

SOUTH KOREA'S NORTH KOREA POLICY IN THE POST INTER-KOREA SUMMIT ERA: REALITY AND PROSPECTS

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For the past three years since the beginning of the Kim Dae-jung administration, remarkable performances in inter-Korean relations have been achieved. In addition, the South-North Korean Summit in June of 2000 has accelerated this increasing trend in inter-Korean relations. Nevertheless, whether or not there has been a basic change in Pyongyang's strategy toward the South has not been made clear. North Korea's will for peace remains as just rhetoric and has not been verified. Furthermore, North Korea's foreign policy is showing an even higher level of flexibility, elements of psychological war, camouflage tactics, and even unified front tactics in their strategy toward the South. At present, South Korea is facing a critical period of time in inter-Korean relations. South Korean people have mixed perceptions and views on the North Korea policy — hope and uncertainty, optimism and pessimism together. At this critical moment in terms of national security, South Korean people should not be lured by the symbolic changes in inter-Korean relations into a sense of complacency.

I. Introduction

For the last few years, the Korean Peninsula has faced a period of tremendous change and transition. The historic inter-Korean summit provided a new momentum for change and transition. Since the summit, a number of events have transpired such as routine meetings, visits between leaders from the two Koreas, the reunion of separated families (which also took place in 1985), various cultural exchanges and events, the joint entry of Olympic teams at the opening ceremony of the Sydney Olympics, the project to re-connect the Kyung-eui railroad line, the South-North Defense Ministers' meeting, a visit to the DPRK by US Secretary of State, and other events. Although whether Kim Jong-il will pay a return visit to Seoul remains to be seen, these are clearly the direct results of South Korea's new "Sunshine Policy" toward North Korea.¹

Being influenced by this rapid development in inter-Korean relations, the security environment surrounding the Korean peninsula has also been swiftly changing. Among other things, North Korea's crisis, which culminated a few years ago, is quickly entering on the path toward restoration and recovery.² The recovery of the North Korean regime is becoming a decisive factor influencing the new distribution of power in regional relations in Northeast Asia. Having survived and overcome its internal crisis, which lasted more than a decade, and was caused by shortages of food, energy, and foreign currency, North Korea is currently re-arranging its foreign relations.

First of all, North Korea is restoring and strengthening its traditional

1 Refer to Albright's interview with Diane Sawyer on ABC Television October 30, 2000. She emphasized that the US policy is being implemented based on the concerted efforts with South Korea, saying that "we are standing on his (President Kim Dae-jung) giant shoulders."

2 The Bank of Korea reports that North Korea's economy showed an increase of 6.2% in 1999, which was the first GDP growth since 1990. The Bank of Korea estimated that "North Korea's economy already escaped from the worst situation."

friendly relations with China and Russia. Also, North Korea has already normalized diplomatic relations with most Western countries including Australia, Italy, the United Kingdom, the Netherlands, Belgium, Spain, Germany, Luxemburg and Greece, and is also seeking diplomatic normalization with the EU as well as the US and Japan. As is well known, North Korea recently joined some international organization such as the ARF and is also making efforts to enter the IMF. In appearance at least, North Korea seems to want to open up and is showing a new positive attitude toward the international community.

The asymmetry and imbalance of power that has been maintained since the late 1980s between the two Koreas, which has been clearly in favor of South Korea primarily due to North Korea's crisis, is now changing toward a new type of symmetry or balance of power between both Koreas. The stability and peace on the Korean Peninsula, which has been maintained due to South Korea's absolute superiority in power over the last decade, is now facing a new era of uncertainty due to the possibility of the North's survival, which has been clearly helped by the South's large-scale aid.

This new order has some unique characteristics: First of all, it is being established under the slogan of 'unification' of the Korean nation, with a prevailing atmosphere of 'reconciliation-interaction-cooperation between both Koreas,' and 'co-existence and co-prosperity' of both Koreas. It should be noted, however, that this radical change may inevitably be accompanied by the potentially dismal prospect that large-scale aid to North Korea could lead to another confrontation, and may facilitate renewed tension between the two Koreas at a later date by recovering and strengthening the Northern regime. Certainly, these changes will become a great challenge and opportunity for Korean security in the years to come.

What are implications of the recent changes in the security environment of Northeast Asia for us? What should an effective North Korea policy and security strategy for South Korea be, which has the historic

mission to achieve national unification based on liberal democracy and free market system in the 21st century? This paper attempts to answer these questions.

II. Change In the Security Environment of Northeast Asia and North Korea Policy of the ROK

1. *Re-arrangement of the Security Order in Northeast Asia*

For the past few decades, the security order in Northeast Asia has been maintained based on the ROK-US, US-Japan alliances, and especially in recent years, a trilateral security cooperation mechanism among the three nations. With the emergence of China following its ambitious modernization project, the three nations' policy toward China has taken on the form of 'constructive engagement,' which implies a strategy of developing cooperative relations with China as far as it adapts to international norms on the one hand, while deterring the expansion of its hegemonic power in this region on the other. During this time, North Korea was not able to escape from its diplomatic isolation and economic decline due to the collapse of the Northern Triangle System. On the other hand, the influence of Russia in this region has remained negligible owing to the disintegration of the Soviet Union and the internal problems that followed.

As North Korea's crisis further deepened, the main interests of the countries in this region have been focused on how to manage the chaotic situation after the collapse of North Korea and, after that, how to eventually accomplish Korean unification. Under these circumstances, North Korea has continuously tried to develop its Weapons of Mass Destruction (WMD) as a means of assuring the survival of its regime and has pursued a foreign policy that threatens either a suicidal attack or the use of 'brinkmanship' tactics.

Through the recent revolutionary changes in inter-Korean relations, the security order surrounding the Korean Peninsula is also undergoing a critical transition. North Korea is emerging as a 'credible' member of the international community, which is fundamentally different from its past position as an irrational, cruel, and dictatorial regime of tyranny. During the inter-Korean summit in June of 2000, Kim Jong-il succeeded in transforming his past image of being an isolated, enigmatic terrorist into that of a rational, humorous leader who we can communicate with and is in firm control of North Korean society. The improvement in Kim Jong-il's image also improved Pyongyang's image in the eyes of the international community. Secretary of State Madeline Albright's visit to Pyongyang seems to have contributed to some extent to this shoring up of his image.³

The Northern Triangular system, which has disintegrated since the collapse of the Eastern European socialist systems, has nearly been restored, although it is not as firm as in the past. China seems to be satisfied with the recent developments on the Korean peninsula, therefore it is making efforts to further deepen its relations with North Korea. China, having worried about the feasibility of the collapse of the North Korean regime, now seems to believe that the recent developments are a good opportunity to maintain the status quo on the Korean peninsula and hopes to further expand its influence over both Koreas. For North Korea, China is its only ideological partner and significant ally that can provide substantial economic and military aid.⁴ Kim Jong-il's second visit to the PRC in less than seven months signifies North Korea's clear interest in following Chinese-style reforms and in introducing an open-

3 Albright mentioned in her interview with ABC television that Kim Jong-il was not the "peculiar person" and that "he is somebody that I had quite a logical and pragmatic discussion with. But we have to test what his intentions are and I think it's worth doing." (October 30, 2000).

4 Yong-pyo Hong, "Change in North Korea's External Relations," a paper presented in the 38th Domestic Seminar of the KINU (August 28, 2000).

door policy. Of course, it cannot be denied that one of Kim Jong-il's major intentions when he visited the PRC would be to enhance ties between the DPRK and the PRC by coordinating their diplomatic policies toward the US under George W. Bush's new administration. Chairman Kim must have discussed with Chinese leaders the North's policy direction for US-North Korea and inter-Korean relations under the Bush administration, which advocates 'peace through power.'

In terms of its relations with Russia, North Korea successfully concluded the "Treaty of Friendship, Good Neighborliness, and Cooperation" in February of 2000, thereby ending 10 years of estranged relations and recovering its friendship with Russia. In the wake of the treaty, Russian President Putin's visit to Pyongyang became a chance to re-affirm the new spirit of the treaty and establish a common front in confronting the establishment of NMD by the US.

North Korea's efforts to negotiate diplomatic normalization with Japan are also being continued. There still exist some complicated issues such as the resolution of past problems and the amount of compensation to be paid to North Korea. The Japanese government does not seem to be anxious or in any hurry to engage in negotiations over normalization with North Korea. The "don't miss the bus" psychology that was shown after the "China shock" of 1972 does not seem to be re-appearing this time.⁵

Indeed, re-distribution of power and the re-arrangement of the security order surrounding the Korean peninsula is progressing and accelerating with increasing speed.

2. Changes in North Korea's Situation

Following the historic inter-Korean summit, a controversial debate

5 The Japanese government has decided to send the rice of 400-500 thousands ton, more than UN WFP originally requested, to North Korea (September 21, 2000). Refer to "Ashahi Shinmun" (September 22, 2000).

erupted in South Korean society as to whether North Korea's sudden change in its attitude toward the South symbolized in its acceptance of the Summit, can be seen as a fundamental change in its policy toward South Korea or merely a tactical and flexible application of its long-standing goal of communizing the South.

First of all, it is clear that there are some signals of change in North Korea although North Korea's basic strategic goal toward the South seems to remain intact. Not long ago, North Korea's major mass media put forward unequivocally their arguments that: "Western ideas should not be permitted in North Korean society"; it is still emphasized, no less than before, that, "socialism should be firmly protected and maintained" and that, "the task of ideological indoctrination of the people should consistently be pursued;" it is also emphasized that, "the greatest weapon that can strike down capitalism in the forthcoming class struggle is the people's strong belief in socialism."⁶ However, the North Korean leadership seems to be undergoing a remarkable change and transition in its way of thinking with respect to its policy toward the outside. For example, the DPRK leadership publicly mentioned, "new thinking" in his New Year's message. Further, the chairman of the National Defense Commission (NDC) Kim Jong-il, toured some important industrial sites in China and praised China's economic performance achieved on the basis of a market economy. This shows that North Korea is profoundly interested in Chinese-style reforms and an open-door policy.⁷ Also, Kim Jong-il is keenly interested in obtaining new technology, especially information technology. He apparently wants to learn from the Chinese experience in developing the economy, but it is too early to conclude that he will strictly follow China's

6 Hyunjoon Cheon, "Internal Change in North Korea: Reality and Prospects," *Is North Korea Changing?* (Domestic Academic Seminar, KINU: August 2000).

7 *The Korea Herald*, "N.K. Following China's Example, President Says," 01/01/18. Refer to President Kim's remark on January 17. See *Chosun Ilbo*, "Government to seek Permanent Peace System," 01/01/17.

steps.

The most important determinant in Korean security is undoubtedly North Korea's South Korea strategy, especially North Korea's military intentions and capabilities against the South. In this regard, North Korea's military, especially after the summit, is the most important aspect to consider.

In 1999, it was reported that there were major movements in North Korea's military such as the placement of large numbers of artillery and rocket launchers near the DMZ. Even after the summit of last year, Kim Jong-il reportedly does not neglect his regime's preparedness for war. Although a renewed war between the two Koreas is unlikely at this time, it is clear that the DPRK has the military capability to wage such a war.⁸ For the ardent desire to improve inter-Korean relations on the part of South Korea to be realized, some visible measures should be taken on the part of the DPRK. In other words, North Korea must respond to the ROK's efforts to reduce tensions and build confidence on the Korean peninsula by beginning substantial discussions on critical issues such as the pulling back of forces from the DMZ and eliminating its WMD.

In contrast with the stalemate in the military sector, North Korea has been showing signs of attempting to implement the 6-15 Joint Communiqué in such areas as economic cooperation, cultural exchanges, sports, and the reunion of separated families. Regarding the issue of separated families, the prospect for large-scale meetings such as the South hopes for is not very bright, despite the fact that Korean authorities from both sides have agreed upon another exchange of visits by 200 members of separated families. The issue of separated families can never be a humanitarian one in such a closed and oppressed society as the North is. Rather, it is very much a political issue because

8 Steven Lee Myers, "Pentagon Says North Korea is still a Dangerous Military Threat," *New York Times* (September 22, 2000).

it could profoundly threaten the security of the regime and the existing internal order of North Korea.

3. South Korea's North Korea Policy

As is already well known, the North Korea policy of the current ROK government can be epitomized as: "pursuing the co-existence, reconciliation, interaction and cooperation with the North as much as possible, inducing North Korea toward change and opening through aiding the regime," thereby "eventually dismantling the Cold War structure on the Korean peninsula and gradually establishing the foundation for peaceful unification." This policy is well described in "The Three Principles of North Korea Policy" proclaimed immediately after the President Kim's inauguration, "The Three Principles of the Security Policy" stated in January of 1999, "The Principle of Separation between Political and Economic Matters," and "The Principle of Flexible Reciprocity."

The year 1999 was a year in which the ROK's new North Korea policy, referred to as the "Sunshine Policy," was put to the test. North Korea's test launching of a long-range missile following the detection of a suspicion site at Kumchangri for nuclear development was enough to bring the Korean peninsula into another crisis situation, which was the most dangerous since 1994. The ROK government responded to this crisis with trilateral security coordination and cooperation with the US and Japan. After several months of policy coordination, the three nations introduced the so-called "Comprehensive Approach" or "Perry Processes." Afterwards William Perry, the US's Korean Peninsula Policy Coordinator, delivered it to the North Korean leadership and attempted to persuade them to accept it when he visited Pyongyang in May of 1999. Due to Pyongyang's refusal of this proposal, tension on the Korean peninsula heightened again and reached a culmination in the summer of 1999. However, the coordinated military

pressure of three nations against Pyongyang succeeded in bringing North Korea into acceptance of the Berlin Missile Agreement in September of 1999.

Together with the conclusion of "Perry Report," the "Perry Processes" were regarded as the only alternative to a nuclear-missile crisis. The methodology of the Perry process is simple and clear-cut: If North Korea continues the development of WMD, coordinated military pressures by ROK-US-Japan will be put toward the North; instead, if North Korea gives up its WMD development program, large-scale aid will be provided. In this sense, the Perry process is called a two-track approach.⁹ This approach is also regarded as a strict application of the "principle of reciprocity" in North Korean affairs.¹⁰

The year 2000 marked a watershed in the history of inter-Korean relations because of the South-North Korean Summit Talks. Since the summit, the ROK's policy toward North Korea has been further articulated and elaborated upon: "If North Korea's economy recovers and improves, the threat of war will disappear and peace can be achieved on the Korean peninsula; through a balanced and symmetric development of the economies of both Koreas, they can achieve a mutual aid system, interdependence, co-existence, and co-prosperity."¹¹

In brief, the North Korea policy of the Kim Dae-jung administration can be praised for its successful contribution to the expansion and improvement of inter-Korean relations, at least in scale and quantity. The visible improvement in various sectors that has been achieved over the past three years supports this argument. Also it is a new development that the "central point" in relations with Pyongyang has moved from US-DPRK relations to South-North Korea relations,

9 Refer to "Perry Report."

10 William Perry emphasized in his report several times the importance of "reciprocity" in negotiations with North Korea.

11 ROK President Kim Dae-jung's speech in the meeting of the separated families at the Blue House on August 15, 2000.

although after Albright's visit to Pyongyang this pattern seems to be undergoing yet another change.

However, the expansion of ties between the two Korean societies and any "spill-over" effects, which are the goal that the reconciliation policy generally pursues, are not as visible as expected considering the current status of inter-Korean relations. This is because of Pyongyang's cautious, and so far effective, interception and isolation policy towards its own people. In other words, Pyongyang continuously fears the possibility of "spill-over" effects that the expansion of inter-Korean relations could bring about and the impact that these could have on the North Korean people. Therefore, one possibility that must be taken seriously is that the provision of large-scale food, fertilizer, and even hard currency aid to North Korea could threaten peace and stability on the Korean Peninsula if they are used to increase North Korea's military capability. The problem is that the ROK's new policy, although having the primary objective of achieving a permanent peace on the peninsula, could allow the Kim Jong-il regime to survive and recover. Large-scale aid to North Korea without ascertaining the North's true intentions regarding the reduction of tensions and peace-building measures could result in sowing the seeds of tension on the Korean peninsula in the future. The feasibility of this prognosis depends upon the North's attitude, which has so far been unclear.

III. Prospects for Change in North Korea and Some Policy Suggestions

Following the South-North Summit and developments in the US-DPRK relations this year, several prospects and points with respect to the change in North Korea and inter-Korean relations could be inferred.

The first prospect is that North Korea will manage to recover its

strength by taking advantage of the opportunity provided by the current reconciliation atmosphere.

Pyongyang seems to pursue or envisage a Chinese or Vietnamese style of development or a South Korean style of “dictatorial development,” or a mixture of these to reform and open the regime. Nevertheless, it is quite clear that Pyongyang will stick to its goal of building a “Powerful and Prosperous State.” Among other things, Pyongyang is expected to expend a great deal of effort to recover from its regime crisis, strengthen its economic infrastructure in areas such as energy, SOC, computers, food supplies, and gradually introduce a partial market system. Despite debate and controversies as to the future of the North Korean economy, the North Korean economy is expected to show remarkable improvement, even faster than anticipated, given the continuous large-scale aid to the North and political stability based on Kim Jong-il’s firm hold on power, as long as Kim Jong-il himself remains healthy.

The second prospect is that the effect of “change through contact,” which is the most widespread expectation among the South Korean people, will not affect North Korea.

The on-going humanitarian and material exchanges and contacts between both Koreas could create momentum for internal change in North Korean society. In this case, a gradual change in the North Korean people’s belief system and their perception towards the capitalist system could emerge first among the elites who have more frequent contacts with the outside world than ordinary people.

As mentioned, however, there is no signal at the present time that the North Korean leadership under Kim Jong-il’s control has essentially changed its long-standing goal of unification by force, nor have they realized the inefficiency and structural problems of their socialist system, and therefore the historic inevitability of having to transform it into a capitalist system. Instead, it is quite true that the North Korean leadership has a strong fear that the reform and opening of its regime

could disrupt its internal order and ultimately even bring down the regime.

Therefore, the prospect of this type of “soft-landing” is not high and thus cannot be estimated or predicted confidently. We should be reminded that German unification is also a lesson to North Korea as well as South Korea. The Korean peninsula is much more heavily militarized than Germany and the extent of the spread mass media in North Korea is even more limited than it was in East Germany. Both Koreas have experienced a civil war while the Germans did not. Considering these unique characteristics of the Korean peninsula, it should be pointed out that the possibility that Korea will follow the German model is indeed slight.¹²

The third scenario is that South and North Korea will not follow the road to peaceful unification based upon mutual agreement.

Kim Jong-il’s return visit to South Korea this year and the potential ensuing of regular inter-Korean summits could be considered as a sign favorable to and supporting the prospect of peaceful unification based upon mutual agreement. In fact, both Koreas seem to have found a solution to the problem of the method of unification, which is to establish a middle step on the way toward ultimate unification: the adjustment and agreement between South Korea’s idea of a “confederation” and North Korea’s idea of a “low-level federation.”¹³ In this unification formula, the existence of two different local states (or governments) having their own autonomy is recognized, including the areas of defense and foreign policy. In this formula, a type of “National Supreme Council” above the two local states (or governments) could be set-up. But some questions naturally arise from this unification formula, as follows:

12 Albright mentioned, while on the way returning to the US on October 26, “From my own perspective, I’d say that the differences between East and West Berlin were much less than between Pyongyang and Seoul.”

13 Refer to *the 6-15 Joint Communiqué Article 2.*

First, since this “confederation-low level federation” formula assumes the autonomy of both states (or governments) in the military sector, it will make for extremely difficult or ineffective management of the unified (under the confederation-low level federation) state. In reality, rather, there is a high possibility of it being short-lived or of the formula even failing.

Second, a critical question regarding the identity of the political-economic system can arise, especially in South Korea, which is currently based on the ideas of a liberal democracy and a free market system. In other words, the problem is whether or not unification based on this formula is compatible with democracy and capitalism. Currently, the debate has already begun inside South Korean society.

Third, another critical problem is how we should deal with the stationing of foreign troops on South Korean soil as it is unnatural to recognize the existence of foreign troops under a unified state: Probably this will be an argument that the North will employ. In terms of the current contrast of military power between both Koreas, it is clear that South Korea is inferior to the North without US troops on the Korean peninsula. South Korea has no defense mechanisms against the North's WMD and large numbers of artillery near the DMZ. Without the presence of US troops, if the North Korean leadership pursues its long-standing strategy toward the South, “unification by force,” the situation could be very dangerous for South Korea's security.

The possibility is not high that this scenario will be realized. But as US-DPRK relations are swiftly improving, the issue building a peace regime might be dealt with only between the US and DPRK without the ROK. As President Kim Dae-jung emphasized, any peace agreement on the Korean Peninsula should absolutely be made between South and North Korea, which are the central players in Korean peninsula affairs.¹⁴

14 Refer to the President Kim Dae-jung's comment: He repeatedly emphasized that the two Koreas should reach an accord on a peace system, with the US and the PRC

The Fourth perspective is that the DPRK's desire to develop WMD will not be easily abandoned.

The DPRK seems to have strongly wished to have US-DPRK missile talks as an opportunity to obtain missile technology and compensation money. Previously, the DPRK offered to halt its missile development program in exchange for assistance with launching satellites into space. As the 1994 Agreed Framework could provide North Korea with dangerous nuclear technology and know-how, a deal that helps the DPRK to launch satellites could provide it with the technology to perfect its long-range missiles.¹⁵

It is true that the US is primarily concerned about the North's long-range missiles while South Korea and Japan are more concerned about the North's short-range and medium-range missiles.¹⁶ If the US unilaterally makes a deal with the DPRK only covering long-range missiles without consideration of short- and medium-range missiles, then there may arise some complaints and mistrust on the part of South Korea and Japan. Then the result could be that North Korea will succeed in driving a wedge between the US, ROK, and Japan over the missile issue. The issue of WMD needs to be dealt with comprehensively between the trilateral team (ROK, US, and Japan) and the DPRK as in the Perry processes.

For South Korea's part, the DPRK's chemical and biological weapons are perceived as being more threatening than its missiles, since Seoul is located only 50 km from the DMZ. One more thing to note in regards to the missile deal between the US and the DPRK is the

supporting and guaranteeing it. Renewing of the Four-Party Talks is justified necessary from this background.

15 Henry Soloski, “This is No Way to Curb the North Korean Threat,” an essay in *Washington Post* on October 29, 2000.

16 In Albright's bilateral talks with Kono, Japanese Foreign Minister, following the three-way meeting, she was quoted as saying that her talks with the DPRK leader Kim Jong-il covered “all kinds of missiles.” Nevertheless, Japan's attitude is still skeptical on the deal between both countries.

possibility of 'KEDO-like compensation' to the DPRK. Seoul's position on this issue appears to be very cautious and negative. South Korean people consider it a luxury for a country still grappling with Asian crisis to participate in any compensation plan for missiles.¹⁷

<Some Problems in the Discussion of the Permanent Peace Regime on the Korean Peninsula>

Currently, as is well known, the Korean peninsula is under the security arrangement of the Armistice Agreement, which, it is argued by the North, is unnatural, and so should be revised with a normal "peace regime." In the past, North Korea insisted that a peace regime should be arranged exclusively between the US and North Korea without South Korea because South Korea was not a signatory to the armistice truce. However, around the end of last year when Special Envoy Jo Myong-rok visited Washington, North Korea's attitude seemed to have changed a little: the Joint Communiqué emphasized the idea that a permanent peace arrangement should be made mainly between South and North Korea.

The problem is that: In the situation where a controversial peace regime of any type is formed and realized, the status and size of the US troops can be questioned although North Korea accepts the existence of US troops on the Korean peninsula. For instance, North Korea may insist that, as a "stabilizer" and also as a "guarantor" of the security of both Koreas, the status of the US troops should be changed to a UNPKO (Peace Keeping Operation) type and that, in terms of the size of the troops, it should be decreased substantially to a symbolic level.

IV. Concluding Remarks

For the past three years since the beginning of the Kim Dae-jung administration, remarkable breakthroughs in inter-Korean relations have been achieved. Furthermore, the South-North Korean summit in June of 2000 has accelerated this trend in inter-Korean relations. Ironically, North Korea is the greatest beneficiary of active South-North Korean relations. North Korea is emerging as a new element in the re-arrangement of the security order in Northeast Asia.

Nevertheless, whether or not there has been a basic change in Pyongyang's strategy toward the South has not been made clear. North Korea's desire for peace remains only rhetoric and has not been verified. Furthermore, North Korea's foreign policy is showing an even higher level of flexibility, elements of psychological war, camouflage tactics, and even unified front tactics in their strategy toward the South. This is fundamentally distinguishable from the past ideologically inflexible and hard line policy toward the outside world.

North Korea seems to be attempting to delay specific and clear responses to the issues that South Korea hopes to deal with such as tension reduction, confidence building, arms control, and eventually peace building on the Korean peninsula, while attempting to get as much aid as possible from Seoul by prolonging the inter-Korean dialogues as long as possible. Furthermore, North Korea is showing its intention to raise nationalistic sentiments through "unification" propaganda, thus increasing anti-American sentiment, thereby inducing a split in the national consensus with respect to the issue of inter-Korean relations and unification.

At present, South Korea is facing a critical period of time in inter-Korean relations. The South Korean people have mixed perceptions and views on North Korea policy — hope and uncertainty, optimism and pessimism mixed together. What is clear at this moment is that the North's military capabilities have not diminished, and that Pyongyang

¹⁷ *Hankook Ilbo*, *Chosun Ilbo*, October 26, 2000.

has remained a “totalitarian dictatorship of the most extreme kind.” That is why the South Korean people should not be lured by the symbolic changes in inter-Korean relations into “a sense of complacency.”¹⁸

18 Robert Dujarric (Hudson Institute), “Changes on the Korean peninsula and Prospects for the Establishment of Peace in Northeast Asia,” in *the International Symposium on Changes in Inter-Korean Relations* (November 2, 2000) jointly held by the KINU, Korea Press Foundation, and Korea Information Service.

ONE YEAR AFTER THE SUMMIT: NORTH KOREA'S POLICY DIRECTIONS AND PROSPECTS FOR INTER-KOREAN RELATIONS

Jin-Wook Choi

With the dramatic inter-Korean summit in June of 2000, inter-Korean relations were expected to enter into a new era of reconciliation and cooperation. The summit was consequently followed by a number of events on the Korean peninsula. The two Koreas met for ministerial-level talks, reunions of separated family members, defense minister talks, and other events. North Korea actively expanded its foreign relations. It normalized diplomatic relations with 13 EU countries as well as Australia, New Zealand, the Philippines, and Canada; it also joined the ASEAN Regional Forum (ARF). North Korea's vice marshal Jo Myong-rok visited Washington and U.S. Secretary of State Madeleine Albright paid a visit to Pyongyang.

North Korea's attitude seemed to be different from that of the past. It was generally agreed that the inter-Korean relationship is undergoing an irreversible change for the better. The prospects for inter-Korean relations seemed bright, at least in the short-run, although long-term prospects for inter-Korean relations are not yet so clear.

However, the rosy picture of inter-Korean relations began to be overshadowed by North Korea's boycott of inter-Korean

meetings such as the fifth round of ministerial-level talks and Red Cross talks, which took place following the inauguration of the Bush administration in the U.S. Now, inter-Korean relations appear to greatly depend on the relations between Washington and Pyongyang.

The purpose of this paper is to analyze North Korea's policy direction and prospects for inter-Korean relations in the post-summit era. First, this paper reviews North Korea's changing survival strategies in the 90's. Secondly, this paper will analyze North Korea's policy goals and hurdles that must be overcome to develop inter-Korean relations. Thirdly, this paper analyzes North Korea's foreign policy direction and prospects for inter-Korean relations.

North Korea's Strategy for Survival: Domestic and Foreign Policy

Domestic Policy

North Korea's foremost concern is to maintain its socialist system, and its internal and external policies are focused on this goal. Internally, North Korea consistently emphasizes the significance of ideology, party, and the military. North Korean leaders seem to believe that the demise of the socialist bloc in Eastern Europe was due to a failure of ideology. Thus, they emphasize the importance of ideology in maintaining the socialist system in North Korea.

The Party is responsible for strengthening ideology—North Korea's unique brand of socialism. The relationship between the Communist Party and the administrative organization is often likened to the captain of the boat and the rowers. Party workers in the back should steer

so that administrative and economic workers can follow the party line.¹ Article 11 of the new Constitution also states that, "the DPRK shall conduct all activities under the leadership of the Korea Workers' Party."

In North Korea, the leading role of the party has been strengthened to overcome the crisis that is facing the regime and to stabilize Kim Jong-il's power.² Although the status of the Cabinet was elevated under the new constitution, this change does not seem to affect the guiding role of the party over the government. Particularly in the area of organization and ideology, party guidance could be firmer. However, if Kim Jong-il wants to directly control a department, control of the party inevitably becomes weaker. For example, the party's International Department has less power to control the Ministry of Foreign Affairs. However, this control was weakened only in policy guidance, and guidance in organization and ideology is not affected.

One of the most significant characteristics of North Korean politics in recent years is its "Army-First Policy," which is based on enhancing the status of the military. Since Kim Il-sung's death, Kim Jong-il has ruled North Korea as commander-in-chief of the Korea People's Army (KPA) and has maintained military rule. The status of the military has been enhanced, and the military has emerged as the center of the North Korean political system. All the social sectors have been forced to follow military spirit and military methods as a role model. Kim Jong-il's public activities have heavily focused on his so-called "on-the-spot guidance" of places and events related to the military.

On October 5, 1998 Kim Jong-il officially ended the transitional period that followed the death of his father by resuming his post as chairman of the National Defence Commission (NDC), which was

1 Kim Il Sung, "Improving and strengthening the party's works on organization and ideology," *Kim Il Sung's Works* (Pyongyang, KWP Press, 1982), p. 157.

2 Kim Jong-il started his career as a party cadre and his succession to power has consistently taken place within the structure of the party. Moreover, most of his strong supporters are in the party and the party at large is his most loyal supporter.

strengthened in its role and status under the new constitution. The new constitution defines the role of the NDC as “the highest guiding organ of the military and the managing organ of military matters.” The NDC chairman holds the right to control all the armed forces. In a speech which endorsed Kim Jong-il as NDC chairman, Kim Young-nam made it clear that the NDC chairman is the highest leader of the country, in charge of all matters regarding the country’s politics, economics, and military. Thus Kim Jong-il is, in fact, the head of state, although, theoretically, the chairman of the SPA Presidium represents the state and is responsible for foreign affairs such as reception of foreign envoys and the signing of treaties with foreign countries. The new constitution can therefore be described as institutionalizing military rule.

