Kim Gye Gwan and a U.S. delegation led by Charles Kartman have been discussing final arrangements for high-level talks between the two countries.

Meanwhile North Korea is going to increase diplomatic activity and organize a dialogue with the international community as a whole. Reopening diplomatic ties and improving bilateral relations with Australia, the Philippines and Italy, and the resumption of diplomatic discussions with Japan are among the most recent examples of Pyongyang's foreign policy. Besides, the country is finding out ways to develop bilateral relations with Canada and the United Kingdom. At the same time North Korea joined the Association of South East Asian Nations. As a rule North Korea is improving relations with countries which have the possibility of giving assistance to Pyongyang. But it isn't clear yet whether these measures are coordinated and linked with domestic policy in order to reform the North Korean economic system in general.

At the same time both North and South Korea as well as neighboring countries are objectively interested in improving the basic infrastructure in North Korea. That is why this very pragmatic idea may give incentives to inter-Korea cooperation in the near future. The process of modernization of North Korea's infrastructure may be the first real step toward the establishment of a North-South Korean economic community.

Russia's business interests coincide with the economic interests of neighboring countries. For example, as both the ROK and DPRK are interested in a stable supply of energy, oil and gas, timber, sea products

and some raw materials as well as technologies from Russia, this triangular cooperation has a good chance to stimulate inter-Korean exchanges positively. Beijing has to modernize domestic energy and transport systems in order to develop China's Northeast provinces, to resolve social issues and radically improve the environment in this part of the country. Japan is a huge market for Russian fuel, and Tokyo may be interested in modernizing the energy systems of its neighboring Northeast countries because of pollution problems. Japanese business would benefit from the modernization of regional transport networks.

North Korea is the only country in Northeast Asia isolated from the regional integration process. DPRK trade and foreign economic relations with its main partners, except the ROK, are shrinking or under stagnation because of deficits in foreign exchange and export goods. It is impossible for Pyongyang to improve significantly bilateral cooperation even with its old economic partners of Russia and China, because in both of these countries private companies as well as public organizations prefer to participate in profitable business and are not ready to be involved in North Korean projects with unpredictable results.

IV

One of the most important principles of inter-Korean as well as multinational economic cooperation on the Korean peninsula may be gradualism. Realization of a gradualist strategy may be especially important to avoid the linkage of economic cooperation policy and the political situation in the North and in the South.

That is why President Kim's proposals on a great scale are significant toward achieving a positive change in the climate of bilateral dialogue. For the South the main goal in the short-run would not be profits from trade or investment, but in establishing a favorable climate, modern infrastructure and adequate institutions as a base for future

inter-Korean broad-scale economic cooperation.

President Kim Dae Jung believes that North Korean leaders “have maintained their political system, while gradually opening up economically. This is what we, and all our friends and allies want from North Korea and we are prepared to help them.”⁷ Indeed, for Pyongyang the only alternative to the beginning of the reforms is a continued growth in dependence on food and humanitarian aid delivered by the ROK, the US, and international organizations. That is why it seems that the North will begin to implement market-oriented instruments in the near future. Thus, North Korea has a chance to cooperate with other countries fruitfully.

But there is the danger that if the domestic economic situation improves even slightly it would give Pyongyang a chance to save its old inefficient domestic economic institutions and to postpone economic reforms until the next crisis. In any case Pyongyang is being very cautious while moderating domestic and foreign policy and North Korean leaders will use the old economic mechanism as long as it will be possible. So the process of “opening” the country will be very slow and it will take a rather long time to begin market reforms on a large scale. Under these conditions there are doubts that Pyongyang is ready to accept Kim Dae-jung’s proposal, which elaborates and requires signature to essential institutional arrangements, including an Investment Protection Agreement and others.

As for President Kim’s proposal to take part in revamping the structure of North Korean agriculture, it is necessary to stress the following: There are two aspects to this proposal. It seems that North Korea is ready to receive pure technical assistance. For example, 160,000 tons of fertilizer from South Korea increased the productivity of North Korean agriculture in 1999. But technical modernization of North Korean agriculture will prolong the existence of a centralized agricultural system

only, without finding fundamental solutions to the problem of food shortages. On the other hand, Pyongyang isn’t ready to accept South Korea’s assistance in radical transformation of its agricultural system.

One of the main obstacles toward direct inter-Korean cooperation is the lack of mutual confidence. Other countries, including Russia, could support inter-Korean economic exchanges, however, only when the two Koreas reach stage of mutual trust. But Russia’s mediator role will depend on the involvement of Russian business in inter-Korean cooperation.

