RECALIBRATING THE U.S.-REPUBLIC OF KOREA ALLIANCE

Edited by

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FOREWORD

On October 18-20, 2001, the 16th Annual Conference of the Council on U.S.-Korean Security Studies was held in Washington, DC. Created in 1985 by retired generals Richard Stilwell of the United States and Sun Yup Paik of the Republic of Korea, the Council's aim was to initiate a conference that would bring together top scholars and practitioners on the most important issues facing the two countries and their important bilateral alliance. Since then, the Council has successfully hosted an annual conference, alternating every other year between meetings in Seoul and Washington.

Although begun as an idea with a relatively small scale, in 2001 the Council hosted one of the largest meetings ever, bringing together over 50 presenters and discussants and several hundred participants. Due to the terrorist attack on the World Trade Center the preceding month, the planned participation of high-level U.S. government officials was curtailed. However, those attending the conference heard from many of the leading experts on Korean, Northeast Asian, and U.S. foreign policy issues and problems. Major speakers included the Republic of Korea (ROK) Ambassador to the United States, the Deputy Director of the Korean Peninsula Energy Development Organization (KEDO), and the U.S. Deputy Assistant Secretary of Defense for Asia and Pacific Affairs.

The unexpected attacks just 1 month prior to the conference caught everyone by surprise, not the least the authors. Thus, the papers did not capture adequately an assessment of the actual and potential impact of the terrorist attack on U.S. foreign policy, its implications for the two Koreas, and its probable effects on China and Russia. There were suggestions that the attack would have major effects, but few details about what those would be, which was understandable with so little time having elapsed since the attack. On the other hand, papers such as Victor Cha's stressed that in important ways much had not changed: U.S. commitments had not been shifted or weakened; the U.S. ability to militarily uphold its commitments had not been affected; and the solidarity of the ROK-U.S. alliance again had been demonstrated through South Korea's strong support for the war on terrorism.

The terrorist attack may have contributed to some extent to a broad mood of uneasiness, even outright concern, at the conference. Some authors, such as Tae Woo Kim, noted the stagnation or stalemate now existing in North-South and U.S.-Democratic Peoples' Republic of Korea (DPRK) relations. There was consensus as articulated by Nicholas Eberstadt that North Korea had not made serious progress in either relationship: it had yet to install a

significant reform program, making only modest economic improvements and none that reflect an easing of the structural problems in the economic and political systems. Most importantly, North Korea had not opened up to the outside world.

Interestingly, unlike previous conferences, there was no concern about a collapse of the North with its myriad of unfortunate consequences. Instead, recent developments were taken mainly as evidence that the North lacks any serious commitment to reform, to engagement, and to opening up to the world, which is why the North is neglecting the opportunities offered by the Sunshine Policy and the Bush administration's offer to resume negotiations, and why the North did not respond effectively to the opportunity raised by the 9/11 incidents to deepen engagement with the United States. However, this was not a unanimous view. Some participants suggested the Bush administration was still not serious about talking with Pyongyang, and that the North really has made a significant commitment to change but that we are expecting too much too soon in this regard. In response, the pessimists carried their criticism further, suggesting that the Sunshine Policy has actually had a corrosive effect in South Korean politics and that the United States has not demanded sufficient reciprocity from Pyongyang. In short, one element captured in the conference papers was not just that engagement was not working but that it was too costly.

Some papers such as Tong Whan Park's and Jin Young Chung's also expressed concern about the state of the alliance. To be certain, some analysts, particularly the government speakers who offered the official view from each country, emphasized that the alliance and the larger U.S.-ROK relationship are quite sound. They cited the very high caliber of the alliance forces, the excellent level of cooperation and consultation within the alliance, the reciprocal support each government has offered for the other's major efforts in the past year: on engagement, terrorism, and economic recovery. But others saw public support for the alliance as likely to wane in the United States if the alliance was not refocused and public support for the alliance continuing to drop in the ROK due to a string of complaints about the U.S. military presence. In addition, there is growing sentiment in some quarters that, with the United States as the only superpower and North Korea very much weakened, the alliance was now much less about defending Korea and much more about goals and purposes of each of the two governments that may be increasingly divergent. They cited the clear disagreements between the Bush administration and President Kim Dae-Jung over the Sunshine Policy. Others, such as Miong Sei Kang, argued that regional trade blocs, particularly the U.S. interest in developing one in the

Americas, could drive a wedge into U.S.-Korean economic relations in the coming years. Their overall point was that the alliance lacks deep roots, particularly as the generation passes on that personally experienced how and why the alliance came into existence and the shared sacrifices it has entailed.

The papers also expressed a somber mood about the environment in South Korea. Speakers disagreed in assessing the South's economic situation. Most saw the state as still too deeply involved in running the economy, the economic reforms as too limited, and the future bleak in terms of economic growth, with the ROK facing increased competition from China's low costs and Japan's advanced technology. Many of the authors referred to President Kim as a lame duck with well over a year left in his term, and felt that the sharp domestic political divisions in South Korea had produced some paralysis on important matters.

Finally, there was considerable pessimism expressed about the future of the Agreed Framework and KEDO, which oversees its operation. At the time of the conference, it was unclear how North Korea was going to meet its requirements under the Nonproliferation Treaty and the Agreed Framework and be sufficiently transparent and cooperative about its nuclear programs. If it did not, then either the Agreed Framework or the standards it is supposed to uphold would collapse. Offsetting this potential outcome were KEDO's continued efforts to move the project ahead, even with significant delays. At the time these papers are being published, the situation has become far more serious, with the entire Agreed Framework apparatus in disarray.

The participants were very grateful for the strong support the conference enjoyed from the Korean Association of International Studies, the ROK Ministry of National Defense, the Federation of Korean Industries, the Korea International Trade Association, the Korea Chamber of Commerce and Industry Hanwha Group, the Hae Sung Institute for Social Ethics and Korea Line Cooperation, Korean Airlines, and The Heritage Foundation.

BALBINA Y. HWANG PATRICK MORGAN

PART I: SETTING THE STAGE

CHAPTER 1

INTRODUCTION: THE ALLIANCE CHALLENGED

Donald W. Boose, Jr.

The principal focus of the papers collected in this book is the Republic of Korea (ROK)-U.S. alliance and the challenges it faces from tensions within the alliance, the effects of the alliance partners' interaction with North Korea, and the economic pressures that affect the alliance.

These papers were presented at the 16th Annual Conference of the Council on U.S.-Korea Security Studies in October 2001. Because of the elapsed time, the reader could be tempted to think that the events since these papers were presented have overtaken the arguments of the presenters. This is far from the truth. Each of these papers reflects the enduring historical forces, geopolitical realities, and national interests that affect Northeast Asia, the Korean peninsula, and the ROK-U.S. alliance. The descriptions of the alliance mechanisms, the Armistice machinery, the Agreed Framework, and the economic imperatives that affect the alliance thus have continuing value. The policy recommendations are still germane and worthy of the consideration of those to whom the future of the alliance is entrusted.

At the time of the conference, the prevailing tone was cautiously optimistic, although the challenges were severe. Soon after President George W. Bush entered office, he had announced that U.S. policy toward North Korea would be reviewed, a process that brought most of the on-going dialogue between the United States and the Democratic People's Republic of Korea (DPRK) to a halt. During his March 7, 2001, summit meeting with ROK President Kim Dae-jung, President Bush supported President Kim's engagement policy and the 1994 Agreed Framework, but expressed skepticism of the North Korean leader and stressed the need for "complete verification" in any future agreements with the North.[1] Many in South Korea believed that President Bush had demonstrated lukewarm support for President Kim and, in spite of U.S. statements to the contrary, concluded that there was a cooling in the ROK-U.S. relationship. On

the other hand, a January 2001 agreement that allowed the ROK to build missiles with ranges and payloads up to those permitted by the Missile Technology Control Regime (MTCR), the conclusion of an investigation into the killing of South Korean civilians near the village of No Gun Ri during the Korean War, and the revision of the U.S.-ROK Status of Forces Agreement, increasing ROK ability to prosecute American soldiers under Korean law,[2] all helped to defuse public criticism of the United States.

While U.S.-DPRK dialogue was generally moribund, there were some contacts between the United States and the North throughout 2001, and South-North dialogue proceeded fitfully. In the wake of the cataclysmic terrorist attacks against the United States on September 11, 2001, sympathy for the United States temporarily overshadowed anti-U.S. feelings. South Korea offered support and North Korea condemned the attacks. Thus, by the time of the October conference, there seemed to be some grounds for optimism, although some of the conference participants raised concerns about North Korean actions and intentions and noted the underlying tensions between the alliance partners and within South Korea itself.

Post-Conference Events: Continuity and Change.

In the months immediately following the conference, hopes were raised further with indications that the South-North dialogue was reviving and that contact between the United States and the DPRK was about to resume. However, during his State of the Union address on January 29, 2002, President George W. Bush reflected the skepticism of his administration toward the north by including North Korea with Iraq and Iran in what he called an "Axis of Evil." In spite of further statements by President Bush and other members of his administration that the United States remained prepared to negotiate with North Korea, the immediate effect of his speech was to raise North Korean hackles and bring the incipient moves toward dialogue to an abrupt end. The speech also aggravated those in South Korea who saw the United States as an obstacle to Korean reconciliation.[3] While prospects for U.S.-DPRK dialogue were set back, the operation of the Korean Peninsula Energy Development Organization (KEDO) (the multinational organization established to carry out the provisions of the 1994 U.S.-DPRK nuclear Agreed Framework) continued throughout the year, as did much of

the South-North dialogue, including ministerial and economic meetings. The course was not smooth, with several of the meetings being abruptly cancelled by the North Koreans and with periodic naval clashes in the West (Yellow) Sea. Nonetheless, the cautious optimism of most of the conference participants seemed justified until the Autumn of 2002, when a series of events shook the South-North dialogue, the U.S.-ROK relationship, and KEDO.

During the first week of October, James A. Kelly, the U.S. Assistant Secretary of State for East Asian and Pacific Affairs made his long-anticipated visit to North Korea. Two weeks later, U.S. officials said that during the visit, Kelly's North Korean interlocutors acknowledged the existence of a clandestine uranium enrichment program and, according to Kelly, declared the 1994 Agreed Framework "nullified."[4]

On October 25, the Korean Central News Agency reported comments by a DPRK Foreign Ministry spokesman, who accused the United States of hostile intent against North Korea, exemplified by the "Axis of Evil" speech, nuclear threats, and failure to make good on its obligations under the Agreed Framework. Under the circumstances, he said, the DPRK could not "sit idle" and was "entitled to possess not only nuclear weapon[s] but any type of weapon more powerful . . . so as to defend its sovereignty and right to exist" in the face of the U.S. threat. Nonetheless, the spokesman said, the DPRK was prepared to seek a negotiated settlement if the United States recognized DPRK sovereignty, assured the DPRK of nonaggression, and did not "hinder the economic development of the DPRK."[5] The United States announced that it was willing to talk to North Korea, but only if the DPRK renounced its nuclear weapons program first.[6]

Thus, the situation reached an *impasse* and, although South-North ministerial talks took place in October and economic talks and other dialogue and contacts continued in November, the revelation began a dangerous series of moves and countermoves, amid strong rhetoric on both sides.

On November 6, the DPRK announced that it might end its freeze on missile tests.[7] Eight days later, the KEDO Executive Board issued a statement of condemnation of North Korea's "pursuit of a nuclear weapons program, which is a clear and serious violation of its obligations under the Agreed Framework" and announced that heavy fuel oil shipments would be suspended, beginning

with the December shipment.[8] On November 29, the International Atomic Energy Agency (IAEA) Board of Governors adopted a resolution deploring the DPRK's public claim that it is entitled to possess nuclear weapons, declaring that claim to be "contrary to its obligations under the Nuclear Non-Proliferation Treaty" and insisting that "North Korea urgently and constructively cooperate with the IAEA in opening immediately all relevant facilities to IAEA inspections and safeguards and [urging] North Korea to give up any nuclear weapons program, expeditiously and in a verifiable manner."[9] North Korea rejected the request for inspections.[10]

On December 11, President Bush released a "National Strategy to Combat Weapons of Mass Destruction," reiterating the U.S. policy reserving the right to respond with overwhelming force, including conventional and nuclear capabilities, to the use of weapons of mass destruction (WMD) against the United States, its overseas forces, or its allies. While this document did not name North Korea, it is clear that the DPRK was among those referred to as "the world's most dangerous regimes."[11]

On the same day that the President released the WMD strategy, Spanish and U.S. forces intercepted a North Korean cargo ship transporting missiles to Yemen. The Yemeni government insisted that the missiles had been purchased legally and the ship was released, but North Korean rhetoric escalated even further, with accusations that the United States was engaged in piracy.[12]

On December 12, North Korea announced that it intended to restart the Yongbyon and Taechon reactors, the issue that had precipitated the crisis of the summer of 1994 and led to the negotiation of the Agreed Framework. The putative rationale for restarting the plant was that North Korea had a critical energy shortage due to the suspension of oil shipments by KEDO and lack of progress on the light water reactors being built in North Korea pursuant to the framework agreement. It seems more likely, however, that the move was intended to put pressure on the United States to resume talks.[13]

As these events were taking place, the ROK-U.S. alliance came under increasing strain in the face of anti-American demonstrations prompted by the acquittal of two soldiers who had accidentally crushed to death two Korean school girls under the treads of their armored vehicle on June 13, 2002. The acquittals served as a focus for long-simmering unhappiness with American actions and the aggravations caused by the presence of large numbers of U.S.

soldiers in South Korea. The anti-American turmoil and outrage was reflected in statements by both presidential candidates in the campaigning then underway and led to calls by President Kim Dae-jung for further renegotiation of the Status of Forces Agreement.[14] This message was delivered to U.S. Secretary of Defense Donald Rumsfeld by ROK Minister of National Defense Lee Jun at the annual Security Consultative Meeting in December 2002, although the joint communiqué diplomatically referred only to Minister Lee's "keen interest in improving the implementation of the Status of Forces Agreement," while, "Secretary Rumsfeld listened carefully to Minister Lee's explanation."[15]

In the December 19, 2002, ROK presidential elections, ruling Millennium Democratic Party candidate Roh Moo-hyun defeated conservative opposition leader Lee Hoi-chang. President-elect Roh, a 56-year old human rights and labor lawyer, had previously been critical of U.S. policies, calling for continued engagement with North Korea and revision of the Status of Forces Agreement. However, the initial contacts between Roh and U.S. President Bush were cordial, and the new president-elect quickly indicated his strong support for the alliance. The new year began with the ROK President-elect identifying "peaceful settlement of the ongoing North Korean Nuclear Crisis" as his top priority and U.S.-ROK-Japan consultations on the appropriate response to the North Korean actions.[16]

The nuclear situation continued to escalate as North Korea broke the seals on the previously sealed spent plutonium fuel rods at the Yonbyong reactor, disabled the monitoring cameras, brought in fresh fuel rods, and ejected the International Atomic Energy Agency on-site inspectors.[17]

Clearly, the situation in Northeast Asia has changed in many ways since these papers were presented. Yet, there is continuity in the fundamental dynamics of the alliance, in the issues and challenges facing the alliance, and in the various forums and mechanisms through which the alliance works. Even with the unexpected "wild card" of the North Korean nuclear revelations, our commentators, writing a year before that event, were generally accurate in their identification of the crucial issues, potential points of crisis, and likely broad course of events. It is worthwhile reading their analyses in the light of the actual circumstances since the conference.

Challenges and Proposals: The View from October 2001.

In his chapter, Professor Victor Cha argues for the value and relevancy of the U.S.-ROK alliance in the post-Cold War world, even after the eventual reunification of Korea, with the assumption clearly held by most of the conferees that reunification, when it comes, will be under the ROK. Not only does the alliance have enduring value for the security of both nations, he insists, but it is also grounded in shared values, a fact that is often unrecognized by Americans. Professor Cha warns that the alliance could dissolve, to the detriment of both nations, and recommends actions by both parties to rethink the alliance's rationale, emphasizing the mutually-shared ideals of freedom, justice, and democracy.

Dr. Jin-Young Chung examines the alliance from the perspective of the cost sharing that symbolizes the balance of the relationship and reflects other, deeper, issues. Dr. Chung suggests that debates on cost sharing provide a forum not just for the discussion of alliance support, but for more far-reaching dialogue on the future purpose and nature of the alliance. He proposes strengthening the alliance by developing through this dialogue a new vision of purpose to assure its continuation after reunification, as well as the replacement of the current system of constitutional processes with automatic guarantees of wartime assistance, and other actions to assure a more equal partnership.

Professor Tong Whan Park examines the U.S.-ROK alliance in terms of its relative costs to the United States compared to the costs of having no alliance, the costs of the U.S.-Japan alliance, and the costs of the alliance to the ROK. He concludes that the alliance is advantageous for the ROK, and even more advantageous for the United States in terms of political, economic, and military security.

Professor Kyudok Hong traces the history of United Nations involvement with Korean security, with an emphasis on the U.S.-led United Nations Command (UNC). In its quest for a U.S.-CPRK agreement that would lead to the removal of U.S. forces from Korea, North Korea has attempted to abrogate the Armistice Agreement and has called for the disestablishment of the UNC. But Professor Hong argues that both the Armistice Agreement and the UNC are valuable mechanisms that contribute to the security of the United States and the ROK, as well as to the effective working of the alliance.

Professor Jeongwoon Yoon describes the various agreements,

forums, and structures through which the ROK-U.S. alliance operates. After explaining the content and value of the many forums, he provides policy recommendations to improve these mechanisms. He suggests increased emphasis on mid to long-term issues, a clearer division of labor between the bilateral Security Consultative and Military Committees, the establishment of standing offices for on-going discussion, and the active participation of the ROK-U.S. Combined Forces Command (CFC) leadership in the security deliberations of the committees. He then describes the various combined and multinational exercises carried out by the two nations, providing policy recommendations for increasing the value of these exercises. He proposes short notice exercises at varying times of the year and greater emphasis on interoperability. He also recommends exercises based on scenarios in which the United States is engaged in military operations elsewhere in the world when a crisis breaks out in Korea in order to test the U.S. ability to respond to simultaneous, widely-separated contingencies. Finally, he argues that, so long as North Korea refuses to engage in substantive confidence-building and arms control efforts, the practice of curtailing exercises in order to avoid jeopardizing dialogue should be discontinued. Professor Yoon then explains the structure and roles of the ROK-U.S. Combined Forces Command, which is the integrated headquarters for the defense of Korea and the conduct of bilateral military operations. He recommends that CFC focus on its deterrence role and be prepared to adapt to changes in the international security environment. He also argues that CFC needs more effective options for countering the rising tide of anti-U.S. criticism and North Korean propaganda designed to divide the allies.

Professor Nicholas Eberstadt introduces a note of caution. He examines the evidence in the months prior to the conference that North Korea was beginning a process of reform. His close reading of North Korean political, economic, and military statements and actions lead him to conclude, however, that, far from reforming, the Pyongyang leadership had remained steadfast in its policies and was using the South Korean "Sunshine" policy of engagement to attempt to drive a wedge between the United States and the ROK.

Professor Taewoo Kim examines the divergent views within the South Korean populace and leadership concerning North Korea and U.S. Forces in Korea. He uses the term "liberal" to describe those who work from the basis of Korean ethnic identity,

favoring active engagement with the North, downplaying the North Korean threat, seeking reconciliation, and viewing the presence of U.S. forces in Korea as intrusive, unwelcome, obnoxious, and an obstacle to reunification. He applies the term "conservative" to those who see the North not only as a counterpart in negotiation toward reunification, but also as a dangerous, threatening, and untrustworthy neighbor. The conservatives, while not uncritical of U.S. actions contrary to Korean interests, value the alliance as both necessary for security and a reflection of shared values that transcend ethnic identity. Professor Kim expresses concern that this "South-South ideological conflict" was having a corrosive effect, threatening the social fabric and national cohesion of the South and undermining the alliance, thereby jeopardizing ROK security. He argued that this dire outcome could only be averted by dialogue and mutual understanding--reconciliation within South Korea as a prerequisite to effective interaction with the North to achieve the reunification and peace that are the goals of both "conservative" and "liberal" Koreans in the South.

Professor Haksoon Paik provides a very thorough discussion of the 1994 Agreed Framework and the Korean Peninsula Energy Development Organization (KEDO), which he sees as a successful mechanism for engaging North Korea. Professor Paik argues that KEDO provides a useful precedent for international engagement with North Korea, a conclusion that remains valid even if the nuclear confrontation that began in October 2002 results in the end of KEDO as currently constituted.

Professor Miongsei Kang examines the trade situation confronting the ROK, noting that the pattern of trade has shifted, with less dependence on the American market for Korean exports. Nonetheless, the United States remains the second largest trading partner, after China and Hong Kong, as well as an essential element of Korea's security. While the relative proportions of Korea's trade have changed, the country has also come under increasing pressures through "regionalism," as Professor Kang calls the growth of regional economic trading arrangements, such as the European Union and the North American Free Trade Agreement. Malaysian Prime Minister Mahathir Mohamad has proposed an Asian trade bloc from which the United States would be excluded, but Professor Kang argues that Korea is best served by open trade arrangements. He notes that the Asia Pacific Economic Cooperation (APEC) forum

provides a mechanism for addressing trade and other economic issues without the constraints inherent in participation in regional preferential trade arrangements.

Professor Kyu-Ryoon Kim delineates South Korea's foreign direct investment (FDI) policies in the context of what he calls the "Asiatic mode of economic development," based on an export-oriented development strategy. The ROK has many economic advantages of geography, high quality labor and management, a strong industrial and research base and infrastructure, and a rapidly growing information technology sector. The ROK Government has built on this foundation with policies that encourage and facilitate foreign direct investment. Nonetheless, Professor Kim suggests that South Korean firms may not be making the most of the opportunities available to them for FDI. Furthermore, while South Korea has weathered the Asian financial crisis of the late 1990s, that crisis raised questions about rapid economic growth and the government's role in economic development. The attitudes and actions of North Korea and the state of South-North relations also affect investment and growth. Professor Kim calls for a rethinking of ROK policies and consideration of whether moderate and sustainable economic growth and multilateral cooperation may not be the best pattern for the future.

Economic cooperation is essential to the process of South-North reconciliation and was a key element of former President Kim Dae-jung's "Sunshine" policy of engagement, which decoupled economic cooperation from political issues. Yet, as Professor Joseph A.B. Winder explains, there have been many obstacles to the development of South-North economic links. Nearly all of them can be attributed to the North Korean leadership, whose attitudes and actions have been incompatible with the norms of modern commerce and industry. The two Koreas have negotiated a framework for economic cooperation, however, and, even during the tensions that resulted from the October 2002 revelations concerning the North Korean nuclear program, economic talks continued.

Enduring Realities, Persistent Challenges.

Collectively, these papers set forth the structure of the alliance, provide useful background information, and place the alliance in its political, social, and economic context. They provide a basis for

understanding and dealing with current and future challenges to peace and security in Northeast Asia.

ENDNOTES - CHAPTER 1

1. *Transcript: Presidents Bush, Kim Dae Jung March 7 Press Briefing*, *http://usembassy.state.gov/seoul/wwwh42yr.html*, accessed December 11, 2002.

2. The Status of Forces Agreement (SOFA) is an international agreement between the United States and the ROK that sets forth the rights and responsibilities of U.S. military and supporting civilian personnel in Korea. The texts of the 1966 agreement and 1991 revision are at *http://www.korea.army.mil/sofa/sofa1966_ui1991.pdf*, while the text of the 2001 revision is at *http://www.korea.army.mil/sofa/2001sofa_english%20text.pdf*, both accessed January 7, 2003.

3. See, for example, Donald G. Gross, "Riding the Roller Coaster," *Comparative Connections*, Vol. 4, No. 2, April 2002, *http://www.csis.org/pacfor/cc/0201Qus_skorea.html*, accessed December 11, 2002.

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13. Doug Struck, "North Korea Says it Will Resume Work at Reactors," *Washington Post Foreign Service*, December 13, 2002, *http://www.washingtonpost.com/wp-dyn/articles/A47924-2002Dec12.html*, accessed December 15, 2002.

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PART II: THE ALLIANCE

CHAPTER 2

AMERICA'S ALLIANCES IN ASIA: THE COMING "IDENTITY CRISIS" WITH THE REPUBLIC OF KOREA?

Victor D. Cha

The bilateral security relationship with the Republic of Korea (ROK) has been one of the most successful U.S. post-war alliances in terms of levels of interoperability and attainment of security objectives. However, as with other alliances forged in the Cold War, there are increasing questions about its resiliency in the post-Cold War era. Some have argued that the absence of a principal enemy for the alliance (i.e., the end of the Soviet threat or the future end of the North Korean threat), would by definition mean an end to the alliance itself. Others have debated such an outcome, arguing that adjustments in the rationale as well as the components of the alliance can guarantee its resiliency.[1]

While the question is right, I argue that the answers are more complicated and multi-faceted. First, it is by no means certain that the end of North Korea will equate with termination of the alliance; there are both empirical and theoretical justifications for the continuance of the alliance after the threat is gone. Second, in the present and future, an alteration in the rationale and adjustments in components of the alliance on the ground are critical and requisite to future resiliency. However, focusing solely on these issues instills a false sense of confidence in the alliance's longevity and obscures a deeper conceptual obstacle to alliance resiliency, its normative underpinnings. This factor is given short shrift in other analyses, yet I believe it is critical because the true test of alliances in the post-Cold War era is not merely their continuation in peacetime but the domestic support for fulfilling of these commitments in wartime. The likelihood of the latter is greater when the allies have a strong normative link. Otherwise, confidence in the alliance's longevity today and in the future could be shattered when the effort to activate

alliance commitments comes up empty.

The Past and Present Success of the Alliance.

Formed in 1953, the alliance with the ROK was America's quintessential Cold War relationship in Asia. There was no preceding history of interaction (aside from sporadic and minor commercial exchanges in the 1800s) on which to draw, no common values as a frame of reference. In fact, the United States knew virtually nothing about Korea when it received the Japanese surrender in the southern half in 1945, and knew only marginally more when it committed to defend the South in 1950 as a bulwark against communism and a front line of defense for Japan. Korea's value to the United States was never intrinsic and always strategic (i.e., keeping it out of the adversary's camp). In spite of this, the alliance later blossomed into one of America's most successful and vibrant bilateral relationships in East Asia.

Across a range of criteria that determine the functional success of a military alliance, the U.S.-ROK alliance has done well.[2] The alliance enabled the stationing of what is now some 37,000 U.S. troops directly at the point of conflict on the peninsula, which provided the South with an unequivocal symbol of the U.S. defense commitment and deterred the North with its tripwire presence. The two militaries represent the classic example of an alliance operating under a joint, unitary command (the Combined Forces Command or CFC) with a common doctrine, as well as with a clear division of combat roles practiced through frequent and extensive joint training. While there have been some negative civil-military externalities associated with the stationing of U.S. forces, overall host country support for the alliance has been and continues to be strong. Arguably the United States and ROK have evolved into ideal military allies, far more workable and efficient together than the U.S.-Australia alliance or U.S.-Saudi Arabia partnership and paralleled only by NATO and the U.S.-Japan alliances.[3]

The U.S.-ROK Alliance's Place in the Region.

Throughout the Cold War, the U.S.-ROK alliance, while focused on peninsular security, also constituted an integral part of a larger

security triangle in Northeast Asia with the U.S.-Japan alliance. Despite the historical antagonisms between the ROK and Japan, the United States sought to strengthen the cohesion of this triangle and effectively treated the two alliances as strategically complementary. U.S. ground forces in South Korea were as much an extended frontline of defense for Tokyo as for Seoul. The U.S. Seventh Fleet and Marine units in Japan provided rear-guard support for the ROK. This relationship was spelled out in 1969 with the Nixon-Sato Korea clause (and Prime Minister Eisaku Sato's National Press Club speech) in which Japan acknowledged that ROK security was crucial to Japan and, therefore, would allow the United States unlimited access to bases in Okinawa (post-reversion) to defend the South.[4] In exercises as well as actual maneuvers during the Cold War, the two essentially comprised one integrated unit in U.S. defense planning. U.S.-ROK military exercises regularly employed bases in Japan for logistic support; U.S. tactical air wing deployments rotated frequently between Japan and Korea; and air and naval surveillance of the North was operated out of bases in Japan. In addition, Seoul and Tokyo conducted periodic exchanges of defense officials, developed bilateral fora for discussion of security policies, and engaged in some sharing of intelligence and technology.[5]

While the triangle was driven during the Cold War by the task of deterring Chinese and Soviet communist expansion on the peninsula and in the region generally, the post-Cold War linkage of the two alliances has as its primary focus a North Korean contingency. Stemming from a potential collapse or aggression by the North are coordinating roles for the Japanese Maritime and Air Self-Defense Forces (MSDF and ASDF) in and around the peninsula with regard to wartime logistics and activities like minesweeping, anti-submarine warfare, maritime patrol, search and rescue, refugee processing, and noncombatant evacuation. The catalyzing force for greater integration of the U.S.-ROK alliance with Japan was the Nye initiative[6] and the new U.S.-Japan defense guidelines, which not only better delineated the respective roles of Washington and Tokyo in a military contingency, but also highlighted the need for greater communication and coordination between the CFC in Korea and the SDF in Japan. Since its inception, the U.S.-ROK alliance, and indeed the U.S.-ROK-Japan triangle, had to contend with its place vis-à-vis

Washington's relationship with China. When the latter was bad, there was no question of the former's place in the region. However, improvements in Washington-Beijing relations always raised a degree of ambiguity and insecurity among the Asian allies about U.S. intentions. During the Cold War, these ranged from concerns that the United States was downgrading ties with Korea and Japan (partly motivated by trade tensions) and elevating those with China, to fears that the U.S. reconciliation with China was motivated not by the success of the Cold War alliances but by their perceived failure.[7] In the post-Cold War era, trepidation arose again in Seoul and Tokyo regarding the Clinton administration's "strategic partnership" with China.

Two distinctions require highlighting with regard to this problem. First, such concerns about China have often been couched in terms of a potential fracturing or erosion of the convergent interests that have traditionally undergirded the U.S.-ROK and U.S.-Japan alliances. However, rather than being symptomatic of an alliance breakdown, these concerns are simply symptomatic of an alliance. Fears of abandonment are an inherent part of any alliance relationship and particularly salient in asymmetrical relationships such as those with Korea and Japan.[8] If anything, abandonment fears are a sign of a healthy and vibrant alliance--indifference would be more symptomatic of an erosion. Second, the notion of a grand U.S.-China condominium that undermined Korean and Japanese security interests overlooks the fundamental difference between a "partnership" and an alliance. The U.S. alliances with the ROK and Japan are not only among the most successful but also carry the most indisputable symbol of commitment--troop deployments. This is easily taken for granted, as it has been an established and integral component of the alliances since their inception; nevertheless, it is an unmistakable sign of who is the primary ally and who is the "partner." Finally, convergent rather than competing views between these two sets of relationships on core issues like nonproliferation and maintaining the peaceful status quo on the peninsula are more prevalent in the post-Cold War era, reducing the sort of zero-sum tradeoffs perceived during the Cold War.

The Future Rationale and Components.

With regard to the future resiliency of the U.S.-Korea alliance, the key question is whether the alliance can survive the end of the North Korean threat. The stated policy of both Washington and Seoul is that the alliance and U.S. military presence will continue in the post-unification era.[9] However, political pronouncements about this and the groundwork to achieve it are two separate matters. Resiliency will require adjustments in both the rationale and components of the alliance. Foremost is a reorientation of the alliance's overall purpose toward the promotion of broader regional stability.[10] The primary rationale would no longer be deterring the North Korean threat, but would entail three different but related objectives. One purpose of the alliance would be to prevent dangerous power vacuums from forming on the peninsula. As the experience of the late 19th and early 20th centuries showed, whenever Korea has been unified, such vacuums have been an invitation for major power competition and war. Second, the U.S.-Korea alliance would remain an important political symbol of U.S. forward engagement as a Pacific power, which, in turn, would be key to ameliorating security dilemmas between China and Japan. As has already become clear in the post-Cold War period, Tokyo supports the U.S. presence as a check against China's rise in the region; and Beijing implicitly supports the continuing U.S. presence as it views Japan's future intentions with suspicion. Moreover, this amelioration effect would be weaker without the U.S.-Korea alliance. In other words, cutting the U.S. presence in a post-unified Korea but keeping a token presence in Japan is not likely to achieve the same effect, as Japan would remain uncertain of the U.S. commitment (given events in Korea), and China would have heightened suspicions due to Japanese self-help security behavior. A third purpose of the alliance would be to reassure a reunified Korea of its security, thereby preempting rash turns to self-help behavior that might be destabilizing in the region (e.g., nuclearization, ballistic missile development). The flip side of this same coin would be for a continued U.S.-Korea alliance to play a "binding" role on a reunified Korea that, replete with resurgent nationalism, might otherwise engage in arms buildups and provocative behavior toward Japan.

In addition to revised alliance rationales, adjustments in specific

alliance components on the ground are necessary. These include changes in the composition of U.S. forces in Korea as well as alterations in cost-sharing arrangements, the CFC structure, and base locations to be more amenable to host country complaints.[11] A reconstitution of U.S. forces would largely follow from the reorientation of the alliance's rationale to regional security. For example, given the alliance's current mandate (deterring and defending against a northern attack), the overwhelming majority of the 98 U.S. military installations are Army. A regional security mandate would mean substantial upgrading of air and naval presence and mobile rapid reaction capabilities at the expense of traditional ground forces. For example, the future U.S. force presence might no longer consist of two full brigades, prepositioned Army and Marine equipment (in Korea and Guam), and an infantry division ready to be flown in from Hawaii; instead, it might be 10-15,000 troops largely air and navy-based, a small contingent of ground forces south of the 38th Parallel and substantially less prepositioning.

Regarding the CFC, operational control has been a delicate sovereignty issue for the two governments. Operational control traditionally belonged to the United States until December 1995, when peacetime control (as well as the position of Senior Member of the United Nations (U.N.) command component of the Military Armistice Commission) was transferred to South Korea. A post-North Korea, diminished-threat environment would bolster a united Korea's desires for wartime operational control; however, this faces two obstacles: (1) the lack of adequate Korean intelligence capabilities (which Seoul wants the United States to provide); and (2) U.S. reluctance to concede wartime operational control in any theater. Most likely, an alternative arrangement would need consideration, similar to a NATO-type combined control system in wartime or a U.S.-Japan system of independent control but with specified guidelines about roles and expectations for cooperation.

Cost-sharing calculations are likely to be readjusted in a revised alliance system. Until the early 1970s, the United States covered all costs for maintenance of the security presence in Korea. In the early 1980s, the ROK committed to share maintenance costs for joint facilities (up to $45 million/year in 1989), and by the early 1990s, increased its contribution to one-third of total base costs (up to $300 million/year by 1995). By 1998, the ROK share had risen to

$399 million, but in 1999, in the wake of the financial crisis, the two countries negotiated a new multi-year Special Measures Agreement. Under this agreement, the ROK contributed some $333 million in 1999, and the contribution rose to $391 in 2000.[12]

The United States currently occupies 78.6 million *pyong* [1 *pyong* = 3.954 yards, ed.] for 36,272 troops. This amounts to .23 percent of total South Korean land (30 billion *pyong*) and 40 percent of metropolitan Seoul (183 million *pyong*).[13] The percentage, location, and terms of land for the U.S. base presence are likely to undergo change in a revised alliance. The precedent for this was set in June 1990, when the two governments agreed to the staged relocation of Yongsan out of central Seoul to Osan and Pyongtaek, including headquarters for U.N. Forces, U.S. Forces Korea (USFK), CFC, and all supporting troops). After completion of an initial phase (relocation of the Yongsan golf course) in March 1991, the plan was postponed indefinitely with the North Korean nuclear crisis, and since then disputes have arisen over the costs of relocation (originally to be borne by the ROK government), estimated in 1990 at over 2 trillion won. Adjustments in the terms of land usage are also likely. Relative to Japan or the Philippines, the ROK provides more exclusive land use rights to the United States without compensation to the private sector or does not hold the United States accountable for damages (56 percent of the total land usage is granted for exclusive use by the United States).

Additional Factors for Alliance Longevity.

The preceding issues are important and highlight facets of the relationship that will eventually require attention as the alliance remakes itself.[14] The discussion, however, has not advanced substantially beyond this point. Analysts and well-wishers pay lip service to the above recommendations, couching the entire exercise in urgent phrases like "now is the time to reestablish ROK-U.S. relations for the 21st century," or calls for a "restructuring" of the alliance "beyond the North Korean threat."[15] I raise two additional avenues of inquiry to push the discussion further. First, contrary to conventional wisdom, the resiliency of the alliance is *overdetermined*. Despite all the efforts at re-thinking rationales and revising components of the alliance to avert future erosion, objectively

speaking, the conditions on and around the Korean peninsula are ideal for continuation of the alliance in the short to medium term. Second, because alliance well-wishers focus their attention only on its rationales and components, and because this will, in fact, appear successful, given the already favorable conditions for alliance resiliency, what is being missed is an understanding of the alliance's normative base. This base is critical because it is linked to the true test of the alliance's resiliency, domestic support for activation of the alliance commitment.

The Defense and Insurance Rationale.

In spite of all the trepidation about post-threat disintegration, a number of factors favor U.S.-ROK alliance longevity. History has shown that alliances are more likely to thrive when they face a persistent threat, are defensive in nature, have limited "exit" opportunities, have host-nation domestic support, and/or develop institutional linkages.[16] First, *ceteris paribus*, defensive alliances last longer than offensive ones. Offensive partnerships tend to be short in duration. They are motivated by joint acquisition of a maximum gain after which the partnership speedily dissolves. Defensive alliances are also motivated by a specific goal, but it is loss-prevention rather than gains-acquisition. The former is inherently a stronger rationale for alliance resiliency because the benefits of continuing the relationship (i.e., insurance) outweigh the costs.[17] The U.S.-ROK alliance will clearly enjoy both of these conditions for the forseeable future. A defensive alliance (with the one exception of the rollback policy during part of the Korean War), envisioning an "insurance policy" as its rationale is easy to imagine. Moreover, any hard thinking about the modalities and requirements of "insurance" has been postponed as North Korea's combination of intransigent behavior and periodic unexpected pliancy provides an unquestionable rationale for the alliance now.[18]

Preventive Defense Rationale.

The more "institutionalized" an alliance, the greater the likelihood of its survival. The prime example is NATO, which has evolved into far more than an instrument of Western deterrence. It has

spawned such a variety of subsidiary organizations and transatlantic networks of former officials, intellectuals, journalists, and analysts that its livelihood is ensured by the very symbols and institutions of cooperation it has created.[19] While similar institutions are lacking in the U.S.-ROK case, the alliance has provided the only U.S. security presence on the Asian mainland, and has become an embodiment of U.S. influence and commitment as a Pacific power. It will still be in the U.S. interest to discourage the rise of a hegemon in the region, a goal that also suits Korea. Operationally, the alliance is integral to the operations of the U.S.-Japan alliance for any contingency in Northeast Asia. From the ROK perspective, the security relationship buttresses the trade relationship and has provided other hard-to-quantify but significant benefits in terms of regional political stability and secure markets.[20] In short, these factors provide a "preventive defense" rationale for alliance longevity — the benefits substantially outweigh the costs, and the costs of maintaining these arrangements are substantially less than having to re-create them in the future.[21]

The Impact of Multilateralism.

Multilateral security designs are more likely to complement than supplant the bilateral alliance. Multilateralism's growth in the region has been rapid, but while the ROK has been actively involved in a number of initiatives,[22] this does not suffice as its foreign policy template. This was made starkly clear at the time of the Asian financial crisis when the primary facilitator of the ROK's economic bailout was not the multilateral bodies, but the United States, based on the security rationale. Multilateralism also tends to accord less with Korea's strategic culture which, throughout modern and pre-modern history, has tended to view security as best achieved either through unilateralism and self-imposed isolation (e.g., the pre-modern "hermit kingdom"), or through intense bilateralism vis-à-vis China and then, later, the United States.[23] Multilateralism's role, much to the desire of both Washington and Seoul, will be alongside the alliance, complementing it when necessary. Perhaps more relevant for the alliance than multilateralism in the future are *ad hoc* policy coalitions or "minilaterals." More limited in membership than broader multilateral groups and pragmatically designed to deal with concrete problems, minilaterals offer a more opportune venue

in which the bilateral alliance can operate.[24]

The Effect of Unification on Alliance Resiliency.

A common cause for alliance breakups after the threat is gone are fears of abandonment at the government level and host-nation opposition to the alliance among the general public. The common assumption is that the U.S.-ROK alliance will suffer from these debilitating dynamics after North Korea is gone, leading to a great deal of mistrust and uncertainty between Seoul and Washington. Regarding host-nation civil-military relations, most assume that Korean domestic opposition to the alliance will be fierce.

However, a closer look at the prevailing conditions leads to a different conclusion. Abandonment fears lead to alliance abrogation only when alternative security or "exit" options exist (e.g., either the abandonment-fearing ally seeks out new allies or internally builds up). If such options are not available, abandonment fears can counter-intuitively lead to a *cohering* of the alliance.[25] Undoubtedly, Korean unification will be accompanied by concerns in Seoul about U.S. retrenchment; however, the likely response to this will be reaffirming rather than junking the relationship. This is because the alternatives are not attractive. Historical animosity toward Japan and uncertainty regarding Chinese intentions rule out these parties as security providers. The self-help option is expensive and not feasible given relative power disparities in the region; moreover, Seoul has always considered the United States to be the only honest broker in the region. Unification is thus likely to bring continued rather than waning enthusiasm for the relationship with the United States.

Related arguments are relevant at the level of domestic politics. By any reasonable calculation, unification will be an extremely costly and difficult process for the Korean people.[26] Economic and social integration will be accompanied by a great deal of dislocation in both the north and south. And as the German case showed, no amount of policy foresight or economic pliancy can ensure a smooth transition. The prospect of having to foot new security costs in addition to unification-related ones will not be an attractive prospect. In an ideal world, renewed nationalist pride would prompt Korea to venture outside the protective umbrella of the United States. In

a pragmatic one, however, the alliance offers Koreans an anchor of stability in what is certain to be a time of great change.[27]

Thus, well-wishers will see their aspirations for a resilient U.S.-Korea alliance validated. This will partially stem from the revisions in regional security rationales in combination with adjustments in cost-sharing, base location, command structures, and composition of forces. In addition, as the preceding conceptual section shows, certain objective conditions already weigh in favor of the alliance's residual continuity in the short-medium term. While this is a positive outcome, its very success discourages any additional thinking about a critically neglected variable for alliance resiliency, the normative underpinnings.

The Normative Foundations of Alliance Resiliency.

The durability of an alliance is not defined merely by the prolonging of its material structures. The ultimate measure of resiliency is domestic willingness to fulfill alliance obligations in time of need. This was a foregone conclusion during the Cold War when the line between adversaries and allies was clear and battles in the periphery were equated with those in the core. This is far from the case in the post-Cold War era.

The American public has traditionally exhibited ambivalence for international commitments. The Chicago Council of Foreign Relations found, for example, that only 61 percent of the general public support an activist U.S. role in world affairs in the post-Cold War era, a level of interest only marginally better than in the immediate aftermath of the Vietnam war.[28] "Public disinterest in international affairs is pervasive, abetted by the drastically shrinking media coverage of foreign events. Majorities of 55 to 66 percent of the public say that what happens in Western Europe, Asia, Mexico, and Canada has little or no impact on their lives."[29] While 80 percent of the public considers protecting American jobs a "very important" goal of the United States, only 44 percent believes the same for "defending allies' security." Moreover, the polls consistently found that Europe is perceived as a more important theater than Asia.[30] Thus, it is not U.S. physical engagement in Asia but "psychological" engagement that constitutes the critical test of alliance resiliency--Congress and the American people's willingness

to use the U.S. forces deployed in the region. As John Mueller has argued, the United States is generally accepting of engagement and the deployment of forces abroad in peacetime even if the costs are substantial. However, what the public is not tolerant of is the loss of American lives. Once U.S. soldiers start dying, the American cost-calculation becomes extremely stringent, demanding clear and unrefutable benefits for such sacrifices.[31] This nicely sums up the alliance resiliency dilemma in Asia: for a variety of reasons related to markets, U.S. leadership, and convenience, support for the United States to remain in Asia will persist up to the point where conflict breaks out.

A key determinant of alliance resiliency is the degree to which shared identities underpin interaction. By identity, we mean the degree to which alliances are grounded in commonly held norms, values, beliefs, and conceptions of how security is best achieved.[32]

> [W]hen an alliance either reflects or creates a sense of common identity . . . [t]hen the entire notion of an individual "national interest" becomes less applicable. If elites and/or publics begin to view their own society as inextricably part of a larger political community, then members will find it difficult to conceive of themselves as separate and will see their interests as identical even if the external environment changes dramatically.[33]

Alliance identity can exist a priori based on similarities in regime type, religion, or ethnicity (e.g., the Anglo-American alliance). Common identities can also be constructed over time between unlike regimes through a wide range of economic and social interactions, development of elite networks, and high levels of communication.[34] In the latter case, alliances become institutions of socialization where constituencies in both countries develop common standards and expectations of conduct. Most important, the type of commitment that emerges from shared alliance identities is fundamentally different from those that lack this component. The decision to help the ally in the latter case is based on a cold calculation of the overlap in interests. In the former case, the decision may have as much to do with promoting certain commonly shared values (even if there is comparatively less overlap in interests). At the extreme end, shared identities may lead to an emotive attachment and loyalty to an ally irrespective of the issue at-hand.[35]

The Task for U.S.-ROK Alliance Resiliency: Constructing a Shared Identity.