The enhanced status of the military and a military-centered political system was demonstrated by the promotion of NDC members in the official power hierarchy.³ Kim Jong-il has treated the armed forces better than his father did by frequently visiting events and places related to the military, and by promoting military officials in the power hierarchy. The Central Military Committee appears to be independent of the Central Committee, and is in practice treated as equal to the Central Committee. Although the Central Military Committee has nothing to do with selecting the party’s secretary-general, it—together with the Central Committee—endorsed Kim Jong-il as secretary-general in October of 1997.⁴ This could be interpreted as a dual struc-

3 At the first session of the 10th SPA, all of the 10 NDC members were ranked within the top 20 on September 5, and again all but one occupied the top 20 at the 50th anniversary of National Foundation Day on September 9. The new ranking disturbs the traditional official hierarchy of North Korea. Traditionally the ranking was made in the order of Politburo full members, candidate members, and then secretaries, although some military officials were ranked higher than Politburo members after Kim Il Sung’s death. However, the September ranking is completely different from that of the past. Yon Hyong Mook and Hong Sung Nam, both members of the NDC but only candidate members of the Politburo, outrank some full Politburo members.

4 Kim Jong-il completely ignored the due process of election. This means that Kim Jong-il is above the party’s Central Committee.

ture of military and party rather than simply a reflection of the strengthened status of the military.

As the status of the military rises, the military may have a bigger voice in matters such as the defense industry and security issues. But the mechanisms of internal control are absolutely maintained by the party.⁵ That is, the enhanced status of the armed forces will be limited to their increased role in military affairs. Even this increased participation in decision-making is based upon the assumption that Kim Jong-il holds the ultimate authority. In North Korea, where the paramount leader plays the role of a final arbiter or enforcer, bureaucratic disputes or a military veto are quite inconceivable. The military is only allowed to respond to questions asked by Kim Jong-il. Thus the enhanced status of the military does not signify a fundamental change of party-military relations. Although Kim Jong-il trusts and relies on some military officials more than party officials, the military as an institution is unable to overwhelm the party. As long as the party controls the organization and ideology of the military, control by the party seems unaffected.

In sum, North Korea’s internal policy is properly expressed in its slogan of “A Strong and Prosperous Nation,” which first appeared on August 22, 1998. Although some people regard the slogan as North Korea’s declaration of its intent to focus on economic development, it is more likely that the slogan emphasizes ideology, politics, and the military.

5 The military does not appear in diplomatic negotiations such as missile talks and Four-Party Talks. It is simply because the military does not have the people and organizations that can handle such tasks. It is sufficient that the officials of the Ministry of Foreign Affairs listen to the opinion of the military before they go to talks. In case of purely military talks, the military comes to the negotiation table, but the military delegates are supposed to read what they are told by the party or related organs. For example, North Korean delegates have to go through intensive training and education of the party’s Department of Unified Front and the Ministry of Foreign Affairs, when military talks are held between North and South Korea.

External Policy

While North Korea's internal policy has consistently focused on the significance of ideology, party, and the military, its external policy has been changeable, even flexible, in pursuing its goal of maintaining the system.

During the last decade, North Korea has employed various tactics in its relations with the outside world.⁶ In the early 1990s North Korea tried to overcome its problems through inter-Korean contacts. North Korea signed "The Agreement between the North and the South on Reconciliation, Non-Aggression, Exchange and Cooperation" (known as the Basic Agreement between the North and the South) in December of 1991. It also agreed on the "Joint Declaration on the Denuclearization of the Korean Peninsula," and decided to join the UN together with South Korea.

However, North Korea, which appeared to be eager to continue a dialogue with the South at the time, dramatically changed its tactics. When the nuclear crisis occurred in 1993, North Korea began to negotiate only with the U.S., excluding South Korea entirely. The Basic Agreement failed to be implemented, and the inter-Korean dialogue was completely deadlocked.

In 1994, when North Korea's "Great Leader" Kim Il-sung died, the crisis the nation faced appeared to be fatal. It seemed that North Korea would not be able to exist without outside help. Therefore, North Korea desperately sought to obtain international aid. At that time, North Korea also seemed to lose its pride in having established a "paradise on earth."

The transitional period ended in 1998, when Kim Jong-il reassumed the NDC chairmanship and a number of progressive clauses were introduced to the amended Constitution. Since then, North Korea

⁶ Park Jong Chul, "Meaning of Inter-Korean Summit and its Future Prospects," a paper presented at the 36th Conference, KINU (May 30, 2000), pp. 9-11.

began to actively expand its foreign relations due to its newfound political stability. Through these new relationships with the outside world North Korea hopes to obtain security guarantees, diplomatic relations, and economic assistance. North Korea has tried to accelerate the process of improving relations with the U.S. and Japan. It also normalized diplomatic relations with 13 EU countries as well as Australia, New Zealand, the Philippines, and Canada, and restored its close relationship with traditional allies such as China and Russia.

North Korea began to respond positively to government-level talks with the South for economic assistance. Improving relations with South Korea could also serve as a stimulus for breakthroughs in negotiations with the U.S. When North Korea encounters difficulties with the U.S., it tends to emphasize nationalism rather than class struggle and shows a conciliatory attitude toward South Korea. In 1989, when socialism in Eastern Europe was collapsing, Kim Jong-il presented a paper, "Let's First Enhance the Spirit of Korean Nationalism," and in an article in 1996 titled, "On maintaining Juche and Nationalism in Revolution and Construction," Kim said that class and nationalism are complementary. In summary, North Korea has explored a number of policy options to insure the survival of its system during the last decade, among which are the Inter-Korean summit talks and subsequent government-level talks.

North Korea's Policy Goals and Hurdles

North Korea's Policy Goals

North Korea's strategy to survive and maintain its system requires it to resolve its current problems: security, diplomatic isolation, and economic hardship. In order to overcome an economic hardship, North Korea has no other choice but to rely on South Korean assistance.

Above all else, North Korea's decision to accept the inter-Korean summit talks is attributed to its hope to gain economic assistance from South Korea. Indeed, the inter-Korean summit talks and the resulting government-level talks have provided North Korea with some economic benefits.

However, North Korea seems to be obsessed only with inter-Korean programs that promote its economic benefits, and does not seem to be interested in peace on the Korean peninsula. As for its security problem, North Korea believes it should conduct talks exclusively with the U.S. In order for North Korea to obtain security guarantees, it must sign a peace treaty with the U.S. Other items that North Korea would like to accomplish include its being removed from the U.S.'s list of nations that sponsor terrorism, the opening of liaison offices, and the lifting of economic sanctions.

The visit of Jo Myong-rok, vice marshal and first vice chairman of the National Defence Commission, to Washington shows that the security issue is North Korea's top priority. Other issues, such as its inclusion on the list of nations that sponsor terrorism, do not seem to be so important as to have compelled Jo Myong-rok's visit to the U.S. Those items may be left to Kang Suk-joo, the North's first vice foreign minister, to negotiate.

Kim Jong-il, in his letter delivered by Jo to U.S. President Clinton, expressed his hope for a "dramatic change" in ties with the U.S. Kim Jong-il was quoted as saying that North Korea would turn the current bilateral confrontation and hostility to a new relationship of friendship, cooperation and good-will, if and when North Korea is given a strong and concrete guarantee from the United States of North Korea's sovereignty and territorial integrity.⁷ The U.S. and North Korea issued a joint statement in which the two countries agreed to take steps to fundamentally improve their bilateral relations in the interests of enhancing

⁷ *New York Times*, October 12, 2000.

peace and security in the Asia Pacific region.

Before the end of the Clinton administration, North Korea appeared to be in a rush to achieve a breakthrough on the security issue, removal from the terrorism list,⁸ an agreement on the North's missile and nuclear development program, and the establishment of liaison offices. Jo Myong-rok's visit provided both countries with an opportunity to comprehensively discuss those issues. In addition, by expanding relations with South Korea, North Korea may have hoped to press the U.S. in negotiations.

Although the U.S. may be able to provide security guarantees, Japan is viewed as the best source of substantial economic assistance. Thus, for North Korea, receiving war compensation from Japan is crucial for long-term economic recovery.

Hurdles to Cross

A favorable situation must be presented in both North and South Korea and in the international community, particularly the U.S., for inter-Korean relations to continue to develop. Indeed, for inter-Korean relations to continue to progress, all three situations should move in a positive direction.

Factors in South Korea

While most South Koreans welcomed the summit talks, many people experienced a feeling of uneasiness over the rapid development

⁸ The U.S. and North Korea had three meetings regarding the terrorism list three times this year, in March (New York), August (Pyongyang), and September, and one meeting on the missile issue in July (Kuala Lumpur). Ambassador Michael Sheehan, U.S. counter-terrorism coordinator, met with Kim Gye-gwan from September 27 to October 2. On October 8, North Korea and the U.S. issued a joint statement on international terrorism, in which the North expressed opposition to any kind of terrorism.

in inter-Korean relations.⁹ In the aftermath of the summit talks, they are carefully watching North Korea's behavior.

The ruling and opposition parties disagree on how fast inter-Korean dialogue should progress. The opposition Grand National Party (GNP), South Korea's largest political party, warns the Kim Dae-jung government against moving too hastily in inter-Korean relations. GNP leader Lee Hoi-chang made clear his opposition to any debate on national unification based on the proposal of the two Koreas forming a federation.¹⁰ He said that North Korea's idea ran counter to South Korea's national goals and interests because a lower stage of federation would inevitably lead to a higher level of federation. Former President Kim Young-sam is another fierce opponent of the Kim Dae-jung government's North Korea policy. He is even opposed to Kim Jong-il's visit to South Korea, denouncing him as a dictator and terrorist. Many politicians also point out that Joint Declaration failed to make any reference to security-related matters, ways to reduce tensions or the institutionalization of peaceful relations.¹¹ Those who feel uncomfortable with the current state of inter-Korean relations seem reluctant to trust North Korea's sincerity in making peace on the Korean peninsula. The trespass by North Korean Cargo ships into South Korean territorial waters in June only increased their concern and pessimism.

South Korea's economic capability is another important factor that can keep North Korea interested in contacts with the South. Since North Korea expects a huge amount of economic benefits from inter-Korean dialogue, South Korea should be able to provide what North

9 Not only conservative groups but also some progressive intellectuals think that inter-Korean relations are developing too fast. Professor Choi Jang Jip, former chairman of Presidential Commission on Policy and Planning, regarded as one of the most liberal scholars, said that the government must consider adjusting the pace of development in inter-Korean relations. *Korea Herald*, October 7, 2000.

10 *Korea Herald*, October 12, 2000.

11 Lee Dong-bok, "Inter-Korean Summitry: Another Indian Game of Elephant versus People?" *Korea and World Affairs* (Summer 2000), p. 223.

Korea desires. In this sense, the South Korean economy should be stable and prosperous. The recent crisis of the Hyundai Group is by no means helpful to inter-Korean relations. The capability of South Korea to keep the Mt. Geumkang project alive and to supply electricity to the North could be regarded by Pyongyang as a crucial impetus to improve inter-Korean relations.

Factors in North Korea

The South Korea factors are closely related to North Korea's policy of reform and openness. In order for inter-Korean relations to continue to develop, North Korea should keep its promise agreed upon at the summit and in later meetings with the South: the demining of the DMZ for the railroad project, the establishment of a permanent meeting place for separated families, and, most importantly of all, Kim Jong-il's return visit to Seoul.

Appropriate and major domestic changes in North Korea will also be required. In particular, the North's economic reform policy will be essential to attract outside resources. If North Korea simply tries to maximize economic assistance from South Korea and western countries without taking meaningful domestic reforms, inter-Korean relations may receive a setback. If North Korea sticks to the North Korean brand of socialism, South Korean public opinion will become impatient with continuing economic assistance.

It is not an easy task, however, for North Korea to abandon the domestic characteristics that it has maintained for several decades: the Juche ideology, a military-centered system, KWP control over the state, and class policy. North Korea has constructed its system from a political, military, and ideological standpoint rather than from the standpoint of effectiveness.

For example, North Korea has pursued a regional self-reliance system on the basis of a county unit. Each county has been designed to

attain economic and military self-reliance. Thus, North Korea introduced local public finances and fostered local industries for self-sufficiency. Freedom of relocation of labor beyond the county boundary has been strictly controlled. North Korea has also dispersed local factories all over the country so they would be able to survive without assistance from the central government in case of war. Each county has 20 local industrial factories on average, which account for 30-40% of North Korea's total industrial production. North Korea believes the dispersion of industrial facilities can minimize damage in case of war, which could be more serious when industrial facilities are concentrated in a few locations. Such a system may be good for self-defense, since each county can survive for a long period of isolation, however, the regional self-reliance system results in an ineffective economy. A regional self-reliance system discourages the development of infrastructure, particularly transportation, since production and consumption are supposed to take place very closely within the same county. To support changes and reform, North Korea also needs to establish a state bureaucracy based upon specialization rather than loyalty or ideology. However, this means the abandonment of privilege by North Korea's current ruling elite.

International Factors

North Korea's missile development program is the most important issue that North Korea has to resolve to improve relations with the U.S. and Japan. For the U.S., North Korea's missile program, including its missile exports, is a major concern, although such issues as terrorism, human rights, and tension reduction on the Korean peninsula are also significant.

During his visit to Washington, Jo Myong-rok reaffirmed the North's moratorium on testing long-range missiles for the duration of talks with Washington, and Kim Jong-il indicated the North might give

up its missile program in exchange for U.S. help in launching North Korean satellites into space. North Korea has reportedly expressed its willingness to suspend missile exports, if Washington pays \$3 billion in compensation. It is not clear how much North Korea is willing to open its nuclear program, however, which is the single most powerful leverage that it could use in negotiations with the U.S.

The U.S. has rejected North Korea's demand to pay cash in compensation for suspending missile exports, saying it would not reward a bad behavior,¹² although it was later known that the U.S. was flexible to offer additional easing of economic sanction. The U.S.-DPRK talks on North Korea's missile development program, held in Kuala Lumpur (November 1-3), covered the full range of missile issues under consideration. However, the talks ended without accord, although Robert Einhorn, chief U.S. negotiator, said that progress had been made. The U.S. reportedly proposed that North Korea suspend all research and development of missiles with a range of more than 1,000 kilometers in exchange for launching the DPRK's satellites into orbit. The U.S. also demanded removal of missiles with a range more than 300 kilometers. Regardless of its desperate efforts during the final weeks of the Clinton administration, North Korea failed to achieve a breakthrough on the missile issue.

The U.S. became even tougher in dealing with North Korea, after George W. Bush came into office. President Bush put aside the Clinton administration's two-year campaign for a missile deal and the eventual normalization of relations with North Korea, although he would continue the process of engagement with the North.¹³ He said that he has some skepticism about Kim Jong-il, and emphasized the need for complete verification on the terms of any future agreements with North Korea.¹⁴

¹² It was later known that the U.S. was flexible to offer additional easing of economic sanctions in return for North Korea's suspending missile exports.

¹³ *The Korea Herald*, January 19, 2001.

President Bush announced the resumption of talks with North Korea on June 6 after the completion of a policy review towards North Korea. However, he made it clear that the U.S. will pursue its discussions with Pyongyang as part of a comprehensive approach, including improved implementation of the Agreed Framework, verifiable constraints on North Korea's missile programs, a ban on its missile exports, and a less threatening conventional military posture.

As for Japan, the development of inter-Korean relations faces limitations without Japan's active participation. Japan is the country that can provide the kind of large-scale assistance to North Korea that is essential for long-term economic recovery. Realizing that they have a great deal of influence, some Japanese believe that they might be able even to veto the development of inter-Korea relations. In normalization negotiations with North Korea, Japan is sticking to its demand for information regarding 'abducted' Japanese citizens and missile proliferation issues covering both the Daepodong and Rodong missiles.

Prospects for Inter-Korean Relations

Inter-Korean summit talks were followed by a number of significant contacts between the two Koreas: the Red Cross talks; four rounds of ministerial-level meetings; the visit of Kim Yong-sun, secretary of the Workers' Party Central Committee in charge of programs involving South Korea to Seoul; the meeting of defense ministers; and working-level economic contacts. During these meetings, Seoul and Pyongyang reached agreements to arrange frequent meetings between separated family members, to reconnect the railway systems of the South and North, to conclude inter-Korean treaties, to protect mutual investment, to prevent double-taxation, and to solve business disputes and settle

14 In the summit meeting with President Kim Dae-jung on March 7, 2001.

accounts.

However, inter-Korean relations came to a halt several months after the June summit, because North Korea violated several agreements without any explanation. North Korea postponed working-level economic talks, the visit of North Korean economic survey teams to South Korea, and the second round of defense minister talks. North Korea also threatened to "reconsider" the scheduled reunions of separated family members and expressed displeasure with remarks by the South Korean Red Cross chief, which it said disparaged the North.¹⁵ In many cases, the two Koreas have not yet put into action the agreements that they have signed.

Future inter-Korean relations will be affected by two major factors: U.S.-DPRK relations and South Korea's economic assistance to the North. Inter-Korean relations stagnated after the Bush administration took office. North Korea cancelled the agreed ministerial talks, Red Cross talks, and the participation of a unified table tennis team in an international tournament. As North Korea argues,¹⁶ the stagnation is mainly attributed to the U.S.'s hard-line policy towards North Korea. North Korea's strategy appears to be to freeze relations with South Korea and then to blame the resulting deadlock in inter-Korean relations on the U.S. as a way to press the U.S. to resume talks. For North Korea, normalization with the U.S. is still the most significant occurrence that could help the North escape from its diplomatic, economic, and security dilemma.

Although North Korea is trying to consolidate its relations with

15 Chang Choog-sik, in his interview with a local monthly magazine, *Wolgan Chosun*, said North Korean visitors to the South were wearing the same clothes for four days. He also said that North Koreans could not hide the looks on their faces, which were filled with hardships.

16 After his meeting with Kim Jong-il on May 3, Swedish Prime Minister Goran Persson said that he received the impression that Kim Jong-il would likely shelve any actions concerning the DPRK rapprochement with the ROK and the U.S. until the U.S. administration formulates its policy toward the DPRK.

long-time allies such as China and Russia, the North will not try to return the relationship to the cold war era for fear of the negative impact this might have on its efforts to improve relations with the U.S. and other Western countries. Rather, North Korea may want to use Russia and China for leverage in improving relations with the U.S. and Western countries.

It is generally believed that North Korea's approach to the U.S. does not necessarily conflict with the development of inter-Korean relations. In fact, it may appear that inter-Korean relations cannot move forward without rapprochement between North Korea and both Japan and the U.S.¹⁷ This seems to be true from a long-term perspective. In the short-term, however, the priority that North Korea places on rapprochement with the U.S. may have a negative impact on inter-Korean relations. North Korea may be obsessed with solving the question of a mechanism for peace on the Korean Peninsula in dealing with the U.S., while it wants to limit the inter-Korean programs to promote its economic benefits.

Inter-Korean relations will be able to make progress, when South Korea can continue to provide the North with economic assistance. North Korea's dissatisfaction with meager economic assistance from the South has a negative impact on inter-Korean relations. Just as the North thought it could get everything from the U.S. after the Agreed Framework of 1994, so the expectations of North Korea have been very high since the summit talks. In fact, the inter-Korean summit was made possible by South Korea's commitment to large-scale economic cooperation projects, including those involving the North's basic infrastructure, announced in Berlin Declaration, wherein President Kim Dae-jung predicted a North Korea-related economic boom. However, South Korea faces limitations providing as much economic assistance as the North expected. In their meetings with the North after the summit

¹⁷ *Yonhapnews*, Oct. 28, 2000.

talks, South Korean delegates had difficulty making concrete commitments to North Korea regarding economic assistance. Rather, South Korea tended to urge North Korea to speed up preparations for more family reunions and tension reduction measures.

If North Korea believes economic assistance from the South is not as large as it expected and contacts with the South only increase the danger of political instability, it may rapidly lose its interest in exchanges and cooperation with the South. Nevertheless, it is still necessary for North Korea to maintain inter-Korean relations in order to create an atmosphere that will attract Western investment. North Korea's efforts to expand its relations with Western countries may also be aimed improving inter-Korean relations.

Concluding Remarks

By accepting the summit talks, Kim Jong-il could depict himself as a leader of a unified Korea and provide new hopes and expectations of economic recovery in the North. As a result, he could consolidate his power and enhance his status. The summit talks also gave North Korea a chance to negotiate with the U.S. and Japan on issues of security and normalization. However, North Korea continues to stress the reunification of Korea through the unity of all Koreans behind the "Great Leader" Kim Jong-il and still holds to its long-standing demand for a peace treaty with the U.S., not the South.

Coordination between the ROK, the U.S. and Japan played a crucial role in making North Korea change its policy and accept the inter-Korean summit. Therefore, the future development of inter-Korean relations is greatly dependent upon the continued close coordination among the three countries. Nobody should feel left behind, although improving relations with the U.S. is the most immediate agenda for North Korea. The North will change, only if the U.S. will be constant in

its position that closer ties between Washington and Pyongyang require an inter-Korean dialogue. Seoul and Washington should also remain attuned to Japanese concerns about its own security in dealing with the North Korean missile issue.

The most immediate item on the agenda for North Korea still seems to be receiving security guarantees from the U.S. Until then, North Korea will rely on its military capabilities as a means of extracting aid for its short-term survival without making fundamental reforms. Thus, it may be too soon to expect full-fledged inter-Korean relations to develop in the near future.

Although President Bush's announcement that the U.S. will resume talks with North Korea can be regarded as a positive signal for inter-Korean relations, prospects for U.S.-DPRK relations are not expected to be so bright and promising because of the Bush administration's negative perception towards Kim Jong-il's North Korea. Paradoxically, however, the stagnation in relations between the U.S. and North Korea may increase the significance of inter-Korean relations. The U.S. recognition of South Korea's central role in dealing with North Korea's conventional forces also increases the significance of inter-Korean relations. Once again, the prospects for inter-Korean relations seem to be up to North Korea's sincerity in improving inter-Korean relations.

US-ROK-JAPAN'S TRILATERAL COORDINATION FOR A COMPREHENSIVE APPROACH TOWARD NORTH KOREA

Jong-Chul Park

Trilateral coordination among Washington, Seoul, and Tokyo will function as a major mechanism through which the ban of weapons of mass destruction and the dissolution of the Cold War system on the Korean peninsula will be discussed.

In the first place, a comprehensive approach will proceed through several channels. First of all, the US-DPRK talks will deal with the North's nuclear and missile development problem and the improvement of diplomatic relations. Second, a resumed Japan-DPRK dialogue will handle the diplomatic normalization and the economic compensation for the North. Third, an inter-Korean dialogue will discuss the implementation of the Basic Agreement of the Two Koreas and the promotion of inter-Korean cooperation.

In addition, a comprehensive approach involves diverse issues such as diplomacy, security, economy, and so on. A variety of issues are interwoven together, and each issue functions as a precondition of accelerating settlement in other areas.

Against this backdrop, the trilateral coordination of US-ROK-Japan is needed to work through a variety of issues and reduces possible disputes among the three countries.

Considering these factors, this paper suggests the specific coordination among the US, South Korea, and Japan concerning the following issues: stopping North Korea's missile development, improving inter-Korean relations as well as the relations of the North with the US and Japan, a peace arrangement on the Korean peninsula, security cooperation of US-ROK-Japan, and multilateral security cooperation.

I. Introduction

There have been several kinds of bilateral or trilateral consultations among Washington, Seoul, and Tokyo to deal with problems engendered by North Korea such as the development of weapons of mass destruction, military tension, economic crises, and so on. In the process of outlining and implementing the Perry Report,¹ a regular form of trilateral coordination was needed. Therefore, the Trilateral Coordination and Oversight Group (TCOG) among the U.S, Korea, and Japan was formed for this purpose.

The US has been reviewing its policy toward North Korea since the Bush administration took power in February of 2001. The Bush administration has expressed skepticism toward North Korea and is likely to emphasize monitoring and verification as part of its policy toward North Korea.² Nevertheless, the Bush administration continues to hold

trilateral consultations among the US, Japan, and South Korea. Two rounds of the TCOG have been held, one in March and one in May, since the inauguration of the Bush administration.

The trilateral approach of US-ROK-Japan is needed to work through a variety of issues and reduce possible disputes among the three countries. Trilateral coordination will enhance the three nation's ability to negotiate vis-a-vis the North, making it easier to persuade the North. Also, it will provide a common response to the changing security situation on the Korean peninsula and in Northeast Asia.

Trilateral coordination will function as a major mechanism through which weapons of mass destruction could be banned and the dissolution of the Cold War system on the Korean peninsula could be discussed. A comprehensive approach achieved through trilateral coordination will be carried out by several channels and combined to resolve various issues.

First, a comprehensive approach will proceed through three pairs of bilateral relations. The US-DPRK talks will feature prominently in this comprehensive approach. They will deal with North Korea's missile program, the lifting of economic sanctions, improving diplomatic relations, and other issues. Second, in parallel with ameliorating the US-DPRK relations, Japan-DPRK dialogue will proceed. These discussions will deal with pending issues between the two countries such as the timing of diplomatic normalization and the condition and amount of economic compensation to be paid to the North. Third, in the wake of the summit meeting, an inter-Korean dialogue will deal with practical ways to promote reconciliation and cooperation.

In addition, a comprehensive approach involves diverse issues such as diplomacy, security, economy, and so on. A variety of issues are woven together, and each issue functions as a precondition that could accelerate settlement in other areas.

Considering these elements, this paper will suggest the means by which these three countries can coordinate their policies to put into

1 President Clinton appointed William Perry as North Korean Coordinator in November of 1998 with a mandate of reviewing the US policy toward North Korea and suggesting policy options. The Perry Report was submitted to the President and Congress on September 15, 1999. The Perry Report consists of two parts, that is, policy suggestions and negotiation proposals. Of these two parts, only the policy suggestion portion was made public.

2 Joint Press Conference by US President George W. Bush and ROK President Kim Dae-jung, March 7, 2001, <http://usinfo.state.gov>.

effect a comprehensive approach towards North Korea. In particular, it will recommend specific coordination measures concerning the following issues: halting missile development, improving inter-Korean relations as well as the relations of the North with the US and Japan, a peace arrangement on the Korean peninsula, security cooperation between the US-ROK-Japan, and multilateral security cooperation. This paper will propose a kind of road map for trilateral cooperation on these issues.

II. The Prospect for the Three Sets of Bilateral Relations with North Korea

With regard to the changing relations between the US, South Korea, and Japan with North Korea, several points might be assumed.

First, the three sets of bilateral relations with North Korea are likely to improve gradually in the long run, even though there might be ups and downs. The two Koreas, the US and Japan would prefer a policy of compromise and coexistence through trial and error, with the realization that they may sometimes pass through periods of stalemate and crisis.

Second, the three pairs of bilateral relations with the North are interconnected and mutually influence one another. The three pairs of bilateral relations with the North are not separate relationships, but rather parts of a structurally intermingled whole. The subsequent negotiation will be a complex process involving four actors.

Third, these changing relations with North Korea are expected to evolve through three stages: short-term period, mid-term period, and long-term period. At each stage, three pairs of bilateral relations with North Korea must be coordinated among Washington, Seoul, and Tokyo.

1. US-DPRK Relations

The Bush administration is expected to resume a dialogue with North Korea after completing its policy review of the North. The US has several policy objectives toward North Korea: halting the spread of weapons of mass destruction, reducing tensions on the Korean peninsula and building a peace regime on the Korean peninsula.

The short-term objective of the comprehensive approach is to halt Pyongyang's missile tests. The US agreed to ease economic sanctions partially as a compensation for the DPRK's suspension of missile launches in September of 1999.³ Specific administrative measures to lift sanctions were taken in June of 2000.⁴ North Korea has to continue its moratorium on missile tests.

In the mid-term period, the opening of a liaison office between Washington and Pyongyang will mark a turning point in the relationship between the two countries. A liaison office will be opened in accordance with the North's consent because technical issues have already been resolved through working-level talks on this problem.⁵ This was reportedly discussed in detail when Pyongyang's special envoy, Cho Myong-Rok, visited Washington,⁶ and when then-U.S. Secretary of State Madeleine Albright visited Pyongyang in October of 2000.⁷

3 Easing Sanctions Against North Korea, Washington, D.C., Office of the White House Press Secretary, September 17, 1999.

4 Federal Register, Vol. 65, No. 118/Monday, June 19, 2000, Rules and Regulations.

5 North Korea was reported to hesitate to open a liaison office because of the lack of human and financial resources to operate a liaison office and the possible leakage of information on North Korean society.

6 "U.S.-DPRK Joint Communiqué," October 12, 2000. Seoul, US Embassy, USKO-REA@PD.STATE.GOV

7 Secretary of State Madeleine K. Albright Press Conference, Koryo Hotel, Pyongyang, Democratic People's Republic of Korea, October 24, 2000. napsnet@nautilus.org

The North must completely halt its nuclear weapons development program. Two rounds of inspections at Kumchangri in the spring of 1999 and the spring of 2000 proved that the site was not being used for nuclear development. Also, there should not be any more suspicious underground sites like Kumchangri. Moreover, Pyongyang should accept a special inspection of the Youngbyun area when the cores of the light water reactors are delivered to the North in accordance with the Geneva Agreement of 1994. As a result of this inspection, the past history of nuclear development in the North should be made apparent.

Also, Pyongyang should put a stop to the development and exportation of missiles. The US intends to address this problem by combining the US-DPRK bilateral missile talks with the multilateral mechanism of the Missile Technology Control Regime (MTCR). However, the MTCR is not sufficient to restrain the North from developing its missile program. The MTCR attempts to constrain the export of missiles with a range in excess of 300 kilometers and with payloads of over 500 kilograms. The MTCR cannot regulate the independent development of missiles without support from abroad. Moreover, the MTCR is a self-control agreement without an inspection institution like the IAEA of the NPT. Given this fact, two options are available: the North's joining the MTCR with additional strict conditions, and/or the imposing of special obligations on the North by a separate US-DPRK agreement.