Yeltsin’s era is finished and Russia is in a new stage of development now. In this case it is necessary to note that Russian foreign policy will follow a more pragmatic course. Consequently, pragmatism will play a more important role in Russian foreign policy towards the Korean peninsula in the near future. At the same time President Kim’s proposals may be characterized as very pragmatic in the sense that they are devoted to improving basic infrastructure such as railways, electricity, etc. Russia is interested in developing North Korea’s infrastructure and has a real opportunity to participate in these international projects.

Objectively North Korea must be interested in improving the basic infrastructure. Nevertheless, the realization of this proposal is not only the technical process. It also means that simultaneously it will be necessary to prepare and adopt an adequate legal base, including an Investment Protection Agreement, an Avoidance of Double Taxation Agreement, and an Agreement for Communication, Travel and Trade. But It may be easier for North Korea to accept this proposal if some other countries will participate in these international projects. It means that the internationalization of the reconstruction of North Korea’s basic infrastructure is a positive process. It can improve the political climate and provide impetus to the normalization of bilateral North-South Korean relations.

Moscow is interested in the transitioning of inter-Korean cooperation towards a South-North Korea Economic Community. Politically

⁷ H. French. Suddenly, a less reclusive North Korean reaches out of the world. *International Herald Tribune*, March 18-19, 2000, p. 5.

this process will stabilize the security on the Korea peninsula. Economically it gives Russia a good chance to participate in the Pacific integration process.

President Kim Dae-jung's proposals are a step towards radical improvement of the legal, political and economic framework of inter-Korean cooperation. But it will take a long time to introduce new mechanisms in North Korea's economy and in inter-Korean economic relations.

RECENT SITUATIONS PERTAINING TO HUMAN RIGHTS IN NORTH KOREA

White Paper on Human Rights in North Korea 2000
(Seoul: KINU, 2000) p. 173.

Due to continued food shortage and a continuing economic crisis, it is widely known that families have been disintegrated and individuals are even suffering personality disruptions in North Korea. Thus, people's basic rights to live are being menaced there. Human rights violations against North Koreans defecting abroad and the protection of their human rights has now become a hot issue in international public debate as the refugees have rapidly increased along with the worsening food crisis in North Korea.

Considering this reality, KINU's Center for Social Issues and Human Rights in North Korea has surveyed and collected information and material concerning human rights in North Korea and has, since 1996, been publishing its annual report entitled the "White Paper on Human Rights in North Korea." Its goal is to enhance concern on the part of the domestic and international communities about the human rights situation in North Korea, and to protect and promote the human rights of North Korean people as well. This *White Paper on Human*

Rights in North Korea 2000 reviews the human rights situation in North Korea for 1999 according to the guidelines set forth in the International Covenant on human rights and analyzes major human rights issues in North Korea. The White Paper is written based upon materials obtained from extensive personal interviews with defecting North Koreans, human rights reports and related materials pertaining to human rights in North Korea released by government and non-governmental organizations.

Chapter 1 of the White Paper introduces the special characteristics of the socialist system and human rights concept in North Korea in order to help understand the human rights issues of North Korea. The North Korean political system here is analyzed as both a Confucian socialist state as well as a totalitarian state dominated by single party dictatorship.

Then, it reviews the human rights situation in North Korea in detail based upon criteria that the International Human Rights Covenant has adopted. According to the International Covenant on Civil and Political Rights, or ICCPR, Chapter 2 examines grave violations in civil and political rights such as the right to life, illegal confinement and torture, unfair trial procedures, the right to equality and right to participate in politics, freedom of residence and movement, freedom of speech and press, freedom of association and assembly, freedom of thought and religion, and gender discrimination. It examines, in particular, that as deviant social behavior increases due to economic hardship, nationwide public executions have taken place by Kim Jong-il's "personal written order" in the latter half of 1995.

Based upon the standard set by the International Covenant on Economic, Social, and Cultural Rights, or ICESCR, Chapter 3 reviews such violations as the right to life, social welfare rights and medical care, freedom of labor union activity and employment, and unfairness in education.

And lastly, Chapter 4 analyzes major human rights violations relat-

ing to current issues in detail, such as violations at political prisoner camps, situations of abductees, and violations of escapees and refugees rights. This White Paper 2000 reveals violations which occurred at the political prisoner camps; around 200,000 political prisoners are incarcerated in about ten 'management centers' without due procedures.

Despite insurmountable constraints such as the problem of ascertaining objectivity and verifying some of the information and materials, the White Paper 2000 has succeeded in providing an accurate account of the human rights situation in North Korea. Given the practical obstacles of obtaining sufficient information, the White Paper 2000 greatly helps to serve all of those academic specialists and policy-makers involved in North Korean studies.

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