The importance of identity factors for post-Cold War alliance resiliency does not bode well for the U.S.-ROK alliance. The alliance had no a priori-shared identity, and instead was formed around two utilitarian goals: deterring a second North Korean invasion and safeguarding Japan.[36] Korea does not register in the average American mindset. When asked to quantify feelings of affinity for countries on a scale of 0 to 100 (above 50 being a "warm"), Americans rated South Korea, a longtime ally of the United States, below "neutral" (48) and only two points above China. By contrast, Britain and Canada were rated 69 and 73 respectively.[37] In the most telling sign of the absence of American "psychological" engagement in Korea, a clear majority of the general public were against the use of U.S. troops to repel a North Korean attack. This was in spite of the nuclear crisis in 1994 and a prolonged period of exposure to Korea stories in the media.[38]

These discrepancies should alarm alliance-watchers of a potential disaster down the road. A reconstituted U.S.-Korea regionally-oriented alliance, while appearing outwardly resilient, would probably garner even less American support than at present. The inability of Americans to "identify" with Korea and Koreans could ultimately make the alliance a hollow shell.

The pressing task is therefore not only to deal with pragmatic, material alliance management issues, but also to lay the ideational foundation for the alliance in the post-Cold War era. As noted above, shared identities can be constructed even where they do not exist a priori. Several steps appear necessary. First, U.S. officials must make deliberate efforts to frame the relationship in normative terms that resonate with the average American (i.e., not just with specialists). Statements like this one by former Deputy Assistant Secretary of Defense Kurt Campbell are a step in the right direction:

> . . . the security alliance between the U.S. and the Republic of Korea is more than treaty commitment — it is a close, mutually beneficial partnership built on a shared stake in democracy and free markets. Our alliance is an essential element of the strategy for achieving our long-standing security goal: a non-nuclear, democratic, and peacefully reunified Korean peninsula.[39]

Former Ambassador Bosworth's statements offer similar attempts at reconstructing the alliance in ideational terms:

> The third element of our relationship is philosophical — our shared commitment to democratic values and democratic practice. As Korean democracy has developed strongly in recent years, democracy has become in a real sense the cement of the overall relationship.[40]

Moreover, such statements before wider foreign policy audiences help construct an image of Korea as the successful embodiment of market democratic ideals in a region where skepticism about such ideals still remains. The November 1998 Clinton-Kim summit, while framing the relationship in its traditional anti-North Korean context, also put forth images of an alliance grounded in shared values of liberal democracy and free markets.[41] Similarly, President Bush in March 2001 spoke of the alliance's strength in deterring North Korea, but also in terms of its deepening and "comprehensive" partnership that ranges out to extraregional issues beyond the peninsula.[42] While the former is important now, constructing the latter image is critical for the long-term. In a similar vein, the establishment of the Democracy Forum by the two presidents to promote and strengthen democracy in East Asia also creates important symbols of Korea that resonate with values rather than just security threats.

Second, there was no better opportunity for remaking the alliance in normative terms than under the South Korean administration of Kim Dae-jung. Kim was undoubtedly the most well-known Korean chief executive in American elite and public circles in the post-war era. His life history resonates with American ideals of freedom, justice, and democracy. His suffering as a martyr for these causes has been anointed by many American leaders. Critics of Kim found these assessments troubling; however, Kim's past gave him the credibility, in American eyes, to promote the bilateral relationship as a reaffirmation of mutually-shared values in a way that no previous Korean leader could have.[43] The opportunity was lost, however, and the Bush administration must work with the new administration of Roh Moo-Hyun. While early 2003 is a tense time on the Korean peninsula, circumstances may actually prove conducive to constructing a new shared identity for the alliance.

Third, the ROK could resuscitate certain images invoked during

Ronald Reagan's reaffirmation of the alliance in the 1980s. After a period of difficult relations during the Carter administration, when Washington criticized ROK human rights violations and called for troop withdrawals, the ROK encountered a renewal of alliance ties under Reagan. What is of use today from this period is not the Cold War rhetoric but the images of Korea as a reliable and loyal U.S. ally. More so than any other Asian power, the ROK directly supported U.S. policies — a front line state throughout the Cold War and a willing partner in Vietnam when the United States needed allied support. The conceptual objective would be to cultivate an American appreciation of the alliance per se, rather than as derivative of Japanese security.

Finally, through activities outside the purview of the U.S.-ROK alliance, Koreans can also demonstrate shared principles. For example, the ROK has been an active participant in U.N. peacekeeping operations (PKO) and other multilateral activities, especially after being admitted to the U.N. in 1991. These sorts of activities resonate with the American public. Polls find that only 19 percent of the public disapprove of U.S. participation in U.N. peacekeeping, while over 50 percent actively support it.[44]

Conclusion.

The future resiliency of the U.S.-ROK alliance is far from determined. This paper does not argue that efforts to rethink the alliance's rationale in the post-threat era are a valueless exercise. Nor does it argue that alliance identity is the solution to every problem. Diagnoses of the alliance tend to ignore redesigning its rationale. This is unhealthy because what appears to be a resilient and renovated alliance for the 21st century may in fact prove to be hollow when Americans see no reason to fight for or in the name of Korea. The chances of avoiding such an outcome are greater with proactive efforts to remake the U.S.-Korea alliance on the basis of shared norms and values.

CHAPTER 2 - ENDNOTES

1. For earlier works that have raised these issues, see David Steinberg, "Reconstructing the Bridge: Rethinking Korean-American Relations," *Pacific*

Bridge, Vol. 6, Spring/Summer 1997, p. 9. Also see Victor Cha, "Realism, Liberalism and the Durability of the U.S.-South Korean Alliance," *Asian Survey*, Vol. 37, No. 7, July 1997. Other scholars who have noted this problem include Nancy Bernkopf Tucker, "The Origins and Evolution of the Korean-American Alliance: An American Perspective," Asia/Pacific Reseach Center Discussion Paper, Stanford University, June 1998; and Yoichi Funabashi, "S. Korea-U.S. Alliance an Anchor Stabilizing Asia," *Asahi Evening News*, January 30, 1998.

2. These indicators are borrowed from Dr. William Perry, "Comprehensive Commenting Remarks," Alliance Tomorrow Workshop Proceedings, GFRS, December 6, 1998. Alliances serve the purpose not just of providing for one's security, but doing so in an efficient and relatively less costly manner than would otherwise be the case, i.e., self-help. In this vein, an alliance's success is measured by the extent to which it serves as a facilitator of power accretion and projection; operates as a unified command; enables common tactics and doctrine through joint training; promotes a division of security roles; facilitates cooperation in production and development of military equipment, and elicits political support among domestic constituencies.

3. The US-ROK alliance surpasses that with Japan in its possessing a unitary command, as well as NATO in terms of a clear division of labor and cooperation in the production of some military equipment.

4. "Joint Communiqué between President Nixon and Prime Minister Sato of Japan on the international situation and other matters of mutual interest, including the reversion of Okinawa to Japanese control, November 1970" and "Address by Prime Minister Sato to the National Press Club, November 21," U.S. Congress, Senate, Committee on Foreign Relations, *U.S. Security Agreements and Commitments Abroad, Part 5: Japan and Okinawa*, 91st Congress, 2d Sess., Washington, DC: U.S. Government Printing Office, 1970, pp. 1425-1433.

5. For elaboration on these points, see Victor Cha, *Alignment Despite Antagonism: The United States-Korea-Japan Security Triangle*, Stanford: Stanford University Press, 1999, chapters 2, 3.

6. The "Nye Initiative" was a policy formulated in 1995 at the diretion of then U.S. Assistant Secretary of Defense Joseph Nye. It called for actions to improve the U.S.-Japan alliance by identifying post-Cold War common interests, developing a new rationale for the alliance, and by increasing dialogue between U.S. and Japanese counterparts.

7. See, for example, statements by ROK president Park Chung Hee's advisors cited in Don Oberdorfer, *The Two Koreas*, NY: Addison-Wesley, 1997, p. 13.

8. For the seminal article on abandonment and entrapment, see Glenn Snyder, "The Security Dilemma in Alliance Politics," *World Politics*, Vol. 36, No.

4, July 1984. For applications to the U.S.-Korea and U.S.-Japan alliances, see Cha, *Alignment Despite Antagonism*, Chapter 2; and Michael Green, *Arming Japan*, NY: Columbia University Press, 1996.

9. For statements to this effect, see the U.S Department of Defense, *The United States Security Strategy for the East Asia-Pacific Region, 1998,* pp. 61-3; Ambassador Bosworth's comments in *Korea Herald*, December 31, 1998; and Kim Dae-jung's statements in *Yonhap Newswire,* December 30, 1997.

10. See in particular, Jonathan Pollack and Young Koo Cha, et al., *A New Alliance for the Next Century*, Santa Monica, CA: RAND, 1994; and Ahn Byung-joon, "Korea-US Alliance Toward Unification," *Korea Focus*, Vol. 4, No. 2, March-April 1996, pp. 5-19.

11. Space limitations allow us to deal only superficially with each of these issues. For elaboration on these and other issues, see Kim Chun-pom, "Inevitable Changes in ROK-US Security Relations," *WIN,* August 7, 1998 [in Korean]; Ministry of National Defense, *White Paper, 1997-8*, Seoul: MND, 1998; and Kwon Tae-yong and Chong Chun-il, *Korea National Defense Institute Report* [in Korean].

12. General Thomas A. Schwartz March 5 Testimony to the Senate Armed Services Committee, 107th Congress, *http://www.senate.gov/~armed_services/statemnt/2002/schwartz.pdf*.

13. There are 98 bases, of which 82 are Army, 14 Air Force, and 2 Navy.

14. For other works in this vein, see C. Fred Bergsten and Il Sakong, eds., *Korea-United States Cooperation in the New World Order*, Washington DC: IIE, 1996; Ahn, "Korea-US Alliance Toward Unification"; Alan Romberg, "The Future of US Alliances with Japan and Korea," *Critical Issues,* No. 5, 1990, Council on Foreign Relations; Pollock and Cha, "*New Alliance*"; and Kim Kyung Won, "What Makes and Sustains Alliances," paper presented at the 38th annual IISS conference, Dresden, Germany, September 1-4, 1996. A third alternative is alliance abrogation with the end of the Cold War and future termination of the North Korean threat, for example, see Doug Bandow and Ted Galen Carpenter, eds., *The U..S.--South Korean Alliance: Time for a Change*, Piscataway, NJ: Transaction, 1992. This paper does not directly address alliance termination, but implicitly assumes this as a wholly plausible outcome should efforts at reconstituting the alliance fail.

15 "Survey of Experts: Where is North Korea Headed Four Years After Kim Il-Song's Death?" *Sin Tong-A,* July 1998, pp. 356-69; and Koji Murata, "The US-Japan Alliance and the US-South Korea Alliance," *Comparative Strategy*, Vol. 14, Issue 2, 1995, p. 192.

16. An in-depth discussion of these points is beyond the scope of this paper. On threats and alliance resiliency, the representative work is by Stephen Walt,

Origins of Alliances, Ithaca: Cornell, 1986. On defensive and offensive alliances, see Randall Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security*, Vol. 19, No. 1, Summer 1994; Thomas Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," *International Organization*, Vol. 44, No. 2, Spring 1990; and Schweller, "The Concept of Alliances." On "exit" opportunities, see Snyder, "The Security Dilemma in Alliance Politics"; and Cha, *Alignment Despite Antagonism*. The seminal work on alliances is George Liska, *Nations in Alliance*, Baltimore: Johns Hopkins, 1962.

17. By contrast, in offensive alliances the costs of continuing the relationship after the prize has been reaped become unwanted and valueless.

18. The initial foray into trimming the U.S. presence after the Soviet collapse, reflected in the 1990 Department of Defense *East Asia Strategy Initiative* (EASI) report, was indefinitely postponed in response to DPRK behavior on nuclear weapons development and ballistic missile testing, which have led to reinforcing and strengthening the alliance since 1994.

19. See Robert McCalla, "NATO's Persistence After the Cold War," *International Organization*, Vol. 50, No. 3, Summer 1996, pp. 445-476.

20. In this vein, see Joseph Nye, "The Case for Deep Engagement," *Foreign Affairs*, Vol. 74, No. 4, 1995, pp. 90-102.

21. See William Perry, "Defense in an Age of Hope," *Foreign Affairs*, Vol. 75, No. 6, November/December 1996, pp. 64-79.

22. Among other acts, Seoul proposed the six-power Northeast Asia Consultative Mechanism in 1988; was behind proposal for Northeast Asia Security Dialogue; and has played active roles in Asia Pacific Economic Cooperation (APEC) and the Association of Southeast Asian Nations Regional Forum (ARF).

23. See Cha, "Strategic Culture and the Military Modernization of South Korea" *Armed Forces and Society*, Fall 2001.

24. In this vein the KEDO has been a relatively successful example of minilateralism at work. See *The United States Security Strategy for the East Asia Pacific Region,* pp. 43-44.

25. Cha, *Alignment Despite Antagonism*, chapters 2, 7.

26. For a range of estimates, see Marcus Noland, Sherman Robinson, and Li-Gang Liu, "The Costs and Benefits of Korean Unification," *Asian Survey*, Vol. 38, No. 8, August 1998, 801-814.

27. This type of thinking was evident from the Kim Young-sam administration when references to a post-unification U.S.-ROK alliance were first made. For statements by the current administration calling outright for U.S. forces in Korea after unification, see "Kim Dae-jung calls for Post-Reunification US Presence," *Seoul Yonhap*, December 30, 1997.

28. John E. Rielly, ed., *American Public Opinion and US Foreign Policy 1999,* Chicago Council on Foreign Relations, 1983, p. 12. By contrast, over 96 percent of elites advocated U.S. engagement in world affairs.

29. Samuel Huntington, "The Lonely Superpower," *Foreign Affairs*, Vol. 78, No. 2, March/April 1999, p. 40.

30. Reilly, *American Public Opinion 1999*, p. 31. The numbers in 1999 were 42 percent versus 28 percent; among leaders, 51 percent vs. 37 percent.

31. On these points, see John Mueller, "The Common Sense," *National Interest*, Spring 1997, p. 82; Tom Langston, "Imagining Peace: America's Coming Disengagement from Asia," paper presented at the annual meeting of the American Political Science Association, September 1998, Boston, MA; and Harvey Sapolsky and Jeremy Shapiro, "Casualties, Technology, and America's Future Wars," *Parameters*, Summer 1996, p. 123.

32. On the last of these, see Cha, "Realism, Liberalism."

33. See Stephen Walt, "Why Alliances Endure or Collapse," *Survival*, Vol. 39, No. 1, Spring 1997, p. 168. Walt, however, is skeptical on the causal role of identity in alliance commitments.

34. See Karl Deutsch, *et al.*, *Political Community and the North Atlantic Area*, Princeton: Princeton University Press, 1957, p. 5.

35. Historical precedents for identity determining behavior in international relations were classical empires and colonialism where common identification of remote territories with the core often led to imperial wars over objectively insignificant things. See G. John Ikenberry and Charles Kupchan, "Socialization and Hegemonic Power," *International Organization*, Vol. 44, No. 2, Summer 1990; and Kupchan, *Vulnerability of Empire*, Ithaca: Cornell, 1994, p. 258.

36. Tucker, "Origins and Evolution," p.4.

37. *American Public Opinion*, 1995, pp. 21-24. North Korea was scored at 34 degrees, Iraq at 24, and Japan at 53 degrees. On the general lack of attention to Korea in policy circles, see Robert Manning, "The United States and the Endgame in Korea," *Asian Survey*, Vol. 37, July 1997, p. 608.

38. Reilly, *American Public Opinion*, 1995, p. 14.

39. Statement by Dr. Kurt Campbell, *Hearing on U.S. Policy Toward the Korean Peninsula*, Subcommittee on East Asian and Pacific Affairs, Senate Committee on Foreign Relations, September 10, 1998.

40. "The Korean-American Relatonship Continuity and change," Address Before the Korean-American Society and the American Chamber of Commerce, January 23, 1998, Seoul, *napsnet@nautilus.org*. Also see public statements by Peter Tarnoff and Edward Royce in Bergsten and Sakong, *Korea-United States Cooperation*; and "Perspectives on U.S.-Korea Relations," *U.S.-Korea Tomorrow*, Vol. 1, No. 1, August 1998.

41. "Kim Dae-jung, Clinton in Agreement on Democracy, Free Market," *Korea Herald*, November 23, 1998.

42. Joint Statement by U.S. President George W. Bush and ROK President Kim Dae-jung, March 7, 2001.

43. State Department interview; "Survey of Experts--Where is North Korea Headed Four Years After Kim Il-Song's Death?" *Sin Tong-A*, July 1998, pp. 356-369; *Wolgan Choson*, February 1998, pp. 344-353.

44. *American Public Opinion*, 1995, p. 8.

CHAPTER 3

COST SHARING FOR USFK IN TRANSITION: WHITHER THE ROK-U.S. ALLIANCE?

Jin-Young Chung

Introduction.

United States Forces Korea (USFK) is a key component of the bilateral security alliance between the Republic of Korea (ROK) and the United States of America. For almost half a century, USFK and the Mutual Defense Treaty have been very successful in achieving key common interests, that is, deterring North Korea and maintaining peace and stability on the Korean peninsula and in the Northeast Asian region. South Korea has benefited from this security arrangement in various respects beyond its primary objective of deterring invasion. ROK achievements in economic development and democratization hardly would have been possible without peace and stability in its security environment. The United States has also benefited from the forward deployment of USFK in protecting and strengthening U.S. interests in Northeast Asia.

However, the alliance and USFK have not been exempt from turbulence. Sometimes bilateral relations have fallen into trouble due to South Korea's domestic politics, the two allies' different views on North Korea, or one party's illegal lobbying or influence peddling. The United States unilaterally decided to withdraw U.S. ground forces or reduce their size significantly in spite of South Korea's strong opposition in 1971, 1977, and 1989. The very success of the ROK-U.S. alliance has also sown the seeds of its transformation. As South Korea has grown strong in economic and defense capabilities, the initial imbalance between the two allies in the allocation of defense burdens and decisionmaking power had to be modified. Moreover, the breakdown of the Soviet bloc and the weakening of North Korea have fundamentally transformed the external environment. The very fact that conflicts have occurred over sharing the costs of stationing U.S. forces in South Korea reflects this changing nature of the alliance.

This essay is about cost-sharing debates between the ROK and the United States, and their implications for the bilateral alliance. Our arguments are three-fold. First, ROK-U.S. cost-sharing debates have occurred in an inappropriate way so they tended to divide the two allies. When the issue of cost sharing for USFK gained importance in the security dialogues between the ROK and the United States in the late 1980s, Americans were seriously considering the reduction of USFK, while South Koreans began to doubt the American commitment to the defense of their country. In other words, South Korea was asked to increase its share of the burden for maintaining USFK just when the United States was preparing for the reduction of its military commitment. Accordingly, South Koreans tended to believe that the United States was taking advantage of the troop withdrawal card for the purpose of gaining more concessions from its ally.

Second, it is natural that there have been significant differences over how to measure the two allies' respective shares of USFK costs. The issues of which costs to include and how to measure them for calculating host nation support have been especially divisive. Moreover, cost-sharing debates between the ROK and the United States have gained importance in another, very unexpected way: They came to provide each of the two allies with rare but fertile opportunities to express discontents and demands vis-à-vis the partner on the current state and future development of the alliance. As a very complicated process, cost-sharing debates exhibited many subtle and difficult issues involved in alliance politics.

Third, the question of fairness in cost-sharing debates can hardly be resolved through the adoption of sophisticated indicators or measurement techniques. Rather, it is primarily related to how to define the nature and mission of the alliance itself in the changing internal and external environment. Now it is time for the Republic of Korea and the United States to evaluate the state of their bilateral alliance and find a new vision for the future.

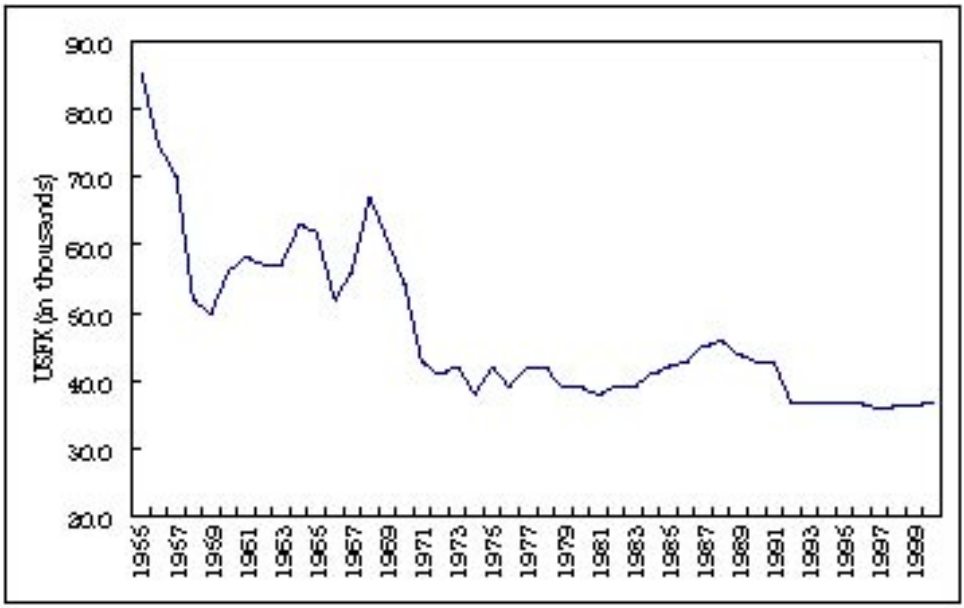
The rest of this essay is composed of four sections. The following three sections are devoted to support of the three arguments mentioned above. The last section is a conclusion.

ROK-U.S. Cost Sharing: Background and Trend.

The U.S. forces came to the Korean peninsula in 1945, together with Soviet forces, to disarm the Japanese army and liberate the Japanese

colony. Before the establishment of the South Korean government, the United States governed the southern half of the peninsula through a military government. U.S. forces left the country in keeping with the U.S. policy decision to exclude the Korean peninsula from its defense line in East Asia.

The outbreak of the Korean War in 1950 brought U.S. forces back to the peninsula as the core part of the United Nations forces to rescue South Korea. After the cease fire agreement, the ROK and the United States concluded the Mutual Defense Treaty and agreed to station substantial U.S. forces in South Korea. This was the origin of the current USFK (see Figure 1). During the early decades of ROK-U.S. relations, the United States was the dominant partner and provided substantial economic and military assistance. It was believed that strengthening South Korea's economic and defense capabilities would make it a bulwark against Communist influence on the peninsula and in Northeast Asia.



Source: Lee Sang-Hoon, *The Security Environment of the Korean Peninsula in the 21st Century and the Role of the USFK* (in Korean), Sungnam: The Sejong Institute, 2001, p. 28.

Figure 1. The Number of U.S. Troops in South Korea.

However, even during that period, South Korea was not a free rider. South Korea provided free land for USFK bases and supported manpower through the Korean Augmentation to the U.S. Army (KATUSA) program and its operation costs. South Korea also sent combat troops to the Vietnam War. In the 1970s, U.S. demands for South Korean contributions to USFK intensified.[1] In 1974, for instance, the United States asked South Korea to provide logistics support, especially the costs for storage and maintenance of war reserve stocks for allies (WRSA) and financial support for carrying out combined defense improvement projects (CDIP). After 1976, South Korea carried the burden of providing the operations cost of the Joint United States Military Assistance Group-Korea (JUSMAG-K). In 1983, South Korea also began to share the operational cost of the ROK-U.S. Combined Forces Command (CFC).

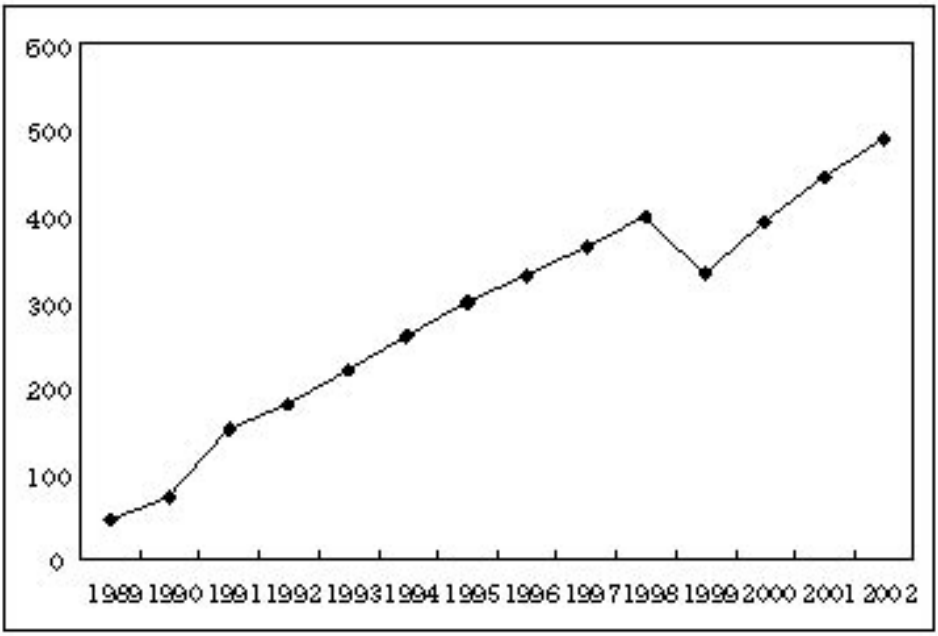
This trend of increasing cost sharing reflected, in part, South Korea's economic success.[2] However, it was also during this period that the United States unilaterally decided to reduce or pull out of the USFK. President Richard M. Nixon declared his "Guam Doctrine" and decided to reduce USFK by 20, 000 by June of 1971. President Jimmy Carter announced his 3-stage plan in 1977 to withdraw USFK ground combat forces by 1982. In this context, the United States pressed South Korea to take more of the burdens of USFK, and South Korea had little choice but to agree.[3] From the South Korean perspective, according to Professor Ryoo Jae-Gab, "it was utmost important to keep U.S. forces in South Korea by all means."[4] South Korea was willing to share the costs of the USFK in order to keep U.S. forces.

U.S. demands for cost sharing greatly intensified in the late 1980s and early 1990s.[5] Two factors were especially responsible. First, the burgeoning budget deficit was a serious concern in Congress. Second, the collapse of the Soviet empire led the American people to expect a "peace dividend" in the form of defense budget cuts. Accordingly, those cuts became an important target for the reduction of the budget deficit. The question was: how to cut the defense budget? One easy solution was reduction of overseas defense expenditures[6] because the United States could blame allies for not cooperating in sharing the defense burden and the post-Cold War international environment made it possible to reduce overseas military commitments. The United States could achieve its objective

in two ways: reduce the absolute size of overseas forces or increase the allies' contributions to the costs of stationing U.S. forces.

South Korea and USFK were directly influenced by this. From 1986 on, South Korea was asked to directly contribute in cash to share the costs of the USFK. After a tense bilateral negotiation, South Korea began to pay direct support for USFK from 1989. In early 1991, the ROK and United States concluded a multi-year cost-sharing agreement in the form of the Status of Forces Agreement (SOFA) Special Measures Agreement (SMA) for the 1991-95 period. According to this agreement, South Korea was to increase its contributions to a third of USFK's won-based costs (WBC), which meant U.S.$300 million in 1995 (see Figure 2).

While South Korea was pressed to increase its contributions for USFK, the United States decided in 1989, once again unilaterally, to



Source: Ministry of National Defense, *White Paper 1999* and *2000*; *Korea Times*, September 9, 2001. The preliminary data for the year 2002 is based on the ROK-U.S. agreement at the 2001 Security Consultative Meeting. *Korea Times*, November 25, 2001.

Figure 2. South Korea's Direct Payment for USFK Stationing Costs (Unit: U.S. $ million).

cut U.S. Forces. According to a new 3-stage reduction plan, USFK

was to be reduced by 7,000 for the first 3 years until 1992. The second and third stage reductions were to be made after a review of the previous achievements. However, the second stage reduction plan was never implemented due to the North Korean nuclear issue. In 1995 the United States decided to maintain the current level of its forces in the region. According to the Defense Department's East Asian Strategic Report, the United States has vital interests there and will maintain the forces to defend them.[7]

Also in 1995 the ROK and the United States completed another round of negotiations for a multi-year cost-sharing scheme. This time, calculating South Korea's contributions on the basis of the WBC was dropped. Instead, South Korea was to increase its total contributions by 10 percent per year for 3 years from the 1995 base, or U.S.$300 million. In South Korea, this was welcomed, as it was expected to reduce the rate of increase in the contributions.[8] When the East Asian financial crisis hit South Korea in 1997-98, the United States allowed South Korea to pay a part of its contributions in Korean Won instead of U.S. dollars, which meant some alleviation of the Korean burden.

Since 1999 the ROK and the United States have negotiated South Korea's contributions for USFK each year. For 2000 and 2001, South Korea agreed to increase its direct contributions to U.S.$391 million and U.S.$444 million, respectively. Although the allies have found a compromise solution so far, many factors have complicated the negotiations.

U.S. demands for increased contributions have been made during a declining U.S. commitment to Korean security. The United States made unilateral decisions to reduce or withdraw its forces while demanding more for maintenance of USFK. This was a very short-sighted policy for two important reasons. First, it aroused a very negative feeling on the Korean side about cost sharing, making the negotiations controversial and divisive. Second, U.S. policy put the future of the alliance in a negative light, preventing the allies from developing a new vision for the alliance. These are the main subjects of the following two sections.

Debates over Cost Sharing: A Korean Perspective.

If USFK produces a collective good, both South Korea and the United States have to pay the costs for its production. Few people in South Korea flatly deny the need for making a contribution to USFK. However, there is much disagreement between South Korea and the United States on how to measure the benefits and costs of USFK and their allocation. Recent cost-sharing negotiations came to be an arena in which each party could raise its demands and discontents with great implications for the future of the alliance.[9] In the following, we pick four broad issues that have been considered most important from the South Korean perspective.

South Korea's Fair Share.

Many in South Korea think their country's contributions are too heavy.[10] One of the main reasons is related to the measurement of South Korea's contributions, which we deal with in the next item. Two other reasons are often mentioned. First, South Korea's relative burden is heavier than those of the other U.S. allies. According to research by Dr. Nam Chang-hee, when he was working for the Korea Institute for Defense Analysis, South Korea's contributions as a percentage of its gross domestic product (GDP) and defense expenditure far exceed those of Germany and Japan.[11]

Table 1 provides a comparison of contributions by Germany, Japan, and South Korea. The data in Table 1 are based on the U.S. Department of Defense report on the allied contributions. In absolute terms, Japan is an outstanding contributor, the only country that satisfied the U.S. congressional requirement that the host country assume 75 percent or more of the costs of stationing U.S. forces. We can explain this by two factors peculiar to Japan: it has been constitutionally prohibited from maintaining its own armed forces; and, compared to the size of the economy, Japan's defense expenditure has been very limited.[12]

In relative terms, however, South Korea's contributions have been heavier. South Korea spent far more resources for defense than the other two countries. South Korea's total support for USFK as a percentage of its GDP and its direct support compared to its defense budget have been heavier. This is why many Koreans believe that

	Host Country Support ($ million)			Number of U.S. Troops	Defense Budget ($billion)	Defense / GDP (%)	Total Cost / GDP (%)	Total Cost / Personnel ($1,000)	D.Cost / Defense (%)
	Direct	Indirect	Total						
Germany	33.6	1344.1	1377.7	68,196	32.89	1.55	0.06	20.2	0.10
Japan	3957.2	1223.9	5181.1	40,244	2.18	1.03	0.13	128.7	9.38
Korea	324.7	397.2	721.8	36,130	11.52	2.84	0.18	20.0	2.82

Source: Department of Defense, *Report on Allied Contributions to the Common Defense*, March 2001 and March 2000.

Table 1. Comparative Cost Sharing, 1999.

their portion of the cost sharing is not fair.

Second, South Korea's support has increased very rapidly.[13] According to Nam Chang-Hee, while it increased by 32.3 percent per year from 1994 to 1997, Japanese support increased only by 5.4 percent and German support decreased by 57.3 percent for the same period.[14] As we can see in Figure 2, South Korea's support increased continuously except in 1999, when the financial crisis hit. Moreover, this occurred when the United States planned to reduce the size of USFK, which made South Koreans feel that their share of the costs was much heavier.

Measurement of South Korea's Contributions.

South Korea's continuous complaints about the United States in the cost-sharing negotiations are related to the latter's refusal to include some of its contributions.[15] Two important items are the support of Korean forces to augment U.S. forces (KATUSA) and the provision of land for USFK bases and facilities. Although the KATUSA program supports USFK, the United States refuses to include this cost as a contribution. On the provision of land, the United States accepted only a very limited amount as a contribution. As a result, the U.S. estimate of South Korea's contributions has been far lower than the Korean estimate.[16]

Table 2 compares those estimates for 1997. South Korea includes all the items the United States includes and then adds others not in-

Korean Version			American Version			
Direct Support	Cash	364.5	Direct Support	Rent	2.7	2.7
	Operation & Maintenance	9.8		Labor	186.5	191.3
	Logistics	20.5		Utilities	0	0
	Facilities	3.4		Facilities	118.3	118.3
	Subtotal	398.1		Miscellaneous	42.9	60.6
Indirect Support	Facility Use such as ranges, etc.	26.5		Subtotal	350.4	372.9
	Tax exemption	153.8	Indirect Support	Rent	277.6	277.6
	Manpower support	59.9		Taxes	108.3	108.3
	Subtotal	240.2		Miscellaneous	*	*
Rental Support	Exclusively used land and areas surrounding USFK facilities	1,557.0		Subtotal	385.8	385.8
Grand Total		2,195.4	Grand Total		736.2	758.7

Source: Ministry of National Defense, *White Paper 2000*, Appendix 14; Department of Defense, *Responsibility Sharing Report*, March 1999, p. D-9.

Table 2. Differences in Measurement of Korean Contributions, 1997 (Unit: $U.S. million).

cluded in the U.S. estimate. As a result, there is a big difference, about $1.4 billion, which means that South Korea's contributions are greatly underestimated by the United States.[17]

Limitations on South Korean Sovereignty and Autonomy.

Recently, South Koreans have become much more sensitive about the unequal nature of the ROK-U.S. alliance. This sentiment was aroused by increased USFK-related criminal activities such as

servicemen's crimes and environmental accidents and the South Korean government's inability to deal with these issues effectively due to the restrictions of the SOFA. It was in this context that South Korea tried to link the speedy revision of the SOFA with its contributions to USFK.[18]

Another issue that has attracted much concern and raised nationalist sentiment in South Korea is the restriction, through a ROK-U.S. memorandum of understanding, of South Korea's freedom to develop medium-range missiles.[19] South Koreans felt frustrated over this especially because it contrasted with North Korea's ability to develop and export missiles. The public had great difficulty understanding why the United States established such a restriction. As long as USFK is perceived as a hindrance to South Korea's national sovereignty and autonomy, the government has great difficulty in persuading its people to support it.

South Korea's dependence on the United States for arms and U.S. restrictions on Korean development and transfer of military technology also have been the subjects of deep resentment. South Korea has purchased most of its arms from the United States. Many Koreans believe this has been the result of American lobbying and pressure and reflects the asymmetric relationship between the allies. Moreover, the United States has been very stringent on the transfer of military technology to South Korea and on granting the South Korean requests for the export of defense products to third countries.[20]

Last, but certainly not least, South Koreans came to be concerned about rising cost sharing without a commensurate increase in South Korea's responsibility and power. South Korea provided U.S.$500 million worth of support for the Gulf War and actively participated in United Nations (U.N.) peacekeeping operations. South Korea also took up 75 percent of the costs for the provision of two light water reactors to North Korea in order to facilitate the implementation of the U.S.-North Korea Agreed Framework. South Koreans want responsibility and power-sharing in parallel with cost sharing vis-à-vis the United States. In fact, there has been a meaningful change: a transfer of the peacetime operational control of ROK forces committed to the Combined Forces Command to South Korea in December 1991. Nevertheless, many South Koreans feel that they pay the costs of the U.S.-led activities without participating in the

decisionmaking process. Therefore, there are some who argue that the government has to link these issues to the level of support for USFK.[21]

The Nature of USFK.

Who benefits from USFK? The allocation of costs should be related to the allocation of benefits. We inevitably confront this question in the negotiations over cost sharing. In the ROK-U.S. negotiations, this question is primarily related to the nature and status of USFK. There has been a broad consensus between the allies that the primary objective of USFK is deterrence against North Korea. However, growing voices in South Korean society advocate other views.[22] Some argue that, as USFK basically supports U.S. interests in Northeast Asia as well as the Korean peninsula, there is little need for South Korea to support its costs. Another view is that South Korea no longer needs USFK because North Korea is so weak that South Korea alone can handle it and because USFK is a hindrance to reconciliation and reunification of the two Koreas. Although these advocates are still a minority in South Korean society, the government cannot dismiss them in its negotiations on cost sharing.

ROK-U.S. Alliance in Transition: A New Vision?

Enduring conflicts over cost sharing have been mostly related to fundamental questions about the alliance, about its mission and vision for the future. After almost a half-century, the alliance has had several important challenges. Without serious efforts to redefine the long-term vision of the alliance, the two countries risk rising differences between them and a gradual loosening of the alliance. Let us discuss several sources of transformation the ROK-U.S. alliance has met and several hurdles the two allies have to resolve.

Sources of Transformation.

The external and internal environment of the alliance has undergone tremendous changes in the last half century, especially the past decade. Let us mention briefly a few important factors

that require that South Korea and the United States rethink their alliance.

First, the collapse of the Cold War structure has had a great impact on the foreign and security policies of each country and on the alliance. South Korea has achieved diplomatic normalization with North Korea's two key former allies, Russia and China. The United States does not have to worry about Soviet expansion in Northeast Asia. These changes, togetits with the weakening of North Korea, have reduced the relevance of the old mission of the alliance.

Second, the role of the United States as a single superpower in the post-Cold War world has been greatly expanded. The United States nowadays is involved in virtually every corner of the world as a world policeman or balancer. This has important implications for the alliance because the two countries must decide on the U.S. role in the changed world.

Third, South Korea's economic success and democratization have also changed the bilateral relationship. In the early years, South Korea was a recipient of U.S. economic and military aid. However, the relationship has been changing towards a partnership as South Korean economic capabilities have increased. This is reflected in the security arrangement between them, with the United States playing "a supporting rather than a leading role in deterrence against the North."[23] South Korean democratization has added another dimension to the alliance. South Korea's domestic politics has had important repercussions on the negotiation agenda and relative power within the alliance.

Fourth, the weakening of North Korea and improvements in inter-Korean relations have the potential to fundamentally transform the nature of the alliance and the status of USFK. A quasi-collapse of North Korea and/or establishment of peace on the peninsula will make many in South Korea and the United States doubt the need for USFK, let alone the alliance. If this is a possible scenario, the two countries have to start serious discussions for the future of their alliance.[24]

Fifth, China's rise and the U.S.-China relationship will also have a great impact on South Korea's foreign policy and the alliance. Due to geography and deepening economic relations with China, South Korea has to be very sensitive to the rise of China. Someday, South Korea may face a serious dilemma in choosing between the United

States and China, if the U.S.-Chinese relationship deteriorates. This is another reason for redefining the alliance.

Some Problems Ahead.

When the two allies try to redefine the future of their alliance, they may face several important challenges. Without resolving them the alliance cannot have a clear future. Let us discuss three of them briefly.

The United States and Two Koreas.

It is quite natural that South Korea and the United States have different interests in North Korea and different lenses through which they see and understand North Korea. Developing a shared interest and a common perspective on North Korea is a big challenge. If the two countries are suspicious of each other's intentions and movement vis-à-vis North Korea, they may face serious troubles in their alliance.[25] It is imperative for the two countries, possibly with Japan, to develop a close coordination of their North Korean policies.

The Relationship between the ROK-U.S. and U.S.-Japan Alliances.

Some in South Korea believe that the ROK-U.S. alliance is secondary to the U.S.-Japan alliance in the U.S. East Asian strategy.[26] They believe that U.S. restrictions on South Korean missiles and defense industries are related to U.S. relations with Japan having primacy. When we consider the uneasy relationship between the ROK and Japan, the merger of the two alliances into a multilateral alliance is not practical, at least for the time being. However, any redefinition of the ROK-U.S. alliance must deal with its relationship with the U.S.-Japan alliance.

Out-of-the Korean Peninsula Issues.

As the role of the United States has risen globally, the question arises as to whether the ROK-U.S. alliance will be used for out-of-

Korea purposes. As we can see with NATO, the expansion of U.S. responsibilities is accompanied by a corresponding increase in the role of NATO. Currently, the United States takes advantage of South Korean bases for its global missions. The United States also prods South Korea to take part in global activities such as U.N. peacekeeping operations and the Gulf War. Therefore, the redefinition of the ROK-U.S. alliance will certainly involve the question of how to use the alliance for activities outside Korea.

Towards a New Vision?

Faced with deepening conflicts over cost sharing for USFK and the increasing need to transform their relationship, South Korea and the United States have to find a new vision for the alliance.[27] From a South Korean perspective, the alliance has greatly contributed to peace and stability and can do so in the future. Therefore, it is wise and rational for the two countries to maintain and develop the alliance with some modifications.[28]

First, they have to identify a new vision based on their shared interests and common purposes beyond deterrence. Table 3 provides a rough summary of the costs and benefits for each country from a Korean perspective. Many scholars in South Korea believe that the two countries share an interest in Northeast Asian peace and stability, so this should be included as a primary goal.

	ROK	US
Benefits	- Deter North Korea - Trip-wire for American Involvement - Northeast Asian Stability - Economic Benefits	- Protect Alliance with Korea and Japan - Forward Deployment in Northeast Asia and Enhanced U.S. Influence over the Region - Contain Russia/China
Costs	- Loss of Political and Strategic Autonomy - Instigate Northern Triangle comprising North Korea, China, and Russia	- Economic Burden - Risk of Automatic Involvement in Korean Crisis

Table 3. Benefits and Costs of USFK to the ROK and United States from a Korean Perspective.

Second, USFK has to stay in South Korea even after peace or unification. As we see in Table 4, the public attitude to USFK has been quite favorable in South Korea. Although there has been a significant decrease recently in the number of people who favor USFK, the proportion is still significant, and very few South Koreans want a complete withdrawal. The problem is that the United States has often unilaterally decided to reduce or withdraw USFK.

	September 1992	June 1995	September 1997	July 2000
Stay - Even after unification - As long as South-North confrontation continues	(42.5) 4.9 37.6	41.5	(58.5) 5.9 54.6	27.1
Pull out gradually/in stages	44.9	45.6	30.3	63.2
Pull out shortly/complete withdrawal	4.8	5.9	2.4	9.0
Don't know	-	6.9	6.9	-

Source: Data for September 1992 and 1997, public opinion survey by the *Joongang Ilbo*; data for June 1995, national attitude survey by the Sejong Institute; data for July 2000, public opinion survey by the *Korea Daily*, July 18, 2000.

Table 4. Public Attitude towards USFK in South Korea.

Third, the Mutual Defense Treaty has to be revised to guarantee automatic involvement of the ally in case the partner is invaded. Articles 2 and 3 of the current Treaty reads: "The parties will consult together whenever, in the opinion of either of them, the political independence or security of either of the Parties is threatened by external armed attack," and each of the Parties, "would act to meet the common danger in accordance with its constitutional processes." This has been understood in South Korea as not guaranteeing automatic involvement of the United States.[29] This limitation has made South Koreans worry about their security and insist on the presence of USFK. Now the bilateral relationship needs to go beyond the immediate defense of South Korea. South Korea and the United

States have to share a common destiny for the future, which can be realized by the guarantee of each party's automatic involvement if the other is invaded.

Fourth, the asymmetric bilateral relationship has to be changed into a partnership between equals. South Korea has been complaining about inequalities in rights and duties within the alliance and various restrictions on its sovereignty and autonomy. Cost sharing should be accompanied by responsibility and power sharing. With one party having a great many complaints against the other, the alliance cannot have a safe foundation for the future.

Conclusion.

Cost sharing for USFK can be considered a minor issue in the alliance. However, it has provided the two allies with a channel to discuss and evaluate the current state of their alliance and its future. Researchers can also take advantage of this small window to look into many big problems the alliance has faced.

From the South Korean perspective, the ROK-U.S. cost-sharing debates have occurred in an inappropriate way. The United States wanted South Korea to pay more for the weakening USFK. The withdrawal or reduction of USFK can be considered by South Koreans as lack of commitment on the part of the United States. The U.S. request for increased cost sharing was based on the purely American logic and necessity and cannot be justified from the Korean perspective.

South Korea could raise many of its discontents via the cost-sharing debates. The ROK has had a real interest in making the alliance a partnership of equals. South Korea wanted responsibility and power sharing in tandem with cost sharing. However, this cannot be resolved merely through more sophisticated measurement. It is inevitably and fundamentally related to redefinition of the alliance for the future. Many factors have required modification of the alliance. However, the allies have so far failed to deal with this issue. In this essay, we identified four modifications which seem necessary and important: a new vision, the continuation of USFK after peace, guarantee of automatic involvement in case of war, and equal partnership. It is now time for South Korea and the United States to seriously think about the future of their alliance.