In regards to the US-DPRK relations, a substantial part of the US policy towards the North is to help the North join international financial institutions such as the IMF, IBRD, and ADB, enabling it to acquire loans from these monetary institutions.

The conclusion of Agreement on Nuclear Energy Cooperation between Washington and Pyongyang will be necessary when the light water reactor is handed over to the North. For that purpose, the US needs to lift sanctions on transferring nuclear technology based on the Atomic Energy Act and the Nuclear Nonproliferation Act.

As trade increases between the US and the DPRK, the establishment

of Trade Representatives in Washington and Pyongyang will be possible. This occurrence will be a sign not only of the expansion of economic relations but also of enhanced diplomatic relations between the two nations.

On the other hand, the US will seek to affirm negative security assurance for the North in order to persuade the North from developing weapons of mass destruction. Negative security assurance means the guarantee of non-aggression unless the North first provokes the US.

In the long-term, the US should eventually lift all remaining sanctions by giving the DPRK Most Favored Nation (MFN) status and General System of Preferences (GSP) status. However, the granting of MFN and GSP status may be delayed after the diplomatic normalization considering the history of the US-China and US-Vietnam normalization process.⁸

Also, a US-DPRK Friendship and Cooperation Treaty could be signed on the occasion of the normalization of diplomatic relations between Washington and Pyongyang. The conclusion of the Treaty will mark another turning point in the US-DPRK relationship by including non-aggression, friendly and good neighbor clauses, common interests in peace and cooperation, and other terms.

2. Japan-DPRK Relations

Japan-DPRK relations will be influenced by the progress of the comprehensive approach and the speed of the US-DPRK relations and inter-Korean relations. Above all, the nuclear and missile issues will be decisive factors in the negotiation process.

8 Vladimir N. Pregelj, Robert G. Sutter, Alan K. Yu, Larry Q. Nowels, *Vietnam: Procedural and Jurisdictional Questions Regarding Possible Normalization of US Diplomatic and Economic Relations* (Washington D. C.: Congressional Research Service, August 4, 1994), pp. 33-36.

In the short-term, in appreciation of Pyongyang's suspension of missile launches, Japan lifted the sanctions that were imposed after the North's missile launch in August of 1998. In addition, a Japanese delegation visited Pyongyang and reached an agreement to resume normalization talks, provide food aid, and cooperate to investigate the kidnapped Japanese in December of 1999. As a result, three rounds of normalization talks between Tokyo and Pyongyang have been held: one each in April, August, and October of 2000.

In the mid-term, Japan would provide Overseas Development Aid (ODA) in return for the North's permission to allow Japanese wives to visit Japan and for its cooperation in obtaining information about the kidnapped Japanese by the North. Also, Trade Representatives in Tokyo and Pyongyang may be established.

In the long-term, the US-DPRK relations, inter-Korean relations, and the resolution of conflicting issues between the two countries will affect the diplomatic normalization between Tokyo and Pyongyang. Among the pending issues of normalization talks, the interpretation of the Japanese colonial rule and the kidnapping of Japanese citizens would be compromised by concessions from both sides. The past history of the ROK-Japan normalization experience in 1965, in which Japan vaguely expressed regret for its colonial rule, may serve as a precedent for the DPRK-Japan normalization. The Japanese kidnapping issue could be settled in another way such as through the North's cooperation in the investigation of missing people.

The most difficult issue will be the volume and type of economic compensations given to the North. Economic compensations are a strong incentive for the North and useful leverage wielded by Japan. Economic compensations are also likely to follow the ROK-Japan normalization precedent. Economic compensations would be granted in the form of a public or commercial loan funded by the ODA.

3. Inter-Korean Relations

In the short-term, in the wake of the inter-Korean summit meeting, the two Koreas have held several types of meetings: special envoy's talks, ministerial meetings, working level meetings, and red-cross meetings. These meetings have been effective mechanisms through which to discuss priority items of cooperation, and follow-up measures to fulfill the Joint Agreement signed during the summit meeting in June of 2000.

Inter-Korean relations have been stalemated since the advent of the Bush administration. North Korea reiterated that an inter-Korean dialogue would come to a deadlock unless the US-North Korean dialogue is reopened. Ministerial meetings and red-cross meetings were cancelled and the formation of a single table tennis team between the two Koreas was delayed. Nevertheless, inter-Korean relations will be restarted along with the resumption of dialogue between Washington and Pyongyang.

In particular, practical measures to facilitate the reunion of separated family members are expected to be discussed in the red-cross talks: the setting up of a meeting place and postal exchange centers, confirmation of the whereabouts of family members, and exchanges of letters. The humanitarian agenda should include not only those who have been separated since the Korean War, but also the South Korean abductees and South Korean Prisoners of War (POW).

The most pragmatic sector of the South-North relations will be economic exchanges and cooperation programs. Economic cooperation aims at achieving a balanced development of the national economy from which both the South and the North will benefit. For example, the connection of railways between the two Koreas will enable both countries to export goods at lower prices. The joint flood control project on the Imjin River is beneficial to both the South and the North. Furthermore, a special economic area for the inter-Korean joint venture will

add momentum to economic cooperation between the two Koreas.

In the mid-term period, at the government level, the process of reconciliation and cooperation will proceed: the provision of public and commercial loans, toning down the North's rhetoric, military confidence building, establishing trade representatives, and so on.

At the civilian level, increasing economic investment in the North and agricultural cooperation will also follow. Economic cooperation can be carried out in the form of governmental economic aid, civilian investment in the North, and international consortiums.

In the long-term, the institutionalization of inter-Korean relations will materialize. As inter-Korean committees function in order to implement the Basic Agreement between the two Koreas, inter-Korean relations will be activated in almost all areas. As a result, the exchanges and cooperation in economic, social, and cultural areas will be encouraged.

In addition, operational arms control and structural arms control will be implemented. Finally, the conclusion of a peace arrangement on the Korean Peninsula will be the last step to the institution of a permanent peace mechanism.

III. Coordination among the U.S., ROK, and Japan

1. Burden Sharing to Halt the North's Missile Program

The North Korean missile issue includes several sub-items: stopping the testing of long-range missiles, stopping the export of middle-range missiles and the dismantlement of deployed middle-range and short-range missiles. North Korea will use the diversified missile issue to try and obtain material payoffs.⁹ North Korea reportedly

⁹ For the diverse objectives of North Korea's missile development program, refer to the following. Hong Young-Pyo, *North Korea's Missile Development Strategy* (Seoul:

<The Prospect for the Three Sets of Bilateral Relations with North Korea>

	Short-term	Mid-term	Long-term
US-DPRK relations	*North Korea's continuation of the moratorium on missile testing *additional lifting of economic sanctions by the US	*the opening of a liaison office *special inspection of the Youngbyun area *putting a stop to the export and development of missiles *the North's joining of the MTCR *the North's joining of the IMF, IBRD, ADB and receipt of loans *US-DPRK nuclear energy cooperation treaty *establishing trade representatives *US's negative security assurance for North Korea	*the lifting of all economic sanctions, granting MFN and GSP status *diplomatic normalization *conclusion of a friendship and cooperation treaty
Japan-DPRK relations	*lifting economic sanctions on North Korea imposed in August of 1998 by Japan *food aid *resumption of normalization talks	*granting loans to the North *establishing trade representatives	*granting economic compensations for the Japanese colonial rule *diplomatic normalization
Inter-Korean relations	*government level: summit meeting and several official dialogue channels, *civilian level: activation of economic and social cooperation, special economic area for inter-Korean economic cooperation	*government level: loans to the North, military confidence building, and establishing representatives *civilian level: expansion of economic and social cooperation	*government level: implementation of the Basic Agreement between the two Koreas, activation of several committees, arms control, and conclusion of a peace arrangement *civilian level: expansion of economic and social cooperation

has requested one billion US dollars per year for three consecutive years in return for the halting of its missile exporting since the third round of the US-DPRK missile talks in October of 1998.¹⁰ Moreover, during the summit meeting between Kim Jung Il and Russian President Vladimir Putin in July of 2000, Pyongyang asked that another country launch its satellites two or three times annually.¹¹ North Korea was supposed to reiterate the same idea on the occasion of its special envoy, Cho Myong Rok's visit to Washington when US Secretary of State Madeleine Albright visited Pyongyang in October of 2000.¹²

The comprehensive approach seeks to give the North an opportunity to overcome its hardships and co-exist with neighboring countries on the condition that it abandons its missile program. It tries to present material incentives for the North to choose the coexistence path. One of the ways is to trade development aid for the missile program. Development aid would change the assistance that the North receives from provisional humanitarian aid to long-term aid, which would enhance the developmental potential of the North.¹³

There are multilateral and bilateral mechanisms through which to provide payoffs to Pyongyang. One of the multilateral aid mechanisms is to form a "North Korea Development Fund" in the IMF, IBRD, and ADB and provide loans in return for the cessation of the missile program. If this occurred, the total amount of funds and the scale of donations from possible contributors would be important issues. The US, Japan, ROK, and the EU can be donors to that special fund. To that

end, the US economic sanctions against the North based on human rights violations should be lifted so that Pyongyang can join international financial institutions and receive loans.¹⁴

Support for agricultural development could be in another form of aid through a multilateral mechanism. North Korea had already asked the UNDP for 300 million dollars for agricultural reform in May of 1998.¹⁵ A multilateral support mechanism to assist this program could be developed. Also, the Korean Agricultural Development Organization (KADO), which consists of South Korea, the US, Japan, China, and the EU, can be a form of multilateral cooperation for the purpose of rehabilitating agricultural land, reforestation, and the development of irrigation facilities.¹⁶

On the other hand, some kind of remuneration could be provided to Pyongyang through bilateral negotiations. The US is concerned primarily with the testing and development of long-range missiles and the export of middle-range missiles. The US is rightly responsible for providing incentives to the North in exchange for Pyongyang's making concessions in its missile program. Nevertheless, the US is not likely to

14 The US categorized the North as a human rights violator and restricts its joining in the international financial institutions through the influence on the American members of board. Zachary S. Davis, Larry A. Niksh, Larry Q. Nowels, et al., *Korea: Procedural and Jurisdictional Questions Regarding Possible Normalization of Relations with North Korea* (Washington D.C.: Library of Congress, November 29, 1994), pp. 21-36; North Korea was classified as one of terrorism sponsor states because of giving a haven for Japanese red-army and providing weapons for the Philippine terrorists in May of 2001. US Department of State, *Patterns of Global Terrorism 2000* (April 2001).

15 North Korea proposed a mid-term and long-term food self-sufficiency plan requiring \$2 billion at the conference on Agricultural Recovery and Environmental Protection: AREP, held in Geneva in May of 1998. North Korea primarily asked for 300 million dollars for recovering flood damages, repairing fertilizer factories, diversifying crops, strengthening peasant finance institutions, and a reforestation program for the period of 1998-2000. *Report for the Thematic Roundtable Meeting on Agricultural Recovery and Environmental Protection in the DPRK* (<http://undp-dprk.apdip.net>).

16 *Donga Daily Newspaper*, August 1, 1998.

Korea Institute for National Unification, 1999).

10 *The Hankyoreh*, July 13, 2000.

11 *Washington Post*, August 3, 2000.

12 Michael R. Gordon, "How Politics Sank Accord on Missiles With North Korea," *The New York Times*, March 6, 2001; Wendy R. Sherman, "Talking to the North Koreans," *The New York Times*, March 7, 2001.

13 Bradley O. Bobson, "North Korea Economy Today: North Korea on the Brink," an unpublished paper, January 1999.

contribute cash because of its conservative Congress. Therefore, the US is likely to formulate another multilateral mechanism similar to KEDO or arrange an international loan rather than offer financial compensation independently.

Japan is a probable candidate for offering material compensations to the North. Japan was upset by the missile test that flew over the Japanese islands in August of 1998. Shocked by the missile test, Japan delayed its support for KEDO and imposed sanctions against Pyongyang: suspending normalization negotiations, stopping food aid, and halting chartered flights to Pyongyang. In addition, Japan agreed to join the development project of Theater Missile Defense (TMD) beginning in 1999.¹⁷ However, Japan was soon persuaded to continue its support for the KEDO project and signed the 'Resolution on Burden Sharing of KEDO' in November of 1998. Nevertheless, Japan reiterated that it would stop its financial support for KEDO in the case of another missile test from the North.

Japan is especially concerned not only with the development of the Daepodong 1 but also with the deployment of Nodong missiles because the already-deployed Nodong missiles can reach Japan. Therefore, Japan is likely to put more emphasis on the deployment of Nodong missiles than the export or development of long-range missiles.

Japan would like to accentuate the rewards for abandoning its missile program in the context of normalization talks with Pyongyang. The scale of economic compensation in the normalization talks will be determined by the solution of pending issues such as kidnapping, reparations for the Japanese colonial rule, the visits of Japanese wives to Japan, nuclear and missile development, and so on. Japanese economic compensation might be provided as part of ODA. Japan

would count payments for stopping its missile development as part of the economic compensation of normalization.

On the other hand, South Korea's position on the payoffs for North Korea is subtle. At first, Pyongyang's intermediate missile development does not pose a new threat to Seoul. Most of South Korea had been already within the range of the North's artillery and short-range Scud missiles. After all, Seoul is located only 40 kilometers from the forward-deployed North Korean artillery.

However, North Korea's missile development will reduce the US commitment to South Korea. In addition, North Korea is likely to threaten Japan in case of an emergency on the Korean peninsula. Also North Korea's missile capability will restrain Japan's support for the US army stationed in Japan. Considering these elements, South Korea cannot help but express some concerns over Pyongyang's missile program.

South Korea does not want to exaggerate the missile issue. The Kim Dae-jung government seeks to pursue an engagement policy in spite of military tensions. In this context, Seoul has tried to maintain close coordination with the US and Japan in order to ease tensions created by the missile development problem. South Korea has also made an effort to share information on the North's missile development and discuss possible options with allied countries.

Although it is inevitable that South Korea bears a part of the funds for the North, it should be limited to a minimal level. The fact that the South already shoulders 70% of the cost of the KEDO project should be taken into account. The ROK's portion for compensations to the North should be arranged in consideration of the ROK's burden sharing of the defense cost of the US-ROK alliance.

¹⁷ The US and Japan Security Consultative Committee agreed to proceed joint research on TMD in September of 1998 beginning 1999. "Joint US-Japan Statement on Security Meeting," USIA Text, Washington, 1998. 9. 21.

2. Inter-Korean Relations in parallel with Pyongyang's rapprochement with Washington and Tokyo

In dealing with the North Korean issue, the status of inter-Korean relations has been one of the sources of dispute among the US, ROK, and Japan. In particular, in the process of the US-DPRK nuclear negotiations, the ROK's request for an inter-Korean dialogue was a cause of dispute between Washington and Seoul. However, the Kim Dae-jung government put an end to any possibility of a dispute between Washington and Seoul in their policy towards North Korea by accommodating the improved relations between Washington and Pyongyang without demanding inter-Korean dialogue. The advent of the policies of the Kim Dae-jung government can be a good chance for Washington and Seoul to coordinate their strategic goals and policies toward North Korea.

Seoul anticipates that the rapprochement by the North in international relations will lead to Pyongyang changing its internal and external policies and eventual inter-Korean reconciliation. In this sense, the ROK endeavored greatly to formulate the Perry's comprehensive approach that proposed the diplomatic normalization with the North. Following this scheme, an inter-Korean dialogue at the government level is not likely to be connected mechanically to the US-DPRK and Japan-DPRK relations. Inter-Korean reconciliation is expected as a natural outcome of the general thawing of the ice in the North's international relations.

Some experts worry that Pyongyang will drive a wedge between Washington and Seoul by putting priority on the US-DPRK relations and neglecting an inter-Korean dialogue. However, Washington's policy toward Pyongyang will be in close consultation with the ROK and Japan. Moreover, Pyongyang cannot help but acknowledge that Seoul can provide economic resources, which the US and Japan cannot do in the short-term.

Therefore, it is important that the inter-Korean rapprochement and Pyongyang's expanding foreign relations mutually reinforce one another. While inter-Korean reconciliation is a conducive environment for Pyongyang's open policy, Pyongyang's joining international society is likely to induce its conciliatory attitude toward the South.

Especially, the improvement in the US-DPRK relations and Japan-DPRK relations is closely interlinked with inter-Korean relations. Seoul's consultations with the U. S. and Japan must be strengthened in a way to help the North make inroads into the international community and to contribute to inter-Korean cooperation.

Specifically, inter-Korean economic cooperation would be vitalized along with improved relations between the DPRK and the US and Japan. For example, if the US lifted economic sanctions against the North, South Korean enterprises could invest in the North through their subsidiaries operating in the US and export jointly-produced goods to the US and Europe. Also, South Korean business groups could form joint ventures to invest in the North.

The opening of a liaison office between Washington and Pyongyang will bring similar advances in Japan-DPRK relations and inter-Korean relations. Liaison offices or representative offices should be established in Tokyo and Pyongyang, and Seoul and Pyongyang, respectively. In addition, to keep abreast with the diplomatic normalization of Pyongyang with Washington and Tokyo, the re-activation of inter-Korean Joint Committees and the institutionalization of inter-Korean relations should accompany these developments.

3. Bringing about a Peace Regime on the Korean Peninsula

The long-term objective of this comprehensive approach is to bring peace and stability to the Korean peninsula and end the Cold War system by establishing a permanent peace regime to replace the armistice system. The peace regime on the Korean peninsula is

intimately interwoven with the US-DPRK relations and inter-Korean relations. The peace arrangement on the Korean peninsula involves several issues: the role of the participants, the format of a peace agreement, a guarantee system, and so on. Also, the peace arrangement will impact the status of the United Nations Command, the status of US forces in Korea, and the role of the US-ROK alliance. Moreover, arms control is the critical factor determining the feasibility of a peace regime on the Korean peninsula.

At present, the Four-Party Talks is a mechanism with which to establish a peace regime on the Korean peninsula. The Four-Party Talks is an experiment in which the international aspects of inter-Korean relations can be coordinated with the initiatives of the two Koreas in security issues.

Two critical issues of the Four-Party Talks are the agenda and the division of roles among participants. In the third round of talks in October of 1998, an agreement was reached to form two subcommittees on the creation of a peace regime and the reduction of tensions. Nevertheless, participants differ in their view of the priority of issues and their approach to the agenda. Washington and Seoul proposed to primarily discuss confidence building and reduction of tensions on the Korean peninsula. In contrast, Pyongyang insisted on the withdrawal of the US forces from the South and a conclusion of a separate peace treaty with the US. Although Pyongyang came to the table at the Four-Party Talks, it has made efforts to use this opportunity to negotiate mainly with the US.¹⁸

Tension reduction measures and procedures for peace arrangement should be dealt with simultaneously at two levels: the inter-Korean level and the four-party level. President Kim Dae-jung declared a guideline to deal with peace and security on the Korean peninsula in

18 For the agenda and controversial issues of the Four-Party Talks, refer to the following. Park Young-Ho and Park Jong-Chul, *Strategy for the Four-Party Talks: Focusing on the Operation of Subcommittees* (Seoul: Korea Institute for National Unification, 1999).

March of 2001: discussing tension reduction with North Korea on the occasion of Kim Jong-il's visit to Seoul and discussing the formation of a peace regime during the Four-Party talks.¹⁹

In the first place, military confidence building measures on the Korean peninsula have to be discussed and carried out through the inter-Korean military committee, not through the Four-Party Talks. The two Koreas should find a practical means to implement confidence-building measures as stipulated in the Basic Agreement between the two Koreas in 1992. This will encompass the following items: the establishment of a military hot line, exchanges of military personnel, exchanges of military information, and notification of military exercises.

Next, the Four-Party Talks should concentrate on hammering out a viable peace arrangement. Even if the Four-Party Talks is the main venue for arranging a peace regime on the Korean peninsula, inter-Korean initiatives should be respected in order to create a stable peace regime. The two Koreas should be required to draft a peace agreement. Then the four parties could sign the peace agreement. It is equivalent to a peace treaty replacing the armistice agreement of 1953. The four parties will collectively guarantee this peace agreement.²⁰

In addition, it is anticipated that Japan and Russia will complement this new peace arrangement by an additional guaranteeing system such as the Six-Party Talks or a multilateral security cooperation body in Northeast Asia.

19 Kim Dae-jung expressed this view in the Seminar organized by American Enterprise Institute, March 9, 2001.

20 Tae-Hwan Kwak, "The Korean Process: Prospects for Peace Regime Building After the Summit," *International Journal of Korean Unification Studies*, Vol. 9, No. 1 (2000), pp. 26-27.

4. The Prospect for Security Cooperation of U.S.-ROK-Japan

The long-term objective of this comprehensive approach and the ending of the Cold War on the Korean peninsula will impact the security situation on the Korean peninsula. It will engender changes in the US-ROK alliance, Japan-ROK relations, and the general power distribution of Northeast Asia.

First, the comprehensive approach will usher in a new security arrangement and a changed US-ROK alliance. If North Korea's threat is reduced and a peace system is established on the Korean peninsula, the US-ROK alliance should be a regional security alliance that focuses on the maintenance of peace and security in the Asia-Pacific area.²¹ While the primary function of the US-ROK alliance in the Cold War era was to deter North Korea's provocations, it should play a balancing role and pursue cooperative security in the post-Cold War era.

Along with the changes in the US-ROK alliance, the role of US forces in Korea and their reduction will be discussed. Even if the North reiterated its demand for the withdrawal of the US forces from Korea, it implied indirectly that it would be willing to accept the change of a status of the US forces and its gradual reduction instead of an all-out withdrawal. It was reported that Pyongyang views the presence of the US forces as a means by which to constrain South Korea's military buildup and prevent an arms race between Japan and China.²² In the summit meeting between the two Koreas, Kim Jong-il reportedly implied that the North accepts the presence of the US forces in return for the US's guarantee of its system.

A gradual reduction of the US forces will be discussed. The US

ground forces will be diminished with minimal naval and air forces. Strategic naval and air forces will be highlighted more than ground forces.²³ The backward deployment of the remaining US forces will also be implemented.

Second, the ROK-Japan security cooperation will be sought in the changed security situation of Northeast Asia. The ROK-Japan security cooperation is likely to be coordinated through the intermediation of the US. Two separate allies of the US would be interconnected through the ROK-Japan security cooperation. As a result, a quasi-alliance will be formulated among the US, Japan, and South Korea.²⁴

The ROK-Japan security cooperation is expected to contribute to peace and stability on the Korean peninsula and throughout Northeast Asia by seeking common security. It will focus on conflict resolution and preventive diplomacy in Northeast Asia rather than the deterrence against the North.

The ROK-Japan security cooperation can be initiated with confidence building measures such as the exchanges of military information, exchanges of military personnel, mutual visits of naval ships, opening of a military hotline, regular military meetings, and so on. Also, naval cooperation will be possible in such areas as sea lanes, refugees problems, sea rescue, and so on.

It is recommended that the ROK and Japan take care not to provoke China by their security cooperation. The goal of the ROK-Japan security cooperation is not to deter China but to seek common interests, and this should be understood by China. Also, the simultaneous bilateral security cooperation between the ROK-China and Japan-China should

21 Concerning the specific contents of regional security alliance of US-ROK, refer to the following book. Jonathan D. Pollack and Young Koo Cha, *A New Alliance for The Next Century: The Future of US-Korean Security Cooperation* (Washington D. C.: Rand Corporation, 1995).

22 Interview with Selig Harrison, *Joongang Daily News Paper*, September 28, 1995.

23 Zalmay Khalilzad, David Orletsky, and et al., *The United and Asia: Toward a New US Strategy and Force Posture* (Rand Corporation, 2001).

24 Quasi alliance is defined as the relationship between two states that remain unallied despite sharing a common ally. Victor Cha analyzed Japan-South Korean relations in the context of quasi alliance. Victor D. Cha, *Alignment Despite Antagonism: The US-Korea-Japan Security Triangle* (Stanford: Stanford University Press, 1999).

be enacted in order to dissipate Chinese apprehension.

Third, the new security alliance between the US and Japan contains the implications for the Korean peninsula. Washington and Tokyo forged the US-Japan New Security Guideline in September of 1997 to re-define the US-Japanese alliance. The New Security Guideline recognizes an expanded military role for Japan in East Asia for cooperative security.

In particular, the New Security Guideline called for the support of the Japanese self-defense forces for the US troops in the case of an emergency on the Korean peninsula. The Japanese self-defense forces are expected to support the US army stationed in Japan mainly through logistical means and join in activities such as minesweeping and an inspection of ships.²⁵

In regard to this issue, tripartite consultations among the US, Japan, and South Korea have been undertaken. In particular, the position of South Korea, which will be the primary country concerned with the contingency plan on the Korean peninsula, should be respected. Tripartite coordination contains favorable aspects in deterring North Korean provocations. However, since it will officially permit a Japanese military role on the Korean peninsula, it should be dealt with caution in light of the delicate relations between Seoul and Tokyo tracing back to the period of Japanese colonialism.

5. Initiating Multilateral Security Cooperation in Northeast Asia

Creating new security arrangements would end the Cold War on

25 For the analysis of the US-Japan New Security Guideline and its implications for the contingency plan on the Korean peninsula, see the following paper. Jung-ho Bae, "The US-Japan New Security Guideline and Contingency on the Korean Peninsula," presented at the seminar, *Contingency on the Korean Peninsula and International Law*, organized by Korea Institute for National Unification and Korean Association of International Law, 1997. 11. 8.

the Korean peninsula. The new security format would be a combination of the pre-existing bilateral security mechanisms and the burgeoning multilateral security mechanisms.

Multilateral cooperative security is conducive to the stability of Northeast Asia. Multilateral cooperative security means comprehensive security including economic, environmental, and human rights in addition to traditional military security. Multilateral security seeks to attain cooperative security by which the countries concerned pursue their common security interests, adopt preventive measures to prevent disputes, and seek to resolve conflicts together.²⁶

In configuring a multilateral security mechanism in Northeast Asia, several points should be highlighted.

First, inter-Korean relations and the unification process should be considered. The multilateral security mechanism should not only be favorable to the Korean unification process but also be relevant after Korean unification is achieved. In particular, issues such as arms control during and after unification, the strategic relations of a unified Korea, and the role of the US army in a unified Korea are closely interconnected with the characteristics of a multilateral security mechanism in Northeast Asia.

Northeast Asian cooperative security can help solve the Korean problems in several aspects. First, Northeast Asian cooperative security will be favorable to the peaceful management of a divided Korea and the coexistence of the two Koreas. It will guarantee the peace regime initiated by the two Koreas. This signifies a practical compromise between the internationalization of Korean issues and the Koreanization of Korean issues, and does not disconnect these two phenomena.

26 For the conception of comprehensive security and cooperative security, refer to the following writings. Ashton B. Carter, William J. Perry, and John D. Steinbrunner, *A New Concept of Cooperative Security* (Washington, D.C.: The Brookings Institute, 1992), pp. 7-10; Janne E. Nolan, *Global Engagement: Cooperation and Security in the 21st Century* (Washington, D. C.: The Brookings Institute, 1994), p. 5.

Second, cooperative security in Northeast Asia will accelerate Pyongyang's reform and its entry into international society. It will attenuate Pyongyang's apprehension over its survival and facilitate Pyongyang's adaptation to international norms.

Third, Northeast Asian cooperative security is likely to form a favorable external environment for solving the Korean problems by reducing tensions in Northeast Asia. In the case of an arms race between China and Japan and increased tensions caused by territorial disputes or trade frictions, regional instability will be unfavorable for peace management on the Korean peninsula. Multilateral security dialogues can regulate the arms race in the region and expedite security cooperation favorable for peace and stability on the Korean peninsula.

Fourth, multilateral cooperative security is useful for crisis management in case of emergencies and for requesting a collaboration of the major powers in the unification process. In addition, a multilateral cooperative mechanism will play a certain affirmative role in engineering the foreign policy of a unified Korea.

However, there are several constraining factors that go into formulating a multilateral security mechanism in Northeast Asia: the lack of experience in multilateral security institutions,²⁷ the difference of interests among the countries concerned, gaps in national power, the overwhelming weight of bilateral relations, a historical legacy of hostilities, and mutual distrust. As a result, multilateral cooperative security in Northeast Asia will necessarily follow a different pattern from the European case.

First of all, the pace of confidence building and military cooperation at the bilateral level should be sped up. Mutual visits to military sites, ministerial or vice-ministerial level meetings, security consultations, and exchanges of military personnel are good examples of expanding

²⁷ For the historical legacy of the underdevelopment of collective security mechanisms similar to the NATO in Asia, refer to the following study. Michael Leifer, *The Balance of Power in East Asia* (New York: St. Martin's Press, 1986).

military cooperation at the bilateral level in the region.

In the second place, multilateral cooperative security should complement existing bilateral alliances rather than replace them. In this sense, the bilateral US-ROK and US-Japan alliances have to be adjusted and interlinked with the emerging multilateral security mechanism.²⁸

Third, as a preliminary step, a civilian based track II approach would be instrumental in developing a multilateral security mechanism. Government representatives would gradually join this process. In the meantime, semi-official meetings such as CSCAP and NEACD should be activated in developing a government-level dialogue.²⁹

Finally, multilateral cooperative security should begin with confidence building measures rather than explicit institution building: the establishment of a hotline, exchanges of information, notification of military exercises, observation of military drills, discussions of sea rescues, research on environmental damage due to military causes, and so on.

IV. Concluding Remarks

The comprehensive approach exemplified by the Perry Report should bring about tremendous transformation on the Korean peninsula and Northeast Asia. It is fundamentally based on the same foundation as the Geneva Agreement of 1994, which aims to stop the proliferation of weapons of mass destruction.

What makes the issue more complex is the fact that it is closely

²⁸ Jong-Chul Park, "Globalization and Multidimensional and Multi-layered Security Policy," *Strategic Review*, Vol. 4, No. 1 (1996), pp. 81-82.

