

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

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

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

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

## I

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

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

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

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

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

## II

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

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

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

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

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

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

thoroughgoing economic overhaul<sup>7</sup> was in sharp contrast to South Korea's persistent economic progress.

Even as North Korea's economy suffered climatic reverses that caused an already weak agricultural sector to be severely set back, leading to widespread starvation in the mid-to-late 1990s which continue into the new century,<sup>8</sup> South Korea's economy also experienced traumatic reverses which necessitated the IMF bailout of 1997-98.<sup>9</sup> While North Korea's economy was in dire straits, South Korea's also was on the ropes in ways that could not have been imagined by most observers just months earlier. This juxtaposition of economic setbacks in both Koreas, albeit for radically different reasons, created an odd parallelism between the two Koreas in which both were in need of external assistance and both were compelled to relax some of each society's internal cultural-political inhibitions with regard to foreign intervention in the management of their domestic affairs. In a perverse way this situation fostered a degree of attitudinal common ground between the two Koreas.

This movement did not have major short-term consequences for

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- 6 For a relatively upbeat treatment of North Korea's economy, see Shen Shenyang, "Politics and Strategies for Economic Development" in Han S. Park, Editor, *North Korea: Ideology, Politics, Economy*, Englewood Cliffs, NJ: Prentice Hall, 1996.
  - 7 For insights into what North Korea needed to do economically, see: Marcus Noland, Sherman Robinson, and Monica Scatasta, "Modeling North Korean Economic Reform," *Journal of Asian Economics*, Vol. 8, No. 1, Spring 1997, pp. 15-38; and Lee Kuen, "The road to the market in North Korea: projects, problems and prospects," Helsinki: United Nations University, World Institute for Development, Working Paper No. 139, 1997.
  - 8 For a cross section of media coverage of the devastation North Korea's economy absorbed, see: *The Washington Post* (Weekly) October 27, 1997, pp. 6-7; *Far Eastern Economic Review (FEER)*, January 15, 1998, p. 26; *The Christian Science Monitor*, March 5, 1998, pp. 1, 9; *The Economist*, March 7, 1998, p. 42; *The Korea Herald*, March 30, 1998, p. 1; and *The New York Times*, December 10, 1998.
  - 9 For analyses of the causes and impact of that international rescue, see *Korea's Economy 1998*, Washington: Korea Economic Institute, Volume 14; and *FEER*, March 26, 1998, pp. 10-15.

meaningful convergence of the two economies, but it did provide reason to be hopeful about the future.<sup>10</sup> As an inadvertent by-product of South Korea's severe reversal in 1997-98 and North Korea's efforts to climb out of its stagnation the formerly widening economic gap between the North and South narrowed in 1998.<sup>11</sup> That clearly was a transitory phenomenon as South Korea's economy rebounded rapidly in response to liberalization reforms throughout 1998-99.<sup>12</sup> One result of these events was to reinforce a sense of caution and prudence with regard to the prospective pace of inter-Korean reconciliation and unification which could be aided by the previously noted parallelism. It was not in the interests of either Korea to rush into negotiated arrangements that could undermine each's efforts to reform its economy which, in turn, could jeopardize a range of other ways they might interact in productive ways. More obviously it was not in the interests of either Korea for North Korea's economy to collapse, leading to the fall of the Pyongyang regime and forcing a still fragile South Korean economy to bear the responsibility and stupendous costs of taking over what would be left in the North.<sup>13</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

A prominent illustration of South Korea's sophistication in this regard was Seoul's refusal to allow North Korea's recurring use of military tensions, which are central to Pyongyang's form of deterrence by keeping the U.S.-ROK allies off balance via their shared uncertainty about the rationality of North Korean actions, to derail South Korea's economic overtures. An example of this during the Sunshine policy era was North Korea's provocative naval actions in the Yellow Sea near Yonpyong island in June 1999.<sup>22</sup> In past years such actions would have wrecked any ongoing ROK overtures toward the DPRK, but this time the necessary military responses by South Korean forces were compartmentalized and not permitted to contaminate the validity of economic overtures.

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

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

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

### III

This is where the United States is likely to enter the picture. Along with China and Japan, neighbors that possess a major stake in the question of when and how the two Koreas may accelerate the process of national reconciliation, the United States' position as the ROK's strategic partner and the DPRK's de facto buffer<sup>25</sup> compels Washington to be responsive to any proposal for an improved North-South dialogue. Also, since all three—along with the European Union—comprise the leaders of the international economy which shall be instru-

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

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

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

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

On the surface there appears to be no reason why the United States should object to the proposed economic community since it represents the fruition of the kind of North-South communications aimed at tension-reduction which the United States has supported for years. American leaders are well aware of the problems attendant to Korean unification and have long been supportive of a North-South dialogue.<sup>26</sup> One of the purposes behind the Clinton administration’s engagement policy toward North Korea, with roots that reach back to the Reagan-Shultz “smile diplomacy” era,<sup>27</sup> has been to help bring the Pyongyang regime out of its shell and into contact with the larger world. The United States’ nuclear policy toward North Korea had that as an ulterior motive,<sup>28</sup> as did the United States’ broader diplomatic/economic policies toward North Korea.<sup>29</sup> The creation of the proposed economic community could make it easier for the United States to fulfill these objectives. It also would facilitate the United States’ manifest desires to aid the Kim Dae-jung government’s efforts to achieve an incremental economic convergence between the two Koreas<sup>30</sup> and avoid a hard

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

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

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

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

landing.<sup>31</sup>

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

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

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

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

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

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

34 See, Ambassador Stephen W. Bosworth's remarks to the Federation of Korean Industry, January 21, 2000 (<http://usembassy.state.gov/posts/ks1/www4491.html>).

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

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

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

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

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

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

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

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

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

alism with diverse implications for both Seoul and Washington.

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

This is not to suggest that the United States is likely to abstain from the Korean economic community, but that it may well second guess its policies even as they are implemented. Because there are such obscure reasons for doubt about the wisdom of embracing this form of engagement, it is plausible that American private sector firms may experience mixed feelings about the prudence of trading with, and investing in, the component parts of a combined Korean economic entity. U.S.-ROK economic relations seldom generate such anxieties, but—despite tentative feelers by U.S. firms in South Korea represented by the American Chamber of Commerce in Seoul with regarding reaching out to North Korea<sup>39</sup>—it is difficult to envision North Korea becoming competitive

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

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

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

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



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

#### IV

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

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

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

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

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

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