ENDNOTES - CHAPTER 3

1. Republic of Korea Ministry of National Defense, *Defense Cost Sharing* (in Korean), Seoul: MND, 1988.

2. Charles Wolf, Jr., and Jong-Sup Han, *Korean and U.S. Economic and Technological Capabilities to Support Defense Burdens*, RAND Note N-3327-NA/USDP, Santa Monica, CA: RAND, 1992.

3. The American decision to withdraw its forces was perceived as a catastrophe by most South Koreans and the Park Chung Hee government. In face of this crisis, President Park decided to pursue a "self-reliant defense" policy with the development of defense industries.

4. Ryoo Jae-Gab, "Korean Perspective on the United States Forces Korea" (in Korean), in Kang Seong-Hak, *et al.*, *The United States Forces Korea and the Security Cooperation between the Republic of Korea and the United States*, Sungnam: The Sejong Institute, 1996, pp. 84-85.

5. Park Sun-Seoup, *et al.*, *A Study on the Support Policy for the USFK* (in Korean), Seoul: Korea Institute for Defense Analysis, 1998.

6. In the context of NATO, Simon W. Duke identified why "overseas defense expenditure has tended to make a particularly attractive target for cuts in the U.S.": First, "it is politically easier to blame the failure of internal economic programs on an external or foreign drain, such as the cost of the U.S. contribution to NATO." Second, "the purported inequalities of the burdensharing debate are simple to present and rapidly engender a strong, but at times xenophobic, response. It is, in other words, a good vote catcher." Third, "the changes in Eastern Europe and the Soviet Union have undermined some of the consensus for maintaining high military expenditure, particularly of ungrateful allies who may no longer be subject to the same threats." Simon W. Duke, *the Burdensharing Debate: A Reassessment*, London: Macmillan, 1993, p. 10.

7. Department of Defense, Office of International Security Affairs, *United States Security Strategy for the East Asia-Pacific Region*, Washington, DC: U.S. Government Printing Office, 1995.

8. *Chosun Ilbo*, November 4, 1995; *Dong-a Ilbo*, November 4, 1995.

9. It was also the case with NATO. See Duke, "The Burdensharing Debate"; and Keith Hartley and Todd Sandler, "NATO Burden-Sharing: Past and Future," in *Journal of Peace Research*, Vol. 36, Issue 6, 1999.

10. However, there may be many Americans who feel in the opposite way: that South Koreans free ride on the U.S.-provided security in spite of their economic capacity for their own security. If one may admit that cost sharing is primarily related with economic capacity, one can argue that South Korea has to increase its

own share of the defense burden.

11. Nam Chang-Hee, "A Study on South Korea's Appropriate Defense Cost Sharing" (in Korean), *Journal of Strategic Studies*, No. 11, 1999.

12. Then why is German direct support too low? According to the Department of Defense:

> There is no tradition in Europe of providing the kind of direct cash and in-kind support provided by Japan and Korea, since the emphasis in NATO for many years has been on strengthening participation in the military roles and missions of the Alliance. Furthermore, our NATO allies make a variety of other responsibility sharing contributions, ranging from participation in peacekeeping operations to provision of substantial foreign assistance to enhance global stability.

Department of Defense, *Report of the Allied Contributions to the Common Defense*, March 1997.

13. According to the latest agreement, South Korea's cash provision will increase 10.4 percent in 2002 and by 8.8 percent plus the GDP deflator for 2003 and 2004 respectively. *Korea Times*, November 25, 2001.

14. Nam Chang-Hee.

15. Park Sun-Seop, *et al.*, 1998; Peter Hayes and Stephen Noerper, "The ROK-U.S. Alliance: Who Benefits?: An Impartial View," in Tae Han Kwak and Thomas L. Wilborn, eds., *The U.S.-ROK Alliance in Transition*, Seoul: Kyungnam University Press, 1996, p. 54.

16. *Korea Herald*, February 1, 1999.

17. This underestimation was caused by the change that was made in 1996 by the United States with regard to the methodology of calculating the indirect support. Before that change, the United States estimated that South Korea's indirect support was valued at U.S.$1,429 million for 1995, but, as a result of the methodology change, it was reduced to U.S.$385.8 million for 1997.

18. *Dong-a Ilbo*, July 11, 1996; *Korea Times*, April 16, 1999.

19. *Korea Times*, April 16, 1999.

20. Koo, Sang-Hoe, *Korea's Defense Industry: Prospect and Policy Responses* (in Korean), Sungnam: The Sejong Institute, 1998.

21. *Hankyoreh Daily*, September 28, 1995.

22. One may argue that USFK has performed many roles in the changing international environment. Very briefly, we can differentiate three different roles at three different levels. At the global level, USFK was a bulwark against Communist expansion. In Northeast Asia, it has worked as a balancer for regional stability. At the Korean peninsula level, USFK was primarily a deterrence force against North Korea. Which role has been most important? Perhaps the changing environment has the answer. As the global bipolar structure has dissolved, USFK's global role has diminished. As South Korea has gained economic and defense capabilities to cope with the threats from North Korea, the importance of USFK as a deterrent against North Korea has also been reduced. Therefore, many Korean specialists perceive the primary role of USFK as changing towards a regional balancer or stabilizer. Kim, Tae-Hyun, "The USFK and the Future of ROK-U.S. Military Cooperation" (in Korean), in Baek, *et al.*, *ROK-U.S. Military Cooperation: Present and Future*, Sungnam: The Sejong Institute, 1998. See also Lee Chun-Kun, "New East Asian Strategy of the United States and the USFK" (in Korean), in Kang, Seong-Nak, *The United States Forces Korea*; and Han, Sung-Joo, "The Korean's New Century," *Survival*, Vol. 42, No. 4, Winter 2000, pp. 85-96.

23. Scott Snyder, "New Challenges for U.S.-ROK Relations," *Korea and World Affairs*, Vol. 24, No. 1, Spring 2000, p. 31.

24. Narushige Michishita, "Alliance After Peace in Korea," *Survival*, Vol. 41, No. 3, Autumn, 1999, pp. 68-83.

25. The Agreed Framework between the United States and North Korea has often been perceived in South Korea as an example of America abandoning its ally for its own interests. For instance, "If Washington regards South Korea's burden-taking of the LWR [light water reactor, ed.] project as given for free, it will be misreading public sentiment. On the other hand, Pyongyang is likely to continue to shift the burden on Seoul through talks with Washington as it tries to isolate Seoul completely." Yong-Sup Han, "The Future of the United States Forces Korea" (in Korean), in Kang Seong-Hak, *et al.*, *The United States Forces Korea*, 1996, p. 132.

26. Lee Chun-Kun, "New East Asian Strategy," 1996.

27. Ko Sang-Tu, "Change of Alliance Model in the Post-Cold War: Comparative Study of Germany and Korea," *Korean Political Science Review*, Vol. 35, No. 2, 2001.

28. Han Sung-Joo, "The Korea's New Century," 2000-01.

29. Ryoo Jae-Gab, "Korean Perspective," p. 83; Baek Jong-Chun, "The Direction of Development of the ROK-U.S. Combined Forces Command Structure" (in Korean), in Baek, *et al.*, "ROK-U.S. Military Cooperation."

CHAPTER 4

ASSESSING THE COSTS OF THE U.S.-KOREAN ALLIANCE: AN AMERICAN VIEW

Tong Whan Park

Goals, Needs, and Costs of the Alliance.

There are many ways of evaluating the costs of a foreign policy action. Especially for a long-term commitment like a formal alliance, not only the costs but also the methods of its evaluation may become the source of controversy. The U.S.-Korean alliance is no exception, and it will be subjected to an even more careful scrutiny than before, now that the international environment of Northeast Asia is entering a new phase of uncertainty. Uncertainty is caused not only by such idiosyncratic developments as the election of George W. Bush as U.S. president and Kim Dae-jung's overzealous engagement policy toward Pyongyang, but also more structural transitions including China's rise in the global hierarchy. In such a fluid setting, is America paying too much, or too little, to maintain its alliance with South Korea? What should be the scales with which to measure the appropriateness of the costs? If the United States is not content with the current level of commitment — whether too high or too low — how can it bring about changes?

When discussing the costs of the U.S.-Korean alliance, there is a natural tendency to jump into bean counting in terms of the dollars, personnel, and equipment required to maintain U.S. Forces in Korea (USFK). But the most logical starting point in evaluating the costs is to examine the goals of the alliance. Before concluding whether one has "paid too much for the whistle," one should ask whether the purchase meets one's desire. What, then, are the goals of the alliance? More precisely, what does Washington want from it? As stated in the 1953 Mutual Defense Treaty and manifested in the numerous cases of combined defense against the common threat, the alliance is primarily intended to protect the integrity of South Korea.[1] It provides deterrence to maintain the armistice on the peninsula and, should deterrence fail, the war-fighting capacity to

defeat North Korean aggression. Defeating Pyongyang's aggression does not necessarily mean winning the war to the extent of achieving unification through military means. Instead, Washington maintains its security relationship with Seoul for the purpose of preserving peace and stability on the Korean peninsula.

When World War II ended, the United States could only divide the Korean peninsula when confronted with stiff resistance from the former Soviet Union. During the Cold War era, the United States was in no position to alter the division in Korea for fear of escalation into a global nuclear war. U.S. General Douglas MacArthur had to be retired in the middle of the Korean War when he advocated bombing Manchuria after the Chinese troops intervened in the winter of 1950. Washington allegedly kept a close watch on Park Chung-hee — lest he retaliate — when Pyongyang's commandos came within striking distance of the Blue House in 1968; and even at the time of the Aungsan (Rangoon) massacre in 1983 and other terrorist acts perpetrated by the North, the United States was apparently concerned with the possibility of a northern expedition by the angered South.

Although the global Cold War ended more than a decade ago, a local version still goes on in Korea. Whereas it is mostly Pyongyang's calculated risk-taking that has delayed rapprochement in Korea, Washington has not taken advantage of the openings provided by Pyongyang — the windows of opportunity to call its bluff and end the Korean War at long last. Even the plan to launch a surgical strike on Yongbyon's nuclear facilities in the summer of 1994 did not materialize as soon as Pyongyang made a diplomatic overture of accommodating Washington's proposal to build two light-water reactors.

Hence the bottom line is that the alliance and USFK are there to maintain the military status quo on the Korean peninsula. Going one step further, a Realpolitik supposition can be made that Pyongyang may not object to this "peacekeeping" role for USFK.[2] If so, the costs of the alliance — the portion dealing with USFK in particular — should be evaluated from the standpoint of "dual deterrence." After all, a stone that can kill two birds should be considered more cost-effective.

The notion of dual deterrence raises the question of who needs USFK more or most? During the Cold War era, and especially when the South Korean economy was taking off under the protective

umbrella of America's hegemonic stability, Seoul was undoubtedly the largest beneficiary of the alliance. At least that was the attitude held by many South Koreans who had neither the time nor temerity to calculate the benefits accruing to Washington from the invaluable foothold on the Asian continent. Even today, the majority of those in the establishment hold an extremely positive view about USFK although they may differ from their predecessors about who gains more from the alliance. The current generation of South Koreans appears to believe that Seoul and Washington benefit equally from USFK. When the Pyongyang regime is thrown in as the third player who may profit from America's military presence in the peninsula, then a potentially important query emerges about how long North Korea can be left to enjoy the status of a free rider. For some time to come, it would be preposterous to ask Pyongyang to share the burden of supporting USFK. And North Korea's leaders will continue to make an issue of the foreign troop presence for two reasons. One is to engage the United States in bilateral dialogue while bypassing South Korea. After all, which issue could be more central than USFK in Pyongyang's direct approach to Washington? The other is to hide from the ordinary residents in the North that the government may want to utilize the American troops as the guarantor of peace, and thus protector of the regime. As inter-Korean relations improve, however, the day will come when Pyongyang may have to help defray the cost of protection — not with money but with its policy.

Absolute Versus Relative Costs of Maintaining USFK.

Goals and needs of the alliance partners set the parameters within which the costs can be assessed. Especially at the level of subjective appraisal, numbers may not mean much. Should one partner need the alliance to guard its vital interest, the objective calculus of costs could become irrelevant. Once the general parameters are set and the pattern is established in managing the alliance, however, it is critical to undertake a periodic review of the costs. By so doing, the partners can fine-tune the alliance so that a radical and disruptive correction may be prevented.

The U.S.-Korean alliance has gone through such adjustments via close bilateral consultations and the main mechanism for that process has been the annual Security Consultative Meetings (SCM) held since 1968. Since the establishment of the Combined Forces

Command (CFC) in 1978, the two allies have paid special attention to the issue of cost sharing for the maintenance of USFK. Over time, South Korea has increased its cash and non-cash contributions. Based on what is called the Special Measures Agreement (SMA), in particular, Seoul has increased its commitment in the areas of labor, logistics, ROK Funded Construction (ROKFC), and Combined Defense Improvement Projects (CDIP). In sum, it can be said that the burdensharing has been managed in a manner quite satisfactory to the American side, as expressed in the following assessment.

> The Congressional goal for all cost sharing [SMA is one subset] was for the ROK to pay 62.5% of U.S. non-personnel stationing costs in Korea in 1999. The ROK actually paid $692 million out of $1.84 billion non-personnel stationing costs, or 38%. However, Korea still provided a substantial contribution compared to other nations when factoring in differences in gross domestic product. . . . The SMA is an important milestone in the alliance and serves the interest of both the ROK and the U.S. It demonstrates the commitment of a strong combined posture in which the ROK cost sharing contributions directly finance a significant portion of USFK's non-personnel stationing costs.[3]

The United States appears satisfied with the current formula of burdensharing and South Korea seems willing to accommodate the wishes of its alliance partner. But is everything fine in the area of cost sharing? While the setup meets the goals and needs of the allies in actual costs disbursed, one should keep it mind that it is not etched in stone. Today's division of labor is the result of a long series of negotiations and it is subject to change as the future unfolds. Inasmuch as the alliance and cost sharing are influenced by shifts in the domestic, peninsular, and international environment, it would be an exercise in futility to analyze all the determinants. Nevertheless, a modest beginning is needed in order to devise a framework with which to prepare for future developments.

The framework proposed here is designed to push the calculus of cost sharing a small step forward. It suggests that the allies look beyond the *absolute* figures as done in a typical budgetary decision-making process. Specifically, it recommends that they expand their horizon in two directions. One is to widen the concept of costs beyond the U.S. dollars and Korean won. In addition to the economic costs of the alliance and USFK, it is important to examine

the military, political, and socio-cultural costs. The other is to try to evaluate the costs in the *relative* sense—e.g., relative to the absence of the alliance, other comparable arrangements, and the alliance partner, South Korea. When these two dimensions are combined, an illustrative chart can be constructed as shown in Table 1.

Although by no means exhaustive, the contents of Table 1 definitely support a broadly positive assessment about cost sharing.

	Compared to the absence of alliance	Relative to a comparable alliance (with Japan)	Relative to the alliance partner (South Korea)
Military costs	Low. Massive rapid deployment is difficult in case of major contingency. North Korea must have taken over the South.	Extremely low. Japan is the hub of America's extended deterrence in Northeast Asia.	Extremely low. Korean armed forces are the main instrument of combined defense.
Economic costs	Cumulated costs may be high, but are still acceptable compared to the costs of massive rapid deployment. Loss of the South cannot be measured in monetary terms.	Far less than the costs of maintaining USFJ	Incalculably low measured against gross domestic product
Political costs	Unthinkable. Political value of South Korea as an ally is priceless.	Less than the Washington-Tokyo alliance. South Korean government has been far more dependent on the United States for legitimacy and support.	Low beyond comparison. South Korea has owed its survival to the alliance.
Socio-cultural costs	Somewhat low. In case of the North Korean takeover, the unified Korea may have followed Vietnam's path of eventually accommodating the United States.	Less. Lower level of anti-Americanism in South Korea.	Low. Costs of absorbing the American way of life by the Koreans have been higher than the opposite.

Table 1. Relative Costs.

The alliance and USFK are a good deal for South Korea, but an even better bargain for the United States. Nobody can foretell how long the current arrangement will last. As the internal and external conditions of the alliance change, a framework like the one shown here should hopefully serve as a guideline in future negotiations between the two countries. Evidently, most of the observations included in Table 1 must have been dealt with in previous bilateral talks. Nevertheless, what the template offers is a systematic way in which they can be factored in so that a better informed and more balanced compromise may be reached in defense cost sharing between the United States and South Korea.

USFK and the Inter-Korean Détente.

One variable that would affect the U.S.-Korean alliance most, and hence the stationing of American troops on the peninsula, is the inter-Korean détente. Put bluntly, what is to be done with USFK if the two Koreas one morning decide to go ahead with de facto unification? Even though such a scenario seems not even remotely plausible in the near to medium term, it should be given serious consideration. The mere appearance of the two Koreas moving in that direction would have tremendous implications not only to the defense burdensharing but also the presence of USFK itself.

Elsewhere, I have argued — and still hold — that, given the geostrategic and geoeconomic importance of the Korean peninsula, frictions could emerge between the inter-Korean process of rapprochement and the regional order each of the four surrounding powers wishes to see established.[4] Of particular concern to the surrounding powers could be the prospect of the Korean people attempting to determine their own fate, which may not necessarily serve the vested interests of the big powers. Among the four major powers, the United States is in a position to wield the strongest influence over the Korean peninsula. It remains the blood ally of South Korea while it has become a "savior" for post-Cold War North Korea. Who could have imagined in 1945, when World War II ended, and 1953, when the Korean War halted, that Washington one day would play Godfather to both Seoul and Pyongyang? This sea change was, of course, the product of a global systemic transformation from which a small power like Korea could not escape. Likewise, one can suppose that another tectonic shift in the

Northeast Asian international system may force the United States to reconsider its two-Korea policy.

Combine such a regional outlook with President George W. Bush's determination to launch a missile defense (MD) program and it becomes clear that the United States will not be eager to change the status quo on the Korean peninsula. It does not hurt Washington's MD plans for Pyongyang to remain a rogue state. Even without Pyongyang's long-range missiles, the Bush administration must have gone ahead with the MD program. But why not make the best use of the North Korean missiles as a contributing factor?

Faced with America's hard line policy, both Pyongyang and Seoul are struggling to find a correct prescription for their respective U.S. policies. The task seems somewhat easier for South Korea's decisionmakers, as they know that the United States will not be able to give up its only military foothold in continental East Asia. Being a nonresidential power, the United States needs its forces in Korea as a clear manifestation that it is a player in the Asian theater. And the costs of maintaining USFK are small compared to the alternatives of not having them or relocating them somewhere in the United States.

North Korea's answer to Bush's hard line approach has largely been rejection and brinkmanship. The case in point is Pyongyang's irritation with the "conditions" implied in Washington's decision to reopen talks with Pyongyang in June 2001. The United States insisted on its willingness to talk with North Korea without any preconditions, but this did not mean that Washington would commit itself to the kind of generous engagement policy pursued by Seoul. Specifically, the United States wants to discuss the full safeguard inspection of Pyongyang's nuclear weapons facilities, the verification of its long-range missile capabilities, and conventional arms control. Did Pyongyang want to roll back its ultimate goal of improving relations with the United States? Most probably not. Instead, Pyongyang seemed to be jockeying for position to play ball with the Bush administration. Having for long taken advantage of Clinton's goodwill, North Korea might find it uneasy to revert back to a confrontational mode. And Kim Jong-il must have learned that it could be dangerous to collide with the United States head on. Especially in the aftermath of the September 11 terrorist attacks on the United States, it is expected that Pyongyang would tread somewhat cautiously so as not to arouse Washington's ire.

It is critical to note that the issue of USFK is in the dead center of the triangular relationship among the United States and the two Koreas. On one hand, USFK serves as a facilitator of the inter-Korean rapprochement. While USFK protects the South from the danger of North Korea's military takeover and the North from an absorptive unification into South Korea, the two Koreas would enjoy more decision latitude in undertaking bilateral interactions. As the Koreans improve their relations and hence begin to shed the legacies of the Cold War, it is possible that they may demand a change in the makeup of USFK. As long as they require USFK for dual deterrence, the Koreans will favor the presence of American troops. At the same time, however, they will want to see some changes in the size and mode of deployment. Hypothetically, one may see a proportional downsizing in USFK commensurate with the improvement in inter-Korean relations.

Up to a certain point, the United States will most likely go along with the wishes of the Koreans: a measured drawdown while not losing a foothold on the continent will not be detrimental to the U.S. interest. If and when the Koreans find their modus vivendi for peaceful coexistence without the need for a peacekeeper in between, what should the United States do? Although this question poses challenges exceeding the issue of military cost sharing, the ultimate solution may be found in the model of the Washington-Tokyo alliance. The nature of the U.S.-Korean alliance and the mission of USFK will have to be modified to serve the changes in the strategic requirement of the two partners.

The September 11 Terrorism and the U.S.-Korean Alliance.

The September 11 terrorist attacks on America and the ensuing retaliatory strikes led by the United States against the Taliban regime in Afghanistan will in many ways affect the U.S.-Korean alliance and its cost sharing. My discussion so far has largely been based on the major trends in the United States and the two Koreas without considering this horrendous act of war against the sole superpower in the 21st century. The September 20, 2002, Quadrennial Defense Review, mostly completed before the attacks but subsequently altered, shows that the United States finds it necessary to change its priorities in defense and military preparedness. Originally, the Pentagon planners had proposed cutting the size of the military's

1.4-million-member active duty force and moving resources away from ground forces and into air power. But in its final form, the review avoided calling for specific cuts, shifts in force structure, or purchase of weapon systems. Instead, it asked for a greater role for the National Guard and Reserves in protecting U.S. interests at home, beefing up intelligence and surveillance efforts to fight terrorism, and moving carrier battle groups, ground forces, surface ships, and airplanes out of Europe and into the Persian Gulf and Asia to protect evolving U.S. interests abroad.[5]

This marks a departure from the fundamental reassessment of U.S. military capability that Defense Secretary Donald H. Rumsfeld had promised when he came into office. While the original plan could have led to a downsizing of USFK, the new policy put a stop, at least temporarily, to any discussion of military withdrawal from Korea. In addition, there will be heightened alert against North Korea that is known to have committed terrorism and supplied arms to the Middle East. When combined with Washington's official abandonment of the strategy of winning two wars, the value of the U.S.-Korean alliance cannot but appreciate in the future. As a result, U.S. forces in Korea are not likely to face a drawdown, but to be reinforced, in necessary.

What will be the implications of this new development to the Korean situation? The most immediate impact will be felt by North Korea, whose leadership will have to think twice before continuing its hitherto "successful" diplomacy of extortion—at least vis-à-vis the United States. South Korea, too, will have to show prudence in its aid to the North so as not to irritate the United States. It will need to pay more attention to the question of reciprocity in which Pyongyang's "good behavior" is expected in return for the assistance from the West. In particular, it will be imperative for the Roh Moo-hyun administration to emphasize policy coordination with Washington. Will the United States be able to go its way in relation to the two Koreas? As long as the United States leads a global war against terrorism — the campaign could indeed take a long time — this global campaign may complicate its dealings with both Seoul and Pyongyang.

Given such an outlook, the costs of common defense will almost certainly rise and the alliance partners will need to increase their respective shares of contribution. Breaking from the tradition, however, they will conduct cost sharing negotiations in a more

amicable environment. Instead of a zero-sum approach, both Washington and Seoul are likely to see the alliance as a positive-sum game in the post 9/11 world. For its part, Pyongyang may be expected to refrain itself from demanding a wholesale withdrawal of USFK. Until it becomes more self-reliant, North Korea will need the dual deterrence provided by America's strong military presence in the peninsula. Moreover, Pyongyang will want to avoid America's punitive sanctions by dissociating itself from terrorism. Paradoxically, the global crisis caused by the terrorist attacks on America may strengthen the U.S.-Korean alliance and, at least temporarily, help tame Pyongyang's rogue behavior. In the short-term future, the crisis is expected to bring more security to the Korean peninsula.

ENDNOTES - CHAPTER 4

1. With the September 11 acts of terror against the United States, South Korea is in a position to fulfill the other half of the mutual defense pact. Seoul would assist Washington in combating global terrorism with military and non-military support. In fact, we may see competition among America's allies all over the world to return the favor they received in the past. *The Hankook Ilbo*, Los Angeles edition, September 24, 2001.

2. Since the June 2000 inter-Korean summitry, Kim Dae-jung repeatedly mentioned in speeches that Kim Jong-il understood the protective role of the American troops against potential threats from the three residential great powers. Kim Dae-jung's understanding is quite consistent with many informal signals from Pyongyang in the last two decades. On his month-long visit to Russia in August 2001, however, Kim Jong-il was able to place the issue of U.S. forces in the joint declaration with Putin. Though the declaration did not demand withdrawal of American troops, it put Seoul in a difficult position. With Kim Jong-il apparently back to square one on this, Kim Dae-jung faced an uphill battle in domestic politics. Did Kim Jong-il "abandon" Kim Dae-jung? Or did Kim Dae-jung misinterpret Kim Jong-il's signals last year? I believe the truth is neither. Being a realist, Kim Jong-il most probably sees the utility of the American troops as a foreign legion, which serves two purposes. One is to deter South Korea from attacking the North, while the other is to check the territorial and other ambitions of China, Russia, and even Japan. Because he is schooled in Realpolitik, he should also understand that the U.S. troops are an issue over which he has definite leverage against Washington. The United States has been pushing Kim Jong-il to the corner with the issues of nuclear weapons development and long-range missiles. With the issue of foreign troops, however, Kim can be on the offensive. Kim would thus vacillate between the two positions of recognizing the utility of the U.S. troops and denouncing their presence.

3. *U.S. Forces Korea: Resource Management Fact Book* (*2000 Korean War Commemoration Edition*), prepared by Assistant Chief of Staff, Resource Management, Headquarters U.S. Forces Korea, p. 39. In addition to SMA, the cost-sharing category included such direct costs as rents, Korean military augmentee labor, and relocation construction, as well as the indirect costs of revenues and taxes plus foregone rent.

4. For more discussion of why inter-Korean rapprochement may conflict with the policies of the major powers, see Tong Whan Park, "The Challenges of Balancing the Inter-Korean Détente with the Big Power Politics." James M. Lister, ed., *The Political Economy of Korean Reconciliation and Reform*, Washington, DC, The Korean Economic Institute of America, 2001, pp. 9-18.

5. *Los Angeles Times* (Orange County Edition), October 2, 2001.

CHAPTER 5

THE CONTINUING ROLE OF THE UNITED NATIONS IN THE FUTURE OF KOREAN SECURITY

Kyudok Hong

Introduction.

With the inauguration of President George W. Bush on January 20, 2001, a new chapter opened in the ongoing effort of the United States to coordinate policy toward North Korea with the Kim Dae-jung government. With the end of Cold War, the balance of power on the Korean peninsula has unraveled, and the North has taken increasingly risky and desperate steps to shore up prospects for its survival, undermining the stability that the Cold War balance of power on the peninsula maintained. The post-Cold War period has also seen the emergence of a "U.S.-ROK-DPRK" triangle as U.S. and ROK policy priorities toward North Korea diverge and separate U.S.-DPRK and inter-Korean dialogue channels develop. Adapting to changing realities on the peninsula and coordinating management of emerging differences in priorities between South Korea and the United States on North Korea have become major challenges for Seoul and Washington. This issue takes on an added importance as the new administration in Washington attempts to imprint its own ideological and theoretical preferences more assertively on the current situation on the Korean peninsula. How this process unfolds will have important implications for the future of the ROK-U.S. alliance and for U.S. strategy and policy in Northeast Asia.

This chapter will focus on the role of the United Nations (U.N.) in shaping peace and security on the Korean peninsula. One of the crucial future challenges for the ROK-U.S. alliance is whether and how to replace the current Armistice Agreement, sponsored by the U.N., with a new peace system. As we are well aware, the Armistice Agreement of 1953 set the terms of the truce and imposed the structure of peace on the two Koreas. While the Armistice Agreement was never intended to be permanent, it has survived and succeeded in preventing another war. Yet, it is Pyongyang's position that the United Nations Command (UNC) has to be dismantled and

U.S. Forces Korea (USFK) should be withdrawn before there can be a new peace treaty between the United States and North Korea. As President Kim Dae-jung illustrated in his speech at the Korea Society in New York on September 8, 2000, more people in Korea now openly discuss the possibility of establishing a peace system to replace the 50-year-old Armistice Agreement,[1] though South Korea has never seriously addressed the fundamental question of whether a new peace system will guarantee long-lasting peace and security.

In this chapter, I demonstrate the potential danger of discarding the UNC and replacing the Armistice Agreement with a peace treaty. Also, while some advocate that USFK be transformed into a U.N. Peacekeeping Force (PKO) in the future since the inter-Korean relationship has dramatically improved, I argue that we must be very careful about this because U.N. peacekeeping operations have not been all that successful in recent years. Moreover, while the ROK government is enthusiastically involved in U.N. activities in general and PKOs in particular, U.S.-U.N. relations have been conflict-ridden.

The United Nations and the Korean War.

When the North Korean forces invaded South Korea on June 25, 1950, the U.N. Security Council convened immediately and adopted Resolution 82:[2]

> Noting with grave concern the armed attack upon the Republic of Korea by forces from North Korea, Determines that this action constitutes a breach of the peace, . . . Calls for the immediate cessation of hostilities [and] calls upon the authorities of North Korea to withdraw forthwith their armed forces to the 38th parallel.

Two days later, the Council passed another resolution with regard to the U.N. collective action. Resolution 83 states that:[3]

> Having noted the appeal from the Republic of Korea to the United Nations for immediate and effective steps to secure peace and security, Recommends that the Members of the United Nations furnish such assistance to the Republic of Korea as may be necessary to repel the armed attack and to restore international peace and security in the area.

To make the military operation effective, on July 7, the Security Council adopted another important Resolution 84:[4]

> . . . Recommends that all members providing military forces and assistance pursuant to the aforesaid Security Council Resolutions make such forces and other assistance available to a unified command under the United States . . . Requests the United States to designate the commander of such forces [and] Authorizes the unified command at its discretion to use the United Nations flag in the course of operations against North Korean forces concurrently with the flags of various nations participating.

These resolutions vividly reflected the strong American will to use the U.N. Security Council for an application of the U.N. collective security system against an aggressor. North Korea was the first military target in U.N. history. These resolutions showed to the world that North Korea was an aggressor. North Korea still has to live with the stigma. South Korea was saved from the surprise attack with the help of the U.N., and the U.N. provided quick assistance on the basis of the broad support of the international community.

Although the nature of the U.N. collective action was not clearly identified in those resolutions, the Security Council seemed to have followed the spirit of the U.N. Charter. The fact that more than 50 of the 60 member states expressed moral support and criticized the North Korean invasion indicates the level of broad international support in those days.

However, it should be noted that the quick consensus in the Security Council was possible only under extremely unusual circumstances. First, the adoption of the resolutions was made without the concurrence of the Soviet Union, which certainly would have blocked the resolutions by its veto but had been absent from the Council since mid-January 1950 in protest over the Chinese representation issue.[5]

Second, the consensus necessary to pass the resolutions was consolidated by the strong initiation of U.S. military assistance to South Korea. The rapid deployment of U.S. forces under President Harry S. Truman's order was made possible by the availability of the U.S. forces stationed in Japan. This swift and unilateral measure by the United States, immediately after the outbreak of the war, demonstrated U.S. resolve and willingness to take major responsibility in the Korean operation and thus induced other

members to cooperate in expediting U.N. actions in an orderly manner.

Third, the consensus in the Security Council for the Korean War was helped by the presence of the U.N. Commission on Korea (UNCOK).[6] The UNCOK, established and stationed in Korea in November 1947, was able to provide objective reports on the war situation as requested by the Council. Therefore, U.N. measures, including the determination of the North Korean "armed attack" against South Korea, was made easier and less controversial among the members.

In the course of the war, the U.N. resolutions consistently provided a broad framework for political and moral support, as well as a legal basis for U.N. actions. However, U.N. actions also posed several questions, in terms of the ideal provisions of collective security, envisioned in Chapter VII of the Charter.

First, the consensus behind the U.N. collective action was seriously impaired by the strong opposition of the Soviet Union and its communist allies. The Soviet Union considered the military action against North Korea as a hostile move against its important ally. Moscow claimed that the Security Council Resolutions were null and void, first because they were passed without the Soviet presence, thus violating the provision of Article 27 (3); and second, because China was not represented by the "legitimate" government, *i.e.* the People's Republic of China (PRC). However, the Soviet objections were not accepted, since it had been the practice in the Council that an abstention did not constitute a veto, and since other members generally agreed with the U.S. view that the voluntary absence of a permanent member in the Council is clearly analogous to abstention.[7] The Soviet Union and Poland also argued that the Korean situation was a civil war in which intervention by the U.N. was illegal.[8] The consensus reached in mobilizing Security Council power was constitutionally valid, but it was not a genuine consensus based upon cooperation among the great powers. When U.S. political and military leadership was vehemently challenged by another permanent member, the legitimacy of the U.N. itself was significantly weakened.

Next, the nature and conduct of the U.N. collective action changed as a result of the adoption of the "Uniting for Peace" resolution. With the return of the Soviet Union to the Council on August 1, East and West engaged in antagonistic confrontations and

made efforts to block each other's proposals and actions in support of the two Koreas. To avoid the Soviet veto in the Council, the United States found an ingenious avenue for continuing U.N. action within the Charter by adopting the "Uniting for Peace" Resolution in the General Assembly in November 3, 1950.[9] From Washington's viewpoint, the General Assembly was a safe place where no veto power of the permanent member could frustrate the American-led majority.

Consequently, from late November on, the General Assembly played a leading role in place of the Security Council. There were no differences in the legal effects of the decisions of the two organizations regarding the U.N. action in Korea. Nevertheless, the ascendance of the Assembly regarding collective security was a drastic departure from the spirit of the Charter.

When the U.N. forces began a steady advance northward after breaking out of their defense perimeter around Pusan, and asked whether their units should advance across the 38th parallel, the General Assembly overwhelmingly endorsed the decision to cross the 38th parallel on October 7, 1950. The General Assembly recalled that the essential objective of its previous resolutions in 1947-49 were the establishment of a unified independent and democratic government of Korea and requested the Secretary General to establish the United Nations Commission for Unification and Rehabilitation of Korea (UNCURK).[10]

The U.N. operation expanded further northward, but after it advanced deep into the North and neared the China border, the prospects of a unified Korea were dashed by the massive Chinese intervention in late October. The United States wanted the U.N. to condemn Communist China as an aggressor and take stringent measures, such as a naval blockade and economic sanctions. However, U.S. allies like France and Great Britain were uneasy about tough measures against China. They worried that adoption of the U.S. proposal might unnecessarily provoke China and hinder their efforts for peaceful settlements through negotiations.

Moreover, the war had increasingly involved new issues like Chinese representation in the U.N., the security of Taiwan, and representation in the armistice negotiations. Therefore, the initial coalition became increasingly strained. However, when the Chinese made a massive surprise attack on November 25 in support of retreating North Koreans, the General Assembly adopted

Resolution 498, on February 1, 1951, which condemned China as an aggressor.[11]

By mid-May, the United States managed to win enough support from its major allies to impose economic sanctions via General Assembly Resolution 500. The resolution recommended that every state embargo shipments to areas under control of China and North Korea, including arms and ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition, and implements of war.[12] These sanctions were the first in the history of the organization.

There is no denying that the United States achieved international legitimacy under the Charter for punishing China as an aggressor. However, the consensus achieved on economic measures was incomplete. The Soviet bloc refused to vote; and Afghanistan, Burma, Egypt, India, Indonesia, Pakistan, Sweden, and Syria abstained. To be sure, issues between the United States and its allies were usually smoothed away in favor of the U.S. position. However, there was a persistent call for peaceful settlement by its major allies and anxiety over the possible expansion of the local war into a world war, especially after China intervened.

The U.N. was not able to play a critical role during the final days of the Korean War. The U.N. collective action had to be conducted by a voluntary, ad hoc association of national forces due to the lack of genuine U.N. forces. The United States was allowed to dominate the process, since no other major power would sacrifice to protect peace and security on the Korean peninsula.

The resolution that established the U.N. command was not clear about the command structure. The United States took the position that, within the limit of the Charter and the resolutions of the Security Council and the General Assembly, it had the responsibility for military operations. Actually, the United States directed the overall functioning of the UNC; the chain of command in effect ran from the President of the United States through the Secretary of Defense, the Joint Chiefs of Staff, the Chief of Staff of the Army, to General Douglas MacArthur, the first Commander-in-Chief of the UNC (CINCUNC).

Formal channels of communication were maintained from the UNC headquarters in Tokyo to the Secretary Council in the form of bi-weekly reports. However, General MacArthur did not have

to directly report to the Security Council or the Secretary-General. Usually, his reports were sent to Washington first and then submitted after revision and editing to the Security Council. It seems that the United States was reluctant to work with and within the framework of the Security Council, fearing U.N. interference with its freedom of action. In short, the military operations of the U.N. were multilateral in name but in reality integrated by the United States and then endorsed by the U.N. The authority of the U.N., and especially the Security Council, was limited by the extent to which Washington wanted to direct the war.

To the extent that the United States viewed the aggression by North Korea and China as a threat to international order, the interests of the U.N. as a collective security body coincided with those of the United States. Therefore, the U.N. could serve as an effective instrument of U.S. policy of containment. The U.N. provided the legitimacy for the U.S. military action but also an opportunity to garner broader international support. The mobilization of the U.N. also satisfied theAmerican people's desire that the United States be just one of the major contributors. President Truman believed that it was essential to have the moral sanction of the U.N. and made great efforts to give the impression that the American action in Korea was in response to the call from the U.N.

Future of the Armistice Agreement and the United Nations Command.

The Armistice Agreement was signed on July 27, 1953, by the Commander-in-Chief of the United Nations Command, the Supreme Commander of the North Korea People's Army (KPA) and the Commander of Chinese People's Volunteers (CPV). It was an irony that the UNC had to sign an armistice agreement with the aggressors, North Korea and China, while excluding South Korea, the victim of their aggression. Throughout the Cold War, the Demilitarized Zone (DMZ) between North and South Korea was a symbol of the fault line between East and West, and the Armistice Agreement confirmed the existence of the two de facto states while structuring the relationship between them. With the end of the Cold War, however, calls to replace the Armistice Agreement with a peace treaty to deal with the vastly changed circumstances have become steadily louder in Korea.

The Armistice Agreement has served its original purpose of stopping armed clashes. Therefore, it would not be wise to scrap the agreement unless the level of threats and insecurity drastically declines on the peninsula. If the Armistice Agreement is discarded, dangerous consequences will follow. Although the agreement has not been a perfect instrument for peace, its absence may lead to higher levels of tension.

According to Robert E. Bedeski, the 1953 Armistice Agreement has had at least three major functions: enforcement, verification, and communication.[13] Enforcement has been the most important function. Maintaining the nonmilitary character of the DMZ has been carried out through patrols and surveillance by both sides. Occasional incidents remind the world of continued tensions and the need for vigilance. Violations such as unauthorized penetration are reported and investigated, with the UNC Component of the Military Armistice Commission (UNCMAC) largely responsible for supervision.

Verification is a function that has not been fulfilled due to North Korea's refusal to cooperate. The contracting parties are supposed to monitor each other's activities through air and ground surveillance. The Neutral Nations Supervisory Commission (NNSC) was designed to physically inspect suspected violations of the agreement to halt the introduction into Korea of additional arms and personnel, but has been inactive since the early years of the Armistice Agreement.

Communication has been a most important function. Both the MAC and NNSC have been channels of communication for the former combatants. Antagonism between the adversaries on the MAC has neutralized its effectiveness, but for a long period the two structures have been lines of communication between communist and U.N. forces.

As long as the mutual hostility and distrust of the Cold War persisted, the Armistice Agreement could play only a limited role. Although there were many efforts to build a peace settlement, none were successful. In 1954 representatives of 19 nations gathered in Geneva to craft a peace settlement formally, but unfortunately they failed and the talks were adjourned without setting a further schedule.

Prospects for a settlement suffered a further setback in the 1950s with the hobbling of the NNSC. Comprised of military representatives from Switzerland and Sweden on the UNC side

and Poland and Czechoslovakia on the KPA/CPV side, the NNSC had been established as a part of the Armistice Agreement to supervise, observe, inspect, and investigate suspected violations of the Agreement outside the DMZ, especially the unauthorized introduction into the peninsula of reinforcements. The North Korean refusal, in violation of the Armistice Agreement, to allow access to designated ports of entry in the North left the UNC no choice but to respond in kind, leaving the NNSC with a largely symbolic role until it came under even more determined assault by the North Korean regime in the 1990s.[14]

Under the circumstance, we must be very careful when we try to redesign the peace arrangements on the Korean peninsula. Although Pyongyang has been calling for an inter-Korean peace accord to replace the Armistice Agreement, North Korea has not taken any concrete peace or confidence-building measure toward South Korea. Instead, North Korea has tried hard to isolate South Korea by proposing a DPRK-U.S. peace treaty since March 25, 1974. It was apparently encouraged by the Paris Peace Accords, which ended the U.S. involvement in Vietnam. The United States rejected the offer and refused to contact the North directly until the early 1990s, when the nuclear issue came up. However, Pyongyang has continued to seek a deal directly with Washington, arguing that North Korea and the United States are the only legitimate parties.[15]

On January 10, 1984, North Korea, while continuing to deny the legitimacy of the ROK, proposed tripartite talks between Pyongyang, Washington, and Seoul with the goal of crafting a political settlement based on the two pillars of a DPRK-U.S. peace treaty and a North-South nonaggression pact. However, this proposal did not draw serious attention from the alliance.

The end of the Cold War, the demise of the Soviet Union, and the warming of relations between Beijing and Seoul compelled Pyongyang to engage Seoul directly in 1991. The two Koreas finally signed the "Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation" (commonly known as the Basic Agreement) and the accompanying "Joint Declaration of the Denuclearization of the Korean Peninsula," both of which entered into force on February 19, 1992. Pledging once again to exert joint efforts to achieve peaceful unification, the two Koreas reaffirmed the 1972 Joint Communiqué's principles of unification and agreed not to slander, vilify, undertake armed aggression against, or attempt

to overthrow each other. Hotlines between the armed forces were promised, as was the opening of direct air and sea routes, roads, and rail links. The two sides further pledged a variety of cultural and scientific exchanges, and an integrated and balanced development of the national economy. Most importantly, the two sides agreed to transform the Armistice into a solid peace and to abide by the Armistice Agreement until peace had been realized.[16]

But North Korea's peace offensive did not last long. The North quickly backed away from implementing these new agreements. Instead, leveraging the potential threat posed by its nuclear program, Pyongyang launched a successful campaign to establish a direct negotiating link with Washington, marginalizing South Korea in the process and straining the U.S.-ROK alliance. At the height of the nuclear crisis, Pyongyang also attacked the Armistice Agreement in an effort to extract a bilateral DPRK-U.S. peace agreement. The assault got an unexpected boost by two seemingly unrelated events: a well-intentioned but misguided decision by the U.S. and ROK governments to have CINCUNC appoint a South Korean general officer as the UNCMAC Senior Member; and the dissolution of Czechoslovakia into the Czech Republic and Slovakia following the fall of the Berlin Wall.[17]

The appointment of a ROK officer was part of a larger policy shift designed to move the United States from a leading to a supporting role in its defense relationship with the ROK and to force the North to deal directly with a member of the ROK military. The North simply refused, boycotting all further attempts to convene MAC meetings for the next 7 years, although the KPA continued to engage their UNCMAC counterparts at the Secretary and language officer levels. In 1993, with the Military Armistice Commission stalemated, the North set out to emasculate the Neutral Nations Supervisory Commission as well by forcing the recall of the Czech delegation on grounds that the Czech Republic had no legal standing as a "neutral nation" in the context of the Armistice Agreement.

One year later, in April 1994, as the confrontation over Pyongyang's suspected nuclear weapons program was reaching crisis proportions, North Korea announced its withdrawal from the MAC, opened the "Panmunjom Mission of the Korean People's Army," and called on the United States to join in creating a new peace mechanism to replace the obsolete MAC. Later, no doubt encouraged by the outcome of its nuclear diplomacy with the United

States, North Korea convinced China to withdraw its "Chinese People's Volunteers" representatives from the Commission.

The MAC suffered another setback in December 1994, when a U.S. Army helicopter strayed into North Korean airspace and was shot down. In an effort to secure the release of the surviving crewmember, the United States acceded to Pyongyang's demand for a meeting of North Korean and U.S. general officers in the Joint Security Area and dispatched a senior diplomat to Pyongyang for subsequent negotiations.