²⁹ Seo-Hang Lee, "Multilateral Security Regime in Northeast Asia: Policies and Attitudes of Four Regional Powers," Yong-Soon Yim, et al., eds., *Security Environment in the 21st Century and Korea's Strategic Options* (The Research Institute for International Affairs and The Korean Association of International Studies, 1997), pp. 160-169.

related to the security situation on Korean peninsula and Northeast Asia. Considering the political aspect of military conflict, the fundamental way in which the North's threat can be resolved is to change the North Korean system and to introduce a workable peace system to the Korean peninsula. That is the reason why the comprehensive approach adopts various economic, political, and diplomatic issues to resolve the North Korean problem.

In the process of pursuing this comprehensive approach, the following factors should be taken into account: First, the comprehensive approach needs to review appropriate policy means. The effectiveness and limitations of each policy option should also be thoroughly reviewed. A multiple combination of carrots and sticks will be effective in persuading North Korea. In particular, a proper combination of policy options, including military, economic, and political measures, must be devised.

Second, progress must be arranged according to the time frame. Short-term, mid-term, and long-term policies should be elaborated. Also, interrelatedness and consistency among policy means are required at each stage. Particularly, the mid-term policies should be seen as a bridge linking short- and long-term policies.

Third, trilateral consultations among Washington, Seoul, and Tokyo at the government and civilian level should serve as the cornerstone from which the pursuit of a comprehensive approach to negotiations with Pyongyang should proceed. Perhaps it is even more important and difficult to find a common strategy among the three countries than to compromise with the North. In order to ensure this cooperation, not only the government-level coordination but also the creation of a civilian-level advisory group consisting of bureaucrats and experts from each country is recommended.

Fourth, domestic public opinion in the countries concerned is one of the crucial factors affecting the future of the comprehensive approach. In particular, the policy of the Bush administration toward the Korean

peninsula, the Japanese public opinion toward North Korea, and the attitude of South Korean's toward the North are likely to be key elements in pursuing the comprehensive approach. Therefore, it is urged that the comprehensive approach obtains the majority's support and maintains a consisting approach in the respective countries.

OBSTACLES TO THE KEDO LWR PROJECT

Bong-Geun Jun

During the last five years, it has been extremely challenging for KEDO to launch the light water reactor (LWR) project from scratch due to the unfavorable and often hostile political and physical environment in the DPRK. While overcoming the half-century lapse of dialogue with the DPRK and mobilizing political and financial support for the project from its members, KEDO has managed to conclude with the DPRK the LWR Supply Agreement in 1995 and subsequent protocols; it also concluded the Turnkey contract with its prime contractor, the Korea Electric Power Corporation (KEPCO), and completed financial arrangements for the LWR project in early 2000.

The fact that the LWR project is now well under way, however, does not guarantee that the smooth implementation to the end. Many uncertainties resulting from the unique nature of the DPRK and this project still lurk at every stage of the projects implementation. Therefore, the pace of the project is subject to how quickly these uncertainties are reduced. Four different imminent and potential obstacles to the project are defined and analyzed in this paper: the DPRK's cooperation with the project, non-proliferation obligations, readiness to receive the LWR plants, and support from KEDO executive board members. An analysis of these obstacles shows that the pace of the LWR project will ultimately be determined by the

DPRK's political credit, international openness and economic capability. This paper will attempt to help us not only understand the political characteristics of the project but also better prepare for any future contingencies.

Some of these are serious matters with political, security and legal implications, while others are financial and technical ones. None of these should be taken lightly, however, since any of them has potential to disrupt the smooth implementation of the project. On the other hand, it is also true that none of these obstacles is insurmountable as long as each concerned party feels that its best interests are being served by abiding by the basic principles prescribed in the 1994 Agreed Framework.

I. Introduction

In accordance with the 1994 Agreed Framework agreed between the United States and the Democratic People's Republic of Korea (DPRK), the Korean Peninsula Energy Development Organization (KEDO) was established on March 9, 1995 to finance and construct in the DPRK two light-water nuclear reactors (LWR). Pending the completion of the first reactor, KEDO will deliver to the DPRK 500,000 metric tons of heavy fuel oil annually. This paper, however, will focus on the LWR project since the heavy fuel project has only minimal policy implications for concerned countries; and the only hurdle to this project is financing. Through this unusual experiment to replace a suspicious nuclear weapons program with proliferation-resistant commercial nuclear reactors, KEDO has successfully defused the so-called North Korea nuclear crisis of 1993 and 1994. KEDO has also been a precursor to many subsequent political dialogues with the DPRK that culminated with the June of 2000 South-North Summit, which is

contributing to opening a post-cold war era on the Korean Peninsula.

Nonetheless KEDO's *raison d'être* was not taken for granted as the Agreed Framework has often been criticized as being a concession to the DPRK's nuclear threat. The LWR project was considered, in the absence of a better idea, as an improvised alternative that might cease at any time due to the DPRK seemingly imminent collapse. The DPRK's position toward KEDO has also been marked with suspicion and non-cooperation. Consequently, during the last five years, it has been extremely challenging for KEDO to launch the LWR project from scratch in the midst of such an unfavorable political and physical environment. The half-century lapse in dialogue with the DPRK poses a communication barrier at every stage of the project. KEDO has struggled to mobilize and maintain political and financial support for the project from its member governments and their publics.

Despite these difficulties, KEDO has managed not only to conclude with the DPRK the LWR Supply Agreement in 1995 and subsequent protocols, but also to conclude the Turnkey contract with its prime contractor, the Korea Electric Power Corporation (KEPCO), and complete financial arrangements for the LWR project in early 2000. Consequently, the LWR project is now on track with over 800 KEDO workers in addition to more than 100 DPRK workers at the construction site in Kumho, DPRK. KEDO also succeeded in establishing a working relationship with the DPRK side both at the negotiation table and the construction site. In addition, it should be noted that it would have been impossible to implement the project this far without the DPRK's cooperation, though limited, for the project.

The fact that the LWR project is well under way now, however, does not guarantee its smooth implementation. Too many uncertainties arising from the unique nature of the DPRK as well as the project still lurk at every stage of the project. Assuming that all concerned parties to the LWR project maintain their interests in the project, its expeditious implementation will largely depend on to what level these

uncertainties are reduced. Here four kinds of imminent and potential obstacles to the project are defined and analyzed: the DPRK's cooperation with the project, non-proliferation obligations, readiness to receive the LWR plants, and support from KEDO executive board members. An analysis of the nature of these obstacles and their prospects would help us not only understand the political characteristics of the project but also better prepare for the future contingencies. Before delving into this analysis, a brief investigation of the current status of the KEDO organization and its LWR activities is needed.

II. Current Status of KEDO Organization and the LWR Project

1. Organization

KEDO was formally incorporated on March 9, 1995 when the Governments of the ROK, the U.S. and Japan signed the Agreement on the Establishment of KEDO. The KEDO secretariat is now composed of 43 professional and support staff, including the American Executive Director and one Korean and one Japanese Deputy Executive Directors. In accordance with the Establishment Agreement, nationals of the Executive Board members are fairly represented among the professional staff. There are seven divisions in the Secretariat: Policy and DPRK Affairs, Project Operation, Nuclear Safety and Quality Assurance, Legal Affairs, Financing and Heavy Fuel Oil, Public and External Promotion and Support, and General Affairs.

KEDO opened an office on July 28, 1997 at the LWR project site in Kumho, DPRK. Seven KEDO staffers reside at the Kumho site to perform the following functions: (1) to interface with the DPRK to ensure the smooth and expeditious implementation of the LWR project; (2) to maintain order at the site, ensure the safety of all KEDO personnel and exercise consular protection functions on behalf of

KEDO personnel in the DPRK; and (3) to oversee the day-to-day implementation of the project, including coordination of contracts between KEDO's contractors and DPRK subcontractors.

KEDO's highest authority lies in the Executive Board, comprising representatives from three original KEDO members — Governments of the ROK, US, and Japan — and the European Atomic Energy Community (EURATOM), which joined KEDO on July 31, 1997 on behalf of the European Union. The Executive Board convenes at the request of its members and the Executive Director makes decisions and sets guidelines on all major issues, from appointing the executive officers of the Secretariat, and financing all KEDO operations to the approval of the negotiation plans and agreements with the DPRK. The Chairman of the Executive Board is selected by the board from among its own members and serves a two-year term. Currently, Ambassador Chang Sun Sup, the ROK Representative to the KEDO Executive Board, serves as the Chairman of the board.

2. Status of the LWR Project

After conducting surveys at the Kumho site for two years beginning in August of 1995, KEDO concluded in August of 1997 a Preliminary Works Contract (PWC) with KEPCO, in the amount of U.S. \$45 million to cover a one-year construction period. The PWC had been a transitional step to commence early site work such as grading and infrastructure construction until such as time as the Turnkey Contract (TKC) was concluded.

Twenty-eight months after the initiation of the PWC and nine amendments later, the 800-page long TKC was signed by KEDO and KEPCO on December 15, 1999, at a price within the \$4.6 billion budget limit set by the KEDO Executive Board. The financial arrangements for the project were concluded in early 2000, thereby allowing the LWR construction work to be fully implemented. Considering the complexi-

ty of resolving all the issues necessary for financing and exporting nuclear power plants to a country like North Korea, the progress thus far could be considered an achievement in and of itself. Full-scale construction work finally started 5 years and 8 months after the U.S. promised in the 1994 Agreed Framework to “make arrangements for the provision to the DPRK of a light-water reactor project ... by a target date of 2003.”

As of October 2000, about 800 South Korean workers are working at the site together with about 100 North Koreans. Within a year this number will double and a few years later it will grow to nearly 10,000 South and North Korean workers combined. In addition, several hundreds pieces of heavy equipment and vehicles brought to the site by KEDO contractors from South Korea are working in what is otherwise a typical small rural town in the North.

KEPCO removed more than 4 million cubic meters of rock and soil from the mountain where the LWR plant will be located. Recently, work has begun on the construction of the intake breakwater and barge docking facility that will form the intake channel for cooling water and provide a safe docking facility for freight barges and passenger boats. KEPCO and its subcontractors have transformed a wooded field into a gigantic construction site. In addition to building temporary container housing and some permanent housing for its workers, they also established construction offices, medical facilities, dining and recreational facilities, banking offices, and other structures necessary to support the LWR project. KEDO has further established an independent supply of reliable electricity, water and communications. As the site is maintained as an independent town, it imports virtually everything required for working and living, including construction materials and personal consumables.

Considering that the target completion date of the LWR project is only three years away, progress has been slower than one had expected. For those who thought this project an impossible one, however, the

progress made so far is a considerable feat. This is especially true since both KEDO and the DPRK have been treading in uncharted territory and full of obstacles, intended and unintended as well as expected and unexpected. In the following paper, four imminent and potential obstacles that KEDO may encounter in coming years have been identified and will be discussed. To the extent that both KEDO and the DPRK learn how to remove, avoid and overcome these obstacles, the pace of the project will be determined.

III. Obstacles to the KEDO LWR Project

1. DPRK's Cooperation for the Project

Building a nuclear power plant is not an easy task, taking 7 to 10 years to complete, even in South Korea or Japan where most of the social and physical infrastructure for a project of this magnitude is present. From the beginning, therefore, the full cooperation of the DPRK has been imperative and critical for the smooth and expeditious implementation of the LWR project. The types and levels of cooperation needed vary from local to national and from functional to political in accordance with the types of obstacles faced. During the last five years, both KEDO and the DPRK have worked jointly to meet various challenges and often succeeded in finding mutually acceptable solutions.

In order to begin construction on the LWR plants, the DPRK took numerous unprecedented measures such as accepting the Korean standard nuclear reactors and allowing many South Koreans to reside in and travel to and from the construction site in its northeastern coastal area. The DPRK also opened the beach area of the construction site and removed various military barriers that were placed there; allowed free communication between the site and the South; opened

several sea transportation routes; and provided diplomatic protection to all KEDO personnel working in the DPRK.

Most of these measures are usual ones necessary for building nuclear power plants. Something ordinary and normal in other parts of the world, however, can be considered special in the DPRK. Considering the closed, exclusive and defensive nature of the DPRK regime to outsiders in the early 1990s, these measures taken for KEDO's benefit by the DPRK were nothing less than extraordinary. These moves are seen as reflecting the DPRK's position toward the KEDO project.

From time to time, however, the DPRK's cooperation has been insufficient to insure uninterrupted and smooth construction work. Despite its high stake in the completion of the project, the DPRK often fails to cooperate by adhering to self-imposed regulations and principles to the detriment to the project. In the following discussion, a few areas where the DPRK's cooperation is most needed are discussed in detail.

First of all, South Korean personnel living and working together with their DPRK counterparts turned out to be an enormously difficult task. Due to cultural and physical differences between DPRK and KEDO personnel, conflicts and confrontations were frequent in the early years. Some actions that might be meaningless in other countries such as throwing away a newspaper with photos of national leaders and making jokes caused great commotion and invited protests from the DPRK. Some cases even resulted in the temporary suspension of work at the site. It took years for KEDO personnel to learn how politically sensitive North Koreans are on some specific issues. KEDO employees were all instructed not to take any action that could be perceived as being provocative by the DPRK side. Only after paying a high price and passing through a long learning process, did both sides learn to not only take into account the other's position before acting, but also to keep accidents at a personal or local level from escalating into incidents on a national or diplomatic level. There always remains

the possibility, however, that such cultural differences could interrupt the good relations enjoyed by the two sides.

Second, a more serious issue is the DPRK's attitude towards international agreements and commercial contracts, or more precisely, its arbitrary interpretation of and lax sense of obligations to these agreements. This might be attributed to the politicized nature of its society or lack of exposure to international law and modern market economies.

Anyone familiar with the DPRK might know that concluding, interpreting and implementing agreements are three entirely separate issues. Implementation has been no less difficult than negotiating agreements. This can be overcome, however, with confidence and credit. KEDO's example demonstrates that it takes time to accumulate credit from the DPRK. In its early days, KEDO worked hard to prove not only by words but also by deeds that its mission in the DPRK was not to pursue an "impure political conspiracy" against the North, but rather to construct nuclear power plants and deliver heavy fuel oil. Despite the political underpinning of the KEDO projects, KEDO had to reinforce its claim everyday that its missions were purely technical ones and any other political considerations should not stand in the way of the "smooth and expeditious implementation" of such missions. Here are two examples that show how the DPRK treats agreements and contracts; incidents that may recur at anytime in the future.

As reported in the media recently, the DPRK has been demanding manifold wage increase for its unskilled work force and refusing to provide additional workers to KEDO since mid-1999. The DPRK even withdrew half of its unskilled workforce, 100 persons, when its demands were not met. In order to keep up with the work schedule, KEPCO had to bring in extra workers from the South at a higher cost to KEDO to fill positions that should have been filled with an additional 600 DPRK workers. This case poses a serious question to the future of the project not only because of the imminent damage to the progress of

the project due to increased labor costs and possible schedule delays, but also because of the DPRK's attitude towards agreements and contracts.

In the LWR Supply Agreement and related protocols, the DPRK agreed to provide KEDO with labor "to the extent possible at a fair price." Later, the DPRK side agreed in a commercial service contract with KEPCO to provide unskilled workers at a monthly wage of 110 US dollars. The DPRK now reopened this case and claimed that \$110 a month was not a "fair price." It argued that the fair price should include additional direct and indirect compensation that had been missing from the beginning.

Most experts agree, however, that the agreed wage far exceeds the average wage paid to North Korean workers for similar work and is generous when compared to the wages in the Rajin-Sonbong Free Trade Zone. They also found that the current wage rate is higher than that in most other parts of the world where the per capita GNP is comparable to, or even higher than, that of the DPRK. An expert on the subject also voiced the opinion that higher wage rates than the current one may seriously hurt the DPRK's effort to bring in foreign capital, as investors could find cheaper and more cooperative labor elsewhere. In fact, the DPRK might lose the only incentive it possesses to foreign investors: its cheap labor.

Though both sides have met a few times to resolve this labor issue, so far they could not narrow their differences. With strong commitments to the project from both sides, however, they will be able to overcome this deadlock and find a solution sometime soon.

Besides the labor issue, transportation and telecommunication issues also require the DPRK's full cooperation. Cooperation from the DPRK is two-fold: one is to implement agreements already in place, and the other is to show flexibility in order to handle unexpected transportation and telecommunication needs. The DPRK has already taken numerous measures opening the site to KEDO personnel in accordance

with related protocols on transportation and telecommunications. In view of the DPRK's past attitude towards outsiders, and especially South Koreans, all these measures are extraordinary ones. These steps taken so far, however, fail to meet the ever-increasing communications and transportation demands between the site and the South as the construction work expands.

There are some measures that the DPRK failed to implement, although they were agreed upon in the protocols, citing either the slow pace of construction work or grave security concerns as reasons for not following through on their obligations. On the other hand, the DPRK took the extra measure of allowing the operation of fast passenger-cargo boats between the site and the South that would shorten the travel time from two days to five hours, though this was not in the agreements. As the pace of construction work accelerates, hundreds of KEDO personnel a month must travel to and from the Kumho site as quickly as possible and thousands of pages of design drawings must be exchanged between the site and Seoul offices almost instantly. Despite minor bottlenecks caused by the DPRK's current lack of cooperation, it is too early to call it a total disaster. Less than full cooperation from the DPRK on these practical demands, however, would result in schedule delays and cost increases.

On the other hand, it should be noted that the DPRK has gradually shown its willingness to accept KEDO as its partner in the project and, though selectively, and to the extent possible, cooperate in an effort to meet KEDO's demands. Considering the half-century long lapse of contacts between the two, a five-year trial and error period should be considered rather brief. Although KEDO projects are still in the early stages, the five years since the creation of KEDO have not been a complete waste of time. As the DPRK begins to slowly recognize that the pace of construction work is closely related to its willingness to accommodate the practical needs of the project and to thoroughly implement the agreements, one should expect a more positive attitude

from the DPRK toward this project and better cooperation in the future. In addition, KEDO may have to reinvent itself by learning from its own experiences in order to complete its mission.

2. DPRK's Non-proliferation Obligations

In the mid- to long-term, the DPRK's compliance or non-compliance with its nonproliferation obligations will become a key factor to the success of the LWR project. A few nonproliferation obligations in the Agreed Framework, such as the freeze on the DPRK's graphite moderated reactors and related facilities and sealing and storage of spent fuel rods from the 5MW reactor, are being implemented satisfactorily. What appears most critical will be the future inspection of the frozen 5 MW reactor and related core nuclear facilities such as the radioactive waste storage tank and the reprocessing facility located in Youngbyon, DPRK. Two questions are at issue here: One is over the DPRK's acceptance of limited safeguards obligations on these frozen nuclear facilities until the delivery of key nuclear components; the other is the DPRK's acceptance of full safeguards measures before the delivery of key nuclear components.

On the first issue, the IAEA has reported annually to the United Nations on the DPRK's non-compliance regarding its safeguards obligations under the Safeguard Agreement. For example, in an attempt to make inspections to preserve information to verify the correctness and completeness of North Korea's initial declaration, the IAEA demanded in 1996 that the DPRK accept inspection measures such as: (1) measurement of irradiated fuel rods preserved in the storage pool, (2) installation of monitoring equipment at nuclear waste tanks, (3) turning over the operating records of the 5 MW reactor and plutonium production to the IAEA, (4) installation of sensors at the radiochemical laboratory, and (5) location of key nuclear components for the 50 MW and 200 MW reactors.

Despite repeated demands, which has been made at periodic meetings between the IAEA and the DPRK two or three times a year since 1995, none of the above requests has been accepted by the North. North Korea insisted that it should not be bound by the Safeguards Agreement with the IAEA but rather by the Agreed Framework with the U.S. In accordance with the Framework, North Korea argues that random and routine inspections would be permitted only to facilities not subject to the freeze. Again, quoting the Agreed Framework, the DPRK argues that the IAEA can only "monitor" the frozen nuclear facilities in question.

Though this noncompliance issue is being taken very seriously by the IAEA, most concerned countries like the U.S., South Korea and Japan seem to be content with the current situation. As long as the DPRK maintains the nuclear freeze and the IAEA confirms this, none seems to be willing to challenge the DPRK at this stage. They are ready to wait until full and unlimited inspections are possible. This may come earlier than expected. Recently, on November 6, 2000, the Director General of the International Atomic Energy Agency (IAEA), Mohamed ElBaradei, declared in an address to the United Nations that inspection of DPRK nuclear facilities should begin immediately since the Agency would need "three to four years for a full assessment, verification of nuclear material" in the DPRK. This statement was made in accordance with Paragraph 3, Article IV of the Agreed Framework stipulating the DPRK's obligation as follows:

When a significant portion of the LWR project is completed, but before the delivery of key nuclear components, the DPRK will come into full compliance with its safeguard agreement with the IAEA (INFCIRC.403), including taking all steps that may be deemed necessary by the IAEA, following consultations with the Agency with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK.

Assuming that the delivery of key nuclear components to the DPRK may occur in five years and that the accounting of all nuclear material may take longer than in other cases due to its contentious nature, it would not be unusual for the IAEA to demand immediate inspections of the North's frozen nuclear facilities. No one expects, however, that the DPRK will give in to the IAEA's demands for unlimited access to all DPRK nuclear facilities, reported or not, without resistance. Since the DPRK will not pay heed to the IAEA, the U.S. may have to intervene to negotiate with the DPRK on the timing and extent of inspections of the frozen nuclear facilities before it becomes too late.

The prospects that this issue will be resolved easily are not hopeful. Some have observed that the nuclear ambiguity resulting from the obstruction of access to the DPRK's past nuclear history and critical nuclear facilities was its best leverage against the U.S. The KEDO project can proceed while disputes on this are under way. However, what would happen if the negotiations between the U.S. and the DPRK drag on too long for the IAEA to complete its accounting of the DPRK's nuclear material before the delivery of key nuclear components? Still worse, after inspections, what if the IAEA reports either a failure to account for all the nuclear material or further discrepancies between the initial report and the result of inspections are found? Any of these scenarios has the potential to seriously disrupt the implementation of the LWR project and to lead to another open-ended nuclear crisis similar to one in 1994. Therefore, this question appears to be one of the most critical issues determining not only the future of the LWR project but also the Agreed Framework itself.

Since no one in the region wants the recurrence of such a crisis, however, all concerned parties should be able to find a solution in the end. If the recent political developments surrounding the Korean Peninsula and especially the DPRK's vigorous approach to the international community continue, the chances for resolving this issue in time would also increase.

3. DPRK's Readiness to Receive LWR plants

Is the DPRK ready to receive, use and operate the LWR-based nuclear plants properly and safely in accordance with international legal standards and practices? In concrete terms, does the DPRK maintain internationally acceptable nuclear liability and safety regimes for the LWR plants? If not, will it be fully prepared for these requirements when necessary? In addition, will the DPRK's power transmission and distribution system be safe and sturdy enough to handle the new LWR plants? Most experts on North Korea are not certain about this. The lack of available information and statistics on the DPRK's nuclear liability and safety regimes and its electricity generation, transmission and distribution system adds to this suspicion.

Though some of these problems are not as pressing as other ones such as the labor, telecommunication and transportation issues, they might become serious impediments to the project over time. Uncertainties about the DPRK's nuclear liability and safety regimes tend to make the contractors hesitant about participating in the KEDO project unless their exposure to this unusual risk is fully covered by KEDO and its members rather than the DPRK.

In the 1995 LWR Supply Agreement with KEDO, the DPRK promised to ensure that a legal and financial mechanism would be available for meeting claims for damages in the event of a nuclear accident. In accordance with international practice, the DPRK also ensures that this legal mechanism shall include the channeling of liability in the event of a nuclear incident to its operator on the basis of absolute liability and that the operator is able to satisfy such liabilities. In order to keep these promises, the DPRK should enact a domestic nuclear liability regime, enter into an indemnity agreement with KEDO and participate in an international insurance program as well.

There is no question about the DPRK's intention to fulfill all of these requirements. However, no one will be certain about the DPRK's

capability to implement these requirements, especially ones with financial implications, both imminent and potential. For example, is the DPRK going to participate in a nuclear liability insurance whose premium might cost more than several million dollars a year? The nuclear liability insurance program might ask for a higher premium due to the DPRK's higher country risk and the uncertainty regarding its safety system. Still worse, commercial companies might even refuse to sell the insurance at all or ask for a prohibitively higher premium. In addition, participation in the international legal regime by the DPRK is also not automatically guaranteed unless the DPRK's overall performance improves.

In this regard, former KEDO General Counsel Mitchell Reiss noted in his testimony to a U.S. Congressional hearing that the nuclear liability issue was one of the most urgent issues that should be resolved (Reiss, 2000). If not, Reiss predicted that this would delay the project and accrue significant additional cost. According to him, KEDO needs to reach an agreement with the prime contractor, KEPCO, that is acceptable to the subcontractors on nuclear liability for the LWR project. If certain subcontractors decide not to participate in the project because of the nuclear liability issue, then Reiss observes that the entire project will be put at risk, or at a minimum, suffer additional delays and costs.

Another serious problem that might occur at a later stage is the DPRK's physical readiness to accept the LWR plants. It is a well-known technical fact that to maintain stability of the entire power system the power generation capacity of one plant should not exceed 10 percent of total power generation connected through a regional or national power grid. Though the exact amount of total power generation in the DPRK is not known to the outside world, one can easily assess that the DPRK does not meet this criterion. According to ROK Unification Ministry statistics, the DPRK's power generation capacity amounts to about 7,247 MW as of 1994 and the actual power genera-

tion to a mere 32 percent of the capacity, or 2,310 MW. Following these statistics, one unit of the LWR could produce as much as about 23 percent of the total actual power generation of the DPRK. In this case, any disruption of power generation by one LWR unit could heavily overload and thus seriously destabilize and damage the rest of the DPRK's power system. This could be even worse if the DPRK's national power grid is not in place.

In order to meet these technical demands, the DPRK has to keep building more power plants and connect them to a solid national power grid system. Considering that the DPRK's economy has been in a decline for the last ten years, it is not difficult to guess that it cannot meet these demands on its own. International financial institutions such as the Asian Development Bank and the World Bank could be of help to the DPRK, but at a cost. While ascertaining that it is the DPRK's responsibility to upgrade its power distribution system, KEDO once expressed its willingness to provide its good offices if the former sought international financing. However, most international financial institutions have their own lending requirements such as statistical transparency, accuracy and accountability by the borrowers that the DPRK might find not easy to comply with at the moment.

A solution to this quandary could be to connect the DPRK's power grids to either South Korea or China, though this might pose other political and technical problems. In this case, the DPRK would be able to not only secure the stability of its power system but also earn foreign currency by selling electricity. More plausibly, the DPRK might directly ask the South for assistance to overhaul and upgrade its power system as the relations between the two Koreas further progress. In either case, the progress of the LWR project is ultimately subject to the DPRK's overall performance, both economic and political, that can be measured in the terms of country risk and its acceptance to international society.

4. Supports from KEDO EB Members

It is not difficult to imagine that coordinating KEDO's four Executive Board members with disparate political interests and distinctive decision making processes can be often more challenging than working with the DPRK. Despite their common goal of preventing nuclear proliferation and maintaining peace and stability on the Korean Peninsula, KEDO members have different views on how to achieve these goals. Since the KEDO Establishment Agreement endows KEDO's three original members, South Korea, Japan and the U.S., with veto power, each of them can cripple the LWR project as they have done when they were provoked or threatened by the DPRK.

Previously there were two political crises that tested the Agreed Framework and almost suspended the LWR project: the infiltration of a DPRK submarine into the South Korean shore in September 1996 and a DPRK missile launch in August of 1998. Though none of the related parties declared that they would withdraw their support and walk away from the KEDO projects, these two incidents eroded domestic public support within South Korea and Japan for the KEDO projects. As a result, negotiations among KEDO members on financing as well as the construction pace at the site were significantly slowed at the time. These cases show how important it is to secure and maintain public support for the project in order to keep up the pace of the project. They also show that any provocations by the DPRK, planned or not, directly contribute to the reduction of public support.

The most serious repercussion from a lack of public support for the project appears to be none other than either non- or delayed decisions on financing issues. The fact that it took almost five years from Seoul and Tokyo's initial commitments to the LWR project to the completion of financing arrangements testifies to the difficulty of securing public support, as represented often by the legislature and the media, for the project. Initially at the time of concluding the Agreed Framework in

1994, South Korea pledged to play a "central role" and Japan a "significant role" in financing the LWR project. Then, it was not until late 1997 that people began to realize that the central role meant financing 70% of the project and the significant role one billion dollars.

One year later, in November 1998, KEDO finally adopted a resolution, which determined the principle cost sharing of the LWR project, with a budget estimated at \$4.6 billion, among Executive Board members. Following this guideline, KEDO signed financing agreements with Japan to borrow 116.5 billion yen, equivalent to 1 billion US dollars, and with South Korea to provide 70 percent of the project's actual cost, in May and July of 1999, respectively. By August of 1999, both financing agreements became effective. Within the framework of these governmental umbrella agreements, KEDO began negotiations to conclude commercial loan agreements with the Korea Export-Import Bank and the Japanese Bank for International Cooperation. After numerous negotiations, the loan agreements were finally signed on December 15, 1999 and January 31, 2000 respectively. As these financing commitments were the best they could get, the Executive Board members decided to leave the differences between the contributions and the actual cost of the project an open-ended question to be dealt with later under U.S. leadership.

In summary, coordination and cooperation among the four EB members for the LWR project has never been easy. Despite their decisions to participate in the project, the EB members and their public have always been less than enthusiastic partly due to the hostile nature of the DPRK. Again, if the recent political developments surrounding the Korean Peninsula and especially the DPRK's vigorous approach to the international community continue, the EB members and their public will become more supportive of the project.

IV. Conclusion

Despite a slow start and numerous hurdles along the way, KEDO's LWR construction project is on track and proceeding as quickly as could be hoped. The progress made so far, however, will not permit KEDO to meet the Agreed Framework's completion target year of 2003. Nonetheless, it is a remarkable achievement that the LWR project has overcome one roadblock after another during the last five years and is currently accelerating the pace of its work. It is well known that, from the beginning, several DPRK experts believed that this project would be impossible, considering the political, financial, technical and legal barriers to a project of this complexity and size. Some experts even said that the LWR construction process would outlive the DPRK itself.

During the last five years, all participating parties to the LWR project, including the KEDO Secretariat, KEDO EB members and the DPRK, have worked very hard not only to keep this project afloat during times of crisis, but also to make progress when the situation permitted. Seoul, Tokyo and Washington have been handicapped with less than full support for the LWR project from their people and legislatures. Despite such difficulties, however, their governments have done their best to meet their political, financial and technical obligations and responsibilities. Overcoming indifference and antipathy to the KEDO project within KEDO EB member countries, KEDO finally succeeded in concluding the LWR construction turnkey contract with its prime contractor, KEPCO, in December of 1999 and completing financial arrangements for the project in early 2000.

Despite these limited successes, there are still many obstacles, both imminent and potential, to the successful implementation of the LWR project as has been the case in the last five years of KEDO's operation. Some of these are serious matters with political, security and legal implications, while others are simply financial ones. None of these

should be taken lightly, however, since all of them have potential to disrupt the smooth implementation of the project. As discussed before, the pace of the LWR project will be ultimately determined by the DPRK's political credit, international openness and economic capability, without which KEDO members' support for the project may dissipate in the long run.

On the other hand, it is also true to say that none of these obstacles is insurmountable as long as each concerned party believes that its best interests are being met by abiding by the basic principles prescribed in the 1994 Agreed Framework. The LWR project is not only one of the key elements of the Framework for the time being; it is also a litmus test against which both the DPRK and KEDO judge the implementation of the Framework.

At this stage, it is too early to call the LWR project a success or a failure. If the processes of the project are more important than the final results, something we can only judge in the years to come, one could say that the KEDO LWR project has been a success in keeping the DPRK's nuclear freeze in place; keeping the LWR construction work afloat; becoming the first case of an international project of this magnitude in the DPRK; maintaining a South Korean presence in the North; and finally becoming the precursor to all the following political events culminating in the June 2000 South-North summit.

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PUTIN'S PRAGMATIC APPROACH TO THE KOREAN PENINSULA

In-Kon Yeo

This article's purpose is to analyze Putin's foreign policy toward the Korean peninsula. It opens with a brief review on the changes of Yeltsin's foreign policy line and on his foreign policy toward the Korean peninsula. And the prospects for Putin's foreign policy toward the Korean peninsula are presented.

The transition process of Russia's foreign policy line since late 1991 can be divided into three phases; pro-western foreign policy line from late 1991 to late 1992, Eurasian foreign policy line from late 1992 through mid-1996, multi-directional policy line since mid-1996. Putin is in succession of Yeltsin's multi-directional policy line.

Yeltsin's foreign policy toward the Korean peninsula can be distinguished into two phases; pro-South Korea policy until the death of Kim Il Sung in July of 1994, balanced policy toward South and North Korea since that time. The Russia-South Korea relationship was re-adjusted by re-affirming a "Constructive and Mutually Complementary Partnership" at the summit in May of 1999 between Kim Dae-jung and Yeltsin. In the meanwhile, the transition process of Yeltsin's foreign policy toward North Korea since the disintegration of the Soviet Union is to be differentiated in four phases: a period of aggravation until

the first half of 1994, Russia's search for improving its ties with North Korea until the second half of 1996, a period of stagnation from the first half of 1997 to the second half of 1999, and a period of re-adjustment since 2000.

At present, Putin is carrying out a pragmatic and realistic foreign policy, which is based on more profits in the political and economic sense, while pursuing balanced policy toward South and North Korea as was in the second term of Yeltsin's presidency. "Foreign Policy Concept of the Russian Federation" approved by Putin in June of 2000 explains that "of greatest concern (in Asia) is the situation in the Korean Peninsula. Efforts will be focused on assuring Russian equitable participation in solving the Korean problem and on maintaining balanced relations with both Korean States."

Russia's signing of a new "Treaty on Friendship, Good Neighborliness and Cooperation between Russia and North Korea" in February of 2000, Putin's visits to North Korea in July of 2000 and to South Korea in February of 2001 can be understood in this context. In addition, the Russian government has been actively seeking the tripartite economic cooperation among South and North Korea and Russia in order to ensure substantial economic benefits. It is because the Russian economy showed a tendency of recovery in 2000 and on the Korean peninsula the reconciliation and cooperation between South and North Korea tended to extend after the inter-Korean summit.

At present, Russia attaches great importance to the stability of the Korean peninsula, regarding its unification as a matter to some future occasion. Therefore, Putin is likely to maintain the established principles of the Russian policy that have balanced relations with South and North Korea, while continuing to pursue his pragmatic policy so that he may raise Russia's voice in the Korean problems and obtain economic benefits. The second Russia-North Korea summit between Putin and Kim Jong-Il might be held just prior to the second inter-Korean summit.

I. Introduction

Since the disintegration of the Soviet Union in December of 1991 Russia has been experiencing great changes. Former Russian President Yeltsin is generally regarded as having succeeded in establishing democracy in Russia legally and institutionally by transforming the socialist system of the former Soviet Union into democracy. However, he failed to establish a true market economy in Russia and at last came to declare a moratorium in August of 1998. Putin, who has been acting in the capacity of Russian president since January 1, 2000, is endeavoring to rid his country of the harmful effects of lawlessness, corruption and social crimes and to overcome Russia's serious economic difficulties, all of which were caused during Yeltsin's presidency. In the field of foreign policy, Yeltsin coped with the changing international situation by taking several different foreign policy lines. At the present time, Putin is following the basic line of multi-directional foreign policy, which Yeltsin took during the second term of his presidency.

In the meantime, there have been a variety of changes in Russian foreign policy toward the Korean peninsula. Since the establishment of diplomatic relations between South Korea and the Soviet Union in September of 1990, the leadership of Russia and of South and North Korea has changed. Today, Putin pursues a more active and attentive policy toward South and North Korea in comparison to that of Yeltsin's era.

This article's purpose is to analyze Putin's foreign policy toward the Korean peninsula. It opens with a brief review of Yeltsin's foreign policy and his policy toward the Korean peninsula. Then, Putin's principles of foreign policy and pragmatic diplomacy are examined in chapter III. This paper will also deal with Putin's balanced policy toward South and North Korea in chapter IV. And finally, the prospects for Putin's foreign policy toward the Korean peninsula are outlined.

II. Yeltsin's Foreign Policy and Policy toward the Korean Peninsula

1. Yeltsin's Foreign Policy

The transition process of Russia's foreign policy since late 1991 can be divided into three phases. The first phase is the period of approximately one year from late 1991 to late 1992, during which Yeltsin carried out a pro-western foreign policy. With this policy, he expected a large amount of economic aid and investment from Western countries such as the U.S. and Japan in order to overcome the Russian economic difficulties and make reforms. Against his expectations, the economic aid and investment came to only a limited amount, and subsequently Russia was faced with a threat to its national security due to NATO's expansion toward Eastern Europe.

Under these circumstances, Yeltsin pushed a Eurasian foreign policy forward in the period from late 1992 through mid-1996, in which the CIS and Asian countries were regarded as being as important as Western countries. This can be regarded as the second phase in the transition process of Russia's foreign policy. Carrying out defensive and passive policies, Yeltsin could consolidate Russia's national security by adopting a new military doctrine in November of 1993 and by establishing a strategic partnership with China in April of 1996 to cope with the new enlargement of security relations between the U.S. and Japan.

The third phase is the period after Yeltsin's re-election in mid-1996. Since then, the Russian government has taken a multi-directional policy line. It is an offensive and active foreign policy, aimed at recovering the status of Russia as a power and creating favorable international circumstances to help solve its economic difficulties. Putin, who has been the leader of Russia since 2000, is following Yeltsin's multi-directional policy and claims to stand for strong Russia.

2. Yeltsin's Policy toward the Korean Peninsula

Yeltsin's foreign policy toward the Korean peninsula can be distinguished into two phases: pro-South Korea policy until the sudden death of Kim Il Sung in July of 1994, a balanced policy toward South and North Korea since that time.

Expecting a large amount of economic aid and investment from South Korea, Yeltsin pursued a policy, in which it attached greater importance to South Korea than North Korea. However, a very small amount of investment Russia received from the South Korean government and businesses fell well short of Russian expectations.¹ In addition, South Korea, which granted US\$ 1.47 billion of a promised US\$ 3 billion credit line to the former Soviet Union, decided not to grant the remaining credits in August of 1993, because Russia failed to repay the principal and interest owed to South Korea. In spite of its contribution to the peaceful settlement of the North Korean nuclear problem, Russia was excluded from the settlement.² The rising left wing and extreme right-wing nationalistic parties in the Russian Lower House (the State Duma), and the Eurasian foreign policy of the Russian government at that time — as well as the above mentioned Russian dissatisfaction with South Korea — led the Russian government to re-evaluate its policy towards the Korean peninsula. Kim Il Sung's death was the turning point at which Russia changed its pro-South Korean policy to a policy of balanced relations between South and North Korea.

1 As of end 1993, the South Korea's direct investment in Russia amounted to US\$ 23.54 million, which accounted for only 0.4 percent of the sum of all foreign investments US\$ 5.5 billion.

2 Regarding Russia's position on the North Korean nuclear problem at that time, George F. Kunadze (Former Ambassador to Korea), "Security and Economic Situations in the Korean Peninsula with Emphasis on North Korea," (a paper presented at the 9th IFANS-IMEMO conference on "Korean-Russian Cooperation at the Turn of the Century," October 28-29, 1999, Seoul, Korea), pp. 5-8.

In the second half of the 1990s, the most critical diplomatic juncture since the establishment of diplomatic relations between Russia and South Korea was reached. This came about because Russia was unhappy with its exclusion from the Four-Party Talks proposed by South Korea and the U.S. in April of 1996 and because of a diplomatic squabble caused by the reciprocal expulsion of several intelligence agents from each side. It was very fortunate for both countries that the diplomatic conflict was solved by re-affirming their "Constructive and Mutually Complementary Partnership"³ at the summit in May of 1999 between South Korean President Kim Dae-jung and Russian President Yeltsin.

In the meantime, the transition process of Yeltsin's foreign policy toward North Korea since the disintegration of the Soviet Union can be differentiated into four phases. The first phase is a period of aggravation lasting until the first half of 1994. The relationship between both countries could not help but to be aggravated because of Yeltsin's pro-South Korean policy at that time.

Upon the death of Kim Il Sung, Russia changed its policy toward the Korean peninsula from a pro-South Korean policy into one of balanced relations between South and North Korea. Russia tried to improve its ties with North Korea until the second half of 1996. In the second phase of Yeltsin's policy toward North Korea, North Korea assumed a passive policy towards Russia. This was because North Korea was then still being ruled by Kim Il Sung's dying injunctions; it was dissatisfied with reports in the Russian press critical of the political and economic situation in North Korea; the supply for Russian military

3 In the "Korean-Russian Joint Declaration" in June of 1994 the South Korean President Kim Young Sam and the Russian President Yeltsin declared that the relationship between the Republic of Korea and the Russian Federation is now turning into a "Constructive and Mutually Complementary Partnership" based on the common values of freedom, democracy, rule of law, respect for human rights and market economy.

weapons to South Korea to partially repay credits; and its expectation that Gennady Zyuganov, the leader of the Communist Party of the Russian Federation, might win the Russian presidential election of 1996.

The third phase of Yeltsin's policy toward North Korea began in the first half of 1997 and lasted until the second half of 1999 and is characterized by a period of stagnation. Since the military alliance treaty of 1961 was de facto renounced, Russia and North Korea made preparations for concluding a new treaty in order to replace their relationship based on a military alliance with a normal relationship. However, Russia was concerned not only about external affairs, i.e. NATO expansion toward Eastern Europe and the situation in Kosovo, but also about its internal economic crisis, i.e. the declaration of moratorium in August of 1998. North Korea also continued to carry out a foreign policy focused on the U.S. Therefore, Russia maintained its relations with North Korea within the limits of that time.

It was in 2000 that a turning point in the relationship between Russia and North Korea was reached. The period from that time until now makes up the fourth phase of their relationship, which is characterized by a period of readjustment.

III. Putin's Principle of Foreign Policy and Pragmatic Diplomacy

According to the "Foreign Policy Concept of the Russian Federation"⁴ approved by Putin shortly after his election in June of 2000, the Russian government judges that the end of the "Cold War" and the advancement of Russian reforms have substantially broadened the possibilities for cooperation in the world arena. It perceives that while military power still retains significance in relations among states, an

4 <http://www.mid.ru/mid/eng/econcept.htm>

ever greater role is being played by economic, political, scientific, technological, ecological, and information factors. Therefore, the document emphasized the important role of Russia as one of the permanent members of the U.N. Security Council in forming a new world order.

The Russian government regards the following factors as new challenges and threats to the national interest of Russia: the global policies of the U.S. to establish itself as the sole superpower, the weakening role of the U.N. Security Council, the proliferation of weapons of mass destruction and their means of delivery, military-political rivalry among regional powers, ethnic-national and religious extremism. In order to encounter these new challenges and threats, the Russian government, under the strong leadership of Putin, places its foreign policy priorities on achieving firm and prestigious positions for Russia in the world community as a great power and seeks to establish a multi-polar system of international relations, recognizing the goals and principles in the U.N. Charter, creating favorable external conditions for steady development of Russia, forming a good-neighbor belt along the perimeter of Russia's borders, eliminating and preventing potential hotbeds of tensions and conflicts in regions adjacent to Russia, and building a system of partnerships and allied relations with foreign countries. Along with this, the Russian government is carrying out a pragmatic and realistic foreign policy, which is based on more profits in the political and economic sense.⁵

IV. Putin's Balanced Policy toward South and North Korea

At present, Putin is pursuing a balanced policy toward South and North Korea as in the second term of Yeltsin's presidency. "Foreign

⁵ On Russia's pragmatic foreign policy, see A. Fedorov, New Pragmatism of Russia's Foreign Policy, *International Affairs* (Moscow), Vol. 45, No. 5, 1999, pp. 47-52.

Policy Concept of the Russian Federation" explains that "of greatest concern (in Asia) is the situation in the Korean Peninsula. Efforts will be focused on assuring equitable Russian participation in solving the Korean problem and on maintaining balanced relations with both Korean States."⁶ Putin's visits to North Korea in July of 2000 and to South Korea in February of 2001 can be understood in this context.

1. Putin's Policy toward North Korea

As acting Russian President, Putin concluded a new treaty with North Korea in February as formal Russian President visited Pyongyang in July of 2000, where a joint declaration was adopted. The conclusion of a new treaty and the adoption of a joint declaration signaled the end of a ten-year cooling-off period between Russia and North Korea after the establishment of diplomatic relations between Russia and South Korea. As the longstanding economic difficulties of Russia and North Korea brought about fruitless outcomes in economic cooperation with North Korea, Putin has been seeking to realize so called "tripartite economic cooperation," which combines together the South Korean capital, North Korean labor power, and Russian resources and materials.

(1) Signing of a New Treaty

Although the new "Treaty of Friendship, Good Neighborliness and Cooperation between Russia and North Korea" replaced the alliance treaty of 1961 and was initiated in March of 1999, the official signing of the treaty was put off several times. In order to sign a new treaty, Russian Foreign Minister Ivanov visited Pyongyang from February 9-10, 2000 with a delegation of thirty-three persons. The trip marked the

⁶ <http://www.mid.ru/mid/eng/econcept.htm>, p. 12.

first trip by a Russian foreign minister since Foreign Minister of the Soviet Union Shevardnadze's trip to North Korea in 1990.

The conclusion of the new treaty resulted from a concurrence of interests in both countries. In the Russian presidential elections scheduled for March of 2000, the Russians regarded acting president Putin's victory as a matter of course. In addition, there was a tendency of the U.S.-North Korean and Japanese-North Korean rapprochement after the U.S. and North Korea had agreed at the Berlin talks in September of 1999 that the former lifted some of its economic sanctions against the latter in exchange for North Korea's suspending its missile tests. Under these circumstances, the Russian government, which was trying to transform Russia into a strong country, re-evaluated its strategic interests in East Asia and sought to restore its influence on the Korean peninsula and to re-arrange its relations with North Korea. Russia and North Korea did not have a legal basis for their relations after the de facto renunciation of the alliance treaty in September of 1996.

On the other hand, North Korea began to pursue a multi-directional policy by establishing diplomatic relations with Italy immediately after the release of the "Perry Report" in September of 1999. It was also necessary for North Korea to re-arrange its ties with Russia into a normal state-to-state relation and to enhance its position in negotiations with the U.S., Japan and South Korea.

Russian Foreign Minister Ivanov said upon his arrival in Pyongyang that, the treaty will open a new page in our relations and will promote the development of cooperation in all areas in the 21st century, as well as stabilize the situation on the Korean peninsula.⁷ He presented a message from acting President Putin to Kim Jong-Il, in which Putin expressed his serious concerns over the continuation of tensions on the Korean peninsula. The message also says the Treaty of

⁷ Russian FM Issues Statement on Arrival in N. Korea, *FBIS-SOV-2000-0209*, p. 1.

Friendship, Good Neighbor Relations and Cooperation between Russia and North Korea opens up broad possibilities for expanding and strengthening Russian-Korean cooperation in various spheres, for intensifying all bilateral ties and raising the standard of political dialogue. Russia consistently calls for untying the Korean knot at the negotiating table and supports the efforts of the Korean people to peacefully unify the nation, his message says.⁸ The Russian delegation did not have a chance to talk with Kim Jong-Il, since at that time he was unwilling to receive high-ranking foreign delegations.

The new treaty⁹ signed by Ivanov and his North Korean counterpart Paek Nam-Sun on February 9, 2000 is composed of a preamble and twelve articles. It is a fundamental legal document that provides a basis for the overall bilateral relationship for ten years ahead. The new treaty stipulates as follows:

- Mutual respect of sovereignty and non-interference in internal affairs, development of friendly relationship on the basis of equal rights and principles of international law (Article 1);
- Willingness to get in touch with each other without delay if the danger of aggression to North Korea or to Russia is created or under the circumstances where peace and security are threatened and when there is the need to have consultations and cooperate with each other (Article 2);
- Regular consultations about important issues related to mutual interests (Article 3);
- Support for Korean unification on the basis of principles of independence, peaceful reunification and national consolidation (Article 4);

⁸ Ivanov Gives Putin Message to North Korean Leader, *FBIS-SOV-2000-0209*, p. 1.

⁹ The new treaty was ratified by North Korea on April 6 and by the Russian lower house State Duma on July 19 and the Russian upper house Federal Council on July 27, 2000, and it came into effect on October 30, 2000.

- Expanding efforts to promote cooperation in the spheres of trade, economics, science and technology (Article 5);
- Deepening the relationship between parliaments, other government institutions and social organization of two countries (Article 6);
- revitalization of contact in many fields at various levels between cities, companies, associations and important persons of two countries (Article 7);
- the treaty is valid for ten years and will be automatically prolonged every five years thereafter unless either contracting party gives one year's notice to the other contracting party on the termination of the treaty (Article 12).¹⁰

Unlike the alliance treaty of 1961, provisions on ideological solidarity and mutual defense pacts are excluded in the new treaty. However, Russia and North Korea opened up the possibility of military cooperation, within certain limits, by putting in a clause stipulating immediate bilateral consultations in case of a security emergency. This means that the two countries agreed to closer military cooperation than Russia did in the Article 2 of the "Treaty of Basic Relations between the Russian Federation and the ROK" signed in 1992. But the new treaty does not contain any clause stating that the Russian government supports the North Korean unification program, the so-called "Democratic Confederation of Koryo," despite the fact that North Korea reportedly maintained that Russia should support its unification program in the new treaty.

A joint statement by Russia and North Korea was issued in connection with the signing of the treaty. The statement notes that, the conclusion of the Treaty on Friendship, Neighborliness and Cooperation between the Russian Federation and the Democratic People's Republic

¹⁰ Full text of the North Korean-Russian new treaty, www3.yonhapnews.co.kr (2000. 11. 3).

of Korea marks the beginning of a new stage in the development of relations between the two countries.¹¹ The Russian delegation exchanged views with such North Korean high-ranking officials as the chairman of the Permanent Council of the Supreme People's Assembly Kim Yong Nam, Foreign Minister Paek Nam-Sun and other. They reportedly discussed ways to promote political and economic cooperation, joint countermeasures against the Theater Missile Defense (TMD) plan of the U.S. and Japan, and the situation on the Korean peninsula, as well as ways to cooperate in the modernization of North Korea's weapons and factories, many of which were built with help of the Soviet Union. And the Russian side seems to have urged North Korea to support and participate in the Russian project to build a global missiles and weapons technology control system.¹² At a press conference just prior to his departure from Pyongyang Ivanov stated that, the period of a certain chill, encountered by Russia and the Democratic People's Republic of Korea in the 1990s, has been overcome. He also said that Russia comes out in favor of the Korean Peninsula's becoming an area of stability and peace. Moscow is prepared to actively participate in the political settlement processes in the region.¹³

Predicting that no provision undermining Seoul's national interests would be included in a treaty of basic relations between Pyongyang and Moscow,¹⁴ the South Korean government believes that Russian efforts to improve the relations with North Korea could induce North Korea to become a member of the global community. The relationship between Russia and North Korea has changed from an offensive and

¹¹ Russia, North Korea say Treaty Signals 'New Stage' in Ties, *FBIS-SOV-2000-0209*, p. 1.

¹² Russian Spokesman on Ivanov's Visit to North Korea, *FBIS-SOV-2000-0208*, p. 1.

¹³ Ivanov Says 'Chill' in Russian-DPRK Relations Overcome, *FBIS-EAS-2000-0210*, p. 1.

¹⁴ DPRK-Russia Treaty Said Not To Undermine ROK's Interests, *FBIS-EAS-2000-0209*, p. 1.

defensive alliance in the era of the Cold War to a normal state-to-state relationship with the signing of the new treaty in 2000. By concluding the treaties on basic relations not only with South Korea but also with North Korea, Russia has come to establish balanced relations with the two countries on the Korean peninsula based on international law.

(2) Support for the Inter-Korean Summit and Putin's Visit to Pyongyang

As far as the inter-Korean summit is concerned, Russia had been fixing its eye on the preparatory and progressive process of the inter-Korean summit, because Putin's visit to North Korea was scheduled for July 19-20, 2000. Russia assessed the inter-Korean summit between South Korean President Kim Dae-jung and Chairman of the North Korean Defense Commission Kim Jong-Il as a historic event and was deeply satisfied with its positive results, giving support to their policy. Since some positive results, namely the signing of the South-North Joint Declaration on June 15, 2000, came out of the inter-Korean summit, Russia expected the meeting of the two leaders of the divided Korea to create the prerequisites needed for the easing of tensions on the Korean peninsula and reconciliation. In addition, the Russian Foreign Ministry said, movement toward a genuine inter-Korean settlement would strengthen peace and stability in Northeast Asia, which coincides with Russia's interests.¹⁵

In particular, Russia expressed its satisfaction with the fact that the first inter-Korean summit was held and the direct South-North dialogue began without intervention of the powers surrounding the Korean peninsula. Analysis shows that Russia has come to expect a weakening of influence of the U.S., China and Japan on the Korean peninsula in this situation, where Russia had played the smallest role

15 Moscow Hopes Pyongyang Summit Will Help Korean Reconciliation, *FBIS-EAS-2000-0614*, p. 1.

among the four powers. With regard to the future South-North relations, the Russian government maintained that South Korea should help North Korea overcome its economic difficulties and normalize its relations with the U.S. and Japan so as to continue the South-North dialogue in spite of anticipated problems in realizing the contents of the South-North Joint Declaration.¹⁶

Immediately after the historic inter-Korean summit, Putin made a trip to Beijing from July 17-19 and to Pyongyang from July 19-20, 2000 on his way to Okinawa in Japan, where the G-8 summit was being held. He visited North Korea at the invitation of Kim Jong-Il for the first time as a top leader of the former Soviet Union and the Russian Federation. It seemed that his official visit to Pyongyang was aimed at seeking countermeasures against the TMD program of the U.S. and Japan and against the trilateral cooperation among South Korea, the U.S. and Japan. In addition, he wanted to discuss military cooperation with North Korea and to maintain balanced relations with South and North Korea under the present circumstances, where he had promised to travel to South Korea in the near future, as well as to ensure actual economic benefits. Putin held a summit meeting with Kim Jong-Il two times and they exchanged views on the situation in Northeast Asia, on the Korean peninsula, and on mutual economic cooperation. After the summit, a 11-point Russia-North Korea Joint Declaration¹⁷ was issued on July 19, 2000. Its contents and meaning can be summarized as follows:

First, the re-adjustment of the relationship between Russia and North Korea was reconfirmed by reaching an agreement to maintain their traditional relationship of friendship, good neighborliness, mutual trust and multilateral cooperation on the basis of the Treaty of Friendship, Good Neighborliness and Cooperation signed in February of 2000.

16 *Russian Broadcasting*, June 16, 2000.

17 DPRK's KCNA: DPRK-Russia joint declaration released, *FBIS-SOV-2000-0720*.

Second, Russia could continue to play the role of a guardian of North Korean security by reconfirming the provision of the new treaty that the DPRK and Russia express the willingness to get in touch with each other without delay if the danger of aggression to the DPRK or to Russia is created or when there is the need to have consultations and cooperate with each other under circumstances where peace and security are threatened.

Third, Russia could exclude the intervention of other powers in the Korean problem and seek to extend its influence on the Korean peninsula by supporting efforts to independently settle the question of Korean reunification by the concerted efforts of the Korean nation according to the South-North Joint declaration.

Fourth, Russia and North Korea took the same position on the missile issue: The results of the analysis of the present international realities prove that the missile threat from some states cited as a pretext to justify amending the ABM treaty is totally groundless and any deployment of the joint theatre missile defense system in the Asia-Pacific region may seriously wreck regional stability and security, the Joint Declaration says.

It is believed that in mid-2000 Russia, China and North Korea will cooperate with one another more closely than before in the sphere of security. This is because the Russia-North Korea Joint Declaration was issued under the circumstances that China and North Korea have maintained a military alliance since 1961 and that China and Russia have established a strategic partnership since 1996. Unexpectedly, during Putin's visit to Pyongyang, Kim Jong-Il told him that, North Korea is generally ready to use exclusively the missile technology of other states if someone gives it a booster rocket for carrying out peaceful space research.¹⁸ Therefore, it may be possible for North Korea and the U.S. to discuss in detail this issue over how to hand over

18 Putin Views Supplying Booster Rockets For Space Research, *FBIS-SOV-2000-0719*, p. 1.

technology for launching satellites to North Korea in return for giving up its missile program.

(3) Russian Interests in Tripartite Economic Cooperation

As the Russian economy recovered somewhat in 2000 reconciliation and cooperation between South and North Korea blossomed in the wake of the inter-Korean summit, and the Russian government has been actively seeking tripartite economic cooperation among South and North Korea and Russia in order to ensure actual economic benefits. Since early 1994, the Russian Foreign Ministry has proposed tripartite economic cooperation in seventeen fields; such as agriculture, forestry, fishery, coal and energy, the modernization of North Korean factories, the construction of nuclear power stations, the reconstruction of the trans-Korean railway and others.¹⁹ However, this proposal has not received a positive response from South Korea.

When Russian Foreign Minister Ivanov traveled to North Korea to sign the new treaty in February of 2000, they discussed ways to promote economic cooperation between the two countries, including a joint project to reconstruct and modernize factories built with the aid of the former Soviet Union. As soon as the news of the agreement between South and North Korea to hold an inter-Korean summit was reported on April 10, 2000, the Russian government informed the South Korean government of its intention to participate in infrastructure construction in North Korea. When he visited Pyongyang, Putin also consulted in detail with Kim Jong-Il on economic cooperation in such fields as the reconstruction of industrial facilities built with the technology of the former Soviet Union, the restoration of railways connecting the Trans-Siberian Railway (TSR) with the Trans-Korean

19 Trade Office in Moscow, Exploring Ways toward South Korea-North Korea-Russia Tripartite Economic Cooperation, *Information on Trade with the North* (1994. 1), pp. 128-130.

Railway (TKR) and so on.

According to an interview conducted with a member of the Russian lower house, Yuriy Ten, a Korean-Russian,²⁰ the Russian government regards the project to connect the TSR with the TKR lines as being economically feasible. This project would be very profitable for Russia, because the amount of transportation through the TSR line could increase by five or six times. Russia intends to rebuild 930km of the TKR line in North Korea from Khasan station to the border with South Korea. In particular, the Russian Railway Ministry is prepared to invest in modernizing the tracks and to aid in the operation and maintenance of the line, as well as to train North Korean railway personnel. In this context, Russian Railway Minister Aksenenko flew to Pyongyang on March 16, 2001 to discuss the specifics of projects with his North Korean counterpart. He led a special working group that assessed the state of North Korean railways. During his visit, he reached an agreement with his North Korean counterpart to strengthen the cooperation of the two countries in railway transportation.²¹ North Korea is also very interested in receiving Russian investments under this project. Yuriy Ten added at the interview that at the summit talks between Putin and Kim Jong-Il the project was also discussed to supply South and North Korea with Russian gas.

2. Putin's Policy toward South Korea

In accordance with his policy toward the Korean peninsula, i.e., balanced relations with South and North Korea, Putin visited Seoul from February 26-28, 2001 and had a summit meeting with Kim Dae-jung on February 27. Taking into consideration the above-mentioned aims of Russian foreign policy and Russian interests in the Korean

²⁰ *Izvestiya*, July 25, 2000.

²¹ DPRK, Russia Agree to Cooperate in Railway Transportation, *FBIS-EAS-2001-0318*, p. 1.

peninsula, Putin seems to have made the trip to Seoul for the following purposes:

First, Russia sought to strengthen its influence on the Korean peninsula in light of the fact that the Bush administration came into power in the U.S. in January of 2001 and that Kim Jong-Il traveled to China the same month. In addition, the South Korea-U.S. summit was scheduled for March of 2001 and the second inter-Korean summit also seemed to be near at hand.

Second, Russia intends to ensure actual economic benefits by expanding economic cooperation with South Korea and by selling its military equipment to South Korea, as well as by realizing tripartite economic cooperation.

Third, in order to hold the U.S. global policy in check, Russia tried to get the support of the South Korean government in international security and military affairs. In matters related to National Missile Defense, the ABM treaty, START II and CTBT, Russia was, and is, opposed to U.S. policy.

In the meantime, South Korean President Kim Dae-jung, who asked Putin to visit Seoul directly after his inauguration in May of 2000, seems to have had the following policy objectives:

First, Kim Dae-jung sought to ensure Putin's support for his engagement policy, creating an atmosphere supportive of Kim Jong-Il's visit to Seoul.