In the end, the United States agreed to maintain a "proper form" of military contact with the North. On what was a "proper" form, however, they diverged. To the United States and ROK, the proper form meant the MAC. North Korea expected bilateral U.S.-DPRK military contact outside the MAC framework, excluding South Korea. With the MAC seemingly on the critical list, the North in early 1995 forced the Polish members of the NNSC to withdraw from North Korean territory and broke off contact with the Swiss and Swedish NNSC representatives. In a further violation of the Armistice Agreement, Pyongyang banned entry into the northern side of the Joint Security Area by NNSC and UNCMAC personnel and called for general officer talks with the United States. CINCUNC, increasingly concerned about the lack of a functioning crisis management mechanism, sidestepped the politically sensitive issue of the UNCMAC Senior Member by counter-proposing a dialogue in which General Officers from the UNC and the DPRK would participate within the framework of the MAC.[18]

The North refused and in early 1996 capped its assault on the Armistice Agreement by resurrecting the twin elements of its 1984 tripartite proposal. Declaring that "an agreement on non-aggression has already been concluded between the North and the South of Korea and a North-South joint military body has also been established," Pyongyang proposed the establishment of a new peace system in which the United States and the North would first sign a tentative agreement to maintain the Armistice, and then organize and operate a DPRK-U.S. joint military body in Panmunjom in place of the MAC. This bilateral arrangement would maintain the Armistice pending a permanent peace agreement between Pyongyang and Washington.[19]

It is not difficult to understand why North Korea is determined to eliminate the UNC. The U.N. resolution during the early stage

of the Korean War was a stigma, as it explicitly defined North Korea as an aggressor. Discarding the UNC is as good as removing a criminal record, though not the original sin. Ignoring the fact that then-CINCUNC General Mark W. Clark signed the Armistice Agreement on behalf of all the UNC participating nations and that *no* individual nation, including the United States, signed the Agreement, Pyongyang further claims that, since the United States and the DPRK signed the Armistice Agreement, they are the only parties with standing to participate in a political settlement and sees no role for the UNC.

Meanwhile, President Kim Dae-jung indicated his intention to jump-start the reconciliation process by concluding a peace treaty with the North, including the option to issue a peace declaration when Kim Jong-il comes to Seoul for the next Summit round. But the real question is whether and how to replace the current Armistice Agreement with a new peace system. It is not clear under what conditions the disestablishment of the UNC could take place and whether there will be negative consequences

In my opinion, there is no reason to discard the UNC, since it does no harm to the alliance and has symbolic value. Seventeen nations fought under the United Nations flag, while five others provided medical support, and the UNC is one of the two parties referenced in the Armistice Agreement. Furthermore, the Agreement was signed by CINCUNC. Therefore, the UNC banner still legitimizes stationing U.S. and other UNC forces in Korea and joint defense efforts against potential aggressors.

Discarding the UNC would provide the North with a kind of Papal indulgence for its wrongdoings. The Security Council authorized a unified command under the United States, and it is the United States that created the UNC and directed its operations. If war breaks out again, the United States is expected to do a similar job under the U.N. flag. Unlike before, the UNC is not likely to exercise control over U.S. and ROK forces, but it will certainly be a useful instrument for the alliance to assemble more flags behind its efforts to defend Korea. We had better hold onto the UNC banner unless Pyongyang clearly changes its military posture, readiness, and strategy.

Furthermore, any proposed settlement must be a real peace based on genuine confidence-building measures that provide transparency, inspection and verification mechanisms. The Bush administration is ready to resume talks with the North. U.N. participation in a peace

agreement should focus on stopping proliferation of Pyongyang's weapons of mass destruction (WMD) and on conventional arms control. The current MAC and NNSC should be reorganized, given genuine enforcement powers, allowed to use the latest verification technology for inspections on both sides, and mandated to set a schedule for conventional arms control.

The Possibility of U.N. Peacekeeping in Korea.

This year the ROK celebrates the 10th anniversary of its admission to the U.N. Despite its brief membership, Seoul has actively participated in U.N. PKO activities. South Korea dispatched a 250-person engineering unit to Somalia in July 1993 to join the UNOSOM II mission and also sent a unit of 198 military engineers to Angola in the UNAVEM III mission. In September 1994, the ROK sent a 42-member medical unit to Western Sahara in the MINURUSO mission. In addition, South Korea sent its first infantry battalion to East Timor in February 2000 to participate in the UNTAET mission.[20] In spite of this enthusiasm, there exists almost no serious discussion in Korea about whether the U.N. peacekeepers can play a role if a war breaks out again on the peninsula.

As mentioned above, some are floating the idea of transforming the USFK into U.N. peacekeepers. However, this is not gaining any momentum in South Korea, and here is why. First, North Korea has indicated that it may accept U.S. forces if they change into U.N. peacekeepers. However, according to the basic principles of U.N. PKO, host nation approval is needed to send PKO troops; U.N. peacekeepers have to leave if the host nation requests this. Therefore, it is naive to believe that U.N. peacekeeping is the ideal alternative to the Armistice system.

Second, recent U.N. PKOs were poor performances, especially in Africa. The key problem is a lack of clear mandates, making peacekeeping today akin to shooting at a moving target. Third, U.N. PKOs are not actually trained for regular warfare. They are not allowed to arm themselves to win wars. The use of weapons has to be limited to the minimum necessary to protect their own lives. There is almost no chance U.N. peacekeepers could manage a massive attack from the North with the potential danger of weapons of mass destruction. Fourth, the U.N. PKOs face serious financial difficulties, and, therefore, it is highly unlikely to expect the U.N.

to accept a major role as a belligerent, further worsening U.N. finances. Finally, U.N. peacekeeping may open the door to Japanese involvement in Korean conflicts, about which most Koreans have strong reservations. After the tragic terrorist attacks in Washington, DC, and New York on September 11, 2001, Japan moved quickly to participate in America's military efforts to eliminate terrorist groups and the Taliban regime in Afghanistan. Japan will not want to sit idle in a conflict on the Korean peninsula. According to its own principles for sending peacekeeping forces, Japan will only join U.N. PKOs under consent from either the host country or parties to armed conflict.[21] However, it will be very difficult for Korea to turn down a Japanese offer to assist the ROK-U.S. alliance in military operations on the Korean peninsula while welcoming contributions from other countries.

The ROK strongly wishes to increase its voice in the decisionmaking process of U.N. PKOs. Korea tried to secure this by advocating that troop-contributing countries (TCGs) play a role in the Security Council's decisionmaking and be consulted more closely. It also urged the U.N. to devise a system that caters to the interests of countries making major contributions to the U.N. peacekeeping budget. As an important contributor of troops and financial resources, Korea is determined to actively participate in related discussions, including in the Security Council and the Special Committee on Peacekeeping Operations. Yet, this does not mean the ROK will be better off without USFK.

We cannot disregard the fact that the United States has not been an ardent supporter of U.N. PKO missions. The Bush administration is no exception. During the presidential campaign, the two candidates demonstrated that they had no more interest in peacekeeping than Congress. In their first debate, then Governor Bush twice declared, with little attempt to hide his disdain for such efforts, that he would allow no American troops to be used for nation building. In the second debate, both he and Vice President Gore agreed that they would not have used American troops to stop the genocide in Rwanda. On many occasions, Bush and his advisors repeatedly stressed that U.S. alliances need to be strengthened to meet the challenges of the 21st century. However, they did not touch upon multilateral institutions such as the U.N., and they gave the impression that the U.N. would not play much of a role in U.S. foreign policy.

Policymakers in the White House and on Capitol Hill will surely

prefer unilateral U.S. actions to multilateral ones. It is not surprising that the U.S. Congress shows little sense of urgency in restoring the U.S. relationship with the U.N.. Condoleezza Rice, now serving as the National Security Advisor, once said that "foreign policy in a Republican administration will most certainly be internationalist."[22] However, she strongly emphasized that the policy will have to proceed from the national interest, not the interests of an illusory international community.[23]

Robert Zoellick also argues that one of the Clinton administration's flaws was to erode its credibility by offering words not backed by proper actions.[24] For an effective U.N., the major members must recognize that their actions, rather than words, determine the outcomes.[25] As he correctly points out, many people in the Bush administration believe that the U.S. share will have to be reduced. When the U.N. finally agreed to cut U.S. dues, U.S. lawmakers, including Senator Jesse Helms, welcomed the decision to reduce American dues for the first time in more than a quarter-century. [26]

Many experts argue that it is unrealistic to expect much progress in U.S. policy toward the U.N. or multilateralism under the Republican presidency. That does not necessarily mean that Clinton as a Democratic president was a true believer in the U.N. and multilateralism. Unfortunately, his commitment to "assertive multilateralism" and honeymoon with the U.N. did not last long. The Clinton administration quickly pulled out its forces from peacekeeping in Somalia when U.S. Rangers were killed, and he did not help prevent the slaughter in Rwanda in 1996. Clinton looked upon the U.N. as an additional tool of American foreign policy. He used it when it fit and ignored it when it did not. As the sole superpower, the United States has little interest in agreements that limit its freedom of action. This kind of exceptionalism is easily found in the Bush administration's foreign policy behavior.[27] The administration will very likely follow Clinton in preserving peace through cooperation with key allied nations.

However, we should keep in mind what President Clinton said in his address to the U.N.: "we will act if we have to alone, but my fellow Americans should not forget that our values and our interests are also served by working with the U.N."[28] In this context, the Bush administration indicated it would make the overdue payment of U.S.$582 million in both regular and peacekeeping arrears to the U.N. as soon as possible.[29] However, several conservative

Republican House members, including Speaker J. Dennis Hastert (R-IL), International Relations Committee Chairman Henry J. Hyde (R-IL), and Majority Whip Tom Delay (R-TX), threatened to hold up the money unless Americans were exempted from the International Criminal Court (ICC), a permanent tribunal being established in the Hague to prosecute war crimes, genocide, and crimes against humanity.[30]

House leaders also wanted the administration to support the stipulation that final U.S. payments were dependent on the reinstatement of the United States on the U.N. Human Rights Commission. The ejection had infuriated lawmakers, who froze the final payment--brushing aside objections from the White house.[31] To make matters worse, the Bush administration also decided to withdraw the U.S. delegation from the U.N. conference on racism in South Africa on September 3, 2001, to protest attempts by Arab and Muslim nations to single out Israel as a racist state.[32]

The greatest international challenge facing the United States is to devise a strategy to maintain its global leadership and make the world a safer and better place for mankind. At the dawn of the century, the U.N. also wishes to help the world to confront new challenges and shape a new destiny. Success requires us to be creative and committed. It also requires every state to recognize the U.S. role in transforming the U.N. as politically effective and financially efficient as possible. The U.N. needs strong support from the Bush administration, and, at the same time, the Bush administration must show strong enthusiasm for innovative measures to enhance the U.N.'s capacity. An efficient U.N., with strong backing from the United States, will play a meaningful role on security for South Korea.

Conclusion.

A brief post-Cold War euphoria has already evaporated, and the U.N. is now in a precarious state. Members were quick to assign new tasks to the U.N. but not to upgrade its capabilities. As far as peacekeeping is concerned, the U.N. performed poorly in many recent missions, so it is very doubtful that it can play a crucial role as a peacekeeper in Korea. Peace on the peninsula has been made possible by the ROK-U.S. alliance, firmly rooted and prepared to deter any threats from the North. Yet, North Korea is demanding

that the UNC be discarded and the Armistice Agreement be replaced by a new peace treaty.

This chapter has argued that the Command should not be dismantled until North Korea fundamentally changes its military strategy, forward-based offensive force structure, and its policy of developing WMD. This chapter also points out that extreme caution is required in redesigning the peace system. So far, there is no compelling reason to discard the UNC. The UNC symbolizes that North Korea was the aggressor, and it would be a serious mistake to relieve Pyongyang of this stigma. Furthermore, the UNC will be the ideal institution to build international support in case the North invades the South again.

As we have seen, the U.N. was an important and effective tool for the United States in the old days. Half-a-century later, many have lost faith in the U.N. for various reasons. We have heard enough about the U.N.'s ineffectiveness, waste, mismanagement, and corruption. We must ask ourselves what we can expect the U.N. to do. If member states wish to ratchet up the U.N.'s role, they must also upgrade its capabilities.

More efficient and healthy U.N. PKOs will never be a liability for the Bush administration. In fact, the U.S. military has become quietly engaged with the U.N., in the belief that "gray area" conflicts--beyond the scope of traditional peacekeeping but short of all-out warfare--must be addressed, and that, outside the NATO and East Asian contexts, a collective response through the U.N. will often prove the most viable and sustainable option. For the U.N. to become an effective collective instrument in gray-area peace operations, major doctrinal innovations are necessary, pre-deployment planning and more standardized training must be instituted, and its capacity to field command forces must be enhanced. This will never be done without the Bush administration's strong support.

In reality, the United States remains the U.N.'s biggest debtor. It was the United States that invented the U.N. half-a-century ago. Of course, it has sometimes been a disappointment, or even resentment, in being little use to its founding father. [Although we might note that the 1990 Gulf War, like the Korean War, was conducted under the aegis of U.N. resolutions, and the United States sought and received U.N. Security Council support for pressure against Iraq in 2002. Ed.] Yet it is high time for the United States to help shape a more efficient U.N.

To summarize, the ROK was born with the help of the U.N. U.S. leadership within and outside the U.N. has been the key to the survival and security of South Korea. It is natural for Koreans to believe that cooperation between the United States and the U.N. will be the winning combination to deter aggression and protect democracy and human rights in the whole world.

ENDNOTES - CHAPTER 5

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CHAPTER 6

ALLIANCE ACTIVITIES: MEETINGS, EXERCISES AND CFC'S ROLES

Jeongwon Yoon

INTRODUCTION

The ROK-U.S. Alliance successfully deterred North Korea from initiating a war after the signing of the Mutual Defense Treaty in October 1953. This Alliance played a pivotal role in maintaining peace and security on the Korean Peninsula and contributed to regional stability in Northeast Asia.

The ROK-U.S. Alliance now rests on legal frameworks such as the Mutual Defense Treaty (October 1953), Status of Forces Agreement (SOFA: July 1996), Wartime Host Nation Support (WHNS: November 1991), Terms of Reference I (July 1978) and II (October 1994), Strategic Directive No.1 (July 1978) & No.2 (October 1994), and over 300 bilateral military agreements between the two allies.

The ROK-U.S. Alliance has altered its structure and activities along with security environment changes at the global, East Asian, or Korean level. The allies have retained their credible Alliance system and strong combined defense capability.

This chapter focuses on ROK-U.S. Alliance activities in terms of mutual meetings, combined exercises, and the roles of the Combined Forces Command (CFC). It analyzes the ROK-U.S. Security Consultative Meeting (SCM), the Military Committee Meeting (MCM), and other security/military meetings, which have contributed to the Alliance.

In relation to combined exercises, this chapter reviews the Ulchi Focus Lens (UFL) Exercise, the Team Spirit (TS) Exercise, the Reception, Staging, Onward Movement and Integration (RSOI) Exercise, the Foal Eagle (FE) Exercise, etc. The chapter also discusses the roles of the CFC, centering on its establishment, structure, mission, and function. The CFC is the centerpiece of the combined defense system. However, the CFC needs to cope with some challenges in the short, middle, and long term.

ROK-U.S. SECURITY/MILITARY MEETINGS

The ROK and the United States have held a lot of meetings at various levels to understand mutual security/military issues, promote security/military cooperation, and resolve policy rifts. These meetings have successfully consolidated the ROK-U.S. Alliance system. However, some ideas can be suggested on how to make these meetings better.

Security Consultative Meeting.

At their summit talks in April 1968 in Honolulu, the U.S. and ROK Presidents decided to hold an annual meeting of defense ministers. They felt it necessary to enhance bilateral security cooperation through a high-level military meeting. The ROK and the United States have continued to hold this meeting, with the title changed to "ROK-U.S. Security Consultative Meeting" (SCM) in 1971; they have held 32 SCMs, alternating between the United States and ROK.

The main function of the SCM is consultation on and adjustment of major security/military policies, and to convey strategic guidelines to the ROK-U.S. Military Committee (MC). The SCM's highlight is a plenary meeting of defense ministers, supported by five working-level committees as shown in Figure 1. These five committees hold meetings prior to the SCM where agendas are developed and subjects for negotiation are examined.

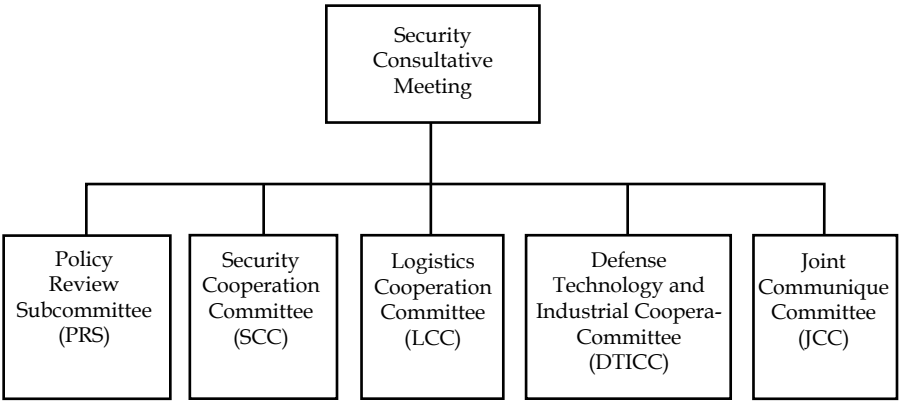

Figure 1. SCM and Its Five Committees.

The PRS discusses policy issues sensitive to the security interests of both countries, advises ministerial talks through policy consultation at the highest working-level, and deals with issues not related to other committees. The SCC coordinates issues involving security assistance. The LCC promotes defense industrial cooperation and the exchange of technological data in military science. The JCC, in which foreign affairs officials take part, prepares joint communiqués.

In the past, the significance of the SCM lay mainly in its declarative role. However, in the late 1980s, the SCM evolved into a substantial policy consultative meeting in that the two allies discussed key security or military issues, drew up policy alternatives, and jointly designed long-term directions for the Alliance's progress.

The major issues of recent SCMs are shown in Table 1. According to this table, the ROK and the United States have a common interest in supporting Inter-Korean dialogues, the Inter-Korean Basic Accord (1992), and the Inter-Korean Denuclearization Declaration (1992). They also welcome four party talks or U.S.-North Korea bilateral talks and negotiations. The two allies highly appreciate their combined defense system for Korean security and East Asian stability, and agree on the necessity to maintain their Alliance even after Korean reunification.

The ROK and the United States are seriously concerned about the threat from North Korea's weapons of mass destruction (WMD) to the security of the ROK, the United States, and the region, and mount common efforts to counter these threats. The two allies support the maintenance of the U.S.-North Korea Geneva nuclear accord. Moreover, they clearly oppose North Korea's efforts to nullify the Armistice Agreement (1953). They have resolved to keep this agreement in place until a permanent peace system is established between the two Koreas.

The ROK and the United States have been interested in revisions of the SOFA and the resolution of South Korea's missile issues. They concluded a revision of the SOFA in January 2001. After a series of bilateral missile talks, the United States finally allowed the ROK to develop ballistic missiles with a 300km range and 500kg payload and the ROK ultimately entered the missile technology control regime (MTCR) in March 2001.

Currently, the SCM is an effective mechanism for tackling policy discrepancies on pending issues. It is desirable for the SCM to discuss frankly bilateral policy rifts and make efforts to get rid of them in a

No.	Date & Time	Major Issues
28	November 1, 1996 Washington, D.C.	- Support for four-party talks, Inter-Korean Denuclearization Declaration (1992) and the Basic Accord (1992), and the Armistice Agreement (1953)
		- Support for the U.S. - NK Geneva nuclear accord (1994), and concern about UK'S nuclear threats.
		- Criticism of NK's submarine infiltration on East Coast.
		- Maintenance of ROK - U.S. combined defense system, continuous modernization of the ROK military.
		- Dialogue on mid- and long-term security cooperation between the two allies.
29	December 9, 1997 Washington, DC	- USFK's contribution to war deterrence in Korea and stability in East Asia.
		- Support for Inter-Korean dialogues to resolve Inter-Korean issues.
		- Support for four-party talks.
		- Maintenance of the Armistice Agreement until the realization of a permanent peace system in Korea.
		- Concerns about NK's missiles and chemical and bioligical weapons.
		- Necessity of anti-personnel mines for defense of Korea.
		- Security threats stemming from NK's economic crisis
30	January 15, 1999 Seoul, Korea	- Importance of Korean security for Asia-Pacific Prosperity and U.S. security.
		- Strong ROK - U.S. combined defense system for supoprting the Sunshine Policy toward UK.
		- Demand for of NK's suspected underground nuclear facilities and tunnels.
		- Concerns about UK's missiles and chemical and biological weapons.
		- Concern about the test firing of Taepodong-1 missle.
		- Continuance of the ROK-U.S. alliance even after the reduction of impending threats to Korean stability.
		- Mutual Efforts to conclude revision of the SOFA.
31	November 23, 1999 Washington, D.C.	- Support for Inter-Korean dialigues.
		- Welcoming U.S. - NK relation progress.
		- Support for four-party talks and the Armistice agreement (1953).
		- Support for smooth progress of the light water reactor (LWR) project for NK.
		- Welcoming NK's Moratorium on further missile test firing.

Table 1. Major Issues

		- Continuance of the ROK - U.S. Alliance even after the reduction of impending threats to Korean stability.
		- Mutual efforts to conclude the revision of the SOFA.
		- Necessity to resolve SK's missile issues according to MTCR criteria.
32	September 21, 2000 Seoul, Korea	- Support for Inter-Korean summit meeting and defense ministerial meeting.
		- Demand for NK's full compliance with Inter-Korean Denuclearization Declaration (1992), the U.S. - NK Geneva nuclear accord (1994), and the Non-Proliferation Treaty (NPT) - related nuclear safeguards.
		- Threats of NK's WMD to the security of the ROK, the United States, and the region.
		- Welcoming the first U.S. - NK foreign ministers meeting.
		- Continuance of the Armistice Agreemant (1953).
		- Strong ROK - U.S. combined defense system for supporting the Sunshine Policy toward NK.
		- Continuance of the ROK-U.S. Alliance even after the reduction of the impending threats to Korean stability.

Table 1. Major Issues (concluded).

cooperative way. It is important to acknowledge that the ROK and the United States respectively face new domestic as well as external security situations in the post-Cold War era.

Military Committee Meeting.

The 10th SCM in 1977 decided to establish the ROK-U.S. Combined Forces Command (CFC) with the Military Committee (MC) as an operational supervisory organ of the CFC. The MC as well as the CFC were officially set up in 1978. As a result, the Military Committee Meeting (MCM) has been held annually since 1978 (except in 1980). The SCM provides the National Authorities (NA) with strategic guidelines for the Military Committee.[1] The MC receives these guidelines from the NA and delivers strategic directives and operational instructions to the Commander of the CFC (CDRCFC).[2] Ordinary Korean people do not recognize well the presence and function of the MC, which leads them to believe erroneously that the CFC is under the direct control of the U.S. JCS.

The MC is co-hosted by the Chairmen of the ROK Joint Chiefs of Staff (ROK CJCS) and the U.S. CJCS. The MCM consists of a plenary meeting and standing meetings. The ROK CJCS and U.S. CJCS, two delegates named respectively by each Chairman, and the CDRCFC take part in the plenary meetings. The MCM's plenary meeting is usually held just before the SCM meeting, but it can be also held as needed. The MCM reports its results to the SCM. The ROK CJCS and the Senior U.S. Military Officer in Korea,[3] as the representative of the U.S. CJCS, hold the MCM's standing meetings. During those meetings, they coordinate current military issues of concern to the CFC. The meetings are held whenever at least one of the representatives calls for a meeting.

A lot of major military issues are dealt with at the MCMs, as shown in Table 2. In recent times, the MCM has focused on devising common perceptions of North Korea's military threats, countering North Korea's biological/chemical weapons and missile threats, deterring North Korea's infiltration or armed provocations, maintaining the ROK-U.S. Alliance, developing the ROK-U.S. combined defense system and exercises, and resolving military issues. The MCM plays a major role in coordinating military policies and delivering operational directives and guidelines to the CFC. However, many Koreans suspect that the MCM genuinely guarantees the ROK JCS can affect wartime operational control of the CFC on an equal basis as long as the commander of the CFC is American.

Trilateral Defense Consultation.

The ROK, the United States, and Japan annually hold a trilateral defense consultation meeting of high-ranking defense officials to maintain trilateral cooperation on their security/military policies toward North Korea and to exchange military information concerning their neighbors. The North Korean nuclear program crisis led to this trilateral coordination. The consultation has been held since August 1994, as shown in Table 3.

This involves both a trilateral plenary meeting among the three countries and bilateral meetings between the ROK and the United States, the ROK and Japan, or the United States and Japan. The 9th session in Tokyo decided to divide the trilateral discussions into three different levels: Tri-A (Assistant-Secretary level), Tri-B (Bureau Director-level), and SSG (Sub-Study Group: special experts

level). The trilateral defense consultation focuses on coping with regional instability as well as North Korea's military threats. This consultation is of importance in that it can improve the ROK-Japan

No.	Date & Place	Major Issues
18	October 30, 1996 Washington, DC	- ROK-U.S. Alliance's contrubution to regional stability.
		- Necessity to respond to NK's unpredictable and unstable regime change.
		- Enhancement of ROK-U.S. combined defense system, combined war preparedness, combined exercises, interoperability, the RSOI, etc.
		- Countermeasures against NK's chemical weapon threats.
		- Logistics sufficiency of the CFC.
		- War sustainability of the ROK armed forces.
		- Anti-submarine and anti-artillery combined exercises.
19	December 9, 1997 Washington, DC	- Combined responses to NK's large-scale infiltration or local armed provocations.
		- Strengthening ROK-U.S. cooperation in crisis management and military operations.
		- Early deployment of U.S. augmentation forces.
		- Enhancing combined exercises and operational capabilities.
20	January 14, 1999 Seoul, Korea	- Threats of NK's asymmetrical military capabilities.
		- U.S. military support in case of security crisis in Korea.
		- Development of Operation Plan (OPLAN) 5027 to cope with biological or chemical warfare.
		- Primary support for the ROK in case of 2MTW (Major Theater War) situations.
		- Development of combined exercises.
		- Coordination on the improvement of Combined Psychological Warfare Command.

Table 2. Major Issues of Recent Plenary MCMs.

No.	Month/Year	Place (Host Country)	Major Issues
1st	August 1994	Hawaii (U.S.)	- NK's military threats, U.S.-Sino relations.
2nd	June 1995	Washington, DC (U.S.)	- NK's situation, NK's nuclear issues.
3rd	June 1996	Hawaii (ROK)	- NK's situation.
			- Regional multilateral security.
4th	March 1997	Seoul (Japan)	- NK's threats and instability.
5th	April 1998	Seoul (U.S.)	- NK's situation.
			- Policies toward neighboring countries.
6th	October 1998	Seoul (Japan)	- NK's situation.
			- Responses to NK's nuclear / missile issues.
7th	February 1999	Seoul (U.S.)	- Responses to NK's nuclear / missile issues.
			- NK's suspected underground nuclear tunnels and facilities.
8th	October 1999	Tokyo (Japan)	- Coordination for policies toward UK.
			- Lessons from the Kosovo Incident.
9th	May 2000	Cheju Island (ROK)	- NK's situation, Relations with China.
			- U.S. Quadrennial Defense Review / National Missile Defense / Theater Missile Defense (QDR/NMD/TMD).
10th	November 2000	Hawaii (U.S.)	- Coordination of policies toward NK.
			- Conference on military responses in crises.

Table 3. A Brief History of Trilateral Defense Consultation.

military talks despite Korea's lingering historical animosity against Japanese colonial ruling over Korea.

Trilateral Coordination and Oversight Group Meeting.

The Trilateral Coordination and Oversight Group (TCOG) meeting has been held several times a year since 1999 among high-ranking foreign affairs officials from the ROK, the United States, and Japan. Usually, Assistant Secretary-level officials participate. They devise cooperative policies toward North Korea, decide on negotiation strategies and tactics, and report their conclusions to their governments.

This meeting tends to deal with broader issues than the trilateral defense consultation meeting. The Director of the Policy Planning Bureau, as a representative of the ROK Defense Ministry,

sometimes joins in. The TCOG also enhances the ROK-U.S. Alliance by coordinating foreign policies. Nonetheless, the TCOG more frequently has to solve policy differences between the ROK and the United States, while the ROK pursues a more active engagement policy toward North Korea than the United States expects.

Big-4 Meeting.

The meeting of ROK Defense and Foreign Ministers, the U.S. Ambassador, and the Senior U.S. Military Officer in Korea is called the "Big-4," or "2 + 2," meeting. It mainly discusses pending military/security issues. It is an irregular, informal, and closed meeting held once or twice a year since February 1990. It has dealt with major issues such as the relocation of USFK military bases, North Korea's nuclear threats, ROK-U.S. defense burdensharing, the holding of General officer-level meetings with North Korea, the four-party talks, etc. It was being held on a monthly basis with a view to tightening bilateral security cooperation after the inauguration of the Bush administration. However, it has not met recently because the ROK and the United States confronted different policy perspectives, which could not be coordinated easily, on North Korea's nuclear threats and anti-Americanism among some Koreans.

Policy Recommendations.

Although these diverse meetings have made a great contribution to the ROK-U.S. Alliance, there are several ways to improve the MCM and SCM. First, it is important to put more emphasis on mid- and long-term security/military issues which will face the two allies amid the far-reaching changes of the security environment in the 21st century.

Second, it is desirable to clearly divide the level of issues taken up in the MCM from those in the SCM. The MCM should focus on operational-level issues while the SCM deals with policy issues. At present, there seems to be some fusion between the two bodies.

Third, it may be necessary to establish combined standing offices for discussion in the MCM and SCM, which help prepare the meetings, put the agreements into practice, and assess the results.

Fourth, it is desirable that the CFC actively join the process of issue formation for the discussions in the MCM and SCM because

the CFC is responsible for combined wartime defense and well recognizes the problems involved. Moreover, it is best to hold these meetings at times in combination with combined CFC exercises for wartime.

In a changing security environment, the alliance meetings will be desirable when they draw out future-oriented readjustment and restructuring rather than adhering to status quo without flexibility.

ROK-U.S. COMBINED EXERCISES

The ROK-U.S. combined defense system has maintained high-level military preparedness, through various combined exercises, in order to deter a war and rapidly cope with any security crisis on the Korean peninsula. On a regular basis, the ROK and the United States have carried out the Ulchi Focus Lens (UFL) exercise; the Reception, Staging, Onward Movement and Integration (RSOI) exercise; the Foal Eagle (FE) exercise; the Team Spirit (TS) exercise; and others. These exercises enabled the two allies to accumulate many lessons on how to fight against armed provocations which North Korea might initiate.

Ulchi Focus Lens Exercise.

The ROK began to conduct the annual Ulchi Exercise as a full-scale war exercise in 1969, after the failed attack by North Korean infiltrators on the Blue House (president's residence) in January 1968. The USFK also started, in 1968, its annual Ulchi Focus Lens (UFL) Exercise to upgrade its operational readiness. After a U.S. proposal in 1973 to combine them, UFL has been conducted annually in late summer since 1976. UFL has developed through adopting the War Game model since 1988 and using the Computer-Based Simulation (CBS) model since 1992. Since 1994 UFL has been undertaken, in parallel with the crisis management exercise of the ROK government which is called the Chungmu Plan.

Nowadays, UFL is an annual ROK-U.S. Command Post Exercise (CPX). It focuses on reviewing the ROK government's war guidance and support plan, improving proficiency in military operation procedures, reviewing the deployment of U.S. reinforcement forces in the Time Phased Force Deployment Data (TPFDD),[4] and training corps-level and above staffs of the ROK-U.S. CFC on the operation

plan. UFL consists of two parts. In the first part, government offices, major ROK and U.S. commands, and even business companies designated for mobilization, join to conduct an integration exercise between the government and military sectors. The second part is conducted with a focus on a military exercise.

The ROK JCS has conducted the Amrok River Exercise since 1996. This is the joint CPX of the ROK Armed Forces, carried out before UFL. This exercise provides an opportunity to master the war execution procedures and enhance operational command capabilities. The experiences in Amrok River are helpful for adapting the ROK Armed Forces in preparation for UFL.

Meanwhile, USFK conducts Summer-X, which makes the Eighth U.S. Army and lower level unit officers familiar with the procedures of theater operations on the peninsula. It is also a preparatory exercise for UFL. A small number of Korean officers began to join Summer-X after 1998.

UFL has increased the deterrent power of the ROK-U.S. CFC by providing an opportunity to master governmental or military watchover procedures in wartime and enhancing combined military capabilities. UFL has strengthened wartime military capabilities such as ROK mobilization, U.S. reinforcement, information warfare and command, control, communications, computers, and information (C4I) systems, countermeasures against WMD threats, flexible deterrent options based on deep, close, and rear battles, and so on.

UFL's intensity was weakened to some degree after the first Inter-Korean summit meeting in June 2000. The ROK government did not want to damage Inter-Korean relationships that the summit meeting brought about. North Korea criticized South Korea for conducting UFL, arguing that it was contrary to the spirit of the summit. Nonetheless, UFL is necessary because no significant military confidence-building or arms control steps with North Korea have emerged.

In the short term, UFL aims at ensuring immediate and sufficient interoperability between the allies. However, in the long term, UFL should be able to improve the scope of wartime operational control of the ROK if the USFK plans to reconfigure itself by withdrawing from Korea to a noticeable degree.

Team Spirit Exercise.

Team Spirit (TS) was a large-scale field maneuver exercise aimed at improving the Combined/Joint operation capabilities of USFK and U.S. reinforcement forces. The ROK and the United States agreed to conduct TS annually at the SCM of 1975, with the first TS held in 1976. The ROK-U.S. CFC has been in charge of TS since 1979. TS grew to nearly 200,000 ROK and U.S. participants commensurate with increased perceptions of an increased North Korean threat. U.S. participation included augmentation forces of all the services tactically deployed to the ROK from other Pacific bases and the continental United States.

However, TS was defensive in that it purported to deter North Korean war provocations by strengthening the Alliance. TS was mainly devised to estimate how the United States forces would fight a war initiated by North Korea. North Korean delegates were invited but none were ever sent. Instead, North Korea criticized TS as an offensive nuclear war exercise and argued for its permanent cancellation. In the early 1990s North Korea continued this demand for an end to TS in return for stopping its nuclear weapon programs.

In 1992, the ROK and the United States suspended TS on the condition that North Korea accept Inter-Korean and international inspections of its suspected nuclear facilities and sites. As North Korea was not fully cooperative, TS was resumed in 1993. However, it was suspended in 1994 to entice North Korea to abandon its nuclear weapon options. In October 1994, the United States and North Korea signed the Geneva nuclear accord, freezing the North's nuclear program. TS has not been undertaken since then. The defense ministries of the ROK and the United States have made an annual decision since 1996 on whether to resume it.

The suspension of TS contributed to resolving the North Korean nuclear dispute and easing military tension on the peninsula. However, the ROK and the United States lost an opportunity to show their Alliance tightness and conduct a large-scale field maneuver exercise in which U.S. forces actually participate. It is unexpected that TS will resume unless North Korea abrogates the Geneva nuclear accord.[5]

Reception, Staging, Onward Movement and Integration (RSOI) Exercise.

Along with the strategic concept of Power Projection, U.S. forces put an emphasis on the rapid deployment of sufficient forces for war. In 1993, the Department of Defense pointed out that the ROK-U.S. CFC lacked preparedness for deploying U.S. reinforcements. The Operations Plan (OPLAN) did not fully reflect the steps necessary. As TS was likely to be suspended because of the North Korean nuclear dispute, the ROK and the United States agreed to conduct an annual RSOI exercise.

The first RSOI was done just as a seminar in 1994. Thereafter, it was conducted as a computer-simulated CPX under the control of the CFC, aimed at exercising the reception, staging, movement to the forward area, and integration of additional U.S. forces. Of course, the RSOI includes a seminar where ROK and U.S. military leaders discuss the implications for the OPLAN.

During the RSOI exercise, the participants review the content and the procedure of the OPLAN TPFDD, examine the cooperation procedures and requirements related to the WHNS, and test the C4I and logistics support of the ROK Armed Forces for rear area operations. The exercise probes force protection, tracking, and movement during deployment of the incoming U.S. forces, and enhances deterrence by displaying plans to actually deploy U.S. reinforcements.

The RSOI partly replaces the suspended TS, which was an actual field maneuver of USFK and U.S. augmentation forces. However, its achievements are limited in that there is no real deployment of forces.

Foal Eagle Exercise.

The ROK Armed Forces conducted a battalion-level special forces exercise from 1961 on, and in 1975 the ROK and the United States expanded this into a combined special forces exercise called Foal Eagle (FE). FE has included a large-scale field maneuver since 1995 to compensate for suspension of TS. In 1997, FE included a corps-level Field Training Exercise (FTX), but since 1998, it has been a brigade-level combined FTX.

FE is composed of two parts. The first focuses on the procedures

OPLAN of the Combined Special Forces Command, the combined/joint rear area operations, and the RSOI of the Time Phased Force Deployment Listed units. The second part includes a ROK corps-level FTX, a ROK-U.S. combined brigade-level FTX with the Multiple Integrated Laser Engagement System (MILES), a combined landing operation with Marines, and the FTXs of the Combined Ground, Naval, or Air Forces Commands. Most of the ROK Armed Forces take part in FE, even including the reserve forces and local government offices. Eighth Army and USFK Special Forces also are involved, along with a significant portion of the United States augmentation forces.

FE examines special forces operations; rear area defenses; force-on-force field maneuvering; anti-air, -surface, and -submarine operations by naval forces; close air-support; defensive and offensive counter-air operations by air forces; and amphibious landings. FE also reviews noncombatant evacuations, mass casualty exercises, chemical decontamination exercises, and so on. In a sense, FE is a comprehensive FTX that demonstrates the military resolve that deters war on the peninsula.

Since 1996, the ROK JCS has carried out Hokuk ("Guarding the Nation") training, a large-scale joint field exercise among all the services to make up for FE's limits in training for defense of the ROK. Each service also annually conducts a variety of maneuvering exercises to improve operational readiness and combat capabilities.

Other Combined Exercises.

The ROK Navy participates in the Rim of the Pacific (RIMPAC) Exercise, which is conducted biennially (every even year) under the United States Third Fleet. RIMPAC has been a multinational, combined sea mobility exercise of the United States, Australia, Canada, Chile, United Kingdom, and Japan since 1971. The ROK Navy joined six times after 1990. The United States and Australia, every odd year, carry out Tandem Thrust training, which focuses on securing the safety of sea lines of communication (SLOCs) around the western rim of the Pacific, plus enhanced cooperative operations in contingencies. The ROK Navy has joined this exercise since 1999. Moreover, the ROK, the United States, Australia, Japan, and Singapore took part in the Pacific Reach Exercise, first conducted with an eye to exercising submarine and other rescue activities in

the western Pacific.

In close consultation with USFK, the ROK Army annually conducts combined assault training; nuclear, biological, and chemical (NBC); and counter-fire operations training. The ROK Air Force also undertakes combined air defensive training and offensive flight group training in various forms. ROK Special Forces take part in a variety of combined exercises for developing guerilla warfare tactics, anti-terrorism operations, seashore infiltration, maritime special operations, airborne infiltration and escape tactics, explosive ordnance disposal operation, and so on.

Policy Recommendations.

These combined exercises clearly strengthen the ROK-U.S. Alliance and improve deterrence. The ROK and the United States draw significant lessons and reflect them in combined operation plans. These exercises will be the cornerstone of military victory in any war with North Korea. However, it is important continuously to improve these exercises. Here are some recommendations with this in mind.

First, considering the short warning time in a North Korean attack, it may be wise to conduct some of these combined exercises on short notice. Moreover, it may be desirable sometimes to change the seasons of major combined exercises, since North Korea could attack at any time during the year.

Second, it is important to link ROK-U.S. combined exercises with those of the ROK Armed Forces. It is also desirable to upgrade the interoperability of ROK-U.S. command, control, communications, computers, and intelligence (C4I) and weapon systems. Efficient communication between Korean and U.S. officers in a crisis is indispensable.

Third, the existing exercises may not cover a full range of training needed. It is important to add missing combined exercises in the future, especially to prepare for North Korea's WMD threats. Fourth, the ROK and the United States may need to conduct multilateral exercises at times on possible multinational force mobilization in such cases as the Persian Gulf War or Kosovo. It is uncertain that all U.S. augmentation forces will arrive in the ROK if the United States is engaged in another major theater war. If so, multinational forces and multinational military exercises can be valuable.

Fifth, it is important not to limit the ROK-U.S. combined exercises as long as North Korea does not carry out substantial military confidence-building and arms control steps. In the absence of the ROK's thorough military preparedness, it would be impossible to restrain North Korean aspirations for a communized Korean peninsula through armed provocations.

ROK-U.S. COMBINED FORCES COMMAND'S ROLES

The Establishment of the CFC.

A combined operational planning staff, developed in 1968 as an adjunct to the UNC/USFK/Eighth United States Army Headquarters, evolved in 1971 into an integrated field army headquarters. This was lodged in the ROK-U.S. CFC in 1978, when the ROK and the United States sought a military mechanism to make up for the proposed withdrawal of the U.S. ground combat forces (which was later cancelled). The 11th SCM of July 27, 1978 agreed on "Terms of Reference for the Military Committee and ROK-U.S. CFC," which included the mission and the function of the CFC as well as the MC. They provided a legal basis for the establishment of the CFC.

The UNC had kept the responsibility for defending the ROK and operational control over the ROK Armed Forces. However, when the UNC handed over operational control, the CFC was put in charge of defending the ROK. Thereafter, the commander of the UNC supervised the maintenance of the Armistice Agreement, with "directive authority" to assure allied compliance with the Armistice Agreement, and continued to provide a framework for a multinational response to North Korean aggression.

In July 28, 1978, the first MCM delivered Strategic Directive No.1 to the CFC and ordered CDRCFC to be in charge of defending the ROK. This directive included the command chains of the CFC during the armistice period as well as war, and clarified details of operational control within the CFC. The CFC was finally set up in November 1978. The ROK could have influence on the operational control of the CFC through the NCMA and the MC.

On October 6, 1994, the 16th MCM delivered Strategic Directive No. 2, which limited the CDRCFC to wartime operational control of ROK and U.S. military forces and provided the ROK CJCS with

armistice period operational control over the ROK units. Accordingly, on October 7, 1994, the 26th SCM agreed to revise the command system of the CFC and provide CDRCFC with Combined Delegated Authority (CODA), which gives him the necessary authority to plan and prepare for combined military operations in wartime. On December 1, 1994, the CFC handed over its peacetime operational control to the ROK JCS. However, some nationalistic Koreans argue for early handover of even wartime operational control to the ROK. Some of them call for the reduction or withdrawal of the USFK from their radical perspective. They are small in number, but active in shouting.

The Structure of the CFC.

Nowadays, the CFC receives operational guidelines and directives from the MC, which relies on strategic guidelines and directives from the SCM or the NA. The CFC consists of the CFC Headquarters, Combined Ground Component Command, Combined Naval Component Command, Combined Air Component Command, Combined Marine Forces Command, and Combined Unconventional Warfare Task Force.

The CFC Headquarters is composed of ROK and U.S. officers on an equal basis. The CFC is under a four-star U.S. commander, with a four-star ROK Army deputy commander. Throughout the command, if the chief of a staff section is Korean, the deputy is American, and vice versa. This integrated structure exists within the component commands as well as the headquarters. To accomplish its mission, the CFC has wartime operational control over more than 600,000 active-duty military personnel of all services. In wartime, augmentation would include ROK reservists and additional U.S. forces.

The CFC may be desirable in terms of war preparedness and efficacy of the two allies. However, the CFC seems to emphasize the roles and capabilities of the USFK in contingency. Therefore, some Korean critics are concerned about symbolic or substantial infringement on their national sovereignty. North Korea refuses to have inter-Korean military talks while it prefers to have U.S.-North Korean peace talks, assuming a U.S. hegemonic role in the Korean peace.

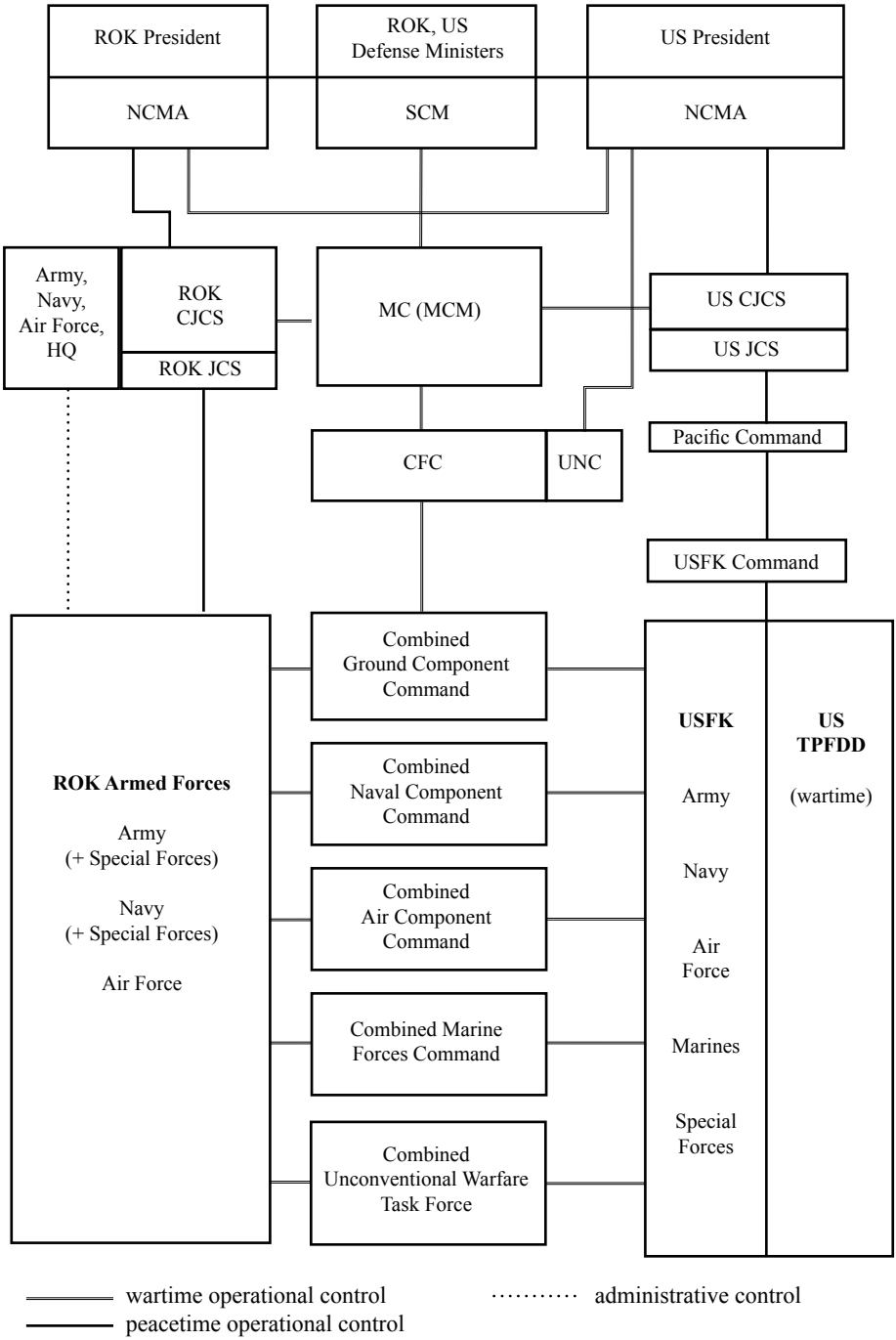

Figure 2. The Structure of the CFC.