Second, South Korea wanted to ask for Russia's constructive role in easing tensions and creating a peace mechanism on the Korean peninsula.

Third, South Korea intended to actually promote economic cooperation with Russia and expected positive Russian contributions to the development of economic cooperation between South and North Korea.

As a result of the coincidence of mutual interests, Putin came to Seoul for the second time as Russian president eight years after former

Russian President Yeltsin had visited South Korea. On the occasion of the South Korea-Russia summit talks, the third Korean-Russian Joint Committee on Economic, Scientific and Technological Cooperation was held on February 26, 2001. Under this committee, the Korean-Russian Far East and Siberia Subcommittee was established so as to strengthen cooperation with the Russian Far Eastern and Siberian regions. Along with this, the Korean-Russian Transportation Cooperation Committee was set up so as to link the TKR to the TSR. Both governments signed a memorandum of intent stipulating the delivery to Seoul of a large consignment of Russian military hardware worth US\$ 700 million. A part of this sum would be paid in cash and the remaining sum would be written off the Russian debt South Korea inherited from the former Soviet Union, which has now grown to US\$1.8 billion.²²

On February 27, 2001, Kim Dae-jung and Putin held summit talks two times and issued a seven-point Korean-Russian Joint Declaration²³ after the talks. Subsequently, Putin delivered his speech in the South Korean National Assembly. The following is an analysis of the outcome of the meeting from the South Korean viewpoint.

(1) Deepening of "Constructive and Mutually Complementary Partnership"

The two presidents agreed to the first point of the joint declaration that the continuous development of the partnership is important for the interests of the peoples of both countries and for strengthening security and stability in Northeast Asia. With this summit talks the groundwork was laid to improve and deepen bilateral cooperation in such fields as politics, security and military affairs, economy, science

22 Memorandum of intent signed in South Korea on arms deliveries, *FBIS-SOV-2001-0228*, p. 1.

23 Korea, Russia Issue Joint Statement at Summit, *FBIS-EAS-2001-0227*, p. 1.

and technology, culture, and arts. The second point of the joint declaration states that the two parties agreed to promote dialogues and consultations in various fields including meetings of heads of state, prime ministers, ministers, leaders of parliament, and to exchange views on regular basis on the bilateral and international issues of mutual concern.

The fourth point of the joint declaration states that the two parties agreed to further encourage exchanges and cooperation between the two countries in the fields of culture, art and science, education, law and so forth. In order to maintain peace and prosperity in the Asia-Pacific region the two presidents also agreed at the sixth point of the joint declaration to strengthen their cooperation through APEC both multilaterally and bilaterally and to actively cooperate for the continued development of the ARF.

(2) Ensuring Continued Support for The Engagement Policy toward North Korea

Putin assessed the first inter-Korean summit and inter-Korean relations very positively and the two heads of state were ready to continuously cooperate for the development of inter-Korean relations. The seventh point of the joint declaration states the two heads of state reaffirmed that the historic inter-Korean Summit held in Pyongyang in June of 2000 and its follow-up measures had laid the groundwork for reconciliation and cooperation between South and North Korea as well as the reduction of tensions and establishment of peace on the Korean peninsula. Speaking in the South Korean National Assembly, Putin praised the mood of detente initiated by the historic summit between President Kim Dae-jung and North Korean leader Kim Jong-Il and noted that the summit ended 50 years of enmity between the two former Cold War foes.²⁴ The Russian side expressed its readiness and willingness not only to continuously support the course of enhancing

inter-Korean contacts and productive cooperation, but also to continuously contribute to easing tensions and securing peace on the Korean peninsula.

The Russian side seems to have had a pragmatic goal that if tensions were reduced and a peace mechanism in place on the Korean peninsula it could get rid of one of the reasons which the U.S. cites for deploying its NMD system. At the seventh point of the joint declaration the two parties agreed that the 1992 Joint Declaration on the Denuclearization of the Korean Peninsula and the 1994 Geneva Agreed Framework should be faithfully implemented to eliminate the nuclear threat on the Korean peninsula. Both parties further expressed their hope for the early settlement of the issues regarding the development, export and deployment of missiles on the Korean peninsula through continued dialogue among the parties concerned. It means that the Russian government is opposed to certain pressures or sanctions of the U.S. and Western countries against North Korea.

In the first half of the 1990s, Russia had been thoroughly excluded from the processes of solving the North Korean nuclear problem. Therefore, at his speech delivered in the South Korean National Assembly, Putin stated that Russia is ready to play its role in these processes. Also, Putin supported the peace process and cooperation between South and North Korea based on the agreement of the Korean people without external interference, the peaceful and diplomatic solution of all Korean problems, the reliable security by creating appropriate international legal guarantees and the peaceful creation of a unified Korean state. The seventh point of the joint declaration states that the parties further agreed to closely cooperate to establish a multilateral dialogue that will address the issues of the overall security environment and cooperation in the Northeast Asian region.

24 *The Korea Times*, March 1, 2001, p. 1.

(3) Common Understanding of International Security Problems

In the fifth point of the joint declaration, the two presidents reaffirmed their willingness to fight international terrorism and eliminate weapons of mass destruction as well as their means of delivery. They commended the MTCR activities and exchanged views on the Russian proposal for a Global System of Control to promote the Non-Proliferation of Missiles and Missile Technologies. And they welcomed the successful outcome of the 2000 NPT Review Conference and expressed their hopes for the early ratification of the CTBT and the enhancement of the efficiency and effectiveness of the IAEA Safeguard System. The two states agreed that the 1972 ABM Treaty is a cornerstone of strategic stability, and expressed hopes for preserving and strengthening the ABM Treaty and for the early entry into force and the full implementation of the START II Treaty, as well as for the conclusion of the START III Treaty as soon as possible.²⁵

With regard to the inclusion in the joint declaration of the phrase "preserving and strengthening the ABM Treaty," this question was hotly disputed at home and abroad. The domestic and international press reported directly after the announcement of the joint declaration that it was indirectly against the U.S. administration's plan to develop a national missile defense (NMD) system or that the South Korean government supported Russia, which was strongly opposed to the NMD initiative of the Bush administration. South Korean government officials blamed the media, claiming that newspapers carried fabrications. According to officials, similar language was already used at various international conferences such as the G-8 summit in Okinawa and the Japan-Russia summit in 2000.²⁶

25 The U.S. asks Russia to scrap the 1972 ABM treaty in order to develop a missile defense system. The U.S. ratified the START II on January 26, 1996, while having not yet ratified the CTBT. Russia ratified the START II on April 15 and the CTBT on April 21, 2000.

In the author's judgment, the South Korean government included that the phrase in the joint declaration, taking into consideration a possible new crisis on the Korean peninsula rather than power relations in international politics. There were concerns that the NMD plan might cause a new arms race and dissipate South Korea's endeavors to persuade Pyongyang to give up its missile program. In addition, it was believed that the NMD plan could negatively influence the improvement of inter-Korean relations. According to newspaper reports, at the outset, Russia strongly asked for the inclusion in the joint declaration of a phrase opposing the NMD initiative, but Russia was faced with the South Korean government's stubborn resistance. It was necessary for South Korea to moderate the U.S. administration's concerns over its inclination toward Russia. Therefore, in the joint statement issued after the South Korea - U.S. summit of March 8, 2001, President Kim Dae-jung agreed with President Bush that new types of threats from weapons of mass destruction and missiles as a means of delivery require new approaches to deterrence and defense. The two leaders shared the view that countering these threats requires a broad strategy involving a variety of measures including defensive systems.²⁷

(4) Improvement of Bilateral and Tripartite Economic Cooperation

The third point of the joint declaration stated that the two parties agreed to further strengthen cooperation between the two countries in various fields including trade and investment, energy and resources, industry, small and medium-sized enterprises, science and technology, information and communication, fisheries, maritime transportation, aviation, railways, environment, tourism and regional cooperation.

26 Korea Sympathetic on US Missile Shield, <http://search.hankooki.com/search/search.../t20010302>.

27 [Summit] Kim-Bush Joint Statement, <http://www.hankooki.com/search/search.../t20010308>.

The two heads agreed to make efforts for the early and successful implementation of the project to establish the South Korea-Russia Industrial Complex in the Nakhodka Free Economic Zone and to closely cooperate on a gas development project in Irkutsk (Kovykta) and on the oil and gas development projects in Sakhalin. The Irkutsk gas project includes the construction of a gas pipeline from Russia to Korea via China. The estimated cost of this project is about US\$ 11 billion.²⁸ The Governor of the Sakhalin Region told a news conference that the companies participating in the Sakhalin project are ready to start construction of a gas pipeline in Sakhalin in 2002 and that deliveries of liquefied gas from Sakhalin to South Korea can start in 2005-2006.²⁹

Sharing the view that positive developments in inter-Korean relations have been creating a favorable atmosphere for the tripartite economic cooperation, the two heads of South Korea and Russia agreed to make efforts to faithfully implement such projects as energy, resources and the linking of the TKR with the TSR. Finally, South Korea supported Russia's accession to the WTO and its deep integration into the international economic system.

V. Prospect for Putin's Policy toward the Korean Peninsula

At present, Russia attaches great importance to stability on the Korean peninsula, regarding its unification as a matter for some future occasion.³⁰ Therefore, Putin seems to maintain the already established

28 Kremlin Pleased With Impact of Putin's Asian Swing, <http://www.russiatoday.com/news.php?id=301017>, p. 2.

29 Russian can start supplying liquefied gas to S. Korea in 2005, *FBIS-SOV- 2001-0223*.

30 Evgeny V. Afanasiev (Ambassador of the Russian Federation), "Peace & Security in Korean Peninsula & Prospects of Russia-Korea Relations," (a paper presented at the 18th International Symposium on the Korea's Foreign Policy; Grand Hyatt Hotel, Seoul, June 8, 1998), p. 26; George F. Kunadze (1999), p. 2.

principle of Russian policy to balance relations with South and North Korea, while continuing to pursue his pragmatic policy so that he may raise Russia's voice in the Korean problems and obtain economic benefits.

Regarding Putin's policy toward South Korea, he would like to further extend and deepen economic relations, particularly mutual trade and investment, since there are no serious political issues pending between the two countries and Russia is very satisfied with a high level of political contacts with South Korea.

Regarding Putin's policy toward North Korea, he would like to revitalize a political dialogue to further normal state-to-state relations. As Russia wants reconciliation and cooperation between South and North Korea rather than military tensions and confrontation, Putin's military cooperation with North Korea will be at a level that will not undermine the political, security and military balance on the Korean peninsula. In the economic field, the amount of Russian trade with North Korea could exceed US\$ 100 million in the near future. Strengthening cooperation in the railway sector could facilitate the realization of a project linking the TSR with the TKR. In addition, the extension of cooperation in the fields of agriculture, stockbreeding and fishery is expected between Russian Far East regions and North Korea. However, North Korean debts to Russia, amounting to US\$ 5.5 billion,³¹ and North Korean drug peddling remain obstacles to the development of bilateral relations.

Kim Jong-Il was expected to travel to Russia in mid-April of 2001 in order to hold a second summit with Putin. But at North Korea's request, it was postponed for an indefinite period. The trip was probably postponed for two reasons: first, North Korea's judgement

31 The debt issue has been partly settled in May of 2001 by the agreement between Russia and North Korea. They have fixed the sum of North Korean debts, which amounts to US\$ 5.5 billion and Pyongyang lay under an obligation to repay it during the next thirty years. *JoongAng Ilbo*, June 26, 2001.

that it would be meaningless to hold a summit with Russia because at that time the Bush administration did not complete its review of North Korean policy; second, the differences of opinion about issues pending between North Korea and Russia, which include North Korea's purchase of Russian military weapons and oil and its debts to Russia. It is believed that a second Russia-North Korea summit between Putin and Kim Jong-Il might be held just prior to the second inter-Korean summit.

TEN YEARS AFTER GERMAN ECONOMIC UNIFICATION: ARE THERE ANY LESSONS FOR KOREAN UNIFICATION?

Bernhard Seliger

Ten years ago, in 1990, Western and Eastern Germany became unified. After a short period of unrest in 1989, unification was finalized incredibly fast and came as a surprise to all, laymen and experts alike. In the following years, Western German political, economic and social institutions were transferred to the former German Democratic Republic (Eastern Germany). Together with this, considerable amounts of money and expert knowledge were transferred to create the 'flourishing landscapes,' which then-German chancellor Helmut Kohl had promised the Eastern Germans before unification. Considerable changes were achieved and Eastern Germans today enjoy a standard of living much higher than in all other transformation states in Central and Eastern Europe. However, still some urgent economic problems are remained unsolved and an economic convergence is far from being achieved. This article takes a retrospective look on ten years of German unification focusing on monetary unification, institutional changes, privatization and the labor market. Finally, it discusses comparisons with the Korean situation.

I. Introduction

Ten years ago, in 1990, Western and Eastern Germany reunited. After a short period of unrest in 1989, unification came about incredibly fast and was a surprise to all, laymen and experts alike. In the following years, Western German political, economic and social institutions were transferred to the former German Democratic Republic (East Germany).¹ Together with this, a considerable amount of money and expert knowledge was transferred to create a 'flourishing landscape,' which then German chancellor Helmut Kohl had promised the East Germans before unification. Considerable changes were achieved and East Germans today enjoy a standard of living much higher than that of other former communist states of Central and Eastern Europe. However, there are still some urgent economic problems that remain unsolved and a true economic convergence is far from being achieved.

This paper will take a retrospective look on the tens years of German unification and discusses comparisons with the Korean situation. In the second section economic co-operation in Germany before 1989 is discussed. Often the Korean situation of today is compared with the rapprochement policy of Germany since the 1970s. The long road from the rapprochement to unification in Germany might hold some lessons for today's situation in Korea. Unification in Germany meant an almost complete transfer of Western German institutions to the former GDR. The third section analyzes whether or not this transfer was facilitated or inhibited the transformation of the East German economy. The fourth section deals with monetary unification in Germany as a political and economic problem. Privatization and

1 Before German unification, the term 'Eastern Germany' was used for the German territories now lost to Poland and the former GDR was called 'Central Germany' (Mitteldeutschland). However, after unification and the '2+4' - peace talks, it was called Eastern Germany. Synonymous is the term 'neue Bundesländer' (new federal states).

industrial restructuring are discussed in section five, followed by the concluding section that focuses on the lasting problem of unemployment in Eastern Germany.

II. Economic Cooperation in Germany Before 1989

Economic relations between West Germany (the Federal Republic of Germany, FRG) and East Germany (the German Democratic Republic, GDR) always played a special role in the long road from German division to eventual unification. After the Second World War, the four occupying powers (the USA, United Kingdom, France and the Soviet Union) decided in Potsdam in 1945 that Germany was to be administered as a single economic entity.² While political division and the foundation of the Federal Republic of Germany and the German Democratic Republic in 1949 made this obsolete, economic relations still remained in existence. The special situation of West Berlin (an island surrounded by the GDR) made inter-zonal economic contacts necessary, and, after the failed boycott of Western Berlin in 1948, German inter-zonal trade played a prominent role in economics and politics.³

Innerdeutscher Handel (East-West trade) was not carried out in scarce foreign currencies, but in special *Verrechnungseinheiten VE* (units of account). In many respects, this gave the GDR an advantage over other socialist states, which could only carry out trade in hard currency, usually the dollar. Trade between Eastern and Western Germany was

2 However, de facto the Potsdam conference showed already an impossibility to reconcile the American idea of rebuilding Germany as a sustainable country and the Soviet idea to press for the highest reparations possible. The Soviet gained the exclusive right to administer reparations in their zone, while the three other zones followed a much more moderate reparation policy; see Graml (1989), p. 42. For the dispute about reparations after the war see Kuklick (1972).

3 For an overview see Haendcke-Hoppe (1989), pp. 646-650.

strictly bilateral and was equilibrated annually by an interest-free credit. Even as West Germany became integrated into the European Community, trade between the two Germanys was exempted from any tariffs or quotas on goods. Only the politically imposed restriction of trade in technology (according to the so-called *cocom* list of sensitive goods) was applied to the GDR as it was part of the socialist bloc.

With the policy of rapprochement and peaceful coexistence in place since the late 1960s, economic relations took on a new dimension. Western Germany became the second-largest trading partner for the GDR accounting for almost 12 percent of its foreign trade, after the Soviet Union, which accounted for around one third of its foreign trade. With reductions on the VAT, trade was additionally promoted. For West Germany this had an important political dimension: Since the *Grundlagenvertrag* of 1972 (the basic treaty regulating the relations of the FRG and the GDR) the GDR insisted on the existence of two independent German states, but even the leader of the GDR, Erich Honecker, had to admit that there were still special trading relations between the two nations.

In the 1970s the competition between the economic systems of the East and West was intense. The goal of the leadership of the GDR under Ulbricht and Honecker was to overtake West Germany in production.⁴ One reason was that East Germans had (in contrast to

4 The somewhat strange formula for that was called “Überholen ohne Einzuholen” (overtaking without reaching), meaning that the GDR did not want merely to reach some standards set by a Western country, but to set itself new maximum standards in science and technology - a goal that became more and more illusionary; see Cornelsen (1989), p. 267. Honecker stressed especially the importance of micro-electronics, CAD/CAM, modern computer technology, automated production systems and other new technologies; see Jeffries (1990), p. 120. However, given the framework of a socialist economy, serious innovation problems were inevitable and the technological gap to Western Europe was rising - a problem that North Korea also faces. The import of key innovative technologies without an appropriate environment (e.g. functioning markets, including labour markets) will not allow the North to catch up.

other socialist countries) easy access to West German TV and could directly compare their unfavorable living standards with those of their brethren in the West. In the effort to grant their citizens better living standards, consumer goods and technological goods were imported from Western countries and West Germany. This led to an accumulation of debt, which came to a sudden end in 1981, as Poland and Romania defaulted on their debts. At that time, the GDR had accumulated debts of around \$11.67 billion (excluding transactions with West Germany) and could not raise any more money on Western financial markets.⁵ However, the special relation East Germany enjoyed with West Germany helped overcome this crisis. In 1983 and 1984 two unconditional lines of credit worth one billion DM each were guaranteed by West Germany.

After the debt crisis, the GDR tried to increase its exports to improve its balance of payments situation. However, the poor quality of East German goods made trade with the West increasingly difficult. Therefore, more than 55 percent of all exports were raw materials and intermediate goods of low quality. Especially, mineral oil products were important, since the GDR enjoyed relatively cheap supplies from the Soviet Union. This later led to the bizarre result that the GDR suffered as much as oil exporting countries from the drop in the price of oil in the late 1980s. Besides trade, license productions of Western goods (the most famous were Salamander shoes) accounted only for a small part of economic co-operation. Until 1989, joint ventures were impossible, since the GDR feared extended contacts with the West for political reasons. The Hungarian reforms and reforms in other socialist states, were viewed by an increasingly phobic socialist leadership of Honecker with mistrust, as they were thought to be a deviation from socialist orthodoxy.

One of the main reasons for the superior performance of the GDR

5 Until 1985, the GDR could reduce the debts by 5 bn dollar, but in the following years it was raising again; see Haendcke-Hoppe (1989), p. 644.

compared to other socialist countries was the steady flow of Western German money. In addition to the annual credits mentioned above, which were estimated at around 2.5 billion DM. This includes an annual maintenance fee of 575 million DM for the transit route from the FRG to West Berlin (a motorway full of potholes), fees for special services (like postal services or visa fees), the revenues from so-called intershops (with Western goods, mainly for Western tourists and those with relatives in the West) and tourist hotels and the forced exchange of 25 DM (or 15 DM for retired persons) daily for visitors of the GDR at the fictitious rate of 1:1 (DM for Ostmark). Additionally, Western Germans sent parcels estimated to be worth approximately 750 million DM annually to East Germany.

What was the Western motivation for these transfers? First of all, the special situation of West Berlin was in question. While East Berlin was labeled 'the capital of the GDR,' West Berlin was seen by the GDR as a special territory, not part of the FRG. The isolation of West Berlin gave the East some leverage, but transfers and the transit route helped to foster relations between West Berlin and the FRG. Moreover, transfers also improved long term relations with the East. While direct conditionality was avoided, financial transfers were sometimes made openly, sometimes implicitly linked to the improvement in East-West relations. The concerns over the border regime, and the murders of those attempting to flee, were the most visible point of Western criticism. Another concern was the increased possibility of personal visits by people from both parts of Germany. In 1987, more than 3 million Eastern Germans could visit the Western part of Germany.⁶ This not only was important for the families and their cross-border ties, but it also confirmed the status of Germany as one nation.

6 For 1988, according to the statistics published in the socialist party newspaper "Neues Deutschland," almost 7 million visits to non-socialist countries were granted to the GDR citizens and slightly more visits from non-socialist countries to the GDR took place; see Schwartau/ Vortmann (1989), p. 303.

Can there be any lessons from German economic co-operation for Korea? Definitely. However, the situation is not comparable, since East Germany was firmly integrated politically with the socialist bloc, not isolated like North Korea, and therefore enjoyed much less sovereignty over its decisions. One lesson is that economic co-operation is a double-edged sword. Later accounts of East German politburo officials show that without Western financial aid the GDR might have collapsed even earlier than 1989. The last two socialist governments in late 1989 and 1990, led by Krenz and Modrow, tried desperately to get additional West German credit to stabilize their political situation. Critics note that West German financial flows might have unnecessarily prolonged the socialist regime of the GDR.

On the other hand, East-West economic co-operation might have played a decisive role in peaceful unification. Western aid and trade could not overcome the economic difficulties of a centrally planned economy. But it could alleviate the poor living conditions in the GDR while simultaneously improving official relations. The leadership of the GDR was always aware of the long term destabilizing impact of these relations on their regime. This is the reason why they tried to avoid co-operation in the form of joint ventures in the late 1980s that other socialist countries tried out. Even if the Western financial flows might have extended the survival of the socialist regime, it is questionable, if an earlier collapse in the early or mid-1980s in the differing international environment of that time would also have led to a peaceful reunification process.

If, with the help of economic co-operation, inter-Korean relations can improve as inter-German relations improved in the 1970s and 1980s, it should be seen as a chance for possible peaceful reunification. Short-term expectations to overcome the desolate economic situation of North Korea or to realize profitable opportunities for South Korean firms should best be avoided. In the long run, economic relations might be a helpful steppingstone leading to unification, which may

also slowly change the attitudes of Northern Koreans used to fifty years of socialist misallocation and mismanagement. German experience shows that this is one of the most challenging tasks of economic transformation. Especially, the importance of increased contacts for a comparison of the socialist system in North Korea and the capitalist system in South Korea are important - in Germany the citizens of the former GDR enjoyed relatively free access to Western TV, in North Korea the seclusion is much more complete.⁷

III. German Unification as Institutional Transfer—Blessing or Burden?

The speed of unification was probably the most amazing feature of the German unification process. Unification experts and laymen alike were twice fooled: First, they did not expect unification to come at all until late 1989. Then, after the opening of the border in October of 1989, they did not expect it to come so soon and so completely, leading to the absorption of the GDR by Western Germany in October of 1990. As in October of 1989 the borders were open, soon afterwards the new Prime Minister of the GDR, Hans Modrow, a reform communist, proposed a partnership treaty with Western Germany. This was immediately answered by the 10 Point Plan of West German Chancellor Helmut Kohl, who first opened the way to unification.⁸

While these plans still envisioned the possibility of unification as being rather distant, in February of 1990, as Helmut Kohl was campaigning in East Germany for the first free parliament (*Volkskam-*

7 The importance of the access to TV can be seen in the name, the GDR citizens gave the region around the Saxonian town Dresden, where due to the geographical situation Western TV could not be watched: It was called “valley of the uninformed” (*Tal der Ahnungslosen*).

8 For the text see Kohl (1991).

mer), he offered a single currency plan to the GDR. This proposal was immediately greeted with enthusiasm by the East German people, and was the beginning of a massive program of institutional transfer that considerably speeded up the unification process. After the landslide victory of the conservative, pro-unification ‘Alliance for Germany’ in East Germany, in May of 1990, West Germany established a German unity fund of 115 billion Deutschmarks (around \$80 billion, then). While today the sum seems to be inadequate, at that time most economic experts expected that the revenues from privatization would make unification largely self-financing. On May 18, 1990 Helmut Kohl and the new East German Prime Minister Lothar de Maziere signed a state treaty establishing an economic, monetary and social union. In July, five new states (Saxony, Saxony-Anhalt, Mecklenburg - West Pomerania, Brandenburg and Thuringia) were established in East Germany according to the West German model of federalism. At the end of August the unification treaty was signed, which signaled an almost complete transfer of West German institutions to East Germany by the date of unification, October 3, 1990.

The East German economy at the time of unification faced an overwhelming number of problems: Immediately visible to every visitor, the whole state was gray; industry was in decline; the environment devastated. The centrally planned economy distorted incentives for workers and managers alike. Wages and prices did not reflect shortages, economic planning was weak, i.e. distorted by incorrect information and production outside the plan. Despite the import of Western technology, the technological gap with the West was widening in crucial fields such as technology. Some necessary goods such as foodstuffs were heavily subsidized. Firms with deficits were subsidized as well, and bankruptcy was unknown (so-called “weak budget constraint” of firms). Therefore, every firm, regardless of its inefficiency, could survive in the GDR.⁹

In this situation it was clear that economic institutions like laws,

legal norms or organizations had to be changed.¹⁰ But the obvious question is in what direction? First, the leaders of the citizens movement thought of something like a third way, new institutions such as the short-lived idea of round tables—where citizens and state met to discuss changes.¹¹ However, the socialists resented such changes and the inexperienced leaders of the citizens' movement made these meetings often ineffective. Soon, it became clear that the great majority of East Germans wanted an immediate introduction to Western institutions.

The institutional transfer that followed meant that East Germans had to accept West German laws, legal norms and organizations as a whole, with all their problems: Red tape, over-regulation, historically-high standards of social and environmental regulation, without an immediate convergence of income.¹² Despite these problems, institutional transfer can be seen as the most valuable asset in East German transformation compared to transformation in Central and Eastern Europe.¹³ East Germany immediately enjoyed the certainty about its

9 For an extended discussion of economic problems of socialism see Gregory/ Stuart (1998).

10 Speaking about institutions in an economic sense, one can distinguish 'formal' (external) institutions, which are laid down clearly like laws, and 'informal' (internal) institutions like customs and private dispute settlement.

11 For an overview over different utopias in the citizens' movements see Engelhardt (1991), pp. 142-143, Artzt (1997), pp. 24-29. Soon, those reformers which did not accept the transfer of institutions (mainly gathered in the 'Neues Forum') were marginalized in elections.

12 In the discussion about institutional transfer, it is often said that Western Germany's model of 'Social market economy' was transferred to the former GDR. This is, however, misleading if the ideal type 'social market economy' is meant. Western Germany itself saw a long decline of its model of social market economy, leading to the discussion of 'reform traffic jam' and 'German disease' in the early 1990s. See, for example, Streit (1997), pp. 6-9. The decline of the German model (and, ultimately, growth) can be explained with Olson's theory of the rise and decline of nations due to increasing special interest legislation in stable democracies; see Olson (1982).

13 See Seliger (2000a).

new legal system. Disputes over law, the uncertainties about future investment, and the weak enforcement of law, all these problems were largely absent.

The problem of enforcement is especially important. While it is easy to transfer laws, an enforcement requires specific knowledge and skills. After 1990, thousands of civil servants, managers and academics helped implement the new institutions in Eastern Germany in a smooth way. While they were often resented as '*Besser-Wessi*' (literally a Know-it-all Westerner), their role should not be underestimated. Managerial skills, judicial skills for the new law, and academic skills under the conditions of freedom of research instead of Marxist-Leninist indoctrination were largely absent in Eastern Germany. The social sciences departments of universities, the schools, the courts, all could profit from this transfer of experience. Today, for example, East Germany offers a very well renowned university landscape. Universities like Humboldt University in Berlin or Jena University, with its ancient tradition, attract students with their modern research facilities, scholars and students from all around the world. Without an institutional transfer, this would not have been possible.

An institutional change does not only mean a change of laws and organizations, but also a change of social norms and values. This process is much more difficult, since these norms are often deeply rooted inside human beings. The change from the 'homo sovieticus' (soviet man) to 'homo oeconomicus' (the capitalist man) is a challenging task.¹⁴ Values that were long seen as detrimental, like entrepreneurship, suddenly became central to the new economy. The socialist production process, with its frequent interruptions due to shortages and with labor hoarding inside firms, led to a totally different work

14 For an idealized classification of attitudes in market economies and socialist economies see Brinkmann (1995), p. 110. However, this does not mean that entrepreneurship was completely absent in the GDR and other socialist countries; see Seliger (2000b).

ethic. Marketing was not necessary under central planning. To change these 'internal institutions' is not easy and will require at least a generation.¹⁵ Even today, East German firms are weak in international markets. Their export orientation is much lower than that of West German firms. A lack of marketing skills is an important explanation for this. However, a new generation of entrepreneurs in high technology is also developing, especially in Saxony and Thuringia.

For Korea, the German institutional change offers two lessons: First, "One state - two systems" is illusory. Even waiting for the "spontaneous" development of appropriate external institutions is illusory. A transfer of institutions will offer the smoothest way of unification. It can prevent the chaos and unpredictability typical of states in transformation. But this does not mean that the transfer of South Korean institutions completes unification. The change of internal institutions will require an unpredictably long period of time. Also, while an institutional transfer is superior to any other possible way (e.g. the development of specific new North Korean institutions in the process of unification), it nevertheless means that institutions will have to be adjusted to North Korean circumstances. This is the more true for those institutions affecting the competitiveness of the North Korean economy. Germany's monetary unification and labor market unification are good examples of this, and they will be subsequently discussed.

IV. Germany's Monetary Unification and Its Aftermath— A Political Success Story and Economic Disaster

After the opening of the border with the German Democratic Republic in October of 1989, the uncertainty over the future led to a mass migration from East Germany to West Germany. In March of

¹⁵ On the role of informal institutions in transformation see Mummert (1995 and 1998).