Policy Recommendations.

The CFC has accomplished its goal to deter war on the Korean peninsula. However, we can make some suggestions for the further development of the CFC. First, the CFC must continue its flexible adaptation to security environment changes. The ROK and the United States have used the CFC mechanism to contain communist forces in Northeast Asia. Now the Union of Soviet Socialist Republics has collapsed, and China has adopted a capitalist economic system. The CFC, rather than expanding its role, may have to limit its strategic role to deterring war in Korea.

Second, the CFC should prepare for changes in the status of USFK, which may be motivated by conceptual changes in U.S. security or military strategy. In the late 1970s and 1980s, the United States pursued withdrawals of U.S. forces in accordance with changes in its security or military strategies. The end of the Cold War will necessarily influence U.S. security strategies and military organizations, which can change the stationing of the USFK.

Third, the CFC should prepare for challenges from progress in Inter-Korean reconciliation and cooperation. The more successfully the two Koreas develop exchanges and cooperation, the more the CFC's strategic value may be lessened.

Fourth, the CFC needs effective options for countering criticisms of U.S. forces in South Korea. Although the anti-USFK mood is not lethal yet, it has risen recently because of issues such as crime by U.S. soldiers, environmental pollution near U.S. bases, restraints on individual property rights from USFK training fields, the maintenance of main commanding posts in central Seoul, etc. In addition, U.S. domestic support for the USFK may fade, given the ROK's capacity to mount its own defense and anti-American protests in Seoul.

Fifth, the CFC should continuously devise responses to North Korea's political propaganda against USFK and the CFC. North Korea demands the abolishment of the CFC as well as the withdrawal of the USFK, while refusing to promote sincere peace and stability in Korea.

CONCLUSION

The ROK-U.S. Alliance has been successful in preventing

aggression since the cease-fire that ended the Korean War. This Alliance has relied on meetings such as the SCM, the MCM, the Trilateral Defense Consultation, the TCOG, and the Big-4 meetings. It has conducted a variety of combined exercises such as UFL, TS, RSOI, FE, etc., for upgrading deterrence and fighting power. The CFC has developed its structure, accomplished its mission, and fulfilled its function.

The ROK and the United States basically agree on keeping their Alliance and maintaining U.S. forces in Korea, even after unification. They expect USFK to play a stabilizing role in Northeast Asia in the 21st century. However, the ROK-U.S. Alliance will face various challenges and its future will be affected by how it copes with them. These challenges arise from domestic politics in the two Koreas, inter-Korean relations, the Northeast Asian security environment, U.S.-South Korea or U.S.-North Korea relations, and even U.S. domestic politics and security strategies.

ENDNOTES - CHAPTER 6

1. The term "National Command and Military Authorities" (NCMA) refers to the President, Secretary or Minister of Defense, and the Chairman of the Joint Chiefs of Staff of either of the two countries. In 2002 the U.S. Secretary of Defense decreed that the term "National Command Authorities" (NCA) should no longer be used to refer collectively to the U.S. President and Secretary of Defense. As of this writing, the term "National Authorities" (NA) is being used in place of "NCMA" for U.S. authorities.

2. From the establishment of the Combined Forces Command in 1978 until 2002, its commander was known as "Commander in Chief, ROK/U.S. Combined Forces Command (CINCCFC). In 2002, however, the U.S. Secretary of Defense forbade the use of the term "Commander-in-Chief" for any person other than the President of the United States. As of the time of this writing, the term being used for the officer previously called CINCCFC is "Commander, Combined Forces Command" (CDRCFC).

3. The Senior U.S. Military Officer in Korea is the highest level military representative of the U.S. Government stationed in Korea. He is also the Commander of the ROK/U.S. CFC, the Commander of the multinational United Nations Command (CDRUNC) and the Commander of U.S. Forces in Korea (COMUSKOREA), which is a purely U.S. command.

4. The TPFDD includes all the data on deployment of U.S. forces and material in support of the combined ROK-U.S. plan for the defense of Korea in the event of a North Korean attack.

5. This was written before the events of late 2002 which have called the continued viability of the nuclear accord into question.

PART III: NORTH KOREA AND KEDO

CHAPTER 7

IF NORTH KOREA WERE REALLY "REFORMING," HOW COULD WE TELL — AND WHAT WOULD WE BE ABLE TO SEE?

Nicholas Eberstadt[1]

Structural Problems in the Study of the Democratic People's Republic of Korea.

In any assessment of the strategic situation in Northeast Asia, an accurate evaluation of the outlook for North Korea is utterly indispensable, for the Democratic People's Republic of Korea (DPRK) lies at the very heart of the "Korea problem" as that problem is presently constituted. Yet while North Korean policies and practices have accounted for most of the volatility within the Northeast Asian region since the end of the Cold War, and may continue to do so over the immediate future, North Korean external behavior unfortunately is not easily understood or anticipated by foreign analysts. The reasons for this are readily explicable. As a socialist dictatorship that simultaneously embraces hereditary succession, the basic precepts of North Korean governance are intuitively alien to viewers of a liberal, Western sensibility. Further, for nearly decades Pyongyang has striven assiduously — and with extraordinary success — to suppress any and all information that might permit an independent assessment of the regime's performance. No less important, North Korea is a state that cleaves unremittingly to a policy of strategic deception (in bygone Soviet terminology, *maskirovka*).

Indeed, misleading potential adversaries about its intentions and capabilities seems to lie at the very heart of North Korea's statecraft. As we now know, the preparations for North Korea's surprise attack against South Korea in June 1950 carefully were kept secret, and Pyongyang even used diplomacy to help keep its target off-guard, offering Seoul a new peace and unification initiative just a week before it launched its assault.[2] The outbreak of the Korean War, however, is only the most famous of the DPRK's exercises in strategic deception. Strategic deception was a mainstay of North Korean external policy during the Cold War and has been an integral

part of its foreign policy since the end of the Cold War. For example, in early 1992, as the "Joint Declaration on The Denuclearization of the Korean Peninsula"[3] that Pyongyang had just signed with Seoul was supposed to be going into force, the DPRK submitted falsified data to the United Nations (U.N.) International Atomic Energy Agency (IAEA) about the status of its nuclear development program;[4] it was the discovery and exposure of these falsifications that triggered the international community's North Korean nuclear crisis of 1993-94. North Korea's reputation for "unpredictability," then, is in no small measure testimony to the success of official government policy.

North Korea: Gathering Signs Of Change.

For all the difficulties in divining the significance of developments in North Korea, signs of change on the North Korean stage have been gathering since Kim Jong Il's accession to the DPRK's "highest post of the state" in September 1998.[5] The aforementioned Pyongyang parleys of June 2000, for example, marked a dramatic departure from North Korea's previous posture toward inter-Korean summitry.[6] Other noteworthy, and intriguing, divergences from past practices or policies have been gradually accumulating. A partial inventory of these would include:

- In **North-South relations**, Pyongyang's November 1998 6-year, $942 million deal with the Hyundai business group for tourism in the Kumgang Mountain area, under whose terms over 400,000 outsiders have already visited the scenic North Korean site;[7] the commerce-oriented November 2000 Republic of Korea (ROK)-DPRK agreements on investment protection, prevention of double taxation, resolution of commercial disputes, and clearing settlement;[8] and the now-unfolding project (reportedly approved directly by Kim Jong Il) for a multi-billion dollar, 66-square-kilometer, Hyundai-built industrial park and residential development in the vicinity of Kaesong, just above the DMZ.[9]

- In **relations with the United States**, the unprecedented and cordial high-level meetings between Kim Jong Il and Secretary of State Madeleine Albright in Pyongyang, and in Washington between President William Clinton and

Kim's emissary National Defense Commission (NDC) Vice Chairman Jo Myong Rok, in 2000 — and no less unprecedented, the repeated reports that Kim Jong Il had informed South Korean and American leaders that he was reconciled to a continuing U.S. troop presence in the Korean peninsula, even after reunification.[10]

- In **international diplomacy**, the establishment, between early 2000 and summer 2001, of diplomatic relations with 11 Organization for Economic Cooperation and Development (OECD) countries and the European Union (EU) (and with most of its erstwhile Korean war military opponents as well!)[11] — punctuated by DPRK declarations that "there is no reason to hesitate about improving relations with capitalist countries"[12] and that "North Korea seeks friendly relations with all countries."[13]

- In **international security policy**, the DPRK's bid and accession, in the year 2000 to membership in the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) — the first such multilateral security dialogue that Pyongyang had ever entered; and North Korea's presentation at the 2001 ARF of an official paper titled "annual report on security prospects": a small but highly symbolic step toward making the regime's security calculations more transparent.

- Finally, there are the evident stirrings in the country's **economic policy**. In January 2001 came the striking pronouncement in *Nodong Sinmun*, the DPRK's party paper, that

> Things are not what they used to be in the 1960s. . . With the start of the new age of the 2000s, an all-around re-examination should be given to outworn patterns and practices. . . . We should bring about technical modernization by b oldly doing away with what needs to be abolished, instead of being shackled by ready-made ideas or hanging on to the old and outdated conceptions.[14]

Following this call for "a new way of thinking," the DPRK revealed that Chairman Kim Jong Il had paid an "unofficial" 6-day trip to China.[15] During their stay in Shanghai, Kim Jong Il and his

delegation apparently devoted much of their time to inspecting profit-oriented, Chinese-, Japanese-, and American-owned factories and reportedly twice toured the Shanghai stock exchange.[16] Shortly thereafter, the DPRK formally requested the U.N. Industrial Development Organization (UNIDO) to teach some North Korean college students about market systems and management,[17] while North Korean officials publicly voiced the hope that the DPRK might join the World Bank and the International Monetary Fund.[18] As for signs on the ground of "a new way of thinking": in spring 2001 North Korea reportedly erected its first commercial billboard[19] and scheduled its first fashion show to exhibit South Korean high couture;[20] perhaps more importantly, rumors were circulating that the DPRK was poised to enact a China-style contract-farming arrangement on a nationwide scale[21] and to develop a domestic internet infrastructure.[22]

Indispensible Facets of a Meaningful DPRK "Reform."

Not so long ago, any and all of the markers listed above might have seemed unthinkable for North Korea. Clearly, North Korea is changing. But to appreciate the *strategic* significance of these changes, we must ask: how profound are the changes now underway, what accounts for them, and what do they augur for the DPRK's habitually adversarial relations with its neighbors and the rest of the outside world?

The answers to all these questions, of course, turn on the intentions of the North Korean leadership. Unfortunately, that critical quantity remains obscure — for at least as yet, ruling circles in Pyongyang are no more inclined now than ever in the past to disclose their true thinking about the tactical and strategic issues they face. Consequently, deductions abroad about the regime's outlook, motivations, and estimations are unavoidably based upon inferences drawn from critically incomplete and often inconsistent evidence.

Be that as it may, despite Pyongyang's preternatural secrecy, we can be reasonably confident that we already know what sorts of changes in regime outlook would be necessary for a fundamental recasting of the country's international policy to be regarded as feasible or desirable. That knowledge provides us with the rudiments of a decryption key with which to uncode the diverse signs of change

in North Korea today, so that we might distinguish the strategically meaningful from the epiphenomenal.

As a necessary precondition for a more peaceable *modus vivendi* with the international community, we may submit the DPRK would have to embrace bold new answers to three old problems bearing centrally upon the identity and character of the state:

1. *The problem of "ideological and cultural infiltration."* North Korean authorities coined the term "ideological and cultural infiltration" to describe their perception of the impact on their country of exchanges of people, ideas, and goods with the outside, "imperialist"-dominated, world. In the aftermath of the Soviet collapse, North Korean ideologists argued that the downfall of socialism in Eastern Europe and the Union of Soviet Socialist Republics (USSR) was due in large measure to "cultural and ideological infiltration," and DPRK leadership vowed to protect their system from this menace.[23] If North Korean authorities decided, however, that "ideological and cultural infiltration" was a manageable difficulty rather than a regime-threatening menace, then experimentation with more pragmatic economic policies — including some sort of economic opening toward the outside world — would be a viable rather than a subversive proposition. An opening to the world economy, for its part, would raise the possibility that the DPRK could finance the operations of its system from the sale of conventional goods and services — rather than depend upon international military extortion for financial survival.

2. *The problem of weapons of mass destruction (WMD) and regime survival.* North Korea's prolonged, fathomless investment in its WMD programs and its accomplished recourse to nuclear diplomacy over the past decade, strongly suggest that the DPRK leadership regards mass destruction weaponry not only as an invaluable asset, but perhaps also as an indispensable tool for guaranteeing regime survival. (Official declarations in the past have hinted as much.[24]) An independent state will never willingly trade away an instrument it regards as vital to its survival — but if the DPRK leadership regarded its WMD as valuable but not vital, it would presumably be possible to negotiate an end to those programs in exchange for some particular package of benefits.

3. *The problem of South Korea's legitimacy.* From its earliest days, North Korea has insisted that the DPRK was the sole legitimate government on the Korean peninsula. Pyongyang, further, has exacted terrible sacrifices from its people in its long and dogged quest for unification of the peninsula on its own terms and its terms alone. The quest for unconditional unification with the South, one might argue, is deeply and inextricably fused into the constituting rationale of the DPRK system that we know today. If, however, the DPRK leadership convinced itself that the North Korean system could survive indefinitely next to the ROK, and that purposes of state were served by recognizing the legitimacy of the ROK, then a revolution in inter-Korean relations would be possible: a genuine Seoul-Pyongyang peace agreement (and presumably, a correlative official declaration of some kind of "one nation, two states" policy by which to justify the pact for the DPRK), a *detente* worthy of the name, and a massive demobilization of military forces on the Korean peninsula could all then be theoretically within grasp.

It will be evident upon reflection, incidentally, that arriving at new answers to every one of these problems is contingent upon, and reinforced by, arriving at new answers to each of the others.

Assessing Change In North Korea.

From a strategic perspective, signs of change in North Korea may thus be deemed important and meaningful insofar as they portend internal regime movement on three scores: economic opening, WMD proliferation, and North-South struggle. Consequently, we must ask: what would meaningful movement on these issues look like to us, given the limited apertures that outsiders have for peering into North Korea? And does available evidence suggest such movement is currently taking place?

Economic Opening.

We must bear in mind the simple fact that even serious adjustments in official economic policies and practices may not necessarily be driven by "new thinking." Such adjustments can also be forced upon a regime by sheer exigency — and official claims of "turning the corner" and "completing the Forced March" notwithstanding,

the DPRK remains in a dire economic straits. According to the latest assessment by the U.N. Food and Agriculture Organization (FAO) and the World Food Programme, for example, cereal production for the DPRK for 2000/2001 is expected to be fully a third below the level of 1995/96[25] — when Pyongyang first launched its international appeal for emergency food aid. The country's export capabilities are likewise in a state of virtual collapse: according to the ROK Unification Ministry, North Korea's export earnings in the first half of the year 2001 amounted to barely $350 million[26] — a sum that would work out to well under $20 per capita.

Under such circumstances, tactical and opportunistic improvisations may well be imperative for the survival of what Pyongyang terms "our own style of socialism." From an analytic standpoint, attributing the DPRK's observed economic improvisations to a postulated change in outlook on the part of North Korean leadership is to violate the very logic underlying "Ockham's razor" (e.g., "what can be done with fewer [assumptions] is done in vain with more").

It is perfectly true that North Korean party journals have recently averred that DPRK policy "by no means" insists upon a strategy of "economic construction with the door closed."[27] But as those same articles patiently emphasize, North Korea's "door" is officially open to "the accomplishments of modern science and technology"[28] — nothing else. In particular, North Korean policy still categorically opposes what it brands as "ideological and cultural infiltration," including "international, regional, and global cooperation and exchanges." "Lessons of history," according a July 2001 *Nodong Sinmun*, "show that once the door is open to the imperialists' ideological and cultural infiltration, the revolution can be destroyed at one stroke"; accordingly, "it is mandatory to completely block the route through which their ideology and culture infiltrate."[29] So deep is North Korea's doctrinal antagonism to these tendencies, indeed, that the DPRK Constitution specifically enjoins the state to combat "cultural infiltration" (Article 41). And since international economic integration is a prime vector for just such "cultural infiltration," North Korean doctrine remains implacably hostile to "globalization," a tendency Pyongyang continues to describe as "a nefarious crime against humanity."[30]

At this writing, North Korean economic *praxis* has faithfully followed published doctrine regarding "ideological and cultural

infiltration." The 1998 Mt. Kumgang tourism deal — the largest commercial venture Pyongyang has ever undertaken with a foreign partner — entails almost no exposure to the outside world since the tourists in question are ferried to and cordoned within a remote military area, and cash payments for the visits are wired directly to North Korean bank accounts. More recently, North Korea's posture on "ideological and cultural infiltration" has been revealed by its behavior on the light water nuclear reactor project underway in the country under the auspices of the Korean Peninsula Energy Development Organization (KEDO), the multilateral institution created under the 1994 "Agreed Framework." In 1997, that project had hired 200 North Korean workers to assist in construction activities, alongside 700 South Korean engineers. Even this tiny amount of contact with outsiders proved to be unacceptable to the regime: in 2000, under the pretext of a "labor dispute," the DPRK withdrew half of its local workers from the construction site, and in 2001 had KEDO replace them with Uzbek nationals.[31] KEDO is now poised to replace the North Korean workforce in its entirety.[32]

Evocative as Kim Jong Il's tour of Shanghai has been to many students of North Korean affairs, there are reasons to doubt that the visit portends a North Korean effort to replicate a China-style economic opening. First, the visit served clearly identifiable North Korean interests entirely separate from any possible urge to emulate China.

For one thing, as a longstanding recipient of Chinese foreign aid, it would certainly be in Pyongyang's interest to make a symbolic gesture sure to please its sponsors. For another, Pyongyang is fervently committed to defense modernization, and the tour of diverse high-tech plants and facilities by Kim Jong Il's predominantly military delegation[33] self-evidently served preexisting martial objectives. Foreign visits by high-level North Korean delegations typically serve military purposes. Recall that NDC Vice Chairman Cho Myong Rok began his October 2000 visit to the United States with a visit to Lucent Technologies[34] and other "IT" concerns — information technologies are the basis of today's emerging "revolution in military affairs" (RMA) — and that Kim Jong Il inspected a tank factory and a former Soviet inter-continental ballistic missile (ICBM) development facility on his July/August 2001 visit to Russia. North Korea's interest in a country's military or dual/use technology does not necessarily imply a corresponding interest in its economic system.

Second, Kim Jong Il's reported Shanghai-tour comments concerning China's achievements were actually quite circumspect and noncommittal.[35] In the Chinese press, Kim was quoted as "stress[ing] that the big changes that had taken place . . . since . . . China began the reform and opening up drive, proved that the policies of reform and opening up adopted by the [Chinese Communist Party] are correct"[36] — for China. North Korea's policies, by contrast, were held to be correct for the DPRK, and the North Korean press pointedly emphasized that China's leadership had congratulated "the Korean people" for "remarkable progress and achievements in various domains including socialist construction . . . successfully surmounting manifold difficulties under the leadership of . . . Kim Jong Il."[37]

Third, the particulars of China's post-1978 economic policy would seem poorly suited for the contemporary DPRK. The mismatch involves both initial conditions and policy priorities:[38]

- Post-Maoist China was a predominantly rural, agricultural society, whereas North Korea is already urbanized and (mis)industrialized;

- China's economy in the late 1970s enjoyed a measure of macroeconomic stability obviously absent from North Korea's today;

- Though the *renminbi* in the late 1970s was a nonconvertible currency, its role as medium of economic exchange was vastly greater than that permitted the DPRK *won* today;

- China's reallocation of resources included massive (if temporary) demobilizations of military manpower and cutbacks in the defense industries, while North Korea continues to enshrine "military-first politics";

- Not least importantly, China relied heavily upon ethnic Chinese from the diaspora for the capital, technology, and entrepreneurship that stimulated Chinese linkages with the world economy; any call today for a similar reliance by the DPRK on outside Koreans would be labeled counter-revolutionary in Pyongyang.

Given these nontrivial discrepancies and contradistinctions, an attempt to implement China-style economic policies could easily have economic and political repercussions that North Korean leadership would regard as highly adverse. *Choson Sinbo*, the paper of the pro-DPRK Korean community in Japan (*Chochongnyon* or *Chosen Soren*), was therefore most likely correct when it asserted, in the aftermath of Kim's Shanghai tour, that "[H]is inspection was aimed at seeking 'reference,' not at following a Chinese-style reform and opening."[39]

If North Korea *were* to experiment deliberately with a new economic direction, one might expect the chosen path to comport less with the recent "China model" than with "military as modernizer" template familiar from the political economies of prewar Japan and Park Chung Hee's South Korea.[40] Both of those "models," it may be recalled, relied upon an "economic opening," and indeed depended upon growing integration with outside economics for their success.[41]

If Pyongyang were to embark upon a genuine move toward an economic opening, what initial signs would outsiders be able to see? Some of these might include: 1) meaningful departure from old "economic" themes, and new dialogue about economic issues, in DPRK propaganda and guidance organs; 2) doctrinal reorientation regarding the treatment of profit-generating transactions in official DPRK pronouncements — and especially profits involving transactions with foreign concerns; 3) an attempt on the part of the DPRK to settle its longstanding international "debt default" problems;[42] 4) a parallel effort to remonetize the domestic North Korean economy; 5) a move toward greater economic transparency, i.e. the publication of economic and social statistics describing the North Korean domestic situation; and 6) serious attempts to promulgate a legal framework for potential foreign investors that might assist in attracting profit-seeking overseas entrepreneurs to North Korean soil. As yet, for better or worse, none of those "indicator lights" appear to be flashing.

WMD Development.

Hopes that the DPRK's commitment to its decades-old drive for

WMD might be wavering — and that the Pyongyang leadership might ultimately be convinced to forswear the project altogether — are buoyed by the following facts:

- On the nuclear front, the "Agreed Framework" has resulted in a shutdown of North Korea's only identified reactor/ reprocessing facility, and the United States has not confirmed any suspicious nuclear activities in the DPRK since the signing of the document in 1994. [This was written befor the events of late 2002 indicated that North Korea has been pursuing an enriched uranium weapons program. Ed.]

- On the missile front, in September 1999 the DPRK acquiesced in the previously mentioned rocket-launch moratorium in talks with the United States; in July 2000 Kim Jong Il privately advised visiting Russian President Vladimir Putin that North Korea would scrap its missile program if other countries would launch DPRK satellites into space;[43] in October 2000, Kim Jong Il personally assured visiting U.S. Secretary of State Albright that there would be no more North Korean "satellite" launches;[44] in late 2000, Clinton administration officials engaged in extensive missile talks with North Korean counterparts, and the U.S. point person in the discussions concluded "an agreement was within reach;"[45] in May 2001, Kim Jong Il told a visiting EU delegation headed by Swedish Prime Minister Goran Persson that North Korea's missile-launch moratorium would be extended to the year 2003;[46] and in August 2001, in a visit to Moscow, Kim Jong Il issued a joint declaration with President Putin in which North Korea reaffirmed its pledge to refrain from missile tests until 2003.[47]

Weighing against these promising signs, however, are a host of indications that the DPRK continues to place an extraordinarily high value on its present capabilities and future potential as a producer of weapons of mass destruction. While it may not be possible for outsiders to determine categorically whether North Korea's posture in its international diplomacy concerning DPRK WMD programs reflects deep strategic design or instead mere tactical bargaining, Pyongyang has been stubbornly unwilling to date to provide

the international community with credible assurances that it has abandoned the path toward proliferation.

On the nuclear issue, to begin, North Korea has, for nearly 7 years and under a succession of objections and excuses, adamantly refused to permit the unrestricted inspections of its Yongbyon facilities by the IAEA specifically envisioned in the "Agreed Framework"[48] document. (Those inspections are supposed to determine how much bomb-quality plutonium North Korea generated before the "Agreed Framework" — and by extension, whether the DPRK may already possess nuclear weaponry.) Further, Pyongyang has, in the course of its wide-ranging negotiations with the United States, repeatedly threatened to restart its frozen Yongbyon nuclear program,[49] the most recent of these warnings having been issued in June 2001.[50] [The North Korean leadership has made similar threats in late 2002 and 2003, after KEDO ended the supply of heavy fuel oil. Ed.] Despite America's certification that Washington has not detected any illicit DPRK nuclear activities, North Korea has also deliberately encouraged, and skillfully profited from, the international perception that it could not be trusted to abide by its promised freeze of its nuclear program: in March 1999, it extracted what it called a "visit fee" of over 500,000 tons of cereals from the United States for permission for a U.S. team to inspect an enormous underground facility at Kumchang-ri whose construction suggested surreptitious nuclear development efforts were underway, and whose purpose Pyongyang would not forthrightly explain.[51]

Finally, there is the unanswered question of why the DPRK has insisted, in the crafting of the "Agreed Framework" and ever since, in the replacement of its plutonium-generating Yongbyon plant with new, KEDO-supplied, plutonium-generating light-water nuclear reactors. Pyongyang officially acknowledges that it is suffering from pervasive electricity shortages,[52] and the new reactors, which will not be completed for at least 7 more years,[53] will not be able to provide power to the North Korean economy until the DPRK's electrical grid is renovated and upgraded.[54] Why a project incapable of meeting the country's pressing and immediate economic needs, but prospectively capable of eventually supplying fissile material to the regime, should meet Pyongyang's strategic objectives has yet to be explained by North Korean leadership.

On the missile issue, North Korea's pledge of a launch moratorium until the year 2003 offers rather less than meets the eye.

In the 5 years between May 1993 and August 1998, recall that the DPRK launched no rockets — yet thanks to clandestine development projects, Pyongyang successfully leapfrogged from its single stage, liquid-fuel No Dong missile to the improved multi-stage, solid-fuel, ballistic Taepo Dong model.[55]

Since September 1999 — in the period of the self-declared DPRK moratorium on test-launches — Pyongyang has carefully underscored that it is not bound to halt rocket and satellite research and development (since these are "sovereign rights"[56]); and indeed, in July 2001 American intelligence reportedly detected tests of new North Korean rocket engines.[57] North Korea has also consistently reaffirmed as its sovereign prerogative the right to sell abroad any missiles that it might be able to manufacture, and through 2001 was reportedly exporting missile components and technology to Iran and other interested buyers.[58]

As for the claims by outgoing Clinton administration officials that "a deal was within reach" on North Korean missiles at the end of their tenure, the incoming Bush administration (which is now privy to the confidential details of those past Pyongyang-Washington deliberations) has publicly demurred: in the words of one Bush administration National Security Council (NSC) official, "We've looked at the [record] . . . There was nothing close to an agreement. There was no verification element in anything the previous administration had discussed."[59]

Finally, there is the curious detail of North Korea's relentless denunciation of America's proposed national missile defense (NMD) plan.[60] It is true that Washington's prospective program for NMD has been sharply criticized by both Moscow and Beijing — but both Russia and China are countries with acknowledged nuclear and ballistic inventories, whose credibility would be directly affected by the success of the envisioned American program. Wherefore then Pyongyang's bitter opposition to American missile defense?

To this date, there is little evidence that North Korea has, at any point in its more than 5 decades of existence, ever voluntarily abjured any new instrument of military force that might possibly lie within its grasp. (Today, indeed, such a renunciation would seem fundamentally inconsistent with the state's established policies of *Kangsong Taeguk* and "military-first politics.") Moreover, North Korea's commitment to developing WMD was implicitly reaffirmed in June 2001 in a full front-page *Nodong Sinmun* editorial, which

exhorted that "We should hold fast to the military-first politics *and build up our military strength in every possible way*."[61] [emphasis added.]

If North Korea *were* to head on a different road regarding proliferation, the first clear sign of a change in attitude would be a new stance toward outside verification of North Korean WMD activities. For the time being, however, Pyongyang maintains that U.S. calls for verification conceal "a dark ulterior motive to thoroughly investigate our national defense and military bases . . . [a plot to] completely dig out our interior organs [*sic*] . . ."[62] and that "the issue [of verification] can never be on the agenda for DPRK-U.S. talks"[63].

North-South Relations.

The DPRK's diplomatic behavior toward Seoul since early 2000 — the Pyongyang Summit and North-South Declaration; the subsequent high-level deliberations between the two sides; Kim Jong Il's promise to visit the South "at the appropriate time"; the North's willingness to accept food aid and economic subsidies from the South Korean government — all may seem to suggest that Pyongyang implicitly has come to recognize the ROK's right to exist as a state. Unfortunately, other evidence suggests the matter is not so straightforward.

Although the North Korean government unarguably toned down its anti-Seoul invective in the wake of the Pyongyang summit, the DPRK's longstanding official estimate of the legitimacy of the South Korean state remained unaltered. This fact was underscored by the pronouncements of the "National Democratic Front of South Korea" (NDFSK) — the only entity representing the South to be accorded a mission in Pyongyang at this time. (The NDFSK is purportedly a South Korea-based organization, but is actually a creation of the DPRK, operating in and broadcasting for North Korea.)

Two months after the Pyongyang summit, a statement by the NDFSK explained the group's purpose: "to put an end to the U.S. colonial rule over South Korea and establish a regime based on national independence and . . . democracy . . ."[64] That formulation unmistakably characterized the ROK as an American colony, possessed of neither national independence nor a democratic system. The assessment has since been reinforced and clarified by

NDFSK calls for South Korea's "emancipation" from "the 50-odd-year U.S. colonial rule"[65] and admonitions that South Koreans "will forever undergo disgrace as colonial slaves of foreign forces" if they do not "rise in anti-U.S. resistance" and "abolish pro-U.S. submissive diplomacy." [66]

The NDFSK is ostensibly unconnected to the North Korean government. But official statements by the DPRK media convey the very same message. A February 2001 statement, for example, referred to South Korea's legislature as the "national assembly" — sneer quotes and lower case letters in the original.[67] And in August 2001, *Minju Choson*, the DPRK's party journal, made Pyongyang's view of the ROK crystal clear. The essay decried the present ROK government as the descendant of "the Korean government-general of the Japanese imperialists," which "the U.S. imperialist . . . renamed the 'U.S. military government'"; it further intoned that the United States "enforced a 'military rule' in South Korea" and "illegally . . . set up a pro-American 'separate government' there":[68] that is to say, the state currently governed by the Kim Dae Jung administration.[69]

Is it possible that these recent media pronouncements misstate official DPRK policy? While this contingency cannot be dismissed, the chances of such a media error are exceedingly unlikely. More than possibly any other Communist state, the DPRK has made a fetish of subjecting its media outlets to party discipline; Kim Jong Il's own extensive background in propaganda and "guidance" underscores the attention that is devoted by Pyongyang to every word it prints or broadcasts. That recent reading of the South Korean system, furthermore, is consistent with both North Korea's basic ideological documents and the present declarations of the DPRK's top officials. The current preamble of the Workers' Party of Korea (WPK) charter, for example, states that "The present task of the WPK is to ensure . . . the accomplishment of the revolutionary goals of national liberation and the people's democracy in the entire area of the country":[70] that is to say, in South Korea.[71]

North Korean "Reform" and the U.S.-ROK Military Alliance.

The corollary of the DPRK's estimate of the legitimacy of the South Korean state is Pyongyang's posture toward the ROK's military alliance with the United States. According to President Kim Dae Jung, at the Pyongyang summit "North Korea has consented

to the South's view that U.S. troops should continue to stay on the Korean peninsula."[72] President Kim has recounted his June 2000 conversation with Kim Jong Il over the future of American forces in the peninsula on a number of occasions; his account seems to be corroborated by China's *Beijing Review*, which has intimated that North Korean officials told Chinese sources that Pyongyang might reconcile itself to a long-term U.S. troop presence under certain specific conditions.[73] Yet these fascinating emanations are to date wholly at odds with the stated position of the North Korean government, and indeed with Kim Jong Il's own published post-Pyongyang summit comments, all of which maintain that the United States is responsible for the division of Korea, that the U.S. alliance with South Korea is totally unacceptable, and that U.S. troops should withdraw from the ROK and the Korean peninsula.

In the months since the Pyongyang summit, Kim Jong Il has given two interviews in which he discussed American forces on the Korean peninsula: one to a Korean-American reporter (June 2000), the other to Moscow's *Itar-Tass* news agency (July 2001). In the former, he is quoted as saying:

> President Kim Dae Jung's image had not been so good among our people. For instance, he has advocated continued U.S. military presence in our country even after the unification has been realized . . . We have urged U.S. forces to leave Korea. However, I don't expect them to leave soon. The Americans, more than anybody else . . . are responsible for the partitioning of Korea into two halves. They are accordingly obligated to facilitate its reunification.[74]

In the *Itar-Tass* interview, Kim's view is more succinct: "The whole world knows that the United States has forcibly occupied half of our country's land and is constantly threatening us."[75] Neither of these pronouncements sounds like an invitation to American forces for an indefinite stay on the Korean peninsula.

The DPRK's post-Pyongyang summit declamations about U.S. forces in Korea are entirely consonant with Kim's words, and elaborate upon his expressed viewpoint. Especially interesting is the sounding of *Nodong Sinmun* on June 16, 2000 — the day after the Pyongyang summit concluded. In that presentation, it is emphasized that,

> Korea's division is what outside forces imposed upon the country. If they had not occupied Korea, there would have been no division of the county. . . . The major outside power responsible for the division of the country is the United States. . . . U.S. imperialists [are] the mastermind of national division and the key obstructer of national unification. . . . Withdrawal of U.S. troops — that should be the first step for the United States to take to help Korea's reunification . . . [76]

In the following months, the drumbeat of criticism against the U.S. military alliance with South Korea continued to reverberate. By one count, between the June 15, 2000, Pyongyang summit and August 1, 2001, North Korea's state news agency, *KCNA,* vented 61 criticisms of the American troop presence in the South.[77] Though many of these forays did not specifically call for a U.S. pullout, a large number of *KCNA* items — and many more from other North Korean outlets — explicitly did. Thus, in various pronouncements, U.S. troop pullout was held to be a "stumbling block to reunification" (*Radio Pyongyang*, March 2001[78]); a "prerequisite for disarmament" (*Nodong Sinmun*, April 2001[79]); "a precondition for arms reduction" (*Nodong Sinmun,* May 2001[80]); and even "the master key to reconciliation, cooperation, and lasting peace on the Korean peninsula" (*KCNA*, April 2001[81]). In March 2001, *Pyongyang Central Broadcasting Station* insisted "the United States . . . give up its domination and invasive policy over the South";[82] in July 2001, *Nodong Sinmun* demanded "the unconditional withdrawal of the U.S. imperialist aggression troops from South Korea."[83]

Any lingering doubts about the DPRK's official position on U.S. troops in South Korea should have been satisfied by the joint declaration with the Russian government on the occasion of Kim Jong Il's Moscow August 2001 meeting with Vladimir Putin. In that document, the DPRK avowed "The pullout of the U.S. forces from South Korea is a pressing issue which brooks no delay."[84]

Pyongyang has indicated, incidentally, that it would not be satisfied simply with a U.S. military withdrawal from South Korea: since it holds that "the U.S. insistence on its military presence in the region is designed to establish military domination over the Asia-Pacific" and "is aimed to use Japan as a shock brigade in Asian aggression" (*Minju Choson*, February 2001[85]), a U.S. military pullout from Japan is also a requirement for peace and stability in the region.

In the North Korean lexicon, an "independent" South Korea is defined as a South Korea no longer stationing American forces, or bound to the United States by a military alliance. It is therefore highly significant that the first point in the June 15, 2000, "North-South Declaration" signed by Kim Dae Jung and Kim Jong Il in Pyongyang should read "The North and the South agreed to solve the question of the country's reunification independently by the concerted efforts of the Korean nation responsible for it."[86] After the Pyongyang summit, it became known that President Kim had not consulted the United States about this particular linguistic innovation in his "Sunshine Policy."[87] President Kim Dae Jung further revealed that he "had agreed to include the North Korean phrase [in the declaration] in return for Kim Jong Il's agreement to a new government framework [for eventual reunification'],"[88] and gamely explained that his own interpretation of the phrase "independent" was that "the two Koreas will work together maintaining friendly relations with surrounding nations."[89]

In context of the joint declaration, however, what mattered was not President Kim's personal definition of the word "independent." Following the summit, North Korea repeatedly insisted that the spirit of the joint declaration be "recognized" and the objectives "implemented." The meaning of the joint summit declaration, Pyongyang stressed, was that "reunification will be realized only when the two Koreas gather together to resolve matters without any other foreign powers involved in the process."[90] Pyongyang further averred that "our paramount, longstanding desire is to reunify the country at an early date," but "as long as U.S. interference continues, we cannot resolve the issue of reunification on our own."[91]

North Korean officials have further explained that the key obstacle to the progress of the North-South declaration is the United States, which is "refusing the North-South Joint Declaration and hindering its implementation."[92] For although (as North Korean media phrases it) the "North-South relationship . . . has entered the track of harmony . . . with the historic . . . announcement of June 15 North-South Joint Declaration . . . [the United States] block[s] our nation's independent reunification."[93] By Pyongyang's particular construction, of course, any American effort to preserve or uphold the U.S.-ROK military alliance would amount to hindering the implementation of the joint declaration.

If North Korea were to evidence a new attitude toward the

legitimacy of the ROK, the indications of this change would be direct and unmistakable: its highest figures and its official media would simply disclose that they were prepared to accept the existence of the South Korean state, that they recognized the ROK's right to conduct its own foreign policy, and they respected (while respectfully disagreeing with) Seoul's decision to maintain a military alliance with the United States. No such disclosures, of course, have been offered to date. To the contrary: as the evidence adduced already should underline, Pyongyang has steadily attempted to use the South's "Sunshine Policy" to drive a wedge between the United States and the ROK.

By Pyongyang's reckoning, its policies since the June 2000 summit have been successful indeed: as one North Korean broadcast in July 2001 enthused, "Today is a rare day when everything is proceeding in accordance with our wishes . . ."[94]

ENDNOTES - CHAPTER 7

1. This essay abridges a longer study by the author from the just-released report, *Strategic Asia 2001-2002: Power and Purpose*, Richard J. Ellings and Aaron Friedberg, eds, Seattle, WA: National Bureau of Asian Research, 2002.

2. John Merrill, *Korea*: *The Peninsular Origins Of The War*, Newark, DE: University of Delaware Press, 1989, p. 176.

3. Text of the Declaration available electronically at the ROK Unification Ministry's website *http://www.unikorea.go.kr/cgi-eg/eb.cgi?41D41/D4129.htm*; accessed August 9, 2001.

4. Don Oberdorfer, *The Two Koreas: A Contemporary History*, Reading, MA: Addison Wesley, 1997, pp. 268-271.

5. As with so many things North Korean, there is ambiguity today about what exactly the top slot in the government happens to be. According to the 1998 revision of the DPRK Constitution, Kim Il Sung, who died in 1994) is the "eternal President of the Republic." (The full text of the Socialist Constitution of the DPRK is available electronically at *People's Korea* website, *http://www.korea-np.co.jp/pk/061st_issue/98091708.htm*; accessed July 30, 2001.) The Constitution itself does not indicate the top position of state for living office-holders, but in nominating Kim Jong Il for National Defense Commission, NDC) Chairman, Kim Yong Nam, head of the Presidium of the DPRK Supreme People's Assembly, SPA, declared that "the NDC chairmanship is the highest post of state." *Korea Central News Agency* (hereafter *KCNA*), "Kim Jong Il's election as NDC chairman proposed," available at the *KCNA* website, *http://www.kcna.co.jp/item/1998/9809/news09/05thm.*#2; accessed July 30, 2001.

6. It is true that North Korea had previously invited South Korean leaders to Pyongyang. But the earlier invitation to President Roh Tae Woo would have cast him as a celebrant — and supplicant — at Kim Il Sung's colossal national birthday party — terms of reference no ROK President could have accepted. Again, in 1994, Kim Il Sung invited Roh's successor, President Kim Young Sam, to a meeting in Pyongyang in 1994 — but Marshal Kim died just after extending the invitation, and before any arrangements for that summit had been negotiated.

7. By late May 2001, a total of 396,000 tourists — almost all of them South Korean — had visited Kumgangsan through Hyundai Asan Corp. "Hyundai Finds No Breakthrough In Mt. Kumgang Project," *Korea Times,* May 28, 2001.

8. ROK Ministry of Unification, "Economic Agreements between South and North Korea," *Korean Unification Bulletin*, No. 31, May 2001, pp. 2-3.

9. Cf. "Kaesong to be designated as special economic zone to host Hyundai's industrial complex," Vol. 8, No. 10, 2000, news report on Hyundai Asan Corporation website, available electronically at *http://www.hyundai-asan.com/english/news1/list.asp*; accessed July 27, 2001; Soon-jick Hong, "Developing The Kaesong Industrial Area: Economic Effects And Future Tasks," *VIP Millennium Report*, Seoul: Hyundai Research Institute, Vol. 6, 2001, pp. 15-19.

10. See, for instance, "Kim Says He Struck Unexpected Accord With Kim Jong-il on Unification Issue," *Korea Times*, June 17, 2000; Shino Yuasa, "North Korean leader okays US forces on peninsula: report," *Agence France Presse*, August 9, 2000; "North Korean Leader Okays US Forces On Peninsula," *Financial Times*, August 10, 2000; Doug Struck, "South Korean Says North Wants US Troops To Stay," *Washington Post*, August 30, 2000, p. A1; Jane Perlez, "South Says North Agrees US Troops Should Stay," *New York Times*, September 11, 2000, p. A3; Lee Young-jong, "North 'Understands' Troops," *English JoongAng Ilbo* (internet, February 21, 2001.

11. Between January 2000 and August 2001, the DPRK normalized diplomatic relations with Australia, Italy, the United Kingdom, the Netherlands, Belgium, Luxembourg, Canada, New Zealand, Germany, Spain, Greece, and the European Union. Eight of those countries (Australia, Belgium, Canada, Greece, Luxembourg, Netherlands, New Zealand, and the United Kingdom) had shed blood in the Korean War, under the aegis of the UNC. Over this same period, North Korea also forged diplomatic ties with two other former UNC enemies: the Philippines and Turkey. As of August 2001, only two of the 17 countries that had fought against North Korea in the Korean War had not yet established diplomatic relations with the DPRK: South Korea and the United States.

12. *KCNA*, January 12, 2001; reprinted in U.S. *Foreign Broadcast Information Service*, hereafter, *FBIS*) as "DPRK's KCNA: Respect for independence called for," *FBIS*-EAS-2001-0112, January 12, 2001.

13. Central Broadcasting Station, Pyongyang, May 3, 2001; translated as "North Korean radio reviews developments in relations with EU," *BBC Monitoring Asia Pacific-*

Political Supplied by BBC World Monitoring, May 4, 2001.

14. *Nodong Sinmun*, "21st Century Is Century of Great Change and Creation," January 4, 2001; translated on *People's Korea* website at *http://www.korea-np.co.jp/pk/154th_issue/2001012503.htm*; accessed March 15, 2001.

15. *KNCA*, "Kim Jong Il pay unofficial visit to China," January 20, 20001; available electronically at *http://www.kcna.co.jp/item/20001/200101/news01/21.htm*; accessed March 15, 2001.

16. *Xinhua*, January 20, 2001; translated as "Kim Chong-il Visits China, 15-20 January; Holds Talks With Jiang Zemin, Others," *FBIS*-CHI-2001-0120, January 20, 2001; *Joongang Ilbo*, January 19, 2001, reprinted as "Kim Chong-il Confers With PRC President Jiang Zemin, Visits Stock Market Twice," *FBIS*-EAS-2001-0118, January 19, 2001.

17. *The Korea Herald*, March 2, 2001, reprinted as "DPRK Asks UN To Teach Students Market Systems," *FBIS*-EAS-2001-0301, March 2, 2001. According to the ROK Ministry of Unification, nearly 400 North Korean officials have received overseas training since 1998. Ko Soo-kuk, "Nearly 400 N.K. Officials Out to Study Capitalism Abroad," *English JoongAng Ilbo*, June 4, 2001.

18. *The Korea Herald*, March 12, 2001, reprinted as "DPRK Officials Said Hoping for P'yongyang To Join World Bank," *FBIS*-EAS-2001-0311, March 12, 2001.

19. *Yonhap News Agency*, June 4, 2001, reprinted as "South Korean agency reports North approves first billboard ads," *BBC Monitoring Asia Pacific-Political Supplied by BBC World Monitoring*, June 4, 2001.

20 "South Korean Designer to Hold Fashion Show in Pyongyang," May 30, 2001, on a *Choson Ilbo* website *http://nk.chosun.com/english/news/news.html?ACT=detail&res_id=4298*; accessed July 30, 2001.

21. *Digital Chosunilbo*, "North Korea to Introduce Farmers' Contract," March 4, 2001 available electronically at *http://www.chosun.com/w21data/html/news/200103/200103040310.html*; accessed March 5, 2001.

22. *Korea Times*, "North Korea Online This Year," February 13, 2001, available electronically at *http://www.hk.co.kr/times/200102/t200102131738554011114.htm*; accessed February 14, 2001.

23. For example,

> The former East European socialist countries opened their door to the imperialists' ideological and cultural infiltration . . . As a result, . . . they were ruined after all. . . . The fact that these countries collapsed without firing even a single shot clearly exhibits how dangerous the imperialists' ideological and cultural infiltration is.

Nodong Sinmun, February 6, 2001, translated as "DPRK Daily Urges 'Imperialists' Ideological, Cultural Infiltration' Be Blocked," *FBIS*-EAS-2001-0220, February 26, 2001.

24. For example, in December 1998 a spokesmen for the General Staff of the North Korean People's Army (KPA) pointedly asserted that "It must be clearly known that there is no limit to the strike of our people's army and that on this planet there is no room for escaping the strike"; more recently, the DPRK media intoned that "The nation's flourishing and the country's prosperity entirely depend upon the barrel of the gun . . . When the barrel of the gun rusts, the country and the nation collapses. . . . [O]ur people will become slaves and the party and the revolution will all perish when the barrel of the gun became rusty. . ." "DPRK's Military Warns of 'Annihilating Blow' to U.S.," *KCNA*, December 2, 1998, available electronically on the *People's Korea* website at *http://www.korea-np.co.jp/pk/072nd_issue/98120206.htm*; accessed July 1, 2001; *Korean Central Broadcasting Station*, Pyongyang, July 24, 2001, translated as "DPRK Stresses Leader's 'Invincible' Military-First Politics," *FBIS*-EAS-2001-0725, July 24, 2001.

25. Food and Agriculture Organization and World Food Programme, "FAO/WFP Crop And Food Supply Assessment Mission To The Democratic People's Republic Of Korea," 27 July, 2001, available at the WFP website at *http://www.wfp.org/newsroom/in_depth/north_koreaII.html#*; accessed August 3, 2001.

26. "N.K. Overseas Trade Estimated as 1.51 billion for First Half," *English JoongAng Ilbo*, online, July 27, 2001, available at *http://www.english.joins.com/nk/article.asp?aid=20010727184740&sid=E00*; accessed August 2, 2001. That report placed North Korea's "international" exports for the first half of 2001 at $290 million. The South Korean government does not count North-South commerce as "international" trade — but North Korea only exported $63 million in goods to the ROK during that same period, according to the Unification Ministry. "Inter-Korean Trade Decreased by 2.7% for First Half," *English JoongAng Ibo*, online, available at *http://www.english.joins.com/nk/article.asp?20010725174747&sid=E00*; accessed July 27, 2001. Taken together, the Unification Ministry's estimates imply global commodity export revenues of $353 million. Assuming a North Korean population in the range of 20-25 million would imply per capita export revenues of $14-$18 for the first half of the year 2001.

27. *Nodong Sinmun*, February 28, 2001, translated as "DPRK Daily: Self-Reliance Does Not Mean Keeping 'Door Closed Up' To S&T," *FBIS*-EAS-2001-0316; March 21, 2001.

28. *Ibid*.

29. *Nodong Sinmun*, July 20, 2001, translated as "DPRK Daily Urges Prevention of 'Imperialists' Ideological, Cultural Infiltration," *FBIS*-EAS-2001-0727, August 2, 2001.

30. *Nodong Sinmun*, June 21, 2001, translated as "DPRK Full Front-Page Article Discusses 'National Pride'," *FBIS*-EAS-2001-0629, July 3, 2001.

31. *Choson Ilbo*, February 16, 2001, translated as "Nuclear group refuses North Korean wage demand, to use Uzbek workers," *BBC Summary of World Broadcasts*, FE/D4075/S1, February 19, 2001.

32. *Yonhap* News Service, May 24, 2001, reprinted as "ROK's Yonhap: Seoul, Tokyo Already Fund $510 Mln Into KEDO Project," *FBIS*-EAS-2001-0524; May 29, 2001.

33. Cf. *Choson Ilbo*, January 21, 2001, translated as "Further on 9 Figures Who Accompanied DPRK Leader on Visit to PRC," *FBIS*-EAS-2001-0121, January 24, 2001.

34. Glen Chapman, "North Korean Envoy Arrives in US," *Agence France Presse*, October 9, 2000.

35. Kim Jong Il has only once been quoted as evidencing personal interest in another country's economic system. During Secretary of State Albright's October 2000 visit to Pyongyang, Kim reported told her that he was looking to Sweden as a model for national development. *Yonhap* News Agency, October 25, 2000, reprinted as "North Korea said adopting Swedish economy as development model," *BBC Summary of World Broadcasts*, FE/W0664/S1, November 1, 2000. Sweden, of course, is an export-oriented, high-tax capitalist economy with solid commercial codes and firm property laws, and with a convertible currency. Kim's curious comment may or may not have been intended to test his guests. That comment should be kept in mind, however, in judging the credibility of other confidential revelations that he has personally offered to outsiders.

36. *Xinhua*, January 20, 2001, reprinted as "North Korean leader pays 'unofficial' visit," *BBC Summary of World Broadcasts*, FE/D4050/G, January 22, 2001.

37. *KCNA*, "Kim Jong Il pays unofficial visit to China," available electronically at *http://www.kncna.co.jp/item/2001/200101/news01/21.htm#1*; accessed August 4, 2001.

38. For background on the Chinese experience, see Gordon Bennett, ed., *China's Finance And Trade: A Policy Reader*, Armonk, NY: M. E. Sharpe, 1978; Yun Wing Sung, *The China-Hong Kong Connection: The Key To China's Open-Door Policy*, New York: Cambridge University Press, 1991; Susan L. Shirk, *How China Opened Its Door: The Political Success of the PRC's Foreign Trade and Investment Reform*, Washington, DC: The Brookings Institution, 1994; Nicholas R. Lardy, *China's Unfinished Economic Revolution*, Washington, DC: The Brookings Institution, 1998; and You-tien Hsing, *Making Capitalism Work In China: The Taiwan Connection*, New York: Oxford University Press, 1998.

39. The *Choson Sinbo* article ran on February 9, 2001, and is summarized in *Yonhap* News Service, February 11, 2001, translated as "DPRK Said Not Planning To Adopt Chinese-Style Economy," *FBIS*-EAS-2001-0211, February 13, 2001.

40. By no coincidence, in 1998 Kim Jong Il adopted for his formal accession the slogan *Kangsong Taeguk* – "a rich and powerful nation" — one strikingly similar to the prewar Japanese *Fukoku Kyohei.*

41. For background, see G. C. Allen, *et al*., *Industrialization of Japan and Manchukuo, 1930-1940*, New York: Macmillan, 1940; Michael A. Barnhart, *Japan Prepares For Total War: The Search For Economic Security*, Ithaca, NY: Cornell University Press, 1987; and Jung-en Woo, *Race To The Swift: State And Finance In Korean Industrialization*, New York: Columbia University Press, 1991.

42. For the past quarter-century, the DPRK has been in effective default on roughly $1 billion in European, Japanese, and Australian loans contracted in the early 1970s. For more detail, see Nicholas Eberstadt, *Korea Approaches Reunification*, Armonk, NY: M. E. Sharpe, 1995, Chapter 1.

43. Michael R. Gordon, "North Korea Reported Open To Halting Missile Program," *New York Times*, July 20, 2000, p. A6; Edwin Chen, "Clinton, Putin Discuss N. Korea," *Los Angeles Times*, July 22, 2000, p. A14.

44. Indira A.R. Lakshmanan, "N. Korea Pledges To End Rockets Trust An Issue Despite Overture," *Boston Globe*, October 25, 2000, p. A1.

45. Michael R. Gordon, "How Politics Sank Accord on Missiles With North Korea," *New York Times*, March 6, 2001, p. A1.

46 Don Kirk, "North Korea Pledges to Extend Its Missile-Test Ban," *International Herald Tribune*, May 4, 2001, p. 1.

47. Bernard, Besserglik, "N. Korean leader Kim pledges 'peaceful' use of missile programme," *Agence France Presse*, August 4, 2001.

48. Cf. Shin Yong-bae, "Japanese demand inspections of North Korean reactors," *The Korea Herald*, September 9, 2000; "IAEA says North Korea not allowing nuclear access," *Agence France Presse*, September 11, 2000; Sang-hun Choe, "North Korea again rejects inspection of its nuclear program," *Associated Press*, June 21, 2001; Kim Hee-sung, "Pyongyang Refuses IAEA Inspection," *English Joongang Ilbo*, July 18, 2001.

49. Cf. *Korea Herald*, July 3, 2000, reprinted as "DPRK Threatens To Restart Nuclear Program," *FBIS*-EAS-2000-0702, July 3, 2000; *KCNA*, July 12, 2000, reprinted as "DPRK's KCNA: KCNA on compensation for loss of electricity," *FBIS*-EAS-2000-0712, July 13, 2000.

50. *KCNA*, June 6, 2001, reprinted as "DPRK's KCNA: US Urged To Compensate for DPRK's 'Loss of Electricity' Due to Delay in LWR Project," *FBIS*-EAS-2001-0606, June 7, 2001.

51. For Pyongyang's official statement on the Kumchang-ri affair, see "4th DPRK-U.S. underground facility negotiations," *KCNA*, March 18, 1999, available on the *KCNA* website at *http://www.kcna.co.jp/item/1999/9903/news03/18thm.#2*; accessed August 5, 2001.

52. Charles Lee, "Koreas conduct survey of North's energy shortage," *Associated Press*, February 3, 2001.

53. "US provides $20 million for heavy oil for N. Korea," *Kyodo News Service*, July 6, 2001.

54. "NPEC Releases Trip Report and Recommendation on 1994 Agreed Framework," Nonproliferation Policy Education Center, March 14, 2001, available electronically at *http://www.wizard.net/~npec/announce..htm#trip*; accessed August 10, 2001.

55. For information on the specifications and capabilities of North Korean rockets, see the Federation of American Scientists website, *http://www.fas.org/nuke/guide/dprk/missile/index.hml*; accessed August 5, 2001.

56. In the July 2001 ASEAN Regional Forum, ARF, North Korea's "Annual Report on Security Prospects" stated that the "test of missile belongs thoroughly to the sovereignty of each country, that is why nobody has right to interfere with it", p. 37. (I am indebted to Ms. Joy Yamamoto of the U.S. State Department for making this DPRK document available to me.) Almost simultaneously, in an interview with *Itar-Tass*, Kim Jong Il declared that "Pursuing a peaceful missile program is our legitimate, independent, right." *Pyongyang Central Broadcasting Station*, July 27, 2001, translated as "DPRK Radio Carries Kim Chong-il's Interview With Tass-Itar," *FBIS*-EAS-2001-0727, July 30, 2001.

57. Bill Gertz, "N.Korea tests its missile engine," *Washington Times*, July 3, 2001, p. A1.

58. Bill Gertz, "North Korea Sends Missile Components, Technology to Iran," *Washington Times*, April 18, 2001, p. A1.

59. Torkel L. Patterson, Special Assistant to the President and Senior Adviser for Asian Affairs, National Security Council, address to the Institute for Corean-American Studies, June 21, 2001, available electronically at *http://www.icasinc.org/s2001/s2001tlp.html*; accessed August 5, 2001.

60. See, for instance, *Pyongyang Central Broadcasting Station*, July 14, 2001, translated as "US Plan To Build Test Facility for MD System Criticized," *FBIS*-EAS-2001-0714, July 16, 2001.

61. *Nodong Sinmun*, June 1, 2001, translated as "DPRK Daily Full Front-Page Article Discusses 'National Pride'," *FBIS*-EAS-2001-0629, July 3, 2001.

62. *Pyongyang Central Broadcasting Station*, July 8, 2001, translated as "North Korea demands compensation from USA for delay to reactor project," *BBC Monitoring Asia Pacific — Political Supplied by BC Worldwide Monitoring*, July 8, 2001.

63. *Yonhap* News Service, August 1, 2001, reprinted as "ROK's Yonhap: N.K. Says

U.S. Demands for Verification Ruse to Disarm It," *FBIS*-EAS-2001-0801, August 2, 2001.

64. *KCNA*, August 25, 2000, reprinted as "DPRK's KCNA: More vigorous movement for national reconciliation and unity called for," *FBIS*-EAS-2000-0825, August 28, 2000.

65. *KCNA*, May 5, 2001, reprinted as "DPRK's KCNA: Anti-U.S. resistance called for," *FBIS*-EAS-2001-0505, May 7, 2001.

66. *Pyongyang Central Broadcasting Station*, June 8, 2001, translated as "North Korean radio broadcasts 'letter of appeal' by pro-North radio station in Seoul," *BBC Monitoring Asia Pacific – Political Supplied by BC Worldwide Monitoring*, June 8, 2001.

67. "Revocation of proposed revision of 'Labour Law' demanded," *KCNA*, February 25, 2001; available electronically at *http://www.knca.co.jp/item/2001/200102/news02/25.htm#5*; accessed August 6, 2001.

68. "Minju Joson on scientific exposition of root cause of Koreas division," *KCNA*, August 1, 2001; available electronically at *http://www.kcna.co.jp/item/2001/200108/01.htm#5*; accessed August 6, 2001.

69. It may seem paradoxical for Pyongyang to accept aid and financial transfers from the ROK if it does indeed regard Seoul as an illicit political entity: to the DPRK's leadership, however, such transactions pose no contradiction. In Pyongyang's well-rehearsed formulation, "those with strength should devote strength, those with knowledge give knowledge, and those with money give money" to the "struggle for national reunification." *KCNA*, August 15, 1996, reprinted as "Pan-national meeting for peace and reunification help in Pyongyang," *BBC Summary of World Broadcasts*, FE/D2692/D, August 16, 1996.

70. Sixth revision of the charter of the WPK, October 13, 1980; cited in *The North and South Korean Political Systems*, cf. fn. 3 above, p. 907.

71. Kim Jong Il reportedly indicated to both Kim Dae Jung in June 2000 and to a visiting group of South Korean newspaper editors in August 2000 that the preamble of the KWP charter would be changed in the fall of 2000. "North Korea to alter goal of making South communist: report," *Agence France Presse*, June 20, 2000; *Choson Ilbo*, August 13, 2000, translated as "Excerpts of DPRK Leader's Dialogue With ROK Media Heads," *FBIS*-EAS-2000-0813, September 13, 2000. As of yet, however, no emendations of the preamble have been promulgated.

72. Kim Dae Jung, "North And South Korea Find Common Ground," *International Herald Tribune*, November 28, 2000, p. 9.

73. See "North Korea could accept long-term US military presence: Chinese report," *Agence France Presse*, July 26, 2000.

74. "Interview with General Secretary Kim Jong Il," June 30, 2001; available electronically at *http://www.korea-np.co.jp/pk/144th_issue/2000072502.htm*; accessed August 10, 2001.

75. "General Secretary Kim Jong Il Answers Questions Raised by Itar-Tass," August 1, 20001, available electronically at *http://www.www.korea-np.co.jp/pk/166th_issue/2001080101.htm*; accessed August 10, 2001.

76. *Nodong Sinmun*, June 16, 2000, translated as "DPRK: Journal Urges US to Change Korea Policy," *FBIS*-EAS-2000-0630, July 3, 2000.

77. I am indebted to Mr. Jungmin Lee of Harvard University for this research finding.

78. *Yonhap* News Service, March 17, 2001, reprinted as "ROK's Yonhap: North Korea Renews Its Call for U.S. Troop Withdrawal," *FBIS*-EAS-2001-0317, March 20, 2001.

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80. *Pyongyang Central Broadcasting Station*, May 28, 2001, translated as "DPRK's Nodong Sinmun Demands Withdrawal of US Forces Stationed in South," *FBIS*-EAS-2001-0528, May 30, 2001.

81. "U.S. military presence in South Korea, source of war," *KCNA*, April 22, 2001, available electronically at *http://www.kcna.co.jp/item/2001/200104/news04/22.htm#8*; accessed August 6, 2001.

82. *Yonhap* News Service, March 26, 2001, reprinted as "ROK's Yonhap: N.K. Demands Withdrawal of U.S. Troops, Nuclear Weapons," *FBIS*-EAS-2001-0326, March 27, 2001.

83. *KCNA*, July 18, 2001, reprinted as "DPRK's KCNA: U.S. forces' pullback from S. Korea urgently demanded by times and nation," *FBIS*-EAS-2001-0718, July 19, 2001.

84. "DPRK-Russia Moscow Declaration," *KCNA*, August 5, 2001, available electronically at *http://www.kcna.co.jp/contents/20010805.htm#1*; accessed August 6, 2001.

85. "Utterances of U.S. ambassador to Japan blasted," *KCNA*, February 23, 2001; available electronically at *http://www.kcna.co.jp/item/2001/200102/news02/23.htm#5*; accessed August 6, 2001.

86. "North-South Joint Declaration," available on *People's Korea* website at *http://www.korea-np.co.jp/pk/142th_issue/2000061501.htm*; accessed August 6, 2001.

87. "Sunshine Policy at Stake," *The Korea Herald*, March 15, 2001.

88. *Yonhap* News Service, June 15, 2000, reprinted as "Korea: South President gives details behind summit declaration," *BBC Monitoring Asia Pacific-Political Supplied by BBC World Monitoring*, June 15, 2000.

89. *Yonhap* News Service, June 16, 2000, reprinted as "ROK President Provides Further Details Of Summit At Cabinet," *FBIS*-2000-0616, June 16, 2000.

90. Kim Hee-sung, "Foreign Forces must be Driven out, Pyongyang News Reports," *JoongAng Ilbo*, June 7, 2001.

91. *Minju Choson*, June 5, 2001, translated as "DPRK: 'Federation' Said Only Way to Independent, Peaceful Reunification," *FBIS*-EAS-2001-0620, June 25, 2001.

92. *Xinhua*, August 2, 2001, reprinted as "Xinhua Cites DPRK Condemning US for Refusal of North-South Joint Declaration," *FBIS*-CHI-2001-0802, August 3, 2001.

93. *Pyongyang Central Broadcasting Station*, July 30, 2001, translated as "DPRK Radio Decries US as 'Vicious Enemy' to Reunification," *FBIS*-EAS-2001-0730, July 31, 2001.

94. *Pyongyang Central Broadcasting Station*, July 24, 2001; translated as "DPRK Stresses Leader's 'Invincible' Military-First Politics," *FBIS-EAS*-2001-0725, July 30, 2001.

CHAPTER 8

PERCEPTIONS OF NORTH KOREA AND POLARIZATION OF ROK SOCIETY

Taewoo Kim

The Sunshine Policy has made many changes in both Koreas. Republic of Korea (ROK) President Dae-jung Kim and North Korean leader Jong-il Kim (Kim Jong-Il), Chairman of the omnipotent National Defense Commission (NDC), stepped into the international spotlight when they met in Pyongyang for a summit in June 2000. Since the summit, Seoul has tried hard to keep the momentum going and seemed successful with a variety of follow-up events, such as ministerial meetings, reunions of separated families, and ground-breaking for reconstruction of the inter-Korean railway. The summit and a Jong-il Kim diplomatic blitz, including the meeting with U.S. Secretary of State Madeleine Albright and resumption of diplomatic ties with European countries, transformed his image from morally bankrupt and mentally unstable to pragmatic, a man with whom Korean peace and stability could be discussed. The excitement reached a peak when the Norwegian Nobel Committee made ROK President Kim the millennium's first Peace Prize laureate for his peace initiative. South Koreans, overwhelmed by the euphoria surrounding the summit meeting and rosy articles in the newspapers, developed high expectations of North Korean changes.

The Sunshine Policy started with two assumptions: the two Koreas should not continue their Cold War confrontation infinitely, and the North Korean regime is reasonable enough to accept changes in the quality of life for its people and appreciate the North's common ethnicity with the South. Most South Koreans agree on the first assumption. In this sense, a historically significant initiative was provided by President Kim. The second assumption was controversial for some South Koreans, but they kept silent in hopes they were wrong. If North Korea had accepted indisputably real changes and stumbling blocks had not emerged, the momentum might have continued. Fortunately or unfortunately, Pyongyang's

response to Seoul's lavish assistance stopped short of the expectations of ordinary South Koreans, prompting debates over whether the North was really changing. To make things worse, an economic downturn cast clouds over the future of the Sunshine Policy, since the inter-Korean detente was being propelled largely by a flow of money to the North. For the architects of the Sunshine Policy, the inauguration of President George W. Bush may have been another turnaround. The accidental U.S.-DPRK rapprochement at the last moment of Clinton's term, symbolized by the October 9-12 visit to Washington of Vice Marshal Myong-rok Cho, Vice Chairman of the NDC, on October 9-12 dissipated quickly as Bush rejected any illusion-chasing and demanded verified changes by the North.

The 3 years of the Sunshine Policy has left much confusion in South Korea on how to perceive North Korea and what to expect from it. It has brought about acute ideological confrontation among South Koreans and polarized the society into conservatives and liberals. This division was further sharpened by the sudden emergence of government-subsidized nongovernment organizations (NGOs), so-called civic organizations, that ruthlessly promote liberal arguments. The civic organizations became invincible and overwhelming so quickly that they intervened with impunity in almost all important national policies. Conservative policies, officials, politicians, scholars, newspapers, etc., were under fire, and those who opposed the Sunshine Policy were vilified as anti-unification or anti-reform forces. Conservatives began to fight back with conservative activist organizations, which are rather unfamiliar to South Koreans. An example is the Free Citizens' Alliance of Korea (*Jayoosiminyondae*) established by conservative intellectuals in 2001. Now the two camps contend on almost all North Korea-related issues.

Today some South Koreans say that what we see now is a serious polarization of society which we witnessed in the past only after the national liberation in 1945. It is not North Korea, but South Korea that is undergoing drastic changes. It is ironic that Seoul endeavored for years to change North Korea but has precipitated confusion within itself and brought its own society to a crossroad of change. It is premature to say whether South-South ideological conflict is an overdue pain on the way to a true pluralist democracy or the nation is simply mired in nonproductive bickering. Nevertheless, there are reasons to fear a lousy war of attrition marring the nation's policy making and undermining national strength. The purpose of

this chapter is to help American colleagues better understand the contentions and controversies prompted by different perceptions of North Korea within South Korea. To this end, this chapter concentrates on policy issues that drive the heated debates in hopes that Americans can judge how good or bad the polarization is and what impact it could have on ROK-U.S. relations and their North Korea policies.

Sunshine Policy.

Before delving into major policy issues, we examine two schools of thought in South Korea that differ on North Korean matters. "Liberals" are generally those who look to one face of North Korea, ethnic homogeneity. They are usually supporters of carrots, engagement, a soft landing, etc. They play down the North Korean military threat and believe that a humanitarian response to North Korea will lead to inter-Korean reconciliation and eventual peaceful unification. In contrast, "conservatives" perceive North Korea as both a counterpart for coexistence and unification and the main enemy that still poses a threat. While not opposing North-bound economic cooperation *per se,* they tend to want reciprocity in return in the form of North Korean reforms and changes. They want to continue an unswerving defense posture while the Sunshine Policy is implemented, as they are not convinced that the North will opt for real reconciliation and coexistence.

Nothing draws a clearer line between conservatives and liberals than their reactions to aid to North Korea. Liberals support the Sunshine Policy with perceptions that North Korea has changed and will change. On conservative criticism that the fundamentals of the North Korean system remain unchanged, liberals recommend more patience and a proactive attitude. They point to the disparity in personal income between the two Koreas and maintain that ROK assistance and technological guidance will reduce unification costs in the future.[1]

Conservatives perceive North Korea as unchangeable. They think the Sunshine Policy was successful only in coaxing the North to the table, no more than that. It has resulted in the sagging of South Korean national wealth while making the North militarily more robust, as Pyongyang refuses to discuss even the most modest military tension reduction or confidence-building measures. The

National Assembly passage on September 4 of a no-confidence bill against Unification Minister Dong-won Lim, architect as well as preacher of the Sunshine Policy, demonstrates the increasing vehemence of conservative counterattacks. Conservatives demand that the government retard North-bound assistance and rethink the Sunshine Policy.

Uncertainty about the South Korean economy is what conservatives refer to most. By the end of 2000, South Korea had clearly made a remarkable comeback from the financial disaster of the late 1990s. However, by 2001, the grim side was becoming increasingly impressive. Hit by rare synchronous slumps of the U.S., European, and Japanese economies, both exports and domestic consumption plunged, slowing economic growth to a worrisome level. Businesses cut back capital spending, eroding the nation's growth potential. On top of these difficulties was the insolvency crisis of the Hyundai Group, the nation's second largest conglomerate that spearheaded inter-Korean economic cooperation. The financially troubled Hyundai Asan, the group's North Korea business arm, has spent over $600 million for the Mt. Kumgang tourism project and has so far incurred some $327 million in losses. The rescue measure that added the Korea National Tourist Corporation, a government-owned corporation, as another investor is controversial since it means pouring taxpayers' money into the unprofitable project more directly. Conservatives ask whether this is the proper time to continue one-way inter-Korean economic cooperation.

The frustrations of the companies that invested in North Korea and came back bare-handed adds to the disenchantment with North Korea. The companies, beguiled by the North's potential as a base for export manufacturing, low wages, and geographical proximity, experienced dismay at the North's bizarre business attitude. They were embarrassed by the unofficial costs that surpassed common sense and by fear that the South's investments could be confiscated or nationalized at any time. Failure of the northern venture surely contributed to the collapse of Daewoo and the breakup of Hyundai. The popularity of Mt. Kumgang tourism declined quickly due to high fees and tight surveillance imposed by the North. In 2001, South Korean tourists visiting the mountain declined 33 percent from the previous year. Ordinary South Koreans are increasingly enraged by the North's ingratitude and arrogance.

Conservatives, disillusioned after watching the Sunshine Policy

for years, have other reasons to doubt that major North Korean changes are possible. A major structural barrier to reform is political, since no one can disavow what the real father Il-sung Kim (Kim Il Sung) did. The industrial structure is not conducive to reforms, either.[2]

So far there have been two kinds of approaches to reform within the old socialist block: the unsuccessful big bang in Eastern Europe and the successful gradual approach in China and Vietnam, where more than 70 percent of their labor forces were in agriculture and where many of these people were later transferred into the nascent non-state-owned light manufacturing sector. North Korea resembles the East European countries, with a much smaller agricultural sector and almost no privately-owned industries. It would be a vexing enterprise to follow in China's footsteps or to imitate the East European model.

A more structural barrier comes from the nature of the North Korean society, which can be best described by the three Cs: class, control, and cult.[3] For conservatives the question is: will Jong-il Kim give up the cult of himself, and will the privileged elite surrender its lifetime prerogatives? Hwang Jang-yop, former international secretary of the Korean Labour Party, predicts firmly that Jong-il Kim will never change his policy.[4]

The reunion of separated families, which liberals claim as an outstanding success story, is not without demur. While South Korea approaches this as a humanitarian issue, it has always been a political business for the North. Conservatives maintain that several reunions of only 100 families when over one million first-generation separated families are alive will simply add to their agonies.[5] North Korea continues to reject the South's proposal for free exchange of visits and mail and confirmation of the whereabouts of separated kin.

Really, success of the Sunshine Policy is a function of whether Jong-il Kim will truly open up his country and pursue reforms. The outcome cannot be ascertained yet. What is painfully true is that the verbal fighting between proponents and opponents of the policy in the South is increasing. Those who are pessimistic about the possibility of North Korean reforms ask if North Korea really wants to reform, while the optimists continue to ask: how can we expect them to change without believing in them? A conservative scholar deplores this, arguing that if the government sticks to the Sunshine

Policy under the name of policy consistency, our overall North Korea policy will be caught in a labyrinth, since our live-first-and-receive-later policy has only strengthened the totalitarian regime in Pyongyang.[6]

The North Korean Threat and the USFK.

A few years ago, South Koreans hailed rather vaguely the sudden blossoming of inter-Korean detente but soon began to agonize over its conflicts with the ROK-U.S. alliance and question the presence of U.S. troops. This provided liberal activists with momentum to call for withdrawal of the U.S. Forces Korea (USFK). A newly emerging question regarding ROK-U.S. relations is: is it possible for South Korea to become a real friend with North Korea and still keep a robust ROK-U.S. alliance? This is why some analysts predicted early in the Sunshine Policy that it could cause friction. [7] The liberal-conservative polarization is very real in this area and the disputes revolve around two major issues: perception of the North Korean threat and the role of USFK.

Liberal activists, led by civic organizations, maintain, particularly after the June summit, that North Korea has neither the capability nor intention of engaging in military provocation and that USFK is not necessary.[8] The numerical superiority of the North Korean forces is pointless, as it is more than offset by the qualitative edge of South Korean forces. They cite the defense budgets, $3 billion vs. $15 billion in favor of the South. Some scholars with a liberal view point out that South Korean military forces have already achieved reasonable sufficiency in deterrence and defense against the North, since North Korean combat power is less than 40 percent of the South's in comparing defense expenditure and investment. [9] On the role of USFK, liberal activists argue that U.S. forces were responsible for the division of the peninsula and continue to adversely affect inter-Korean reconciliation. They sometimes cite the unfair privileges of USFK and the inequality of the Status of Forces Agreement (SOFA) as reasons for calling for a withdrawal.[10]

They demand heavy punishment of U.S. officers who released toxic substances into the Han River or demonstrate to stop shooting by U.S. air forces at the Maehyang-ri firing range. The SOFA is sometimes called a document demonstrating the arrogance of a superpower in its inequality, prejudice and discrimination.

Liberals find Washington's get-tough North Korea policy now a stumbling block to inter-Korean reconciliation. In this context, liberal commentators argue that Seoul should secure the return visit of Jong-Il Kim and an inter-Korean Peace Declaration as quickly as possible before the United States acquires reasons to block it.[11]

The fact that North Korea has slowed the initial burst of post-summit inter-Korean dialogue is what liberals now often refer to. For example, on March 13, 2001, just few hours before its scheduled opening, North Korea called off the fifth inter-Korean cabinet-level meeting. Soon after, North Korea did the same for the Red Cross talks. Some analysts believe that these decisions reflected North Korean displeasure with the tough U.S. stance against the Communist nation revealed in the ROK-U.S. summit. The fifth meeting finally was held on September 16, 2001, 9 months after the fourth meeting.

To conservatives, the North Korean military threat has never ended, based on the North's capabilities and intentions. The former is obvious despite contrary arguments. In addition to its numerical superiority, its forces, 70 percent of which are forward-deployed within 100 km of the Demilitarized Zone (DMZ), are in good shape for attacks: with 2,000 self-propelled and towed artillery units that could maintain a barrage of 500,000 rounds an hour, 100,000 men in Special Operation Forces, etc. Threat of weapons of mass destruction (WMDs) cannot be calculated in figures. North Korea's nuclear bomb-in-the-basement, i.e., parts of bombs ready to be assembled or sensitive material immediately useable for bomb production which Pyongyang may have produced before 1992, still remains shrouded in secrecy as the Agreed Framework stopped short of illuminating the North's past nuclear activities.

The North's formidable missile forces include *Frog*, *Scud*, *Rodong*, and *Daepodong* missiles, while South Korea had long been prohibited by the ROK-U.S. Missile Note prohibiting South Korean missiles of 180 km or longer ranges.[12] Though on January 17, 2001, the government disclosed new missile guidelines after 5-year-long negotiations, those guidelines still limit the maximum range of South Korean missiles to 300 km or the missile technology control regime (MTCR) ceiling. South Korea has no meaningful attack missiles — most are surface-to-air, not capable of defending against North Korea attack missiles. The biochemical threat is even more dreadful. North Korea is believed to possess 2,500 tons of chemical weapons

while vigorously developing biological weapons. It ironically true that a poverty-stricken North Korea, with its WMD and peculiar force structure, is capable of inflicting more damage to ROK-U.S. combined forces than before.[13]

Conservatives ask questions regarding the North's intentions. How should South Korea interpret military exercises in the summer of 2000, right after the Pyongyang summit? What about the recent deployment of long-range 240 mm multiple rocket launcher systems, emplacement of anti-tank barriers, beefing-up of coastal defenses, procurement of fighter aircraft, improvement of camouflage and concealment, etc.?[14] On the North Korean WMD, despite liberal arguments that they are purely defensive and should not be a stumbling block to the Sunshine Policy, conservatives ask: who can guarantee non-use? What if the North uses them for blackmail diplomacy or low-intensity provocations?

Conservatives believe that South Korea needs USFK and a strong alliance, not only because of the threat from the North but also because of their positive roles: U.S. participation in the 1950 Korean War saved the nation from communism and USFK contributed stability to South Korean society during the 1960s and 1970s, when North Korea sent guerrilla forces. On top of this, the future role of USFK will be determined by all-important international variables, including the strategic stances of major countries. If Russia beefs up its nuclear weapons deployment and refurbishes its Pacific Fleet to regain its voice as a military superpower, if China continues military modernization and pursues regional hegemony, and if Japan enlarges its military might and roles with ambition to be a political-military superpower, the U.S. military presence in Asia will become all the more necessary as a peace enforcer. There are other scenarios, too. A significant reduction in the U.S. military presence, including removal of the nuclear umbrella, can create a security vacuum which prompts competition to fill it. This would call on Russia and China to play more roles, cornering South Korea and Japan in a difficult position. Anyway, it is illogical to assert that USFK is an anti-unification element when the future role of U.S. forces is to be adjusted according to the international order emerging in this region. To conservatives, anti-USFK arguments citing the SOFA are illogical because issues like the SOFA, the Nokeun-ri (Nogunri) incident, the dumping of toxic substances in the Han River, etc., are not fundamental questions but side issues subject to improvement

through mutual consultation. Regarding the Bush administration's skepticism about the North, conservatives accept it as opportune whistle-blowing.

To conservatives, gradual collapse of the South's security system would be the most worrisome outcome of a unilateral appeasement policy. Seoul's lukewarm response to the North's submarine infiltration in June 1998, its launch of a *Daepodong* missile in August 1998, and many other small-scale provocations have resulted in confusion among ROK soldiers on the concept of the main enemy, and may result eventually in total disarray of our defense posture. There are many more incidents that enrage conservatives. On September 19, 2001, some 20 North Korean soldiers crossed the DMZ about 40 meters inside the southern part. On the next day 12 soldiers advanced 30 meters into the southern part. They retreated after South Korean guards fired warning shots. Military authorities delayed announcement of the incursions for 1 week. Earlier, in June, 2001, four North Korean cargo ships violated the South's Northern Limit Line (NLL) and the South's territorial waters through the Cheju Strait. This time, too, the government response was generous. The South Korean Navy tried to persuade, not order, them to move back. The great general Jong-il Kim developed this sea route.Later, the government expressed its intent to permit passage of North Korean vessels through the strait if the North asked in advance while the Defense Ministry, citing Navy difficulties in covering all the 218-mile-long NLL in the East Sea, announced that it was considering reducing the length of the East Sea NLL to allow for more effective surveillance of the security-sensitive area.[15] Liberal scholars insist that the incident was a simple passage, not a violation, since North Korea has never accepted the legality of the NLL.[16] Of course, conservatives interpret the incident as a preplanned North Korean attempt to establish a new status quo by disregarding lines they respected for 50 years. Such alarmist perspectives are refuted by liberal scholars: they claim that anti-unification political forces and media are demanding hard-line policies that can pour cold water on the Korean peace process.

Unification Constitution.

The June 152000, joint statement signed by leaders of the two Koreas gave new impetus to debate on a unification constitution.

In Clause 1, the leaders agreed to pursue independently peaceful unification, and in Clause 2, they agreed on the similarity between the North's low stage federation plan and the South's confederation plan. The document provided liberal scholars and NGOs seeking a unification constitution with momentum. To them, the document is tantamount to a binding agreement, since the two leaders representing each nation signed it, and it should be followed by an effort to institutionalize what was agreed on. This kind of logic inevitably leads to debate on a possible unification constitution.[17]

How nice it would be if the merits of both constitutions are combined and people of both sides can benefit. Liberals always point to joint management of the cultural sites spread all over the peninsula as an area where the two Koreas can work on a single legal system.[18] Nevertheless, the constitution should eventually deal with political systems and a zero-sum confrontation on this is unavoidable. A third type of political system, if any, will not only intermingle the two systems, which the two Koreas cannot tolerate, but would be dangerous if it means a collapse of the security system before the trustworthiness of North Korea is ensured. This is why conservatives consider it a bad idea to think about political integration without a peace settlement.[19]

Other conservatives maintain that peace must precede unification, since the joint statement reflects two different dreams, as each Korea wants to integrate the other into its own political system.[20] Others point to dangers inherent in Clause 2, since it can provide justification for the North to insist on withdrawal of USFK and abolition of the National Security Law.[21]

Missile Defense.

Now the U.S. ballistic missile defense (BMD) program is quickly becoming a hot issue as the government stance is being attacked on two fronts. So far the government has maintained a "strategic ambiguity" on the issue. This is understandable, given the narrow leeway South Korea has. Ovious support of it may embarrass China and Russia, which Seoul expects to help open the North while clear opposition would upset an ally on which the nation depends heavily. But such ambiguity is problematic to both sides.

To the civic activists, BMD is the result of a conspiracy between conservative hard-line politicians in Washington and the huge

U.S. military-industrial complex. The North Korean threat is just invented, they claim. The program is not only dangerous, as it prompts a nuclear arms race in a new technological area, but also immoral, as the United States is pursuing a hegemonic nuclear order to which China and Russia are already hypersensitive. The program will endanger the Sunshine Policy, since it will enrage China and Russia as well as North Korea, so South Korea should oppose it in an unambiguous manner.[22]

The ambiguity is problematic to conservatives, too. Though they accept the hegemonic elements inherent in the BMD program, they also see the positive side. The BMD program is a complement to South Korean security, which the nation needs in the process of unification. They ask two questions. Does South Korean opposition to the BMD program guarantee North Korean changes? What can South Korea gain by opposing a top priority objective of its superpower ally?

Problems of Polarization.

Verbal battles over differences in perception of North Korea are proliferating too widely into almost all major policy issues. On education, the government wants to teach students that they have to embrace North Korea before thinking of it as an enemy.[23] This is strongly supported by liberal NGOs. The Korean Teachers Union (*Jeongyojo*) pursues enlargement of teachers' "right in school management," while liberal activists seek new laws for "democratization of universities" which, if enacted, will sharply reduce the rights of boards of directors. To some conservatives, school principals and university presidents being neutralized is an anarchic attempt to disregard the existing order and control educational institutions in a people's court manner.

In the legal world, the Constitution Law Advocates (*Hunbyon*), a society of conservative lawyers, and the Lawyers for Democratic Society (*Minbyon*), a group of liberal lawyers, vie over almost all critical legal issues related to North Korea policy, including the National Security Law. Liberals argue that the law should be abolished, since it has been heavily abused in the past by dictatorial governments in supppressing political opponents. A liberal columnist defines the law as "evidence of madness that negates the dignity of human beings and freedom of thought and conscience."[24] But most conservatives believe it is one thing to do something to

prevent abuse or misuse of the law but quite another to give up the legal apparatus that has protected the nation from communist espionage.[25]

Press reform is the hottest topic in the liberal-conservative debate, particularly after the owners of the three conservative newspapers, *Chosun Ilbo*, *ChoongAng Ilbo*, and *Dong-a Ilbo,* were arrested on August 16, 2001, on charges of tax evasion and embezzlement after a large scale investigation. To liberal NGOs like the People's Coalition for Media Reform (*Unronkaehyukyondae*) and reformist scholars like professor Dong-Chun Kim of Sungkonghoe University, the conservative newspapers deserve to be targets of reforms since they are ideologically prejudiced against liberal policy toward North Korea, and the corrupt owners cannot be an exception in punishing tax evasion or other wrongdoing. In a Korea Press Foundation seminar on June 22-24, 2001, liberal organizations and participants like the People's Coalition for Media Reform, National Union of Media Workers, Professor Dong-Chun Kim, Un-Hyung Chung from *Korea Daily*, etc. unanimously supported government-initiated reforms for the conservative newspapers. But conservative organizations like Free Citizens Alliance of Korea, and conservative politicians argue that the government is muzzling newspapers critical of its North Korea policy through an unprecedented tax probe, and that other liberal newspapers and television broadcasting companies are joining in the pressure on freedom of the press. This media infighting is a very unfamiliar phenomenon to South Koreans. (*Hankyoreh* and government-owned *Korea Daily* are representative newspapers feuding with conservative newspapers.)

The liberal-conservative dichotomy is vivid even on what lesson South Korea should take from the September 11, 2001, terrorist attack in New York. Liberals tend to bury North Korean terrorist acts like the bombing against the South Korean presidential entourage visiting in Rangoon and the bombing of Korean Airlines 858 during the 1980s, and want the United States to exclude North Korea from its list of rogue states. For them, the September 11 terrorist attack has nothing to do with the inter-Korean dialogue. Conservative commentators point out that North Korea remains on the list of terrorism-supporting countries, and that South Korea should seek a North Korean apology for what it did in the past, and its promise not to repeat this, before going further in inter-Korean dialogue.[26] The two sides differ greatly over the war on terror. A liberal politician

argues, for example, that the American war may be driven by hard-line politicians in Washington colluding with the military-industrial complex.[27]

Ceremonial events in Pyongyang on the anniversary of Korean liberation from Japanese rule revealed striking evidence of differences in perception of North Korea and the side effects they can precipitate. On August 21, 2001, at Gimpo Airport, liberal students shouting anti-American slogans cheered the 337-strong Southern delegation of civic leaders and religious and labor activists coming back from Pyongyang after attending week-long inter-Korean Liberation Day events. Professor Jeong-gu Kang, a sociology professor at Dongkuk University and other senior members of the Unification Alliance were "heros."[28] Professor Kang signed a guest book when he visited the birthplace of Il-sung Kim and wrote a memo on achieving unification by inheriting the *Mangyungdae* spirit.[29]

Some of the delegation participated in the opening and closing ceremonies in front of the Monument of the Three Unification Charters, a symbol of the North Korean unification proposal, despite having submitted written promises not to attend ceremonies in front of it before they left for Pyongyang. With the liberal students were war veterans and conservative activists denouncing Professor Kang's acts. Some skirmishes and a violent confrontation followed between the two groups.

Conservatives' questions concerned how and why the Unification Ministry permitted the delegation to go when North Korea was highly likely to politically exploit it. In the past, North Korea has repeatedly requested a political meeting of various social and political forces, but Seoul rejected these meetings because there was only one political force and one voice in North Korea, and therefore such a meeting was likely to be used to deepen chasms in South Korean society. But the Sunshine Policy brought about drastic changes. On the anniversary of the foundation of the Korean Labor Party in October 2000, South Korea dispatched observers. In May 2001, South Korean labor representatives participated in an inter-Korean event held in Pyongyang. In June and July 2001, a unification seminar and farmers' event were held in Mt. Kumgang. Conservatives fear that the South may be walking into a trap. A conservative commentator claims that the Seoul government should be held responsible for letting the Pyongyang event be exploited by the North.[30]

Right after this, the Grand National Party demanded the

resignation of Unification Minister Dong-won Lim, as did the United Liberal Democrats (ULD), a party that had been allied to the ruling MDP. To conservative politicians, what happened in Pyongyang were not disconcerting or inconsiderate acts but preplanned ones, suggesting that some civic leaders participating in the events had been communicating with the North. This time, differences over how to perceive North Korea not only provoked conflict but put an end to the MDP-ULD coalition.[31]

In every mature society, schools of thought freely revealed seek the common good through reasonable debate. In this sense, the ideological conflicts can be seen as moving the nation toward a true pluralist democracy. But there are reasons to hesitate about this conclusion. First, both sides tend to go so far in violent verbal attacks and mutual slandering that they are becoming a threat to the social fabric. Some liberal civic organizations continue to depict opponents as anti-unification, anti-reform forces, while some conservatives find reformists ideologically unacceptable. Second, some liberal civic activists tend to ignore the existing legal order. On August 30, 2001, the Constitutional Court of Korea judged that the intervention into the 2000 parliamentary election by the civic organizations was illegal.[32]

Third, the tricky problem is how to separate impure elements who want to disrupt South Korean society from pure liberal activists. All are championing anti-Americanism and calling opponents anti-unification or reactionary, purposefully heating up conservative-liberal debates. It is really tricky to differentiate them from the well-meaning liberals and difficult to contend with them in their nice-looking terminological cloaks stressing democracy, anti-dictatorship, unification, reform, and citizenship. This impunes on the honor of those who really sacrificed themselves for democracy or citizens' welfare. The side effects are enormous. Some university students now believe that the Korean War was a northward aggression, and that the terrorist attack on the Blue House in the 1960s and the explosion of a Korean Airliner in the 1980s are inventions of the Seoul government. This defames the lives of 37,000 U.S. soldiers lost during the Korean War and undermines the deterrence role of USFK.