1990, only half a year after reunification, almost 600,000 people, mostly younger and more flexible, left East Germany. East Germany's economy was on the brink of collapse, and West Germany wanted to put a brake on migration. In this situation, the introduction of a common currency was seen as a major step to prevent migration. In East Germany, demonstrators shouted 'If the Deutschmark does not come to us, we will go to it.'¹⁶ Money in Germany had a symbolic value, since the currency reform of 1948 ended post-war inflation, and created a stable currency that is accepted worldwide and is linked in the mind of German citizens to the post-world war German 'economic miracle.'¹⁷

In this situation Helmut Kohl in early February of 1990, as he was electioneering for the first free parliament of the GDR, the Volkskammer, proposed an early currency union. He was not only concerned with migration and the favorable effect on the conservative 'alliance for Germany,' which he supported, but also hoped that a currency union would irrevocably cement unification. While the Gorbachev government in the Soviet Union was sympathetic to unification, his regime was shaky and endangered by a reversal. The failed coup d'état of 1991 proved Helmut Kohl's suspicions.

While the people of the GDR enthusiastically greeted Kohl's announcement, all economic advisors were *unisono* in arguing against an early currency union. Especially the Bundesbank, the German Central Bank, feared that monetary unification would not be able to achieve its three economic goals: To guarantee liquidity to all of Germany, to allow East German industry, to maintain its competitiveness and to supply scarce capital for the building up of a new, modern capital stock in the former GDR.

Money in the GDR had a different function than in Western capital-

¹⁶ "Kommt die DM, bleiben wir, kommt sie nicht, gehn wir zu ihr."

¹⁷ In fact, the German national identity after the Second World War largely centered on the 'economic miracle' and the Deutschmark; see Spaulding (1997).

ist states. Prices did not reflect supplies, but were rather arbitrarily fixed. Instead of price hikes, the rationing of goods with fixed prices was applied, which led to the notoriously long queues for scarce goods in the GDR. For example, rents were for almost fifty years held at the niveau of 1937. Citizens accumulated money in their savings accounts, which they could not spend on the rationed goods, creating a so-called monetary overhang. The Bundesbank set conditions for monetary unification, which came into force in mid-1990. It was granted control over the currency union's monetary policy, and the West German banking system and West German financial and economic regulations were transferred to the East.

However, the most sensitive issue was the question of the conversion rate of Ostmark (currency of the GDR) to Deutschmark. The official exchange rate for this currency, which was not traded freely, had been 1 Ostmark to 1 Deutschmark before 1990. However, the black market rate was 1:5 to 1:10. The Deutschmark was a means to buy otherwise scarce goods, e.g. in the system of Intershops of the GDR. In terms of purchasing power, the exchange rate should have been more favorable; some economists argue even that the purchasing power of the Ostmark was higher than that of the Deutschmark.¹⁸ But this argument ignores the differences in quality between goods made in the East and those made in the West, as well as the different rationing mechanisms in capitalist and socialist countries. In terms of foreign trade, the GDR applied an exchange rate of 1:2.5 to 1:5 or sometimes even 1:8 Deutschmark to the Ostmark. Export prices were fixed independently from costs, the main goal was to fulfill the ever-growing thirst for hard currency.

So, while old comparisons were useless in determining the conversion rate, the problem was complicated by a pre-election pledge made by Chancellor Helmut Kohl to switch currencies at a 1:1 rate. Later

18 See Sinn/ Sinn (1994), p. 54, for an overview over different estimations, which range from 100 Ostmark/ 128 DM to 100 Ostmark/ 88 DM.

discussion of this issue led to a strong pressure on politicians not to take a different conversion rate.¹⁹ The formula actually taken was slightly more complicated: Wages, prices and pensions were converted at a 1:1 rate, the first 4000 Marks of savings also (somewhat less for children, somewhat more for the elderly), the remainder of savings and financial claims (firm debts and housing loans) was converted at a 1:2 rate and so-called speculative money acquired shortly before unification was converted at a rate of 1:3.

Despite this conversion rate, the Consumer Price Index could be held remarkably stable, at an inflation rate of around 2.8 percent in 1990 and slightly above four percent in 1991 and 1992. But the costs for this were high and called by then Bundesbank President Karl Otto Pohl a 'disaster.'²⁰ Suddenly, East German firms had to compete with Western firms at the same level of prices, wages and costs, despite much lower productivity. Industrial output dropped in one month, July 1990, by 35 percent, and in the next month by another 15 percent. Unemployment soared and migration continued unabated. The hope of politicians to have one monetary area with two wage rates did not come true: In 1990 alone, wages rose by around 40 percent, putting additional strain on East German companies. Unemployment and falling tax revenues led to mounting budget deficits.

The Bundesbank fought against rising wages and budget deficits and a deteriorating current account position with interest rate hikes, which peaked in 1992 and were one factor in the crises of the European Monetary System (EMS) in autumn of 1992 and July of 1993.²¹ The alternative, to revalue the Deutschmark, was not accepted by

19 See Tietmeyer (2000). Hans Tietmeyer, a close aide of the German chancellor Helmut Kohl at the time of unification and later Bundesbank president, calls his article of review of 10 years of German unification characteristically 'German unification: learning from our mistakes.'

20 See also a recent interview with Pohl in *Suddeutsche Zeitung* (29.6.2000).

21 See Eichengreen/ Wyplosz (1993). For the impact of monetary union on Germany's neighbors see also *Deutsche Bundesbank* (1992).

Germany's Western European partners in the EMS. In retrospect, giving the uncertainty about the external situation and domestic development in East Germany, monetary unification seems to have been inevitable in 1990. However, at the decided rate it undoubtedly also was a major reason for de-industrialization and unemployment in East Germany. It seemed impossible to maintain low wage levels in a currency union. Wages in East Germany rose, and continue to rise, much faster than productivity. The political aim of unification and the economic goal of competitiveness could not be reconciled. As long as the productivity level of the two countries is quite different, a monetary union will inevitably end up with this problem: fast wage increases with a destruction of competitiveness or mass migration in the case of persistent dramatic wage differences. Germany still suffers from this after 10 years.

Korea will eventually face the same problem. If unification due to political circumstances (the change of regime in North Korea) happens without the economic situation in North Korea considerably improving, opening the border will pose a problem. The country must retain two currencies and differences in income and wage levels must persist. This situation from an economic point of view is desirable; since it allows for the gradual improvement of North Korean competitiveness, e.g. through foreign and Southern direct investment in an attractive low-wage location. However, this inevitably means that there will be a problem of mass migration towards the South, since cultural obstacles to migration are practically non-existent (common language and culture). Or South and North Korea form a currency union according to the German model, with an overvalued Northern currency. From the point of view of political economy, this seems more probable, as the German example showed. Even if such a union is manageable by monetary authorities (as in Germany), it means the loss of competitiveness of North Korean firms and resulting mass unemployment.

V. Privatization and Restructuring in East German Transformation

One of the main tasks of transformation of the Eastern German economy was privatization.²² In the German Democratic Republic (GDR), according to socialist creed, there was virtually no private ownership of the means of production. From 1945 to 1949, the Soviet occupation forces in East Germany nationalized important parts of industry and collectivized most of the land owned by the former aristocracy (the '*Junkers*'). Later, the GDR followed this path. With the forced nationalization of small enterprises in 1972, almost 100 percent of productive capital became state owned. Firms were organized as state-owned enterprises (*Volkseigener Betrieb VEB*) or as combines (*Kombinate*), large conglomerates that were characterized by vertical and horizontal integration.

In 1990, there was a consensus that the form of property had to be changed. Long before, the economists of the property rights school maintained that the form of property rights in socialist countries: state owned enterprises, were a major factor explaining the inefficiency of centrally planned economies.²³ Therefore, privatization seemed inevitable. But the way toward privatization was less clear: Western experiences with privatization since the 1980s were limited to a few, maybe a hundred (such as Chile) public companies, which underwent a long restructuring period before they were sold in the capital markets. This was not possible in the case of the former GDR, where these preconditions were not given. Another problem was the claim of former owners to forcibly nationalized property. Unified Germany wanted to provide a legal way for such people to recover their property. The other alternative, namely, the compensation of former owners, was feared for its detrimental fiscal impact. But in fact, restitu-

²² For an overview of privatization in Eastern Germany see Sinn/ Sinn (1994), pp. 81-139.

²³ For an application to transformation, see Riker/Weimer (1995).

tion claims were a major obstacle to the privatization of firms. Around 90 percent of restitutions were contested, often resulting in lengthy delays in investment. Therefore, in 1991, the German parliament passed an 'obstacle removal law,' which gave priority to investment over restitution.

The last socialist government of the GDR passed on March 1, 1990, the first Treuhand Act (Trusteeship law). With the passage of the law, a holding company for state-owned enterprises was formed and called the Treuhand. Through this institution, the socialists hoped to preserve this property as state property and also allowed members of the *nomenklatura*, the party and managerial class, to strip the companies of their assets. In July of 1990, the first (and last) freely elected East German parliament changed the Trusteeship law. From then on, the Treuhand was responsible for the competitive restructuring and privatization of its assets. In fact, the Treuhand became the largest company in the world: 8000 firms, 120 of them combines, with at least 40,000 plants, all under the trusteeship of the Treuhand. In July of 1990, those firms were transformed into incorporated companies. The Treuhand resumed their credit payments and guaranteed their survival for some time. Additionally, around 4 million hectares of land, half of its farmland and half of its forest, had to be privatized by the Treuhand.

The so-called 'small' privatization of retail businesses, movie theatres, restaurants, hotels and craft and services businesses was comparatively easy. The Treuhand either allowed for a Management-Buy-Out (i.e. the management became the owner, often leveraged by state-aided credit) or auctioned these firms off. But the privatization of the industrial property of the former GDR was much more complicated. Companies with sound business prospects (like gas stations) were quickly sold. But most companies were using degraded capital stock, ancient technology, were highly overstaffed, had lost their markets in Eastern Europe due to the break-up of the Soviet-led economic system and were in a price-cost-squeeze due to monetary unification.

Therefore, the original expectation that the Treuhand could generate huge amounts of revenue soon proved wrong.²⁴ Also, attempts by the state to restructure thousands of companies and make them competitive before selling them did not work. Instead of choosing the investor with the highest bid for a company, the Treuhand tried to sell companies to experienced investors with a track record, which committed themselves to the highest guaranteed level of investment and employment. In the five years that the Treuhand was in existence, from 1990 to 1994, around 20,000 private firms were created, with around 210 billion Deutschmarks of guaranteed investment and around 1.5 million guaranteed working places. With large state subsidies that were sometimes judged to not be in conformity with EU competition rules, industrial cores in steel production; shipyards and the chemical industry could survive. Other firms, which could not be sold, were liquidated.

In retrospect, the sale to individual investors as opposed to the mass privatization by vouchers in some Central and Eastern European countries was successful.²⁵ No other country completed privatization as quickly. Only experienced investors could guarantee the flow of capital and the management know-how necessary for the survival of firms. West German firms were favored by this process because their direct investment was not restricted by the cultural, linguistic or legal

24 The last socialist Prime Minister, Modrow, in early 1990, estimated the Eastern German collective property (*volkseigenes Vermögen*) at around 1.6 trillion Ostmark. The Treuhand, however, amassed debts of 205 bn. Deutschmark until the mid-1990s. While the estimation of the collective property's value is not independent from the chosen approach to privatization and the monetary developments discussed above, this shows the unrealistic expectations and the lack of knowledge about the economic conditions in the former GDR.

25 The main advantage of selling assets rather than mass privatization is the problem of dispersed ownership and subsequently the lack of control of corporate governance in the latter case. Countries in CEE like Poland and the Czech Republic, which followed the way of mass privatization, today experience these problems, while those following the 'German approach,' like Estonia and Hungary, have had less problems with the task of privatization.

barriers typical of foreign direct investment.

However, this was also a danger, since the oligopolistic structure of West Germany's industries (like the banking sector) was transferred to the former GDR. Another problem was the subsidization of capital costs. Rightly, Germany's government refused to subsidize labor costs, since this would lead to a distortion of the labor market and delayed structural adjustment. But the subsidization of capital costs (in the form of special subsidies, government guarantees or tax breaks) was also problematic: While on one hand it facilitated the massive capital injection needed in the former GDR, on the other hand it led to investment in high-tech plants with few highly skilled and paid work places. The former GDR did not specialize according to its comparative advantage, namely, an abundant, well-educated and cheap work force.

So the verdict on Germany's post-unification privatization policy is mixed: There are some modern and competitive firms, but there is still a lack of employment opportunities in East Germany. Policies to create jobs in the service sector, and a larger wage-spread are urgently needed. Unemployment remains the single most important problem in East Germany.

VI. Conclusion: After Ten Years of Unification—Progress and Change and Five Lessons for Korea

After ten years of unification, Eastern Germany shows in many respects an impressive performance and most economic indicators show growing convergence with the West. However, this convergence takes much longer than originally thought and is mainly financed by massive financial transfers, which today amount to more than 1.8 trillion Deutschmark.

Especially disappointing is the situation of the labor market.²⁶ In East Germany, the average unemployment rate in May of 2000 was

16.9 percent, more than twice the Western German rate of 7.5 percent. In some regions, especially the weak Northeast, unemployment is well above 20 percent. Before the Second World War, the Central German regions of Saxony, Thuringia and around Berlin were the industrial core of Germany. In the former GDR, the prominent role of heavy industry and the neglect of light and consumer industries fostered this role.

After unification, these industries suddenly had to compete internationally. However, given their old capital stock, the new demand conditions and the loss of traditional trade links, and monetary unification with its revaluation effects for Eastern Germany, their productivity was not sufficient to compete. To increase productivity, firms tried to get rid of the less productive workers. In central planning, firms were interested in receiving as many resources and workers as possible for plan fulfillment. After unification, this 'labor hoarding' was useless and many firms retained only 30 percent or in some cases just 10 percent of their former employees. Newly created firms could not absorb the dismissed workers fast enough to head off massive unemployment.

From 1989 to 1993, the number of employed in East Germany decreased from 9.9 million to only 6.2 million. Since this figure included newly created employment, it can be said that around half of the workers in the former GDR lost their jobs. The state tried to upgrade the qualifications of East Germans through an active labor market policy, but the state often lacked knowledge about the qualifications needed in the private labor market. Especially for older unemployed persons, the possibility of finding a job was small. Migration to West Germany, especially in border regions, played an important role in alleviating the problem of unemployment.

In this situation, the role of wage policy was disastrous: The trade unions demanded a fast wage convergence according to their slogan of

²⁶ See Siebert (1995), pp. 105-122.

Table 1. The Eastern German Convergence Process

	(Western Germany=100 percent)		
	1991	1995	1999
GDP/per capita	31	55	56
Net income/employee	55	82	86
Hourly Labor cost	49	67	69
Productivity	33	53	56
Per unit labor cost	151	135	123
Export quota	52	40	53
Investment/capita	63	148	135
Unemployment	207	198	225

Source: Institut der Deutschen Wirtschaft, Cologne

'same payment for the same kind of work.' Given, that the productivity levels in East and West were different and that the relative scarcity of labor and capital was different, this slogan missed the point. More important, in the bipartite negotiation system transferred from West Germany trade unions had no equal partner. In the first years after unification, managers of firms not yet privatized were mostly appointed for a transition period by the state and not interested in conflicts with the labor force. The employers' associations were staffed by West German managers, who had no interest in low cost competitors in East Germany or at least did not resist the wage demands from trade unions.²⁷ Resulting from this asymmetry was a dramatic increase in wages: In 1992, Eastern German wages rose by more than 35 percent, in 1993 by an additional 15 percent and in the two following years by more than five percent each. While the productivity also increased during that time, the productivity wage gap was not closed and still today

²⁷ Later, employer's associations in Eastern Germany saw this as a grave mistake, but by then, it was too late to reverse a wage policy and subsequently many employers left the employer's association to have the possibility to pay lower wages than the official ones; see Winkler (1998).

production per unit is on average 20 percent more expensive in East Germany than in West Germany.

For East Germans, the resulting convergence in incomes is impressive. Today, the net income of employees is more than 85 percent of the Western average. Also, pensions rose by 165 percent since 1990, while in West Germany they rose only by 23 percent. But the costs of this strategy were high, not only in increasing debt levels and huge transfers but also in inflexibility of the economy and unemployment. In a dynamic and growing economy, for additional employment to be created, wages have to rise less than productivity. In East Germany, the opposite was the case. As a result, the upswing in the East was not self-sustaining, but largely financed by the West. It should be noted that de-industrialization and mass unemployment also mean social problems and regional problems: Not all regions are similarly affected, some regions in Northeast Germany are now de-populating.

The state tried to alleviate these problems with more than 150 different programs of regional, economic and technological aid. However, after ten years of unification and as a consequence of these policies, it can be said that the state largely failed in this task. Instead of intervening in the economic process, the state should try to create a framework for competition between regions. The rigidity of the German labor market is one of the hindrances to forming such a competitive framework. An overwhelming number of employees are covered by wage contracts negotiated at an industrial level, not leaving a room for the needs and problems of individual firms.

In this respect, East Germany, with its specific transformation problems, might become a role model for reform of the West German labor market. Due to the rigidity of bilateral negotiations, many East German employers left the employers' association and negotiated wages on the firm level. With this strategy, they could preserve competitive wage levels, which had also an impact on West Germany, where more and more opening clauses in wage contracts allow for flexibility in the

difficult economic environment for firms.

Ten years after German unification, the success of economic policies is mixed. Today East Germans enjoy a much higher living standard than ten years ago and higher than all other Central and Eastern European countries. But for a successful economic catching up process, reforms throughout Germany are needed. The 'economic miracle' of West Germany after 1948 could not be repeated by East Germany. In the meantime, Germany accumulated more and more rigidities in their goods and factor markets. Given the unwillingness of the population to tackle cumbersome reforms in these areas, political leaders have so far avoided addressing the issue. To overcome this 'reform traffic jam' is the main challenge after ten years of unification.²⁸

Indeed, the current German situation offers some lessons for Korea: A strong and healthy economic partner can alleviate many of the problems, which an inevitable transformation of the economy will bring. So, a precondition for successfully mastering unification is the economic health of South Korea's economy. While the 'four plus one' reform policy (reform of the public sector, the private sector, the financial industry and the labor market) was a good beginning for regaining economic health, the prospects of Korean rapprochement awakened a euphoria in South Korea, which often neglected that fact that the South Korean economy is still far from achieving its own reform goals.²⁹ Second, while the rapprochement can change the perception of North Koreans of their own economic system (due to the possibility of comparison), it is not a substitute for economic transformation. As long as the main economic mechanisms in North Korea are based on planning, South Korean or international investment will not lead to the necessary modernization of North Korean industry. This is an important difference to the gradualist reform in China, where there is a development of a private sector disconnected from the state planning

28 See Mummert/Wohlgemuth (1998).

29 For a discussion, see Seliger (2000c).

mechanism.³⁰ Third, the most successful method of economic transformation seems to be the quick and complete transfer of the basic institutions of a market economy, notably legal, but without transferring additional social and economic regulations, which are not appropriate for the level of economic development of North Korea. However, from a political economic point of view, such a transfer is highly unlikely, since it means the acceptance of a split development even in a unified country and increases the problem of mass migration. Fourth, transfers of money can help alleviate the social problems of transformation. However, they tend to persist and then create the danger of preventing structural adjustment and of artificially nurturing a non-viable economy. Therefore, the digressive nature of adjustment transfers with a pre-determined phase out would be economically desirable.

Fifth, most important, every transformation process offers some dilemmas, i.e. situations without an 'optimal' solution. Even the most well prepared unification and transformation (and Korea is in the unique situation to learn from the experiences of the last ten years) cannot escape from that dilemma. One already mentioned is the problem of mass migration; another dilemma is the inappropriateness of transferred institutions, which are nevertheless preferable to the uncertainty. Ultimately, transformation and unification will be costly and lengthy - while a good preparation can help decrease the costs and speed up the time, a 'fast track' towards unification is not possible.

30 In the case of North Korea, Young (1999), p. 88, speaks of a 'system defending opening,' i.e. an opening of the economy in a way possibly not endangering the economic system. While ultimately, such an attempt to preserve the systems seems to be highly unlikely to succeed (given the experiences of CEE), it nevertheless means that today's Southern and foreign investment in North Korea has a rather limited impact.

CINEMA AND CONSTRUCTION OF NATIONHOOD IN CONTEMPORARY KOREA

Hyang-Jin Lee

This paper examines a notion of nationhood held by the North and South Koreans from two inter-related perspectives, political and cultural, by analyzing two films dealing with the Korean War (1950-3). The films chosen for this study are a North Korean film *Wolmido/The Wolmi Island* (1982, Cho Kyeongsun) and a South Korean one *Nambugun/The Southern Guerrilla Forces* (1989, Chung Ji-Young). As I discuss more details throughout this paper, the two films reconstruct the war experiences differently. The differences reveal the conflicting ideas of contemporary Koreans regarding their self-identity as a divided nation. Despite the differences in interpreting the origin and consequences of the war, both of the films express the North and South Koreans' strong commitment of their belief to single nationhood, regardless of their current partition into the two states and the resultant political conflicts between them.

I. Introduction

This paper examines the notion of nationhood held by North and South Koreans from two interrelated perspectives: political and cultural, by analyzing two films dealing with the Korean War (1950-3). The films chosen for this study are a North Korean film, *Wolmido/Wolmi Island*, and a South Korean film, *Nambugun/The Southern Guerrilla Forces*. *Wolmi Island*, made in 1982 by Cho Kyongsun, is considered by North Korean authorities to be the best war film made in recent years. This is largely due to its contribution to “raising artistic standards in depicting the patriotism and indomitable fighting spirit of the masses armed with their endless loyalty towards Kim Il Sung, who ruled North Korea for nearly a half century until his death in 1994.”¹ *The Southern Guerrilla Forces*, made by a representative South Korean director Chong Chiyong in 1989, attempts an objective investigation of so-called communist sympathizers by delimiting the power of anti-communism as a factor in characterizing the nationhood of modern Korea, both the North and the South. As I discuss in more detail below, the two films reconstruct the war experience differently. The differences reveal the conflicting ideas of contemporary Koreans regarding their self-identity as a divided nation.² On the other hand, despite their differences in the interpretation of the origin and consequences of the war, both films express the strong commitment of both North and

1 The Korean Film Export & Import Corporation, *Korean Film Art* (P'yongyang: Korean Film Export & Import Corporation, 1985). No page number is available.

2 In this paper, the term ‘nation’ is defined as ‘a group of people who has some common ancestry, history, culture and language, which figure as a focus of loyalty and affection.’ Andrew Vincent, *Modern Political Ideology* (Oxford: Blackwell Publisher, 1995), p. 239. It is generally understood that ‘nation’ and ‘nationalism’ came to be acceptable terms in Europe from the late eighteenth century. Their definitions are, however, applicable to an earlier period in the case of Korea, because it shows general characteristics of a nation since the unification of Korean peninsula in the seventh century.

South Koreans to their common cultural traditions, regardless of the current partition into two states and the resultant political conflicts between them.

Historically, Korea maintained both political and cultural unity for over thirteen centuries, dating from when the peninsula was first unified in 668 by Shilla, one of the three ancient Korean kingdoms. This historical continuity contributed to consolidating a sense of oneness as a nation among Koreans. The firm belief of the people in their single nationhood was, however, devastated by the partition of the country at the end of the Second World War, through the agreement signed by the Allies. The ‘recent’ national division of 1945, therefore, resulted in considerable confusion and conflict among Koreans. What is noteworthy about this experience is that the majority of Koreans in both the South and the North perceive their conflict to be strictly a political problem. In other words, their fundamental cultural unity is not in question, even after the division.

The role of culture as a sustaining force of nationhood in the politically divided country is well elucidated by Andrew Heywood who defines a nation as essentially ‘a cultural entity, a collection of people bound together by shared values and traditions, for example, a common language, religion and history, and usually occupying the same geographical area.’³ In contrast, the term ‘state’ indicates a ‘political association, which enjoys sovereignty, supreme or unrestricted

3 Andrew Heywood, *Political Ideologies: An Introduction* (London: Macmillan Press, 1992), p. 141. Contrasted with Heywood, scholars such as Max Weber and Anthony Giddens put more weight on political factors in defining a nation. According to Weber, ‘national’ affiliation does not need to be based on a common language, a common religion or a common blood. Similarly, Giddens argues that ‘a nation only exists when a state has a unified administrative reach over the territory over which its sovereignty is claimed.’ Max Weber, ‘The Nation,’ in John Hutchinson and Anthony D. Smith (eds.), *Nationalism* (Oxford: Oxford University Press, 1994), pp. 21-5; and Anthony Giddens, ‘The Nation as Power-container,’ in Hutchinson and Smith (eds.), *Nationalism*, p. 34.

power, within defined territorial borders.’⁴ Heywood’s distinction between a nation and a state illuminates contemporary Korea, which has not lost its cultural homogeneity despite its political separation. The significance of this shared cultural identity accounts for the common aspirations of North and South Korea to restore their ‘nation-state.’ This desire is deep-rooted, even though they disagree on the specific methods of unification.

The post-war Korean cinema is a cultural text that vividly exposes the coexistence of political discontinuity and cultural continuity in the perception of their nationhood by contemporary Koreans. The conflicting self-identities between the communist North and the capitalist South are handled most poignantly in films that deal with the Japanese colonial period and the Korean War. Colonialism and war provide the extremities in which the idea of nationhood manifests itself. As Heywood points out, the creation of a nation-state is closely related to the liberation from foreign domination, achieving control over one’s own country.⁵ The significance of war in establishing nationalism or nationhood is well illustrated by Michael Howard: ‘in nation-building as in revolution, force was the midwife of the historical process.’⁶

To examine nationhood in North and South Korea from a cultural perspective, this paper is organized into two sections. The first section examines the two films in relation to the conflicting ideological orientations of North and South Korea. In *Wolmi Island*, anti-imperialism constitutes the core of its definition of nationhood, as in all of North Korean war films. However, when we situate the film within its specific historically and socio-political contexts, two distinct characteristics can be observed in the way in which *Wolmi Island* treats its subjects in relation to anti-imperialism. First, the recurrent theme of anti-imperial-

4 Heywood, *Political Ideologies*, p. 141.

5 Ibid., p. 148.

6 Michael Howard, ‘War and Nations,’ in Hutchinson and Smith (eds.), *Nationalism*, p. 255.

ism is closely tied to a nationalistic opposition to the colonizers or invaders of Korea. The Japanese rule, which lasted until 1945, and the American intervention in the ensuing years offer fertile narrative contexts in which to tackle issues of self-identity in contemporary Korea. Second, the anti-imperialist theme in the film parallels the effort to present Kim Il Sung as the ultimate embodiment of Korean nationhood. Made under the direct supervision of his son, the current North Korean leader Kim Jong Il, *Wolmi Island* is the culmination of the personification of national history in the name of Kim Il Sung.⁷ Through this effort, the film attempts to justify the power succession of Kim Jong Il. Hence, the apotheosis of Kim demands a careful examination of the social and political implications of the colonial experience as represented in the film.

The film *The Southern Guerrilla Forces* is more complex. South Korean films that deal with the war experience commonly deal with the forced political division of the nation as being due to many problems that confront modern Korea. Nevertheless, there is a shared understanding among South Korean war films regarding the undeniable impact of the war on contemporary Korean life. The theme of nationhood has been approached from multiple angles throughout the history of South Korean cinema. During the 1960s and 1970s, war films tended to advocate anti-communism in accordance with Park Jong Hee’s military government’s film policy; they, therefore, occupy a

7 Kim Jong Il has supervised every aspect of the film industry since he was appointed as the director of film art in 1968, which belongs to the Propaganda and Agitation Bureau within the Party. Under this direct supervision, the North Korean film industry launched a full-scale development plan in the late 1960s and the 1970s. Through his active involvement in cinema and other arts, Kim Jong Il finally received the Party’s recognition of his leadership in inspiring the masses with its official guidelines. He also gained his father’s confidence as a successor by making a series of films promoting loyalty toward his father. In 1974, he was named the sole successor of his father by the Party during the Party’s Central People’s Committee meeting.

significant place as a distinctive genre of South Korean cinema. Whereas, beginning in the mid-1980s, South Korean cinema has increasingly become skeptical about anti-communism as a basis for its nationhood. This came about as a response to the radical changes in South Korean politics that occurred during the ensuing decades. This change in attitude explains the way in which *The Southern Guerrilla Forces* treats anti-communism as its thematic crux. *The Southern Guerrilla Forces* dismantles the legitimacy of anti-communism as state ideology. Furthermore, it suggests that anti-communism is an irrelevant issue when discussing the nationhood of contemporary Koreans and the reality of the national division. The film focuses more on the humanistic aspect of the war, avoiding rigid political interpretations of historical incidents. In this sense, *The Southern Guerrilla Forces* shows how the renunciation of the antithesis of pro- and anti-communism reflects a changing perception of self-identity among the Korean people in the contemporary period, at least in the South.

The second section of this paper examines common cultural elements that exist in the two films. Although both films are constructed around the ideological tension between South and North, they invariably touch on the Confucian notion of family and connect it with their theory of an ideal nation. Their reliance on traditional family values seems to suggest enduring Confucian cultural roots. These can be perceived as possible alternatives to the current political ideologies. Therefore, common cultural roots form the basis for establishing an integrated nationhood.

II. Nationhood in *Wolmi Island* and *The Southern Guerrilla Forces*

North Korean war films concern themselves with anti-imperialistic sentiments, the class-consciousness and endless loyalty toward Kim as the most important elements in defining the national identity of both

North and South Korean people. Although to different degrees, all of these three components coalesce to form a distinct thematic pattern in the films. This pattern shifts focus in each film, according to the specific socio-political situations at the time of the film's production. In other words, each individual film reflects the pressing needs of the state in representing their history on the screen. These needs range from the necessity to establish a classless society to the need to consolidate the rule of the Kim's, as the father and the son successively sought legitimacy from the party-centered social structure.