Fourth, differences in perceptions of North Korea has created splits not only within ROK society, but between South Korea and the United States. Signs of this were revealed in the ROK-U.S. summit

in March 2001. At the summit, President Bush, to prevent the United States and its ally from being out-slickered by double-dealing North Korea, rebuffed the idea of helping North Korea without verifiable changes. Of course, differences of opinion between countries happen every day. But in the ROK-U.S. case, the differences tend to become too sensitive to the extent that they mar being reasonable in policymaking. For example, anti-American voices of South Korean activists might be taken as what most South Koreans think. When the government and the liberal activists seek an early resumption of U.S.-DPRK missile negotiations, the Bush administration may see Seoul as acting like a spokesman for an untrustworthy North Korea. Now conservatives ask whether the alliance is okay.

Concluding Remarks.

Ironically, South Korean society, not the North, is poised on the threshold of significant transformation after 3 years of the Sunshine Policy. Of course, more chances should be given to the Sunshine Policy. But it is equally important is to redress the scars left in its wake. For South Korea, both inter-Korean reconciliation and stability of South Korean society are national objectives. Success in one and a catastrophe in the other is not a real success. A most daunting challenge for South Korea, therefore, is how to nurture a political force that holds off the liberal-conservative confrontation and quells the chaos. Given the current political map and the vigour of the liberal NGOs, it is very unclear if and when such political force can emerge. However, this does not mean that nothing can be done.

For conservatives, it is necessary to accept the fact that South Korea may continue to play a role as a launching pad for North Korea to step out towards the world and find a bail-out for its economy. They have to listen harder, whether or not they agree with them, before dismissing liberal arguments as ideologically unacceptable. For liberals, it is important to listen more to conservative criticisms before urging people to believe in North Korea and join the march toward unification. Above all, the so-called civic organizations should cease their insolent behavior in intervening in every policy issue with impunity. They have to come back to being organizations for citizens and self-reliant financially. It is awkward, for example, that the Federation for Environmental Movement (*Whankyungyonhap*) intervenes in such nonenvironmental issues

as unification, the roles of hospitals and pharmacies, economic reform, ownership of companies, or the general election. If it wants to continue to pursue an ideological objective, it may have to change into a political party and compete squarely with other political forces. If ill-motivated activists believe that whether they can prevail depends on the popular support they can muster and that they must unleash everything they have, ROK society may be hopeless. Endless bickering may be inevitable.

For the Seoul government that made a daring choice with the Sunshine Policy, it is important to spend more time heeding conservative worries about whether or not the North is agreeable. It needs to listen to the numerous commentators, scholars, and opinion leaders skeptical of the North's trustworthiness and anxious over the antagonism within South Korean society: the new Cold War in the South between the conservatives and liberals.[33] It is mistaken to attempt to invent majority support through mobilizing activists.[34] What is needed is consensus among differing political forces to not demand black-white distinctions.[35] The Sunshine Policy pushed stability-in-tension into instability-in-tension while it strengthened the North's military capability and staggered the South's security awareness. [36]

Lack of transparency in the policymaking process has polarized the nation's public opinion to a serious degree.[37] We have to heal the liberal-conservative confrontation before dealing with the North.[38] The South, rather than asking the United States to accept the North, must let the North know that military tension reduction is the key to its relations with the South and the United States.[39]

Politicians particularly need to listen to the Group for Grooming a Mature Society, some 115 prominent senior citizens which, in its joint statement on August 15, 2001, deplored the rampant distrust and hostilities and requested that political forces prepare fora for truly democratic dialogues. Anyway, the government must deal effectively with domestic opposition and American skepticism if it is to make the Sunshine Policy more sustainable and legitimate.

No less important is to maintain and develop better relations with allies. Radical voices should not be able to obstruct a balanced conservative-liberal debate and allow allies to understand them as representing the people. It should not let calls for withdrawal of USFK weaken a robust alliance still needed by South Korea. Beautiful rhetoric without dealing with frictions over how to perceive North

Korea let bilateral relations be ambushed by various developments. If impure elements and communist sympathizers camouflaged as liberals further spread anti-Americanism, and if Washington fails to understand the will of the silent majority and sees the radicals as representing public opinion, this may bring about a scenario akin to what happened in the Philippines.

U.S. policymakers must understand the die-hard dream of South Koreans, whether conservative or liberal, for peace and unification. South Koreans hope that this will be the bottom line in Washington's policy. It is also important to note that most South Koreans prefer peace when peace and unification come into conflict. Similarly, the majority of South Korean citizens recognize the role of USFK and appreciate the alliance. Some U.S. analysts warn that the United States may reduce or withdraw USFK if requested by the government or public opinion. Above all, American public opinion may not tolerate overt South Korean public attacks on or hostile rhetorics toward U.S. forces.[40]

It is vitally important to differentiate the silent majority's views from demagogic anti-American arguments fomented by radicals. A simple repetition of the solidarity of the ROK-U.S. alliance may be pointless at a time when the alliance is already a contentious issue. If continuation of the ROK-U.S. alliance is no longer automatic, it should be protected differently.

ENDNOTES - CHAPTER 8

1. For example, see Seung Park, "Proactive Attitude for North-bound Economic Cooperation," *Seoul Economic Daily*, September 30, 2001.

2. Marcus Noland, "The Economics of National Reconciliation," paper at the 15th annual conference of the Council on Korea-U.S. Security Studies, Seoul, October 26-27, 2000. See also Marcus Noland, *Avoiding the Apocalypse: the Future of the Two Koreas*, Washington DC: Institute for International Economics, 2000.

3. Helen-Louise Hunter, "North Korea 2000: The Clear Loser in the Race with South Korea," paper at the 15th annual conference of the Council on Korea-U.S. Security Studies, Seoul, October 26-27, 2000.

4. Jang-Yop Whang, *I Saw the Truth of History*, Seoul: Hanul Academy Publishing Co., 1999, p. 304.

5. Dong-Bok Lee, *Chosun Ilbo*, March 22, 2001.

6. Joo-Hong Nam, "Inter-Korean Relations on the Crossroad," Institute for Korean Unification and National Security Studies, Kyonggi University, *Korean Unification and National Security Studies*, No. 1, September 2001, pp. 52-79.

7. Jin-hyun Paik, "Polices, Direction and Assessment of the Kim Dae-jung Government: With Particular Reference to Its Policy Toward North Korea," paper presented at the 13th annual conference of the Council on Korea-U.S. Security Studies, Seoul, November 4-7, 1998.

8. For example, see Jeong-Gu Kang, "ROK-U.S. Relations and Anti-American Sentiment," paper presented at a policy forum hosted by Korea Reunification Society under the the Citizens' Coalition for Economic Justice, *Kyongsilryon*, August 29, 2000.

9. Taik-young, Hamm "Military Capabilities of South Korea: Reasonable Sufficiency and Future U.S. Support," paper presented at the 15th annual conference of the Council on Korea-U.S. Security Studies, Seoul, October 26-27, 2000.

10. Jeong-Gu Kang, "ROK-U.S. Relations and Anti-American Sentiment." Soon after publication of this book, South Korea and the United States agreed on December 12, 2000, to revise the SOFA, expanding South Korean criminal jurisdiction for major crimes and including an environment-related clause. But it is still not comparable with the SOFAs in Japan or Germany.

11. Won-Sup Lee, *Hankyoreh*, January 30, 2001.

12. For detailed information, see Taewoo Kim, "South Korea's Missile Dilemmas"; "ROK-US Missile Accord Should be Scrapped," *Korea Post*, October 1998, pp. 26-27; "Deadly NK missiles can hit Seoul in 45 seconds," *Korea Post*, May 1999, pp. 26-27.

13. Bruce Wm. Bennett, "North Korea: A Changing Military Force — A Threat Now and in the Future," paper presented at the 15th annual conference of the Council on Korea-U.S. Security Studies, Seoul, October 26-27, 2000.

14. This is what General Thomas Schwartz, commander of the U.S. forces in South Korea, stated at the 15th annual conference of the Council on Korea-U.S. Security Studies, Seoul, October 26-27, 2000. He testified the same again at the U.S. Senate's Armed Service Committee in March 2001. *Korea Herald*, March 29, 2001.

15. The Commander of the UNC unilaterally set the East Sea NLL at 218 miles by extending the land demarcation line right after the Korean War in 1953. The 42.5 mile-long West Sea NLL was drawn in accordance with the three-mile standard using the midpoints between the five islands and North Korean coastlines.

16. See Chul-Ki Lee, "An Assessment of the ROK Response to Passage of North Korean Vessels through the Cheju Strait;" and Jang-Hi, Lee, "Legal Status of the Five Islands in the West Sea," papers presented at KIDA-NGO Forum held on September 14, 200l.

17. For example, Professor Sang-Chul Park of Kyonggi University suggests a "Korea confederation that encompasses national pride of both sides" as a third concept for a unification constitution. See "Institutionalization of the June 15 Joint Communique and Unification Constitution," paper presented at the Security and Unification Forum on September 20, 2001.

18. In a similar vein, others suggest inter-Korean agencies for sports and tourism. See Man-Kil Kang, *Hankyoreh*, December 3, 2000.

19. Man-Kwon Nam, "How to Understand and Approach the Unification Problem," Korea Institute for Defense Analyses, *Weekly Defense Review*, 857, September 10, 2001.

20. Sang-Woo Lee, *Chosun Ilbo*, March 21, 2001.

21. Han-Ho Song, *ChoongAng Ilbo*, October 8, 2001.

22. A summary of comments by liberal participants at the 17th Policy Forum hosted by the Institute for a Participatory Society on May 19, 2001.

23. Education Center for Unification, *Guidelines for Unification Education*, 2000, ch. 1-2.

24. Sae-Wha Hong, Hankyore, August 26, 2001.

25. See Jin-Woo Lee, *Abolition of National Security Law: Losses and Benefits*, Seoul: SeoMoonDang Publishing Co., 2001.

26. See Jong-won Kim, "North Korea Must Depart Terrorism," *Dong-a Ilbo*, September 30, 2001.

27. Won-Woong Kim, remarks at *100 Minute Debate*, a talk program at MBC-TV on October 11, 2001.

28. The Unification Alliance was a major force in the delegation, with 38 civic organizations, including the Pan-National Alliance for Reunification of the Fatherland *Beomminnyeon*) and the Confederation of Korean Students' Union *Hanchongnyeon*) judged to be "entities benefiting the enemy" by the Supreme Court in 1997. They vehemently support unification by federation, withdrawal of USFK, abolition of the National Security Law, etc.

29. This was seen by prosecutors as endorsing North Korea's unification proposal and a violation of the National Security Law. Other delegates wrote memos that read "Laborers, be united." Some delegates are said to have shed tears at a wax replica of Il-sung Kim at Mt. Myohyang and sang a song called "respecting a Great Star Kim Jong-il." There were similar acts when the delegation visited Jong-il Kim's birthplace. On arrival in Seoul, Professor Kang and six others were arrested for violating the law. Six other senior members of the Pan-national Alliance for Reunification of the Fatherland had been arrested at least once before for violating the National Security Law.

30. See Dong-Bok Lee, *Chosun Ilbo*, August 20, 2001.

31. The parliamentary verdict on Minister Lim was made possible by the United Liberal Democrats, a 16-seat coalition partner for the ruling Millenium Democratic Party, when its lawmakers supported the campaign to remove Lim. This led immediately to the breakup of the ruling coalition. Ostensibly the bill sought to fix the blame for the delegates dispatched to Pyongyang. But Minister Lim was held responsible for providing economic aid to North Korea without parliamentary approval, monopolizing the decisionmaking process, excluding conservative officials including ULD experts, and weakening the anti-Communist investigations of the National Intelligence Service. See Hyunuk Kim, "ULD Must Regain Its Conservative Identity," *Newsletter of Monthly Journal of the Minjok Jungron*, September 2001, pp. 12-13.

32. Right before the election, an alliance of various civic organizations led by the Korea Federation for Environmental Movement (*Whankyungyonhap*) and Peoples' Solidarity for Participatory Democracy (*Chamyeoyondae*) listed names of candidates who they believed should not be elected, not only politicians regarded as corrupt, but new faces and scholars who had never been politicians. Later, the alliance concentrated on defeating fewer candidates, dispatching young activists to their districts and waging intense campaigns that turned voters against them. Some media covered these activities, and the government took no action against the illegal activities. Conservatives denounced this as collusion to eliminate ideological competitors. The verdict points out that the activists are like a separate political force and that they should produce their own candidates rather than influencing the election in the name of reforms. Many South Koreans predict that the impunity and prerogatives of the liberal activists will precipitate a political backlash.

33. Young-Kwan, Yoon, *ChoongAng Ilbo*, September 5, 2001.

34. Jae-Han Kim, *Chosun Ilbo,* September 10, 2001.

35. Dal-Joong Chang, *ChoongAng Ilbo*, September 10, 2001.

36. Yong-Suk Chung, remarks at a Policy Evaluation Committee, Advisory Council on Democratic and Peaceful Unification, held on March 14, 2000.

37. Jung-Hyun Shin, remarks at a Policy Evaluation Committee, Advisory Council on Democratic and Peaceful Unification, held on March 14, 2000.

38. Jung-Hyun Shin, remarks at a Policy Evaluation Committee, Advisory Council on Democratic and Peaceful Unification, held on March 14, 2000; Jong-Wook Chung, *Chosun Ilbo*, May 11, 2000.

39. Dong-Sung Kim, *ChoongAng Ilbo*, October 10, 2001.

40. Richard H. Solomon and Willaim M. Drennan, "The United States and Asia in 2000," *Asian Survey*, Vol. 41, No. 1, January-February 2001.

CHAPTER 9

THE FUTURE OF THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO)

Haksoon Paik

[Editor's Note: Professor Paik's chapter was written at the end of 2001 when the Agreed Framework appeared to be generally on track. In late 2002, the North Korean leadership admitted to pursuing a uranium-based nuclear program and claimed that it had the right to develop nuclear weapons. The Korean Peninsula Energy Development Organization (KEDO) participating nations saw this as a violation of the agreement and on November 14, 2002, suspended shipments of heavy fuel oil. On November 29, 2002, the International Atomic Energy Agency Board of Governors called upon the Democratic People's Republic of Korea (DPRK) to accept a team to clarify its uranium enrichment program. On December 12, 2002, the North Koreans announced that they intended to restart the plutonium-based reactors that had caused the concern that prompted the Agreed Framework negotiations in 1994. On January 10, 2003, North Korea withdrew from the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and in late February 2003, it reportedly reactivated the plutonium-based nuclear reactor in Yongbyon.

As this book goes to press, the future of the Agreed Framework and KEDO appears dim. Nonetheless, Professor Paik's chapter is a valuable description of the KEDO mechanism and, in spite of the current difficulties, the organization may yet provide a model for future relations with North Korea if the issues of trust and confidence can be resolved.]

Introduction.

KEDO was formed in March 1995 in order to provide light-water reactors (LWRs) and heavy fuel oil (HFO) to the DPRK as specified in the 1994 U.S.-DPRK Agreed Framework.[1] KEDO carries out its mission under the circumstances in which the Executive Board members exercise their power and resources strategically to obtain

the best outcome for their interests.

KEDO has not been able to meet the target date of 2003 in providing the LWRs to the DPRK. It had not been able to begin "excavation work" for the first units of the LWRs until September 14, 2001,[2] a clear indication of the delay of providing the LWRs to the DPRK. Only 9.03 percent of the entire LWR project was completed at the end of 2000, and only 12.3 percent completed at the end of June 2001.[3]

The excavation work, however, signifies that the LWR project "has entered the stage where the construction of the LWRs will never stop unless obstacles are formed grave enough to cause a serious change in inter-Korean relations or in the international politics of Korea."[4] Speaking in July 2001, U.S. Special Enjoy Charles L. Pritchard said the project was expected to "reach a major turning point next year when the 'first concrete' is poured."[5]

This chapter will first review and assess what KEDO has achieved and failed to achieve, focusing on the three declared missions of KEDO, then identify the major issues and problems it faces, and finally discuss the prospects for KEDO and the LWR project.

Three Missions of KEDO: An Assessment.

KEDO has three missions: first, to contribute to the strengthening of the international nonproliferation regime while improving the prospects for lasting peace and stability on the Korean Peninsula and beyond; second, to assist in implementation of the Agreed Framework by financing and constructing two LWRs in the DPRK and by providing the DPRK with up to half-a-million tons per year of HFO until the first unit of the LWRs is completed; and, third, to serve as an example of how a cooperative and targeted international diplomatic effort can lead to the resolution of regional security or political crises.[6] An assessment of these three declared missions is in order.

Strengthening the NPT Regime and Peace and Stability in Korea.

Has KEDO strengthened the nuclear nonproliferation treaty (NPT) regime and improved the prospects for lasting peace and stability on the Korean Peninsula and beyond? The result at the end of 2001 was satisfactory; even though the DPRK had not yet

come into full compliance on the Safeguards Agreement with the International Atomic Energy Agency (IAEA).

In 1995, the parties to the NPT "faced the critical decision of whether to extend the NPT indefinitely or for a fixed period or periods," and "a majority of parties supported the indefinite extension" of the NPT.[7] The Agreed Framework and the birth of KEDO decisively contributed to the indefinite extension of the NPT regime by making the DPRK cancel its withdrawal from the NPT and by freezing the DPRK's construction of the Yongbyon and Taechon facilities, thereby appearing to freeze its nuclear weapons development program.[8]

KEDO also paved the way for a solution to the DPRK's weapons of mass destruction (WMD) and its delivery system. The Japanese Ambassador to the United Nations (U.N.) claimed in September 2000 that KEDO had played a central role "in making the Korean Peninsula a safer place in the context of nuclear nonproliferation" and "as such, its efforts have significant implications not only for regional security but also for global security."[9]

Without KEDO, the positive achievements on the Korean Peninsula in the first year of the new millennium would not have been possible. KEDO played an instrumental role in "set[ting] the pace for an evolutionary rather than destructive process of dealing with North Korea" and in helping North Korea in "gain[ing] a degree of confidence in dealing with both the United States and South Korea, to the extent of venturing an inter-Korean summit meeting."[10] In other words, the DPRK came to regard "KEDO as a test of whether it could deal with the outside world, and have found that they can."[11]

In the late 1990s, the Agreed Framework and KEDO ushered in a process of reconciliation and cooperation between North and South Korea and between North Korea and the United States. Improvement in inter-Korean relations culminated with the historic inter-Korean summit talks in June 2000, and the serious dialogues and negotiations conducted between the United States and North Korea produced the "Perry process" and exchange visits to each other's capital by high-ranking North Korean and U.S. officials--Special Envoy Jo Myong Rok's visit to Washington, DC, and Secretary of State Madeleine K. Albright's visit to Pyongyang, both in October 2000.[12]

Implementing the Agreed Framework.

The second stated mission of KEDO, to assist in implementation of the Agreed Framework by financing and constructing LWRs in North Korea and by providing North Korea with HFO, had been half achieved by the end of 2001. The construction of the LWRs was much delayed, and in early 2002 it became clear KEDO could not meet the target date of 2003 for completing the LWR project.

The supply of HFO to the DPRK also had many difficulties, due mainly to the opposition of the Republican majority in Congress, so KEDO often failed to deliver the HFO in a timely and predictable manner. (The KEDO Executive Board announced on November 14, 2002, that, due to North Korea's acknowledgement that it was pursuing a uranium-based nuclear weapons program, it was suspending HFO shipments beginning with December shipment. Ed.) It was noteworthy, however, that once President George W. Bush came to power, the U.S. House of Representatives did not strongly resist passage of the KEDO bill for 2002.[13]

Three things loom large when we compare the KEDO bill for 2002 with the previous ones. First, there was a dramatic increase in the budget for 2002 from a maximum of $35 million for 1999, 2000, and 2001, to $95 million for 2002.[14] This increase was partly explained by soaring prices in the international oil market, but a more convincing explanation would be the support of the Republican majority in the House of Representatives for the Bush administration. Second, the number of days allowed by the bill in which the President has to certify some specified conditions and report to Congress in order to have funds made available for KEDO was shortened from 30 days for 2000 and 2001 to 15 days for 2002. The smaller the number, the faster funds could be made available for KEDO. Third, the number of provisos attached to the KEDO bill was reduced noticeably from 12 for 2000, to 8 for 2001, and finally to 3 for 2002. Also the strictness and complexity of the provisos were loosened and straightened out. In other words, past Congressional opposition to the Agreed Framework and the Clinton administration's engagement policy toward North Korea was in part responsible for KEDO's failure to implement the Agreed Framework on a full scale and in a timely manner during those years.[15]

Serving as an Example of Resolving Regional Crisis.

Whether the third mission of KEDO, serving as an example of resolving regional crisis, was fulfilled remains largely to be proven. From a theoretical point of view, KEDO symbolized a combination of idealism and realism, that is, cooperation and conflict and coordination among nation-states. KEDO is an international organization that purports to achieve the goal of freezing and ultimately dismantling the North Korean nuclear program by bringing in and coordinating multiple countries with conflicting interests.[16]

KEDO, with such theoretical underpinnings, may serve as a precedent or model for solving future problems in the Korean Peninsula and Northeast Asia,[17] such as the problems related to ballistic missiles and other WMD that have global implications. KEDO can also be a role model for regional crisis resolution in economic crises as well as security or political crises. For instance, KEDO could serve as a model for the so-called "Korean Peninsula Agricultural Development Organization" (KADO), a conceivable future organization for agricultural restructuring, investment, and recovery in North Korea, or for the "Korean Peninsula Industrial Development Organization" (KIDO), another comparable organization for North Korean industries.[18]

Stephen Bosworth, former Executive Director of KEDO, doubted that "KEDO would be replicated if a new nuclear proliferation threat were to emerge," arguing that "the circumstances that brought KEDO into existence may be unique to Northeast Asia." But he agreed that "the concept of bringing together a small number of countries most directly affected by a security threat is one that we may wish to use again." According to him, the Trilateral Coordination and Oversight Group (TCOG) among the United States, Japan, and Korea "has no secretariat or common funding, but it does, in some respects, build on the KEDO model."[19] In fact, KEDO was "a product of this trilateral cooperation," and it is the Washington-Seoul-Tokyo trilateral cooperation that continues to be "the driving force" of the KEDO process.[20]

What is the overall assessment of KEDO? KEDO was initially successful in strengthening the NPT regime and contributing to peace and stability on the Korean Peninsula. But the mission of implementing the Agreed Framework has not been fulfilled, in

part due to the delay in providing the LWR project to North Korea [and because of North Korean actions violating at least the spirit of the agreement. Ed.]. The third mission, to serve as an example of regional crisis resolution could be applicable to other cases, but this remains to be seen.

Major Issues and Problems for KEDO.

President Bush's announcement of a new policy toward the DPRK on June 6, 2001, indicated that a broad agenda including three items should be discussed seriously with the DPRK: improved implementation of the Agreed Framework relating to North Korea's nuclear activities; verifiable constraints on North Korea's ballistic missile programs and a ban on its missile exports; and a less threatening conventional military posture.[21] The first and third of these are new items that the Clinton administration did not put forward as something that should be achieved in relations with North Korea.

The issue of "improved implementation of the Agreed Framework" has much to do with several salient problems: whether to revise the Agreed Framework; how to bring North Korea into full compliance with the Safeguards Agreement with the IAEA; whether to replace the LWRs with non-nuclear power plants; how to deal with North Korea's demand for compensation for the electricity loss to be incurred from 2003 by the delay in the construction of the LWRs; how to build up trust between the United States and North Korea; how to upgrade North Korea's power grid for the safety of the LWRs; how to meet international nuclear safety standards by North Korea; and, finally, how to improve North Korea's business practices with regard to the LWR project.

Whether to Revise the Agreed Framework. KEDO faces many problems — political, security, legal, financial, and technical. After several months' review of U.S. policy toward the DPRK, the Bush administration put forward a new "comprehensive approach" towards North Korea on June 6, 2001, and emphasized the "improved implementation of the Agreed Framework relating to North Korea's nuclear activities"[22] as one of the three aims in negotiations. Should the Agreed Framework be revised to accommodate the demands of the Bush administration?

Some argued that the Agreed Framework is "not, however, a

treaty or even an agreement in any binding sense," and regarded it as simply "a set of guidelines to align the behavior of the two state parties."[23] Thus, they argued, nothing in the Agreed Framework can prevent the United States and DPRK from "reformulating and updating it to account for new circumstances affecting the vital interests of both parties."[24] They even saw it as "inevitable" that "the new U.S. Administration and the DPRK will need to come to terms on a new, modernized Agreement that serves the current needs of both parties."[25] As a way of updating the Agreed Framework by coming to new terms, they suggested "offering a package of infrastructure assistance to the DPRK in exchange for changes in HFO deliveries."[26]

The problem, however, was that even Charles Pritchard, U.S. Special Envoy for Negotiations with the DPRK, had to admit that "abandoning or unilaterally gutting the Agreed Framework risks serious setbacks in U.S.-DPRK and DPRK-Republic of Korea (ROK) relations, and would be seen as a major breach of trust by the DPRK."[27] North Korea interpreted the U.S. claim for the revision of the Agreed Framework quite straightforwardly "as an attempt to evade its responsibility for the delay of the LWR project" and as "an indication of its intention to lead it to its breakdown, given the central point in the framework is the DPRK nuclear freeze versus the U.S. LWR supply."[28]

North Korea's Noncompliance of Nonproliferation Obligations. One of the most serious problems KEDO faces is that North Korea had not yet fully complied with the Safeguards Agreement of the IAEA. Both the IAEA and KEDO demanded that the DPRK accept the special inspections of the IAEA to verify the accuracy and completeness of the DPRK's initial report on its nuclear material. North Korea's cooperation was crucial to the successful implementation of the Agreed Framework and a prerequisite for completing the LWRs without any serious delay.[29]

Since the entire verification process may take "three to four years," the IAEA argued, verification should have begun immediately with the full cooperation of the DPRK if the LWR project was to proceed smoothly.[30] The IAEA and the KEDO Executive Board member states worried about a potentially disturbing situation in the future where "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."[31]

The Agreed Framework was targeted at securing the transparency of current and future activities related to the North Korean nuclear weapons development program. The transparency of the past nuclear-related activities was to be secured later when North Korea comes into "full compliance with its Safeguards Agreement with the IAEA(INFCIRC/403),[32] 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," "when a significant portion of the LWR project is completed, but before delivery of key nuclear components."[33] That is, the Agreed Framework "envisages specific functions for the IAEA, notably to monitor a 'freeze on the DPRK's graphite-moderated reactors and related facilities,' to continue with verification activities at facilities not covered by the freeze and to take measures required with a view to verifying, at a later date, the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK."[34]

One thing to note is that the DPRK decision in the Agreed Framework to freeze its graphite-moderated reactors and related facilities is "a voluntary measure beyond what is required by the [NP]T and the IAEA-DPRK Safeguards Agreement,"[35] but "IAEA monitoring activities with respect to such a voluntary measure are within the scope of verification activities under the IAEA-DPRK Safeguards Agreement."[36] Thus, the facilities and installations that were included in the declared nuclear facilities by North Korea but were not covered by the freeze were also to be subject to safeguards.[37]

North Korea acceded to the NPT in December 1985, but until January 1992 did not sign the Safeguards Agreement with the IAEA, INFCIRC/403, which should have been signed within 18 months after entering the NPT.[38] The Safeguards Agreement entered into force on April 10, 1992. North Korea submitted an "initial report" on nuclear material on May 4, 1992, and ad hoc inspections began in the same month to verify the correctness of it and assess its completeness.

Through six rounds of ad hoc inspections from May 1992 to February 1993, the IAEA found discrepancies between North Korea's initial declaration and the inspection outcomes. The IAEA demanded special inspections of two suspect sites in Yongbyon, but North Korea refused to allow them on the pretext that the two sites

were military facilities.

There have been 15 rounds of technical discussion between the IAEA and the DPRK up to the end of 2001 — two to three times a year — but the DPRK never came into full compliance with the Safeguards Agreement. As of the 45th General Conference of the IAEA in September 2001, the IAEA was "unable to verify fully the DPRK's initial 1992 declaration of its nuclear programme, . . . unable to verify that there has been no diversion of nuclear material required to be safeguarded under the Agreement to nuclear weapons or nuclear explosive devices."[39]

Why has the DPRK refused the IAEA's demand for special inspections? It has to be pointed out that there is a fundamental difference of view between the IAEA and the DPRK "regarding the current status of the Safeguards Agreement": North Korea regards "acceptance of measures required to enable the Agency to monitor the freeze as not being under the Safeguards Agreement but as falling solely within the context of the 'Agreed Framework'," and has further indicated that, "until such time as it comes into full compliance with its Safeguards Agreement, the Agency can carry out ad hoc and routine inspections only at the facilities not covered by the freeze."[40] Therefore, North Korea accepts the IAEA's activities "solely within the context of the Agreed Framework," not within the context of the Safeguards Agreement with the IAEA. However, the IAEA emphasizes that a bilateral agreement like the Agreed Framework "could not replace, supersede or detract from the Safeguards Agreement between the IAEA and the DPRK" under the NPT.[41]

The Agreed Framework itself, is responsible for North Korea's noncompliance of nonproliferation obligations in many important ways. For example, there is no stipulation in the Agreed Framework for exactly "when the IAEA should begin its verification process."[42] Moreover, the Agreed Framework does not specify "exactly where the fuel rods have to be shipped out of the country" as well as "when the IAEA effort to discover North Korea's nuclear history — or Pyongyang's cooperation — must begin" and so on.[43]

It is noteworthy that, despite North Korea's noncompliance with the Safeguards Agreement, concerned countries like the United States, South Korea, and Japan seemed to accept North Korea's refusal as something that could not be helped. It appeared that "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."[44] In other words, they appeared to be "ready to wait until full and unlimited inspections are possible."[45] Otherwise, they would have had to negotiate with North Korea. Merely mounting pressure to make it give in would not work in the absence of any practical means with which to force North Korea to abide by the Safeguards Agreement.

North Korea claimed that the special inspection demands were an excuse and a tactic to blame the delay of the LWR project on North Korea.[46] Against IAEA Director General Dr. Mohamed ElBaradei's attack in his "Statement to the Forty-fifth Regular Session of the IAEA General Conference 2001" on North Korea's failure to implement the Safeguards Agreement with the IAEA faithfully, North Korea argued that "this can not be construed otherwise than reckless acts of the riffraff to shift the responsibility for the non-compliance with the agreed framework on to the DPRK, defying international justice and impartiality, pursuant to the U.S. policy."[47] North Korea claimed that IAEA's demand for special inspections was "an act of putting a brake on implementation of the Agreed Framework"[48] and even "a grave challenge to the sovereignty of the DPRK."[49]

Whether to Replace the LWRs with Non-nuclear Alternatives. During the review of U.S. policy toward North Korea, an option of replacing the LWRs with thermal power plants was raised by the people who were against the provision of the reactors.[50] Some members of Congress[51] and nonproliferation experts in Washington, DC, argued for a non-nuclear or partially-nuclear alternative to the LWR project. They cited several reasons: the LWRs' potential to produce weapons-grade plutonium, lack of a reliable power grid in North Korea, increased cost of supplying HFO due to the increase in oil prices, and North Korea's demand for compensation of the loss of electricity to be incurred after 2003.

As to whether the LWRs are or are not "proliferation resistant," there was a serious debate between Henry Sokolski, Executive Director of the Nonproliferation Policy Education Center, and Desaix Anderson, then Executive Director of KEDO.[52] Sokolski argued that the two LWRs to be supplied to North Korea will produce material for twice as many bombs as the reactors North Korea had under construction because the LWRs are "much bigger — nearly ten times the power output of all the reactors it was planning to build." And "not only is all the plutonium usable for bombs, but the two

proposed reactors will, in fact, produce so-called 'weapons-grade' material during initial commercial operation."[53]

Desaix Anderson contends that this is "nonsense which ignores totally the context in which the LWR's are being built and will operate."[54] He argues that "the term 'proliferation resistant' is meant to convey that production of weapons grade plutonium from an LWR is technologically and economically very difficult when compared to alternatives," even though "it theoretically possible to do so."[55] It is known that there are about 400 LWRs around the world, but there has been no country that has extracted weapons grade plutonium by reprocessing the spent fuel.[56]

In contrast to the fact that North Korea's graphite-moderated reactors were "designed for the specific purpose of creating weapons grade plutonium," with electricity production being just a useful "byproduct," LWRs are "designed to maximize electricity production at the most economical price," production of small quantities of plutonium being an "undesirable but unavoidable byproduct."[57] Furthermore, since LWRs "can only be refueled when they are shut down," removing spent fuel to a reprocessing facility and subsequent plutonium extraction are "easily detectable."[58]

Furthermore, key components of the LWRs were not to be delivered to North Korea until "a significant portion of the LWR project is completed, but prior to the delivery of key, nuclear related components," and the LWRs "will be completed and operated under IAEA monitoring."[59] It is also noteworthy that "if requested by KEDO, the DPRK shall relinquish any ownership rights over the LWR spent fuel and agree to the transfer of the spent fuel out of its territory as soon as technically possible after the fuel is discharged, through appropriate commercial contracts."[60] In addition, digital cameras were to be installed and in operation for the surveillance of any diversion of spent fuel or plutonium around the clock.

There are several other reasons why it would not be easy to revise the Agreed Framework and replace the LWR project with other non-nuclear alternatives. First, it will not be easy to revise the legal, institutional, and financial arrangements of the Agreed Framework and supply agreement of the LWR project. Not only the Agreed Framework and the LWR supply agreement, but loan agreements, a Turnkey Contract (TKC) of the LWR project, and others would have to be revised. It also would take too much time mobilizing engineering and construction contractors and equipment

suppliers as well as renegotiating the whole process of replacing the LWR project.

Second, replacement of the LWRs with thermal power plants would not save much time. Too much time had already been spent on the LWR project, and it would not make sense to cancel a project estimated to "have a four year head start on any alternative and alternative facilities. . . ."[61] It takes about 60 months or 5 years to build a thermal power plant, and it would have taken about that long to go from the Agreed Framework to the TKC.

Third, too much money had already been spent, and there was no point of giving up the financial resources invested. If ten 200MW(e) coal-fueled power plants were to be built, it would cost about $4.0 billion, $600 million less than the $4.6 billion for the LWR project. But it would not be a big savings if we take into account the money that had been spent already on the LWR project. Moreover, it would "cost about one billion dollars for construction already done and for costs to shut down the project."[62]

Fourth, North Korea cannot afford gas– or oil-fueled or coal-fired power plants. These alternatives would "cost less perhaps to operate in the short run, but all would be much more expensive for the DPRK in the long run because of much higher fuel costs."[63] If North Korea could import gas or oil, this would be a relatively fast alternative. However, if North Korea has to connect pipelines to the gas field in Siberia, it will take many years and billions of dollars.[64]

Another option, "providing coal-fired power plants or providing a transmission line to carry 500 MW of power from South to North Korea would be an "impossible quick fix."[65] If North Korea cannot receive as much as 10-20 years' fuel from outside for free or at a highly discounted price, the thermal power plants would not be a sustainable option.[66]

For these reasons, I agree with Desaix Anderson that there was "no quicker and cheaper alternative" to the LWRs.[67] It is possible that North Korea will want thermal power plants to solve the urgent energy shortage problem as an independent transaction, but it is not likely to accept the offer of replacing the LWRs with other non-nuclear alternatives because North Koreans have argued that this would undermine the Agreed Framework itself. For different reasons, however, the United States opposed providing electricity to North Korea through independent deals, worrying that "any provision of additional electricity to North Korea that is not linked

in some manner to the Agreed Framework risks undermining the implementation of the Agreed Framework, as it would remove Pyongyang's incentives to cooperate with the IAEA."[68]

North Korea's Demand for Compensation for loss of Electricity. When the Bush administration demanded new concessions in its policy towards North Korea, North Korea immediately argued that what should be discussed seriously was the practical issues for implementation of the Agreed Framework and the October 2000 U.S.-DPRK Joint Communiqué. North Korea also argued that "the most urgent problem to be solved" was "the compensation for electricity loss to be incurred by North Korea due to the delay of the LWR project,"[69] because the "electricity problem [was] the most basic problem for revitalizing the North Korean economy, and [was] an important matter related to the survival of North Korea."[70] The DPRK realistically regarded the target date of 2003 as impossible to meet.[71]

By September 2001, North Korea had received half-a-million tons of HFO annually as an interim energy alternative as compensation for "the energy foregone due to the freeze of the graphite-moderated reactors, pending completion of the first LWR unit."[72] The facilities covered by the freeze included the Yongbyon 5 MW(e) Experimental Nuclear Power Plant, the Yongbyon Nuclear Fuel Rod Fabrication Plant, the Radiochemical Laboratory of the Institute of Radiochemistry of Yongbyon, the Yongbyon 50 MW(e) Nuclear Power Plant, and the Taechon 200 MW(e) Nuclear Power Plant, both under construction.[73] The total amount of power that was frozen was 250 MW(e), if 5 MW(e) produced by the Experimental Nuclear Power Plant is subtracted.

North Korea has argued that if it had been able to develop its own independent nuclear power industry not bound by the Agreed Framework, it would not have suffered an energy shortage.[74] The problem was an expected annual loss of 2,000 MW(e) from 2003 to 2008 or 2009 due to the delay of the LWR project.[75] North Korea repeatedly demanded compensation for this electricity loss.[76]

North Korea laid out its proposal in talks held in New York in March 2000: "compensation for electricity loss should be made by electricity" and "other member countries of KEDO could contribute to this effort if the U.S. is in a real difficult position to make that compensation."[77] North Korea argued that, if there were no compensation, it would not be able to maintain the freeze

of its nuclear weapons development program and to continue to implement the Agreed Framework.[78] It threatened to reoperate the graphite-moderated reactors.[79]

The United States and KEDO counter-argued that North Korea was also responsible for delay in the LWR construction and that they could not compensate for the loss of electricity because the year 2003 was simply a target date, not a legally-binding one, and there was no provision for compensation specified in the Agreed Framework.[80]

North Korea maintained that the United States promised the LWRs based on North Korea's freeze of the graphite-moderated reactors under construction and on its abandonment of constructing future nuclear power plants.[81] North Korea contended that "the central point of the framework is the DPRK pledge on nuclear freeze versus the U.S. pledge on the provision of LWRs."[82] Therefore, it was crystal clear, in the eyes of the North Koreans, that providing the LWRs was the core of the Agreed Framework[83] and that North Korea could link its cooperation with the IAEA with progress in implementation of the Agreed Framework.

Building Up Trust between the United States and the DPRK. What was the underlying cause for North Korea's consistent refusal to come into full compliance with its nonproliferation obligations? North Korea refused to do so because it did not trust the United States. It believed that building trust should be based on the faithful implementation of the Agreed Framework and the LWR project by the United States and KEDO.[84] North Korea argued that "if the U.S. had remained sincere in implementing the Agreed Framework, it would have been implemented to such a level as to enable the DPRK and the IAEA to start negotiations on verifying the accuracy and perfectness of the initial report on nuclear substance."[85] The United States was not given the "benefit of doubt."

Therefore, there would be no full compliance with the Safeguards Agreement with the IAEA until North Korea was certain that the LWR project was sure to be constructed and delivered. If North Korea should accept the IAEA's special inspections before the completion of a significant portion of the LWR project and delivery of key nuclear components to North Korea, and if the United States should defect from the Agreed Framework and the LWR project, then North Korea would not be able to defend its interests. For North Korea, purposeful nuclear ambiguity served best in assuring that the United States and KEDO carried out the promises they made.

In this context, North Korea argued that the key issue in the Agreed Framework was to remove misunderstanding and distrust and build confidence. The freeze on the graphite-moderated reactors and their related facilities, in the eyes of the North Koreans, would "address the U.S. security concerns, while the U.S. LWR supply would help remove the DPRK mistrust of the U.S. and promote confidence building between the two nations."[86] The Agreed Framework was a compromise solution, with both sides taking defensive postures in the absence of trust. The very nature of the relationship between the United States and North Korea "resulted in the stipulation of the DPRK nuclear freeze and the U.S. LWR provision as simultaneous actions" in the Agreed Framework.[87]

North Korea's disillusionment with the United States was gravely felt when it claimed that the U.S. President had broken the promise he made in his letter of assurance dated October 20, 1994. President Clinton's letter to Chairman Kim Jong Il went: "In the event that this reactor project is not completed for the reasons beyond the control of the DPRK, I will use the full powers of my office to provide, to the extent necessary, such a project from the U.S., subject to the U.S. Congress."[88] One could argue that there was some truth in North Korea's contention that "the U.S. administration should have taken other steps earlier in an effort to meet the date of completion in the year 2003 true to the assurance made by the President."[89]

By mid-2001, North Korea had expressed suspicions about "whether the U.S. is truly committed to the supply of LWRs or seeking some kind of filthy political purposes." It said it was suspicious about the "deliberate delay" of the LWR project, plus sensationalization of the missile issue and the underground suspect site at Kumchang-ni, which North Korea claimed had "nothing to do with the LWR project."[90]

Upgrading North Korea's Power Grid. As a technical matter, a nuclear reactor needs outside power ten times greater than the electricity it generates. Whether North Korea's power grid can supply reliable offsite power to protect against accidents is a matter of great concern. In late 2000, the Korea Electric Power Corporation (KEPCO) asked North Korea to provide grid data and found the data seriously flawed.[91]

Henry Sokolski has argued that reliable offsite power cannot be supplied in North Korea "even if North Korea's transmission system is upgraded, because the total generation capacity of

North Korea's grid is simply too small."[92] In contrast, Desaix Anderson argued that the DPRK "has developed long-term plans for upgrading its electricity sector, which include increasing its overall power generation capacity." He was optimistic about the safety of the LWRs, "because the DPRK must meet off-site power system interface requirements, based on U.S. Nuclear Regulatory Commission standards, before KEDO will supply nuclear fuel and conduct commissioning tests."[93] Sokolski expressed serious doubt about Anderson's assessment and prediction.[94]

In September 2000, David Von Hippel, Peter Hayes, and Timothy Savage pointed out that "the DPRK energy infrastructure is disintegrating in many ways," and argued that "the national electrical grid is essentially non-existent, operating, at best, as a collection of unreliable regional grids using poorly-maintained equipment that is 50 years out of date to begin with."[95] Therefore, North Korea's electricity grid had to be "substantially rebuilt, . . . if the nuclear reactors provided as part of the Agreed Framework are to operate as intended."[96] According to them, the most cost-effective investments would be "in refurbishing existing plants, not building new plants that the North Koreans will not be able to operate."[97]

Some people argued for partial replacement of the LWRs. However, replacing one unit with thermal power plants would have meant that the other unit would "still require rehabilitation of the grid, a nuclear liability legal regime, a nuclear safety system, etc.," and these requirements are "the same for one or two reactors."[98] Von Hippel, Hayes, and Savage argued that "replacing one of the reactors with a thermal power plant [was] an equally impractical solution," and that "instead, the U.S. could consider offering a package of infrastructure assistance to the DPRK in exchange for changes in HFO deliveries."[99] They suggestd that the United States "explore with the DPRK alternative services — grid refurbishment, power plant and boiler rehabilitation, fuel supply infrastructure rebuilding, and alternative electricity sources and energy-efficiency improvements — that the United States could provide with a portion of the funds now earmarked for HFO purchases."[100]

North Korea was solely responsible for upgrading its national power grid for the LWR project. Considering North Korea's economic difficulties, the question was: who would finance upgrading North Korea's power grid how soon and to what extent?

North Korea's Duty to Meet Nuclear Safety Standards. Two issues

were involved in North Korea's obligation to meet nuclear safety standards: nuclear safety and liability, and the nuclear cooperative agreement with the United States. Whether North Korea could meet "international standards of nuclear and conventional safety" drew attention, particularly because General Electric (GE) withdrew from the LWR project due to lack of confidence in and uncertainty about North Korea's nuclear liability and safety regimes.[101] It was this safety issue that led to the debate on nuclear liability insurance for the LWR project between Desaix Anderson and Henry Sokolski.[102]

The other was the nuclear regulatory issue. North Korea had to conclude a bilateral agreement for peaceful nuclear cooperation with the United States prior to the delivery by U.S. firms of any key nuclear components to North Korea.[103] The U.S. Atomic Energy Act "requires American firms to acquire a nuclear export license before shipping any nuclear components abroad,"[104] and before giving an export license to any firm, the President must "certify that the recipient has not violated IAEA safeguards." The DPRK's noncompliance with the Safeguards Agreement with the IAEA, for instance, would "give the President or the U.S. Congress another opportunity to veto the Agreed Framework."[105] The North Korea Threat Reduction Act of 1999, which stipulated severe "restrictions on nuclear cooperation with North Korea,"[106] may turn out to be a precursor for future tough U.S. regulations.