Cho's *Wolmi Island* is a good example of the close link between the loyalty towards Kim Il Sung and the theme of nationhood in North Korean films. It enables us to infer the changes in North Korea's internal political situation, especially its increasing idolization of Kim Il Sung and Kim Jong Il along with the promotion of the *Juche* ideology formulated by the elder Kim.⁸ Set during the Korean War, the film depicts a three-day battle on the coast of Wolmi Island between the United Nations forces and the communist coastal company, which attempts to secure a safe route to allow a strategic retreat by the North Korean army. On the surface, the dominant theme of the film appears to be the patriotic self-sacrifice of the company, but underneath it, the film discloses its real message of endless loyalty to Kim. This underlying theme is communicated mostly through the words of the protagonist T'aehun, who is the company commander who repeatedly tells his followers as well as his superiors, that their 'fatherland' is General Kim. T'aehun describes Kim as the one who saved their lost country from the Japanese. The reason for the company to defend the island is to

8 It is mainly through Kim Jong Il that the *Juche* theory of art has been applied to filmmaking in North Korea. It is believed that Kim Il Sung used this term in a speech in 1955. See, Kim Il Sung, 'On Eliminating Dogmatism and Formalism and Establishing *Juche* in Ideological Work: Speech to Party Propaganda and Agitation Workers,' on 28 December 1955, in *Kim Il Sung Works 9: July 1954-December 1955* (P'yongyang: Foreign Language Publishing House, 1982), pp. 395-417.

prevent their enemies from advancing to Pyongyang where General Kim resides. The content of the film supports T'aehun's claim that the war with the Americans is to defend Kim as much as their country.

What distinguishes *Wolmi Island* from the North Korean war films made in previous years is its exclusive concentration on Kim's importance in the North Koreans' perception of their nationhood. The film starts with praise of Kim's eminent leadership and ends with the same. The company's devotion to Kim is equated with patriotism, which has a universal appeal. To generate a mythical resonance in the company's heroism, the film liberally uses dramatic elements, even though they contradict its claim that the story is based on a historical fact. A typical exaggeration is that the company, equipped with only four guns, defeated the 50,000 American soldiers led by General MacArthur, who attempted to land at Inchon. This unrealistic victory mentioned at the outset of the film, is followed by a line from Kim's *Juche* theory stating that, 'nothing is impossible for people with will-power.' This motto is amplified throughout the film, urging the viewer to pledge unconditional loyalty to the Leader.

The above *cliche* quoted from the *Juche* theory is also used to mobilize the North Korean people for economic development. North Korea began facing a serious economic crisis in the late 1970s. Films made during this period often cite Kim's fatherly encouragement of workers to raise their productivity. A sergeant says that General Kim once visited his mine before the war broke out and told those who complained about the lack of equipment that manpower 'precedes' equipment. Kim is also said to have added that if the spirit of the working class is elevated, there is nothing that cannot be accomplished. The theme of economic development is noted in T'aehun's speech to his soldiers: 'Our fatherland has already given us everything, and what is left to be done is to show our endless love for our nation. We should fight for our country and General Kim until we die so that we would not feel ashamed before our parents and brothers' (author's translation). As

T'aehun's lines illustrate, the film attempts to set an exemplary model for the audience with the heroic deaths of the young soldiers, who do not flinch even though they are faced with a hopeless situation on Wolmi Island. This effort is based on the so-called 'modeling theory,' one of the three principles of filmmaking in North Korea.⁹

Another noteworthy aspect of *Wolmi Island* is its characterization of the new class of military elite that has emerged in North Korea. T'aehun represents this group. As a graduate of the Naval Officer College, he is portrayed as being fully qualified to serve as commander of the company. His main function is to efficiently execute Kim's ideological instructions. The film categorizes several important attributes of this elite group. Above all, T'aehun demonstrates a profound understanding of the soldiers' psychology. He sympathizes with their difficulties, especially when their fighting spirit begins to flag. He is well aware of his responsibility to convince them that victory is possible so that they can successfully perform their tasks to the end - even though they run the risk of sacrificing their lives. As the film visually demonstrates, T'aehun's leadership and stern personality are impressive. In

9 Kim Jong Il published a book in 1973, *Yonghwa Yesulron/The Theory of Cinematic Art*, outlining the official North Korean theory of film art. According to this theory, there is a specific set of principles in filmmaking in North Korea: the 'seed' theory, the 'modeling' theory and 'speed campaign.' The principle of 'modeling' theory is concerned with how to portray the struggles of the working class to achieve both class and national liberation. It requires filmmakers to present an idealized picture of North Korean society and its people. Whereas, the 'seed' theory means that every film should treat 'proper' materials and themes which feature the revolutionary thoughts of Kim Il Sung and the Party line like 'seed' to be planted in the audience's mind. The 'speed campaign' is to meet the demands of the Party to rapidly produce films of high ideological and artistic quality at the designated time. This principle rejects a 'passive' attitude in filmmaking. Films as an ideological weapon should be produced as quickly as possible in order to accelerate the revolutionary process. These filmmaking principles are imposed on all 'film workers.' The majority of the North Korean films which are made according to these principles are called 'collective works.' For detailed explanations, see Kim Jong Il, *Yonghwa Yesulron/The Theory of Cinematic Art* (P'yongyang: Korean Workers' Party Publishing House, 1973).

addition to T'aehun, the battalion commander Min'guk, T'aehun's lover, and a military doctor also belong to this elite class. They are all endowed with distinct class traits: a strong sense of commitment to their work, emotional strength and a fine sense of judgment. These elites also demonstrate classical military heroism. In the battle scenes, the camera marks their leadership by placing them in the forefront of the screen with their soldiers in the background.

The film, however, presents a vexing ideological question by singling out the small group of officers from the masses. To prevent such an ideological problem, *Wolmi Island* constantly draws the viewer's attention to their class background. T'aehun and Min'guk not only come from the working class but are also anti-Japanese fighters. The film stresses that this class homogeneity between the officers and soldiers cements their emotional ties as comrades. T'aehun and Min'guk's anti-Japanese resistance, in particular, reminds the soldiers of their common experiences in the exploitative class system and slavery under foreign rule. By referring to their shared history, the film carefully suggests that the relationship between the new elite group and its followers is based on mutual respect and understanding without any conflicting interests between the two different social classes.

The effort to suppress any hint of class distinction, however, does not seem to be entirely convincing. A perceptive viewer cannot mistake the irreconcilable gap between the military elite and the low-ranking soldiers. It is shown in their distinctly different appearances and behaviors, which are related to their different living standards. These external clues as to their class backgrounds, coupled with the different positioning of the commanders and the soldiers on the screen, cannot hide the suspicion that a certain hierarchy exists in North Korean society. This undeniable oddity in its internal logic ironically confirms the film's function as a truthful mirror of social reality. In actuality, the loyalty to Kim shown by this emerging class has played a pivotal role in bolstering his control of power in the early 1980s.

Anti-imperialism, class consciousness and Kim's leadership are the controlling themes in North Korean war films while anti-communism serves as the basis for exploring nationhood in South Korean war films. The film industry in the South has always been in a vulnerable position due to political pressures from the government. The severe censorship during successive military regimes (1961-93) was an especially tough obstacle for filmmakers interested in topical subjects.

Unlike in North Korean films, the state ideology is not always indiscriminately exalted in South Korean films. However, it should be mentioned that, to an extent, anti-communism has had a genuine emotional appeal to the audience who remember the tragedy of the civil war and suffer from being separated from their family members after the armistice. This is why the large majority of South Korean war films offer anti-communism as a means to recover nationhood.

Although it fundamentally accepts the forced division of the nation as the origin of the conflicts in contemporary Korean society, *The Southern Guerrilla Forces*, however, interprets the discontinuity in nationhood somewhat differently. *The Southern Guerrilla Forces* is a humanistic story about communist partisans fighting against the South Korean government in the 1950s. Tackling one of the forbidden subjects in South Korean cinema, this groundbreaking film marks a new phase in Korean film history. Through its serious and unbiased re-examination of the lives of communist guerrillas in the South, this film has raised the discussion of the ideological differences between the North and the South and their role in nationhood to an unprecedented level. In contrast to other anti-communist films, Chong's film stresses that blind antagonism towards communism itself cannot be a key definer of nationhood. Thus, for the first time in South Korean film history, *The Southern Guerrilla Forces* calls into question the legitimacy of anti-communism as state ideology. This message is conveyed through a careful depiction of the human side of the communist resistance forces caught up in the war zone.

To explain the significance of this film within the South Korean film industry, a brief review of the national security policies is in order. Beginning around 1988, unification emerged as a major issue in South Korean politics. This development was closely related to the 'Nordpolitik' policy of the Roh Tae Woo administration (1988-93), which, recognizing the need to reduce tensions between the North and the South, began to pursue better relations with other socialist countries. This policy was a response to the changing climate of international politics that was previously brought about by the end of the Cold War era and German reunification. Roh's government, as the last in a series of military regimes stretching back for over thirty years, broke the taboo on discussing unification issues in public discourse. Motivated by this change of policy, various sectors of Korean society began to redefine the North as part of one national community. With this shift in the public's view of North Korea, a clearer picture of North Korean society emerged and some historical events that had been suppressed by the South Korean government came to light.

The overall changes taking place in the film industry at that time were in keeping with these new government policies on North Korean matters. Since the mid-1980s, a series of films focusing on families that had been separated since the end of the war was produced. Works such as Pae Ch'angho's *Ku Hae Kyoul-un Ttattuthaenne/Warm it Was that Winter* (1984), Im Kwont'aek's *Kilsottum* (1985), and Yi Changho's *Nagunen-un Kil-esodo Shuiji Annunda/A Wayfarer Never Rests on the Road* (1987) signaled a drastically different approach to issues related to national division, reflecting the popular unification movement of the late 1980s. They tended to focus on psychological problems of separated families, rather than the 'evils' of communism. Their specific subjects are the memories of the family members in the 'other' territory and the rift between those who have successfully joined the middle class and those who have fallen to the bottom of the social ladder due to the forced separation from their families. *The Southern Guerrilla*

Forces belongs to a group of films that treats the national tragedy from the victims' point of view.

As mentioned above, the Southern communist guerrilla forces were a taboo subject for a long time. Their existence was erased in South Korea's official history. On screen, they were usually portrayed as villains who fell in with North Korean communists due to their naivety. *The Southern Guerrilla Forces* deviates from such a stereotypical treatment of the communist guerrilla warfare of the 1950s. First of all, the protagonist of the film is not an uninformed and uneducated believer in communism. *The Southern Guerrilla Forces* selects an intellectual as the hero of the story and interprets his or her acceptance of communism as a kind of fate in the turmoil of the war.

The Southern Guerrilla Forces was adapted from Yi T'ae's autobiographical essay of the same title. The film is based on the author's personal experience as a partisan during the war. T'ae, the protagonist and narrator of the film, is a reporter who once worked for the Hap-tong Press, the leading news agency in Seoul. After North Korea took over this agency at the beginning of the war, T'ae was sent to the South as a war correspondent for the Party. He joined the communist guerrillas hiding in the mountains due to the sudden retreat of the North Korean army under the massive, unexpected counter-attack by the U.N. forces.

As T'ae himself narrates, his involvement in partisan life was not something that he consciously planned in advance. Rather, the precarious war situation drove him into the mountains when no alternative was available, and there he found the guerrilla forces. His initiation into the group was more or less fortuitous. As the film shows, however, once people choose sides between the North and the South, they are put in an ideological strait jacket and are not allowed to change their position even though their political beliefs alter. This problem is seen when T'ae and his colleagues are branded as communists by the South Korean government simply because they escaped into the mountains.

Although T'ae was critical of the censorship imposed by the South Korean government while he was working for the Haptong Press, he never considered himself a communist sympathizer. His narration on the development of the war is too objective to be used as an index of his ideological stance.

An important point that the film raises concerning ideology and nationhood is the lack of hatred among ordinary Koreans no matter which side they happen to be on. It is inevitable that they kill each other for their own survival during war, yet deep in their psyche, they always view each other as their brothers who unfortunately ended up on the 'enemy' side. The film maintains that this is why the Korean War is such a tragic irony for the majority of Koreans. This irony is expressed by one of the partisans: 'What a contradictory situation we are confronted with! In order to live like humans in the future, we have to kill our own people in the present' (author's translation). This film does not present the guerrilla forces as inhuman machinery of the 'North Korean communist party' as portrayed in numerous anti-communist films. Their partisan activities are motivated by a sincere wish to put an end to national divisions as soon as possible. The film essentially portrays them as unfortunate victims of ideological conflicts; in the same way as everyone else who was caught in the tragic fratricidal war. The images of the fugitive guerrillas in this film drastically diverge from a one-dimensional, negative portrayal of communists as seen in propaganda films produced in the past. Various scenes from the guerrillas' past lives demonstrate that they are people whom the audience can relate to, not dehumanized ideologues who are out of touch with reality.

While the film adds a human touch to the partisans by interjecting their personal stories in the plot, it does not lose sight of their unity as a group. Their brotherly bond and patriotism are highlighted throughout the film. Their emotional ties to their outcast community and their nation keep them together. This solidarity and patriotism help convert

T'ae and many others who joined the forces. However, they initially joined with no real conviction as communists. Their respectable attitudes toward each other and the villagers also promise the possibility of restoring unified nationhood among the Korean people after the war.

In war films produced before the late 1980s, the Southern communist guerrillas appear as brutal bandits who massacre their innocent neighbors and then run away into the mountains. Unlike typical anti-communist films, Chong's film draws attention to their brotherly warmth and disciplined attitude toward people living at the foot of the mountains. When the guerrilla forces attack the South Korean army or when they retreat, their main concern is the safety of the villagers, who have to continue their everyday lives regardless of the changing war situation. Before launching an attack, the guerrilla forces ensure that all villagers have been moved to a safe place. To reduce the number of casualties among the villagers, the guerrillas sometimes choose a less advantageous course of action for themselves even though it may cause them fatalities. The film realistically attempts to capture the deep emotional bond that is not entirely lost among the Korean people, even during a devastating war. The film also stresses the guerrilla forces' strict moral standards. A battalion commander is ordered to kill himself by his superior for raping a village woman, who is the wife of a policeman and is suspected of informing the police of the guerrillas' activities in the village. Her information resulted in a large number of deaths. She deserves the punishment by the guerrilla forces, but the partisan leaders determine that the battalion commander's crime is inexcusable and that pardoning him would stain the reputation of the entire force.

The villagers' attitudes toward the guerrilla forces in this film are also very different from those seen in anti-communist films. They often help the partisans although they are well aware of the punishment for such activities by the South Korean government. They feed the

guerrillas and hide them from the South Korean army. The film emphasizes that their help is purely humane and is not politically motivated. The villagers cannot turn their backs on their fellow countrymen who are in danger of starvation and death. The film's emphasis on humanism that transcends ideology is evident in many scenes. Although a positive portrayal of the guerrilla forces occasionally takes on an unrealistic note, it is, on the whole, not excessive.¹⁰ When it is so, its main purpose is to rectify the mistaken view held of the Southern guerrilla forces, which was fostered by anti-communist policies.

The Southern Guerrilla Forces occasioned a re-evaluation of the Southern communist guerrillas among the public in the South. They began to be seen as a group with its own vision for the nation's future, not as a handful of rebellious people manipulated by the North. In one scene, the guerrillas gather around an eminent historical figure, Yi Honsang, who earned respect for his anti-Japanese resistance activities. He is also known as a legendary communist and nationalist who fought against the American military regime and Syngman Rhee's regime (1948-61) from 1945 until his death during the war. Nambugun is the real name of the guerrilla forces led by this famous anti-Japanese and communist fighter.

Another aspect of the film is that its portrayal of the events differs radically from the official history. It implies that communist sentiments were far more widespread in South Korea during the 1950s than the government acknowledged. According to the official account, the Southern communist guerrillas were an isolated group of rebels who mounted a 'mutiny' in the area surrounding the T'aebaek mountain range. *The Southern Guerrilla Forces* challenges this explanation. The

10 For example, when a little boy runs across the battlefield, chasing after his dog, both the guerrillas and the South Korean army stop firing. As soon as the boy gets out of danger, they shout at each other to elicit a surrender and later even sing together, instead of resuming their shooting.

members of the guerrilla forces, including the journalist-protagonist, are not local residents. The film thus carefully avoids the regional dialect of the T'aebaek Mountains. The partisans came from all over the country, and their motives in joining the group also differ from one member to another. Some wanted to escape from poverty, whereas others were driven by patriotism to fight for their country. Some were simply discontent with the South Korean government, whereas others actually embraced the idea of a classless society as promised by communism. Many other reasons exist besides these. Their diverse backgrounds successfully dismantle the long-held misperception that the guerrillas were reckless malcontents and traitors to their country.

In essence, *The Southern Guerrilla Forces* is an anti-war film. At the end of the film, the guerrilla base is totally destroyed by the South Korean army. The majority of the partisans are killed and those who survive leave the mountains by their own will. A few of the survivors are eventually arrested by the government. Despite this catastrophic end, none of the surviving members considers themselves defeated. They believe that they did what they viewed as being best for their country at that given moment of history, even though this will ostracize them permanently from society. Their ultimate heroism lies in this acceptance of the consequences of their actions. The ending drives home the point that they did not waste their youth or suffer in a meaningless war. Given this unconventional treatment of the Southern communist partisans, it is not surprising that the film caused a huge controversy when it was released in 1989. However, the success of *The Southern Guerrilla Forces*, despite direct and indirect interventions from various conservative groups such as the censorship committee, military, war-veterans' association, and North Korean refugee organizations, clearly reflects the changing perception of the general public.¹¹

11 The commercial failure of *T'aebaek Sanmaek/The T'aebaek Mountains*, Im Kwont'aek's 1993 film which deals with the same materials as *The Southern Guerrilla Forces*, testifies to the change in the public opinion. The failure is generally ascribed to the

The rejection of the hackneyed Cold War ideology testifies to the shifting sensibilities of the audience toward films dealing with the South-North political confrontation and their demands for a more mature discussion of nationhood in the 1990s.

An overview of South Korean war films helps reveal the changes in their interpretations concerning the impact of the national division on nationhood. One of the major shifts is an increasing skepticism about anti-communism as the ideological basis of national identity. Since the end of the Korean War in 1953, anti-communism has insinuated itself into every aspect of Koreans' lives in the South in the name of national security. At the same time, it has been appropriated as a rhetorical instrument by successive military regimes for their own political interests. Anti-communism is used to control the public by engendering fear of a possible recurrence of civil war and of a possible communist takeover of the South. This rhetoric appealed to the generation which experienced the tragic war. As socio-economic conditions improved over the years, the propaganda surrounding the communist threat has lost much of its appeal to younger generations in Korea. Consequently, the emotional power of anti-communism, which constituted the strong basis of Korean self-identity during the immediate post-war period, has been slowly eroded in recent years.

III. Traditional Familyhood as the Basis of Contemporary Korean Nationhood

Both *Wolmi Island* and *The Southern Guerrilla Forces* follow different ideological frameworks to define nationhood. The North Korean film tends to approach the issue in exclusively political terms whereas the South Korean one avoids any ideological judgment in dealing with the

anti-communist resonance that reverberates throughout the film.

war experiences of the people. Under these surface differences, however, both films employ surprisingly similar motifs of Confucian familyhood. They commonly see a traditional family structure as the unchanging, fundamental frame of Korean nationhood. One noticeable difference between the two films is that the North Korean work concentrates on patriarchal lineage whereas the South Korean one is interested in the implications of the husband-wife union.

In *Wolmi Island*, nationhood is defined in terms of the opposition between imperialism and the Korean people's resistance to it. This antithesis manifests itself in its use of the old Confucian rhetoric of family. According to the film's interpretation, the Korean nation is one large family. The relationships of the characters are defined in terms of a family tree. In this extended family, Kim Il Sung takes the position of the father, who looks after the rest of the members as his children.¹²

Wolmi Island employs three strategies to promote paternal authority: the replacement of the biological father with a symbolic one; the elevation of maternal virtues as an alternative to the failure or absence of the biological father; and the foreground of the eldest son as the legitimate heir to the family line. The symbolization of Kim Il Sung as a father figure is partly achieved by means of the contrast between true and false fatherhood. In *Wolmi Island*, the actual father is presented as a failed or false hero who is too weak to embrace the masses. Therefore, the search for a true father figure culminates in *Wolmi Island*. The protagonist T'aehun is an orphan, and characters around him also do not have any memories of their father. Odd as it is, this phenomenon clears the way for the implementation of Kim's symbolic fatherhood. As is shown in the film, Kim fills the characters' psychological void as the Patriarch of the nation.

Related to this symbolic substitution for an inadequate father figure, *Wolmi Island* tends to uplift the mother's role. However, it does not

12 Bruce Comings, 'The Corporate State in North Korea,' in Hagen Koo (ed.), *State and Society in Contemporary Korea* (Ithaca: Cornell University Press, 1993), pp. 13-50.

contain an actual mother figure, per se. However, the old soldier who works as a cook in the company embodies all the attitudes that are associated with a mother figure. It can safely be said that his role is equivalent to the mother's role, as someone who draws her children's respect by her self-sacrificing dedication to them. His maternal qualities are fully demonstrated by the care he provides for the entire company behind the frontline of the battle.

At first glance, the positive maternal image may appear to undermine the promotion of Kim's stature as a benevolent father figure. But a close reading of the scenes centered on the mother figure clearly reveals that, while her virtues are glorified, she does not have authority or power over her children. The old soldier in *Wolmi Island* faithfully performs a maternal role as prescribed by Confucian ethics. Therefore, the close emotional ties between the mother and her children are not in conflict with the effort to consolidate Kim's 'boundless' love and absolute power as the ultimate Father. The mother is always in an inferior position to the father. Therefore, the elevation of her virtues cannot pose a threat to the patriarch. In Confucian family life, respect for the mother does not mean obedience to her. With the father, however, these two attitudes must go hand in hand. In other words, the mother cannot force her will on her children. Also, any suggestions she gives to her children can be valid only when they are approved by the father. Therefore, no matter how noble they are, the mother's virtues cannot affect, let alone damage, the father's absolute authority over the children. One of the important responsibilities of the mother figure in Confucian families is to ensure that her children faithfully serve their father through filial piety. In *The Wolmi Island*, the old cook believes that he can repay Kim's love by taking good care of the soldiers. He keeps telling the soldiers about Kim's great fatherhood, as a mother would do in a Confucian family.

The last feature of Confucian family values found in the film is the respect for the eldest son as the successor to the paternal lineage. The

film promotes the eldest son of the family in lieu of an inadequate father. He can represent the entire family if his father dies or cannot perform his due obligations. The film assigns a special role to the son: instilling his family with the revolutionary spirit.

Without doubt, the positive image of the eldest son in the film is directly relevant to the preparation for the power succession from Kim Il Sung to his son Kim Jong Il. This tendency becomes markedly noticeable in North Korean films made since the mid-1970s, when Kim the junior was designated the prospective successor to his father's position. In *The Wolmi Island*, T'aehun acts like a typical eldest son, taking care of the soldiers in the family-like company unit. Brotherhood is a universal metaphor used to describe military personnel in action. Therefore, T'aehun's fraternity with the other battalion members in this film does not seem to require further detailed explanations.

The South Korean counterpart, *The Southern Guerrilla Forces*, also represents society in terms of the unity and responsibilities of family members. The use of the family metaphor in the film is largely used in three ways. First of all, the burden of supporting the family is borne by the male characters. By extension, any disorder in society, be it political or cultural, is attributed to the inability of the male adults to perform their functions in their homes and society. Secondly, the film relies heavily on the problems of women as a metaphor for the troubled nation. Lastly, these films use the motif of marriage as a symbol of the possibility of national regeneration. The betrayal of marital vows, therefore, often accounts for the problems faced by the characters. It can be further read as the society's uncertainty, or even pessimistic views of its future.

The male protagonists in *The Southern Guerrilla Forces* carry on their roles of a father and/or elderly brothers, who are responsible for providing for their family and of establishing order in society. Therefore, their confusion and aimlessness symbolize the quandary into which the entire society has fallen. The guerrilla members provide

paternal care for teenagers who joined the forces but who are too young to be engaged in battle. Responsible and reliable in the isolated mountain community, the guerrillas embody the respectable attributes of male adults as expected by traditional family life.

Compared with these male characters, most of the female characters are depicted as defenseless victims of forces beyond their control. The chain of ordeals they undergo figuratively stands for the plight of the entire country. Aside from poverty and insanity, prostitution and rape serve as particularly acute metaphors for the country's traumatic experiences of humiliation and helplessness. A typical example is the policeman's wife who is assaulted by the battalion commander.

The miseries of the women characters are partly brought about by the failure of their men to fulfill their expected roles in society. In *The Southern Guerrilla Forces*, the stories of three women partisans also evince the influence of the old patriarchal values on women's lives. One of them joined the forces to revenge the villagers who killed her father and attacked her mother. The second woman became a partisan out of her compassion for the wounded soldiers who reminded her of her dead brother. The third character entered into partisan life, led by her love for the student-poet who joined the guerrilla forces.

The emphasis on a stable patriarchal order in *The Southern Guerrilla Forces* is more or less akin to the persistent reinforcement of the family rhetoric in *The Wolmi Island*. In the films, traditional family values are commonly treated as the most powerful cultural force that provides the Korean people with a sense of 'oneness' as a nation. An ability to extend familial affection and responsibility toward non-family members in society is stressed in both films, as an important quality for Koreans in maintaining their nationhood. These films even suggest the notion of the family as the moral foundation with which to restore a unified nation in the future. In this sense, the representation of nationhood in the two films can be seen as an extension or variation of familyhood. In other words, nationhood is simply a form of family-

hood amplified to a societal level.

In handling the familial aspect of nationhood, however, one distinct difference exists between the two films: while the former puts heavy emphasis on the father-son relationship, the latter employs the motif of marriage as an indispensable element of plot development. As marriage often signifies a successful restoration of the lost order of a community, the broken dreams of marriage indicate the difficulty of resolving the conflicts of society. The motif of marriage introduces a note of hope in *The Southern Guerrilla Forces*. In the film, the prospect of a happy marriage is part of the humanistic portrayal of the guerrilla members. The protagonist T'ae promises Pak Minja, a fellow partisan, to marry her when the war is over. Their idea of a happy union means domestic peace based on the traditional patriarchal order. Dreamlike as it is, their imagined new family life recapitulates the aspirations of the guerrilla forces and ultimately their future vision of their nation.

IV. Conclusion

The comparative analysis of these two films confirms the existence of differences between North and South Korea in their perceptions of nationhood. Given the wide range of ramifications of their ongoing confrontation in nearly every aspect of their societies, we can safely conclude that their conflicting self-identities are the result of the 'politics of division.' *Wolmi Island* lucidly illustrates this point. In North Korea, there are party guidelines for films. Filmmakers are mandated to strictly follow these guidelines, which control everything from the choice of subject matter to the distribution of their finished works. The late Kim Il Sung left explicit instructions that each film should be well balanced in incorporating the elements of the anti-imperialist struggle during the Japanese colonial period and those of the 1950-3 national liberation war. The proportion of these elements, Kim stresses, deter-

mines the attitude of the film towards nationhood. Faithfully following these instructions, not only *The Wolmi Island*, but also all North Korean films, interpret the current national division as the consequences of foreign interference in Korean politics since the late nineteenth century. In their view, the American troops stationed in Korea epitomize the continued intervention of the superpowers. For North Korean filmmakers, Korean nationhood has been molded through the Korean people's struggle against foreign imperialists. For this reason, South Korea cannot claim historical legitimacy and is not regarded as the counterpart to North Korea: their 'real' opponent is the USA. This view is translated into their film language: North Korean films scarcely portray South Koreans in depth because they do not represent a *separate* political entity that deserves meaningful attention.

The partition of North and South Korea is a product of the Cold War, and the Korean people perceive themselves as its victims. Until the early 1970s, both sides had denied the existence of two Koreas, and there had been no direct contact between the two governments. Since the end of the Korean War, their ideological confrontation merely intensified. However, signs of change, feeble as they were, began to be discerned beginning in the 1970s. They were largely owing to the changing mood in the international community, general trends toward *detente* in North East Asia and the Sino-American rapprochement, in particular. Encouraged by these developments in the international political environment, the North and South Korean governments began to negotiate the possibility of recognizing the existence of two Koreas. The initial phase of their discussions did not bring about any result other than a nominal recognition of the status quo. Toward the late 1980s, however, both sides began to make efforts to legislate actual policies that would realize the idea of two Koreas. *The Southern Guerrilla Forces* can be seen as a concrete reflection of this change. At least in the South, films began to express doubts more openly on the political approach to the question of national identity. On the one hand, they re-

assess the validity of the Cold War ideology as the basis of their nationhood. On the other hand, they admit that any sincere attempt to discuss nationhood cannot but be overshadowed by the reality of the political confrontation. This dilemma is not irrelevant to the fact that the antagonistic rivalry between the North and the South has not abated much despite occasional peace talks. The two governments still hold on to their mutually contradictory versions of the causes of the national division and also, to their incompatible plans for future reunification. All of these differences stem from the legitimacy problems of the current regimes.

This ongoing tension does not mean that there is no vision for a wider and more integrated version of nationhood in Korean films. As has been already pointed out, the longstanding values of Confucian family relationships, which are present in both of the films selected for this study, can provide a model for restoring their cultural continuity and rebuilding their unified nationhood. Benedict Anderson maintains that a nation is an imagined political community and that nationalism invents nations where they do not exist.¹³ He also argues that the central factor in the conception of nationalism is a cultural system rather than a self-consciously held political ideology.¹⁴ Despite the obvious existence of two polities on the peninsula, the majority of Koreans do not recognize the idea of two Koreas in the cultural realm. Their conviction of their ethnic and cultural homogeneity is so strong that the unification of the country is viewed as historically inevitable. Having stayed a single nation for the better part of their history, the Korean people in both the South and the North interpret the last fifty years as an unwanted arrangement forced upon them by the superpowers and as such, a temporary phase they should and will overcome in due time. This aspiration to retrieve their unity and solidarity as one nation is manifested in the persistent theme of treating one's neighbors

¹³ Benedict Anderson, *Imagined Communities* (London: Verso, 1991), p. 6.

¹⁴ *Ibid.*, p. 12.

as her/his own family members. The fostering of familial ties among the community is commonly found in *Wolmi Island* and *The Southern Guerrilla Forces*. In both films, a true hero is defined as one who has the courage to take action against any social evils in one's neighborhood. The films commonly emphasize empathy and respect as necessary conditions for the Korean people to achieve a sense of community, which would operate like a family, transcending the current internal dissension. They find a model for this in their pre-war cultural tradition.