Improving Business Practices of North Korea. North Korea's full cooperation for construction of the LWRs was needed if KEDO was to succeed. It should be pointed out that North Korea has often failed "to cooperate by adhering to self-imposed regulations and principles to the detriment to the project."[107] In addition, North Korea's "attitude towards international agreements and commercial contracts, or more precisely, its arbitrary interpretation of and lax sense of obligations to these agreements" can cause problems in the future just as it has in the past. Furthermore, for North Koreans, "concluding, interpreting and implementing agreements are three entirely separate issues," as shown by North Korea's demand for wage increases for its unskilled workers beginning in mid-1999 and its withdrawal of half the workers from Kumho in April 2000.[108] North Korea refused to provide additional workers to KEDO, and the wage issue threatened construction schedule delays and cost increases.[109]

The Future of KEDO: Prospects.

As discussed above, KEDO has many problems. The issues and problems in any combination could disrupt KEDO and the LWR project. As the Independent Task Force on Korea of the Council on Foreign Relations pointed out, the Agreed Framework "was structured to defer the most difficult aspects of the agreement until its later stages," and "another standoff could well happen, as in 1994."[110]

No doubt, there are problems, as discussed, such as North Korea's possible failure to fulfill its nonproliferation obligations[111] and to be ready for the delivery of the LWRs due to its incapability to solve technical and financial problems[112] in a national power grid system, nuclear liability and safety requirements, and so on. North Korea's full cooperation in transportation and telecommunication[113] with KEDO also would be required for full-scale construction work for the LWRs in Kumho, excavation work having started in 2001.[114]

North Korea had good reasons to render full support for KEDO, one being that KEDO was "in the vanguard of the outside world's contact and cooperation with the DPRK."[115] KEDO served as a good working model for international cooperation with North Korea and as an intermediary between North Korea and the outside world.[116] The LWR project helped expose North Korea and the outside world to each other, promoting "buffered engagement" and opening a window of opportunity for better relations.[117]

The LWR project was the first large-scale foreign investment and Western-style construction project in North Korea, and could provide a model for future construction projects. North Korean officials and workers were to obtain Western know-how on all phases of the project, which could then be applied to other parts of the economy, promoting its modernization and other changes.[118] This could contribute to reform in North Korea.

However, many problems have serious impact on KEDO. KEDO has been vulnerable to shifts in inter-Korean and international politics since KEDO "does not exist in a political vacuum."[119] A list of events, most of which were not expected in advance, testified to this: a North Korean submarine's incursion in the East Sea in 1996, North Korea's test launch of a ballistic missile over Japan in 1998, North Korea's demand for more than 500 percent increase of wages

for the unskilled North Korean workers at the LWR construction site in Kumho, North Korea, and its withdrawal of half of the North Korean-supplied work force from Kumho in 2000. [The North Korean admission that it had pursued a uranium-based weapons development program even while claiming to comply with the Agreed Framework, KEDO's subsequent cancellation of HPO shipments, North Korea's withdrawal from the NPT, and North Kora's unfreezing and reactivation of the plutonium-based nuclear reactor in Yongbyon were the most significant "unanticipated" problems to date. Ed.]

Besides financial problems over the long run, the two most salient problems [until October 2002] were North Korea's ballistic missiles and North Korea's attitude toward terrorism. As far as the missiles were concerned, North Korea continued a moratorium on test launches, and the missile problem was one of the top priorities in the U.S.-DPRK negotiation agenda. North Korea expressed willingness to come up with an "unprecedented" offer in the negotiations at the end of the Clinton administration.[120]

North Korea is still on the U.S. State Department's list of states sponsoring terrorism, even though it has not engaged in any terrorist acts for the past several years and has agreed that "international terrorism poses an unacceptable threat to global security and peace, and that terrorism should be opposed in all its forms, including terrorist acts involving chemical, biological, or nuclear devices or materials."[121]A Foreign Ministry spokesman stated on September 12, 2001, one day after the unprecedented terrorist attack on the World Trade Center and Pentagon, that "as a UN member, the DPRK is opposed to all forms of terrorism and whatever support to it and this stance will remain unchanged," and described the terrorist attack on America as a "very regretful and tragic incident."[122] A North Korean representative also delivered an anti-terrorism speech at the U.N. General Assembly on October 5.[123]

By late 2001, it appeared that North Korea would make serious efforts to get itself removed from the list as soon as possible, while the United States tried to draw North Korea out into the international community, thereby promoting inter-Korean reconciliation, getting rid of North Korea's WMD and its delivery systems, and taking measures to prevent North Korea from sponsoring terrorism.

Lastly, in order for KEDO to succeed, strong and active support, both financial and political, of the governments involved in KEDO

would be required.[124] South Korea pledged to pay 70 percent of the actual cost and was mainly in charge of building the LWR project; the strong commitment of the United States, Japan, and the European Union to take care of the LWR project was equally important. The Executive Board member countries have disparate and distinctive political interests and decisionmaking processes, and coordination among them on the LWR Project was not always easy.[125] The EU joined KEDO as a Board member in September 1997 and enjoyed an equal role in decisionmaking and voting with the original members. As the Executive Board grew, the consensus and compromises needed among the members became more difficult to obtain, making the decisionmaking process remarkably complex and time-consuming.

What are the prospects? Compared to the early years when KEDO was "hobbled by inadequate and irregular funding,"[126] KEDO's prospects for success seemed bright in late 2001.[127] The question remains, "how to build on and expand the KEDO successes."[128]

By the end of 2001, inter-Korean and international politics in and around the Korean Peninsula had made some progress toward reconciliation and cooperation between the two Koreas and a post-Cold War rapprochement in East Asia. Chairman Kim Jong Il of North Korea appeared to have completed his coordination of policies toward the United States and South Korea with Russia and China through his visit to Moscow and President Jiang's visit to Pyongyang.

On the other hand, the United States had substantially completed its East Asia strategy and North Korea policy review. The Quadrennial Defense Review (QDR) was completed and submitted on September 30, 2001. President Bush visited China for the APEC summit meeting in Shanghai, China, in October 2001. At the APEC summit meeting, the United States checked, through China, on whether North Korea was ready for dialogue with the United States and South Korea. If things had gone smoothly, the United States seemed prepared to conduct negotiations with North Korea for a concrete discussion of issues of mutual concern.

Whether Chairman Kim will pay a return visit to Seoul remained uncertain at that time. The two Koreas held their fifth round of ministerial-level talks. North Korea's resumption of inter-Korean dialogue at various levels seemed to indicate that North Korea was serious about continuing inter-Korean reconciliation and

cooperation.

While it was concentrating on inter-Korean dialogue and cooperation, North Korea said it would wait for "serious discussions" on the issues with the United States. It seemed as though U.S.-DPRK negotiations would resume with serious and robust discussions to follow, due to the increased need to engage each other after September 11, 2001. An improved political environment would have helped KEDO and the LWR project. As long as the United States and North Korea do not trust each other, things could go wrong. And this will have a negative impact on KEDO and the LWR project. [When U.S. representative James Kelly finally visited Pyongyang in October 2002, however, he charged the DPRK with carrying out a secret uranium-based weapons development program. The North Korean leadership seemed to admit to this, and a period of heated rhetoric followed, with a KEDO decision in November 2002 to halt HFO shipments. The future of KEDO now seems far gloomier, but the organization may still prove to serve a useful purpose and, as a potential mechanism for dealing with intractable issues, is well worth study and analysis. Ed.]

ENDNOTES - CHAPTER 9

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3. *Nuclear Energy Yearbook 2001*, Seoul: Korean Atomic Industrial Forum, 2001; Unpublished Papers, Seoul: LWR Project Planning Office, 2001.

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5. Testimony of Charles L. Pritchard, Special Envoy for Negotiations with the DPRK and U.S. Representative to KEDO, before the Subcommittee on East Asia and the Pacific, Committee on International Relations, U.S. House of Representatives, July 26, 2001.

6. KEDO Mission Statement, *KEDO Annual Report 1995*, p. 1; *KEDO at Five:*

Annual Report 1999/2000, p. 1.

7. "The Treaty on the Nonproliferation of Nuclear Weapons: A Global Success." Distributed by the Office of International Information Programs, U.S. Department of State.

8. Howard Diamond, "The Korea Deal: Advantage U.S.," Op-Ed, *Washington Post,* April 17, 1997.

9. Yukio Satoh, Ambassador of Japan to the U.N., "KEDO and its implications for Northeast Asian Security," Paper presented at KEDO Seminar, "Ensuring Peace and Stability on the Korean Peninsula," Hotel Inter-Continental, New York City, September 26, 2000.

10. Han Sung Joo, "KEDO at Five: A Vehicle of Cooperation," Keynote Speech Delivered at KEDO Seminar, "Ensuring Peace and Stability on the Korean Peninsula," Hotel Inter-Continental, New York City, September 26, 2000.

11. Desaix Anderson, "Myths of KEDO," Washington, DC: Georgetown-Pacific Century Institute, March 25, 2001. Also see Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges," Address Delivered to the 12th Pacific Basin Nuclear Conference, KEDO Project for International Cooperation and Nonproliferation, COEX, Seoul, Korea, October 30, 2000.

12. Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges."

13. Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002.

14. See *Foreign Operations, Export Financing, and Related Appropriations Act*, 1999, 2000, 2001, and 2002.

15. For the opposition of the Republican-majority Congress, see *North Korea Threat Reduction Act of 1999*, various House Hearings on North Korea, North Korea Advisory Group's Report on North Korea, in addition to the Foreign Operations, *Export Financing, and Related Programs Appropriations Act* from 1999 to 2001.

16. Author's Interview with Mitchell B. Reiss, KEDO Secretariat, New York City, October 7, 1998. Also see Haksoon Paik, "The Korean Peninsula Energy Development Organization (KEDO): Interests, Conflicts, and Institutionalization," in Jae-Kap Ryoo, Hae-Hoon Kang, and Sung-Joo Kim, eds., *Bilateralism, Multilateralism and Geopolitics in International Relations: Theory and Practice*, Seoul: KAIS, 1999, pp. 103-135.

17. Stephen W. Bosworth, "The Korean Peninsula Energy Development

Organization (KEDO): A Status Report," *Korea: Economic Update*, Vol. 7, No. 2, April 1996. Also see Bong Geun Jun, "A Multilateral Approach to North Korea: KEDO's Experiences and Lessons," Paper prepared for the 2000 Annual Meeting of the American Political Science Association, Marriot Wardman Park, August 31-September 3, 2000.

18. Author's Interview with Jae-Do Moon, KEDO Secretariat, New York City, October 7, 1998; Author's Interview with Philip W. Yun, U.S. Department of State, Washington, DC, October 1, 1998; Author's Interview with Robert Hathaway, Ranking Democratic Staff, O'Neill House Office, U.S. Congress, Washington, DC, October 2, 1998; Joel Wit, "The Korean Peninsula Energy Development Organization: An American Perspective," Unpublished Paper, p. 11. For the concept of KIDO, see Jae Kyu Park, "We can unbar the gate of North Korea only when we embrace it," *Joongang Ilbo*, January 5, 1999.

19. Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges."

20. Yukio Satoh, "KEDO and its implications for Northeast Asian Security."

21. "Statement by the President," White House Office of the Press Secretary, June 6, 2001.

22. *Ibid*.

23. David Von Hippel, Peter Hayes, and Timothy Savage, "Modernizing the U.S.-DPRK Agreed Framework: The Energy Imperative," Special Report, Berkeley, CA: Nautilus Institute, February 16, 2001.

24. *Ibid*.

25. *Ibid*.

26. *Ibid*.

27. *Ibid*.

28. "Report on Delay in Construction of LWR project Issued," *Korean Central News Agency*, May 16, 2001.

29. Testimony of Charles L. Pritchard before the U.S. House of Representatives, July 26, 2001.

30. IAEA Director General Dr. Mohamed ElBaradei, "Statement to the 54th session of the United Nations General Assembly," New York City, November 6, 2000.

31. Bong-Geun Jun, "Obstacles to the KEDO LWR project," p. 78.

32. "Agreement of 30 January 1992 between the Government of the Democratic People's Republic of Korea and the International Atomic Energy Agency for the Application of Safeguards in Connection with the Treaty on the Nonproliferation of Nuclear Weapons," IAEA Information Circular, INFCIRC/403, May 1992. Also see "Implementation of the Agreement Between the Agency and the Democratic People's Republic of Korea for the Application of Safeguards in Connection with the Treaty on the Nonproliferation of Nuclear Weapons (INFCIRC/403)," Report by the Director General to the General Conference, GC(39)/18, August 17, 1995 (hereafter referred to as "Implementation of INFCIRC/403, GC (39)/18"), Item 23 of the Provisional Agenda.

33. Agreed Framework, Clause IV, Article 3. Also see Agreement on Supply of a Light-Water Reactor Project to the Democratic People's Republic of Korea between the Korean Peninsula Energy Development Organization and the Government of the Democratic People's Republic of Korea (hereafter referred to as "Agreement on Supply of a LWR Project"), Annex 3, Article 7, December 15, 1995, New York.

34. "Implementation of INFCIRC/403, GC(39)/18," Item 23 of the Provisional Agenda.

35. *Ibid*, (e) of Annex I.

36. *Ib*id, (f) of Annex I.

37. *Ibid*.

38. Each non-nuclear-weapon State Party to the NPT undertakes to accept safeguards, as set forth in an agreement to be negotiated and concluded with the IAEA in accordance with the Statute of the IAEA and IAEA's safeguards system. For this stipulation, see Article 3 of the Treaty on the Nonproliferation of Nuclear Weapons (NPT), July 1, 1968.

39. *Ibid*.

40. "Implementation of INFCIRC/403, GC (39)/18."

41. *Ibid*.

42. "Testing North Korea: The Next Stage in U.S. and ROK Policy," Report of an Independent Task Force Sponsored by the Council on Foreign Relations, Morton I. Abramowitz and James T. Laney, Co-Chairs, Robert A. Manning, Project Director, 2001, p. 7.

43. *Ibid*.

44. Bong-Geun Jun, "Obstacles to the KEDO LWR project," p. 77.

45. *Ibid*.

46. A Commentary, *Korean Central News Agency*, June 27, 2001.

47. "KCNA urges IAEA to be impartial," *Korean Central News Agency*, September 29, 2001. Also see "Unreasonable Resolution of IAEA," *Korean Central News Agency*, September 28, 2000.

48. "KCNA urges IAEA to be impartial," *Korean Central News Agency*, September 29, 2001.

49. "Unreasonable Resolution of IAEA," *Korean Central News Agency*, September 28, 2000.

50. Executive Director of the Nonproliferation Policy Education Center Henry Sokolski's letter to Desaix Anderson, Executive Director of KEDO, December 19, 2000, and January 29, 2001. For the debate between Victor Gilinsky and Henry Sokolski, on one hand, and Howard Diamond on the other, see Victor Gilinsky and Henry Sokolski, "Korea: How Long Do We Live With Blackmail?" Op-Ed, *Washington Post*, March 27, 1997; Howard Diamond, "The Korea Deal: Advantage U.S," Op-Ed, *Washington Post,* April 17, 1997; Victor Gilinsky, "Assessing the Agreed Framework," Policy Forum Online #6, Berkeley, CA: Nautilus Institute, July 10, 1997.

51. See the "Joint Letter to President Bush on North Korea Policy" by Henry J. Hyde, Christopher Cox, and Edward J. Markey, March 2, 2001. The letter states that "it may prove impossible to implement the Agreed Framework in precisely the manner envisioned in 1994," pointing to the problems associated with the construction of "plutonium-producing light water nuclear reactors" in North Korea: safety, liability, licensing, the condition of North Korea's electric power grid, and the suitability of alternative sources of electric power."

52. Henry Sokolski's Letters to Desaix Anderson, December 19, 2000, and January 29, 2001; Desaix Anderson's Letter to Henry Sokolski, January 12, 2001

53. Henry Sokolski's Letter to Desaix Anderson, December 22, 2000.

54. Desaix Anderson, "Myths of KEDO."

55. *Ibid*.

56. Unpublished Papers, LWR project Planning Office, Seoul, Korea, 2001.

57. Desaix Anderson, "Myths of KEDO."

58. *Ibid*.

59. *Ibid*.

60. "Agreement on Supply of a LWR Project," Clause 8, Article 3.

61. Desaix Anderson, "Myths of KEDO."

62. *Ibid*.

63. *Ibid*.

64. *Ibid*.

65. David Von Hippel, Peter Hayes, and Timothy Savage, "Modernizing the U.S.-DPRK Agreed Framework: The Energy Imperative."

66. Bong-Geun Jun, "Conditions for the Success of the LWR project and its Prospects," *Current Issues & Policy* (*Chongsewa Chongch'aek*), Songnam City, ROK: The Sejong Institute, November 2000. p 9.

67. Desaix Anderson, "Myths of KEDO."

68. "Testing North Korea: The Next Stage in U.S. and ROK Policy," p. 6.

69. "Announcement of the DPRK's Position by the Spokesman of the Foreign Ministry of the DPRRK with Regard to the U.S. Government's Offer of the 'Resumption of Dialogue'," *Korean Central News Agency*, June 18, 2001. North Korea claimed that it was waste of time and escape from negotiation if both countries only discussed unrealistic issues instead of dealing with the basic problems that awaited solution for the practical purposes. See *Minju Chosun* (*Democratic Korea*), June 23, 2001; *Korean Central News Agency*, June 23, 2001.

70. A Commentary, *Korean Central News Agency*, June 27, 2001; "A Detailed Report of the Delay of the Construction of the LWR Project in Accordance with the Agreed Framework between the DPRK and the U.S." Also see "The U.S. cannot Escape from Its Responsibility for Compensation for the Lost Electricity," *Korean Central News Agency*, June 5, 2001. Also see "Criticism against the Refusal of the Compensation for the Lost Electricity by KEDO's Executive Director," *Korean Central News Agency,* June 16, 2001.

71. "A Detailed Report of the Delay of the Construction of the LWR project in Accordance with the Agreed Framework between the DPRK and the U.S."

72. Agreed Framework, Clause 1, Article 2.

73. "Implementation of INFCIRC/403, GC(39)/18," Item 23 of the Provisional Agenda, Annex II: Extracts from INFCIRC/457.

74. Korean Central News Agency, June 16, 2001; "Report on Delay in Construction of LWR project Issued." Also see *Korean Central News Agency*, December 23, 1999.

75. According to the TKC signed between KEDO and KEPCO in December 1999, the first LWR was to completed in January 2008 (in 95 months) and the second one in January 2009 (in 107 months). See *Kyonghyang Sinmun,* September 6, 2001.

76. North Korea had repeatedly demanded compensation for the expected loss of electricity due to the delay of the LWR project since December 23, 1999. See *Korean Central News Agency*, December 23, 1999. Also see *Rodong Sinmun*, January 28, 1999; *Korean Central News Agency*, February 3 and July 1, 2000; March 3, June 18, 2001.

77. "Report on Delay in Construction of LWR project Issued."

78. *Ibid.*; "A Commentary," *Korean Central News Agency*, June 27, 2001.

79. "Report on Delay in Construction of LWR project Issued."

80. Richard Boucher, U.S. Department of State Press briefing, June 18, 2001; *Munhwa Ilbo*, June 18, 2001; *Korean Central News Agency*, June 16, 2001.

81. *Korean Central News Agency*, June 16, 2001.

82. "Report on Delay in Construction of LWR project Issued."

83. "A Detailed Report of the Delay of the Construction of the LWR project in Accordance with the Agreed Framework between the DPRK and the U.S.," and Report on Delay in Construction of LWR project Issued."

84. Chairman Kim Jong Il is known to have said in more than one conversation with Madeleine Albright and Wendy Sherman in 2000: "You are the big country, we are the little country — why should we be the one to take the first step; to take the greatest risk?" Kim Jong Il demands the United States make the first cooperative move in order to usher in a process in which both sides reciprocate each other's cooperative moves in good faith for the emergence of cooperation and trust building between the two countries.

85. "KCNA urges IAEA to be impartial," *Korean Central News Agency*, September 29, 2001.

86. "Report on Delay in Construction of LWR project Issued."

87. *Ibid*.

88. President William J. Clinton's Letter to Chairman Kim Jong Il, October 20, 1994.

89. "Report on Delay in Construction of LWR Project Issued."

90. *Ibid*.

91. Edward Lynch, chief counsel of KEDO confirmed that "the DPRK power grid is far too weak to accept two 1,000 MW(e) nuclear reactors under construction at Kumho." The problem is that building a power grid is North Korea's sole responsibility, not KEDO's. See Mark Hibbs, "It's up to DPRK to make sure grid works, KEPCO and KEDO say," *Nucleonics Week*, Seoul, November 2, 2000.

92. Henry Sokolski's Letter to Desaix Anderson, then Executive Director of KEDO, December 19, 2000, and January 29, 2001. Also see Victory Gilinsky and Henry Sokolski, "Korea: How long do we live with blackmail?" *Washington Post*, March 27, 1997; Howard Diamond, "The Korea Deal: Advantage U.S," *Washington Post*, April 17, 1997; Victor Gilinsky, "Assessing the Agreed Framework," NAPSNet, Policy Forum Online, Berkeley, CA: Nautilus Institute, July 10, 1997.

93. Desaix Anderson's Letter to Henry Sokolski, January 12, 2001.

94. Henry Sokolski's Letter to Desaix Anderson, January 29, 2001.

95. David Von Hippel, Peter Hayes, and Timothy Savage, "Modernizing the U.S.-DPRK Agreed Framework: The Energy Imperative." Also see Bradley O. Babson, Senior Advisor to the World Bank, "KEDO and the Future of the North Korean Economy," Paper presented at KEDO Seminar, "Ensuring Peace and Stability on the Korean Peninsula," Hotel Inter-Continental, New York City, September 26, 2000.

96. David Von Hippel, Peter Hayes, and Timothy Savage, "Modernizing the U.S.-DPRK Agreed Framework: The Energy Imperative."

97. *Ibid*.

98. Desaix Anderson, "Myths of KEDO."

99. David Von Hippel, Peter Hayes, and Timothy Savage, "Modernizing the U.S.-DPRK Agreed Framework: The Energy Imperative."

100. *Ibid*.

101. Bong-Geun Jun, "Obstacles to the KEDO LWR Project," pp. 79-80. Also

see Prepared Testimony of Mitchell B. Reiss, Dean of International Affairs, Director of the Wendy and Emery Reves Center for International Studies, College of William and Mary, Williamsburg, Virginia, before the Committee on International Relations, U.S. House of Representatives, March 16, 2000.

102. Henry Sokolski's Letter to Desaix Anderson, December 19, 2000, and January 29, 2001, February 1, 2001; Desaix Anderson's Letter to Henry Sokolski, January 12, 2001.

103. "Agreement on Supply of a LWR Project," Annex 3, Article 4. Also see "Testing North Korea: The Next Stage in U.S. and ROK Policy," p. 7.

104. Daniel A. Pinkston, "Implementing the Agreed Framework and Potential Obstacles," A paper for the 12th Pacific Basin Nuclear Conference in Seoul, Korea, October 20-November 2, 2000.

105. *Ibid*.

106. "North Korea Threat Reduction Act of 1999" (H.R. 1835); Gilman-Markey amendment of "American Embassy Security Act of 1999"; H. AMDT. 324.

107. Bong-Geun Jun, "Obstacles to the KEDO LWR Project," p. 73.

108. *Ibid*.

109. *Ibid*., pp. 73-74.

110. "Testing North Korea: The Next Stage in U.S. and ROK Policy," p. 6.

111. The Independent Task Force on Korea of the Council on Foreign Relations recommends that "no ambiguous determination by the IAEA of North Korea's nuclear history should be acceptable if the margin of error — between what plutonium the North has declared, and the amount the IAEA judges it may actually have — is in the vicinity of the amount required for one or more nuclear weapons." See *Ibid*., p.7.

112. But KEDO does not embody an economic logic that is needed to make KEDO ultimately successful." See Bradley O. Babson, "KEDO and the Future of the North Korean Economy."

113. North Korea's cooperation should be two-fold: to implement agreements already in place, and to show flexibility in order to handle unexpected transportation and telecommunication needs. See Bong-Geun Jun, "Obstacles to the KEDO LWR Project," pp. 73-74.

114. It is noteworthy here that there were some areas where North Korea "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 2 days to 5 hours, though this was not in the agreements. See *Ibid.*, p. 75.

115. Yukio Satoh, "KEDO and its implications for Northeast Asian Security."

116. Desaix Anderson, "Remarks to Korea Economic Institute," July 22, 1998, pp. 2-3.

117. Author's Interview with Masaaki Ono, New York City, October 7, 1998; Author's Interview with Joel Wit, Westin Chosun Hotel, Seoul, September 29, 1998.

118. Joel Wit, "The Korean Peninsula Energy Development Organization: An American Perspective," Unpublished Paper, pp. 8-9. In this context, Bradley O. Babson, Senior Advisor to the World Bank, suggests expanding KEDO's mandate "to enable it to address the wider ranges of issues . . . affecting the energy sector as a whole," that is, "interacting with a broader segment of the North Korean government system and require mobilization of financing and technical expertise beyond the resources now available to KEDO." Here, KEDO is conceived as "the center of international support to rehabilitate and make economically efficient the whole of the energy sector" of North Korea. See Bradley O. Babson, "KEDO and the Future of the North Korean Economy."

119. Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges."

120. "Testing North Korea: The Next Stage in U.S. and ROK Policy," p. 8.

121. "Joint U.S.-DPRK Statement on International Terrorism," Statement by Richard Boucher, Spokesman, U.S. Department of State, October 6, 2000.

122. "DPRK stance toward terrorist attacks on U.S.," *Korean Central News Agency,* September 12, 2001.

123. *Yonhap News*, October 6, 2001. But there is no way for North Korea to get off the list of states sponsoring terrorism as long as North Korea continues to harbor Japanese Red Army hijackers, because U.S. laws do not exempt any country from the duty of being cleared of hijacking and hijacking-related terrorism. And, if North Korea is not off the list of states sponsoring terrorism officially, the United States simply "cannot support its membership in international financial institutions." See "Testing North Korea: The Next Stage in U.S. and ROK Policy," p. 10.

124. Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges."

125. Haksoon Paik, "The Korean Peninsula Energy Development Organization

(KEDO): Interests, Conflicts, and Institutionalization," pp. 103-135.

126. Stephen Bosworth, "KEDO Cooperation: Lessons Learned and Future Challenges."

127. Mitchell B. Reiss saw it as important to debunk the myth that KEDO does not need U.S. support nor deserve it. See Prepared Testimony of Mitchell B. Reiss before the Committee on International Relations, U.S. House of Representatives, March 16, 2000.

128. Bradley O. Babson, "KEDO and the Future of the North Korean Economy."

PART IV: ECONOMICS

CHAPTER 10

KOREA-U.S. TRADE RELATIONS IN THE ERA OF REGIONALISM

Miongsei Kang

With the goal of providing an account of the recent development of Korean-U.S. trade relations, this chapter utilizes regionalism, which increasingly characterizes world trade patterns. The United States is a core member of the North American Free Trade Agreement (NAFTA), one of the most influential trade blocs along with the European Union (EU). The emergence of regionalism will have a great impact on the trade flows of East Asia. In defensive responses to regionalist initiatives from Europe and the United States, East Asia is more likely to institutionalize an economic cooperation that has been largely informal and unbinding. As a trade-dependent country, Korea now confronts a regional challenge. The United States took the lead in its regionalist move in reaction to a "Fortress Europe," away from its traditional commitment to a multilateral trading system. The goals in this chapter are to establish what has happened to Korea-U.S. trade flows and analyze what it means for the future. Section 1 provides an overview of the development of Korea-U.S. trade relations during the past three decades. Section 2 introduces the rising tide of regionalism, which has affected the trade policy of Korea and the United States. Section 3 traces the impact of regionalism on trade relations with a discussion of the redirection of trade. Section 4 explains Korea's strategic options in the face of a regionalist challenge within East Asia and from the United States.

An Overview of Trade Direction and Korea-U.S. Trade.

Korea had long-run trade surpluses with the United States. The size of the trade surplus went up to about 9.6 million dollars in 1987. Then, the surplus decreased to 2.5 million dollars in 1990. After that, Korea's trade with the United States ran deficits until 1997. A surplus came back after the financial crisis, thanks to the depreciation of the Korean currency, and the surplus since has been steadily increasing, reaching about 8.4 million dollars in 2000.

Korea's trade direction has changed much over the past 2

decades. The United States was Korea's largest single market until the middle of the 1980s. In the 1990s, Korea diversified its trade pattern, shifting from large economies such as the United States and Japan toward small- and medium-sized economies, particularly in Southeast Asia. At present, its largest market is East Asia, including China but not counting Japan. Korea's export share in East Asia increased from about 13 percent in the 1980s to more than 34 percent in the 1990s, making it the single most important destination for Korean exports. The share of U.S. trade in Korean exports has been gradually decreasing since 1990, down to 20 percent in 1999, from 40 percent in 1986. The share of exports to Japan has decreased by half, from more than 21 percent in 1978 to 11 percent in 1999. The biggest change is found in the trade flows between Korea and China. Korea had no formal relations and little trade with China until 1990. China, in combination with Hong Kong, has become the largest importer of Korean products over the past 5 years. China is expected to loom larger in the future, while the United States is still one of the largest export markets of Korea, and Japan is the third market. Thus a greater part of Korean export is concentrated in the Asia Pacific Economic Cooperation (APEC) area. The share of EU is stagnant, hovering around 10-15 percent. The United States, Japan, and East Asia comprised more than 65 percent of Korea's exports in the 1990s. According to some econometric analyses, the effect of APEC is large and statistically significant. Korea's bilateral trade flows with members of APEC are three times as much as those with non-APEC countries.[1]

The Rise of Regionalism.

During the past decade, regionalism has attracted extensive attention in policy circles, from politicians, and from economists. The advent of the European Monetary Union (EMU), NAFTA, and the possibility of an Asia-Pacific economic bloc have generated widespread debate concerning the causes and consequences of regionalism. The United States and the EU, the two centers of regionalism, have worked in harmony to expand the multilateral trading system since 1945. Both sides of the Atlantic have used the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) to defuse conflicts that have proven intractable in bilateral negotiations.

However, the stability of bilateral relationships is threatened with the end of the Cold War and the rise of regionalism. The United States and the EU have no powerful incentive to look past commercial differences since the Union of Soviet Socialist Republics (USSR) collapsed. At the beginning of the 1990s, interest in regionalism or economic blocs was renewed. Policy circles and economists began to revive the discussion on regional integration around 1992, when the European Community decided to establish a single market. The catalyst of regionalism was fear of a "Fortress Europe" from the EU's 1992 program (EC92). Throughout the 1990s, the EU has both deepened its regional integration through the single-market initiatives mandated by the Single European Act of 1985 and continued the process of widening EU membership. Austria, Finland, and Sweden joined the Union in 1995, and new association arrangements have been negotiated with prospective members in Central and Eastern Europe. The EU has also inaugurated an economic and political dialogue with Asia through the Asia Europe Meeting (ASEM) Forum.

The United States pushed NAFTA through a series of negotiations with Canada and Mexico and has sought to expand NAFTA to Chile and to the 24 participating countries in the Caribbean Basin Initiative in order to lay the foundation for a hemisphere-wide Free Trade Area of the Americas by 2005. The United States has also joined 17 other countries in the APEC forum in committing to the achievement of free trade and investment in the Asia-Pacific region by 2010 for most members and 2020 for developing countries.

Patterns of world trade have changed over the past 2 decades. They are characterized by the move towards regionalism. East Asia, the EU, and NAFTA all exhibit an increasing tendency for intra-regional export. Intra-regional export shares increased between 1978 and 1997 from 52.4 percent to 60 percent among the EU countries, from 28.5 percent to 47.6 percent among the East Asian countries, and from 36.7 percent to 49.1 percent among the NAFTA countries. The largest increase is found in East Asia due to the rapid economic growth of East Asia during this period: the East Asian countries have grown richer and loom larger in the world economy.[2]

Korea-U.S. trade relations need to be analyzed in this new context. Korea belongs to an informal trading regime of East Asia, which is in the process of institutionalization. The United States has already been a key member of NAFTA along with Canada and

Mexico. New developments in Korea-U.S. trade relations over the past decade need to be placed in the context of rising regionalism and the formation of regional trading arrangements in the 1980s.

Jeffery Frankel provides an analysis of the new developments of the world-trading regime. He discusses four factors as responsible for the move to regionalism; three are introduced here because they are highly relevant to understanding the changing Korea-U.S. trade patterns as well as the transformation of the world trading system. First, the move to regionalism was triggered by an ambitious EU plan to make a true common market. The EU's initiative crystallized in the Maastricht Treaty in 1992, encouraging regionalist reactions by other areas. Second, a shift of American trade policy accelerated regionalist trade arrangements. Before the 1980s, the United States had long upheld the principle of multilateral arrangements. However, the American strategy changed in 1982. The United States responded to the European resistance toward multilateral liberalization with regional cards. Its first reaction was the U.S.-Israel Free Trade Area.[3]

The United States shifted toward regional arrangements, away from the multilateral approach pursued during the post-war period. The United States formed the Canada-United States Free Trade Agreement (CUFTA) with Canada, and CUFTA was extended into NAFTA with Mexico's entry in 1995. And the United States is willing to expand it by inviting in the members of the Southern Cone Common Market Customs Union (MERCOSUR)--Brazil, Argentina, Uruguay, and Paraguay. Finally, the regionalist move is spreading to the developing countries. Mexico's bid for a free trade area with the United States in 1990 was a historic turning point, given that Mexico had feared American dominance through trade. Also the MERCOSUR was formed in 1991 by the four countries in South America east of the Andes. The motivation behind regionalism is a trade-led growth strategy. The developing countries are attempting to shift their trade strategy from an inward-looking or import substitution policy to an outward orientation, imitating the East Asian miracle.

Regionalism came to East Asia in a different form. Asian regionalism is open in that East Asian countries do not discriminate against others. Exclusive regionalism was attempted and failed. Malaysian Prime Minister Mahathir bin Mohamed proposed the creation of an East Asian Economic Group, whose name was

eventually changed to the East Asian Economic Caucus (EAEC), centering on Japan in 1989. The EAEC consisted of China, Japan, and Northeast Asian newly industralized countries (NICs) in addition to the Association of Southeast Asian Nations (ASEAN) countries. The United States, Canada, Australia, and New Zealand were explicitly excluded. Mahathir's plan was a reaction to emerging trade blocs in Europe and the Americas. His proposal had received attention from Japan and neighboring countries, particularly during Asia's economic crisis of 1997. The United States pressed both Japan and Korea not to participate in the EAEC, and Mahathir's proposal was rejected by both the United States and Japan from the beginning. Japan feared that the EAEC was in violation of open regionalism and would discriminate against the United States. Instead, the United States and Japan established the APEC forum as an alternative.[4] Asian regionalism is often said to be open. Open regionalism implies a commitment to the multilateral trading system. Open regionalism is defined as a bloc where member countries choose to lower trade barriers to countries outside the bloc even if the degree of extra bloc liberalization may not be as thorough as it is with respect to fellow member countries.[5]

Changing Trade Patterns of Korea.

Korea's export patterns demonstrate a considerable shift over time and region during the 1980-99 period. During the 1980s, the United States was the largest importer of Korean goods and Japan was second. However, the export direction of Korea in the 1990s differed completely. China emerged as the third largest importer of Korean products in less than 10 years. This is surprising, since China formally had no trade with Korea at all before 1990. Another noticeable change was the increasing importance of East Asia as an export market for Korea. Though the United States remains the largest importer on the basis of individual country, East Asia as a region has became the largest export market for Korean goods and services, not counting Japan.

The distribution of countries exporting goods and services to Korea shows a similar change. On the one hand, Korea's share in imports from Japan decreased from 28.6 percent to 22.3 percent, while during the same period, the share of the United States decreased only slightly from 22.8 percent to 21.8 percent. On the

other hand, East Asia's exports to Korea increased substantially in line with their increasing import of Korean products. Particularly, China's export share grew during this period. China emerged as one of the major trading partners of Korea, as it pursued a policy of liberalization. The diversification of Korean exports and imports is distinctively strong. Dependence on the United States in exports was reduced. The big picture is straightforward: East Asia as a whole region becomes more important, while the trade share of the United States gets smaller. This has significant implications for the future of Korea-U.S. relations, not just for trade between the two countries. Regionalist strategies by the United States could lead Korea to be attracted to East Asian economic integration. In the long run, Korea could fear U.S. discrimination and protectionism and could consider seeking a regional free trade area as a self-help alternative. Any new protectionist or unilateralist measures taken by the United States would trigger a parallel response from East Asia, including Korea. An American slowdown would lead the Asians to overcome the humiliations over the shattering of the "economic miracle" and go their own way.

In the short run, however, Korea will continue to be dependent on the United States, as export markets will not decrease rapidly. The United States has purchased more Korean goods than any other country, particularly after the 1997 financial crisis. Trade with the United States in 1998 was in surplus, which increased to more than 8 million dollars in 2000 after deficits from the early 1990s up to 1997. Korea's trade deficits with the United States peaked in 1996 at more than 11 million dollars. The surplus with the United States as a percentage of the total trade surplus of Korea increased from 6 percent in 1998 to 75 percent in 2000. Due to a long recession, Japan has bought fewer Korean goods than before the crisis. However, Japan's large foreign reserves continue to look appealing to Korea. The idea of the Monetary Fund (MF) is attractive to countries like Korea that experienced great suffering from the liquidity crisis in 1997. Korea and Japan have been discussing how to establish a free trade area. To deal with potential trade conflicts with East Asia, the United States should pay more attention to consolidating Asia-U.S. relations within APEC if it does not want the East Asian countries to establish an exclusive economic bloc as a counterweight to NAFTA.

Trade between the United States and East Asia will become more important over time. During the 1990s, Korea was the eighth largest

exporter to the United States, and Korea is the sixth largest importer of American goods and services. The American pattern of trade has changed during the 1978-99 period. With respect to imports, the biggest difference was made by China. U.S. imports from China increased from 1.1 percent in the 1980s to 6 percent in the 1990s. Thus, mutual dependence between the United States and East Asia becomes deeper. It would be advantageous for the United States to maintain close relations with East Asia.

Korea's Trade Strategy in the Era of Regionalism.

In the era of regionalism, only a few countries do not participate in economic blocs, so Korea is forced to make a choice. There remain two possible strategic options: to remain in APEC, or participate in the establishment of an East Asian bloc. The first strategy is better than the second for a country seeking trade-led growth. APEC is not a regional arrangement but a forum of open regionalism. Open regionalism, unlike regionalism, is in line with the basic principle of the World Trade Organization (WTO): no discrimination against nonmembers. In contrast, establishment of an East Asian economic bloc would divide the world into three blocs. No one gains when each bloc raises tariffs against members of other blocs.

A bilateral trade pattern depends on geographical distance, the size of gross domestic product (GDP), per capital GDP, and cultural factors such as ethnicity and language. Many studies report that geographical adjacency — the pull of gravity — is the most important determinant of trade flows between two economies. Despite technological development, transportation costs still matter. Closeness facilitates bilateral trade flows.[6] For instance, Canada is the largest trading partner of the United States. This gravity model would predict that the Korea-U.S. trade flows could not increase because the two countries are far apart. On the other hand, Korea-Japan or Korea-China trade should grow due to geographical proximity and shared culture among the three countries. In other words, the potential trade of Korea with China and Japan should be far larger than the actual trade now. According to one estimate, Korea today trades less with Japan and China than with the United States, despite the geographical and cultural proximity and large economic size of its neighbors.[7] The study suggests that Korea has to establish a free trade area (FTA) to facilitate the bilateral trade flows

with China and Japan. The FTA is expected to have the benefits of a trade creation effect. Korea's trade with Japan or China falls short of the potential trade flow, by 15 percent and 33 percent less, respectively.[8]

In contrast, actual trade flows with the United States exceed potential trade volumes by 9 percent. The gap in East Asia between potential and actual trade could be reduced by an active trade policy that links Korea, China, and Japan through a free trade area on a bilateral or trilateral basis. A free trade arrangement produces both trade creation and trade diversion unless members do not erect trade barriers against nonmember countries. Trade diversion occurs with trade discrimination against a third country. Trade with the United States would be reduced while trade with Japan and China grew. Regional arrangements might lead to a shrinking of export markets, including the United States and elsewhere, even though an expansive East Asian market provides larger outlets for Korean products. Therefore, Korea needs to be actively involved in strengthening APEC, as well as in creating bilateral trade arrangements with Japan or China. A free trade agreement with Japan or China should not be pursued without taking into consideration its potential impact on Korea-U.S. trade relations. Korea has to pressure the United States to recognize that institutionalization of East Asian regionalism harms the trade interests of the United States as well as the principle of free trade. For now, it is more realistic for Korea to pursue bilateral agreements in particular with Japan and China. At the same time, Korea needs to emphasize the benefits of open regionalism, a distinctive character of the APEC area. APEC members are found to trade 3.3 times as much as similar non-APEC countries.[9] To gain those benefits, Korea needs to commit its trade policy to addressing two goals of APEC: developing rules of deep integration and providing a forum to promote trade liberalization. Korea needs to be more open and must pursue a liberalization initiative program. In particular, it must be involved in the implementation of agreements of the APEC forum, simultaneously participating in the regional cooperation of East Asia.

Conclusion.

Korea's trade direction has been shifting over the past 2 decades. With rapid economic growth, the Korean economy tends to

diversify its trade pattern towards small and medium economies. Global regionalism anchoring the EU and North America triggered economic regionalism in East Asia. The United States created a North American free trade area in 1993 with Canada and Mexico. These new developments and the financial crisis combined to encourage East Asian countries to attempt to create their own economic organization. A global shift towards bilateral arrangements from multilateral trade liberalization had an important impact on the Korea-U.S. trade pattern. In the new environment of strong bilateral trade flows and regional blocs, Korea, a trade-dependent country, aims to broaden trade patterns and to negotiate bilateral arrangements with countries in East Asia. Korea-China trade flows have grown rapidly over the past decade. Negotiation of a free trade area with Japan is already in process.

The relative importance of the United States to Korea is shrinking as East Asia replaces the United States as Korea's largest export market. However, the United States still remains a superpower. In the short run, therefore, it is in Korea's interest to engage the United States in East Asia. The United States continues to play the role of a balancer in East Asia, particularly to prevent North-South Korean tensions from developing into a military confrontation. However, regional or bilateral measures taken by the United States since the early 1980s could threaten the present trade pattern by encouraging East Asia to establish an economic bloc. East Asian economic integration will gain momentum if the United States cannot afford the Asian exports because its economy weakens and protectionist interests prevail over free traders. To find export markets, Korea will inevitably strengthen its bilateral trade relations with East Asian economies. To avoid these potential conflicts, the United States should make a strong commitment to reestablishing the present asymmetric relations with East Asian countries within the WTO in a way that reflects the actual economic share of East Asia in the world economy. It is in Korea's interests to keep the United States involved in East Asia through APEC. APEC is the proper place in which the United States and Asian countries can seek to recognize their mutual interests and realize free trade. Working efficiently, APEC can contribute to weakening regional competition between economic blocs and discrimination of East Asia and North America against each other. It is in the interest of the United States not to leave East Asia to establish an economic bloc and divide the world

into three blocs. Competitive protectionism among three blocs would generate the worst outcome.

ENDNOTES - CHAPTER 10

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CHAPTER 11

SOUTH KOREA'S INWARD FOREIGN DIRECT INVESTMENT: POLICY AND ENVIRONMENT

Kyu-Ryoon Kim

Introduction.

East Asian countries showed remarkable economic growth and led the world in economic dynamism until the recent financial crisis. Asian economic dynamism first appeared in the city-states of Hong Kong and Singapore and then the partial nations, Taiwan and South Korea. These four tigers have been classified as Newly Industrializing Economies (NIEs) and a model for economic development of developing countries. Thailand, Malaysia, Indonesia, and the Philippines followed the developmental paths of neighboring NIEs and achieved high economic growth in the 1990s. China recorded double-digit economic growth rates during the 1980s and 1990s. All these phenomena made economic analysts believe that the East Asian region would lead the world in economic dynamism in the 21st century.

The financial crisis of 1997 affected South Korea dearly, even though its economic success has not totally vanished. In fact, the financial crisis made South Korea rethink its development policies. Its first task was to overcome the financial crisis. In doing so, it had to reorganize economic resources to prepare for the next stage of economic development, realizing that the export-led growth model alone would be insufficient to provide long-lasting development in the interconnected world economy. More importantly, South Korea's credibility and soundness were questioned by foreign businessmen and bankers.

Many writers and analysts detected the causes of the Asian financial crisis.[1] While the immediate causes were financial sector weaknesses with easy global liquidity conditions and the contagion of financial disturbances across Asian countries, intrinsic causes were over-investment without adequate returns and inappropriate industrial policies. The South Korean government was supposedly providing a favorable business climate and proper developmental

plans so that its businessmen could expand economic activities at home and abroad. In reality, the government was frequently involved in economic activities to pursue embedded interests of the richer part of the society. As a result, the economy had long rested on a vigorous trilateral relationship among bureaucrats, businessmen, and bankers. When the economy was booming, this trilateral relationship produced high economic growth rates. But many problems erupted when the economy was in crisis, and the same nexus was blamed as an intrinsic cause. The question has been whether South Korea could recover within its Asiatic mode of economic development--the export-oriented development strategy. Otherwise, it would be necessary to devise a new framework. This would entail such measures as macro-economic adjustments, correction of ill-structured networks, and restructuring of financial sectors.

This chapter attempts to delineate South Korea's foreign direct investment (FDI) policies. In doing so, it is necessary to first investigate the past record and previous policies on foreign direct investment. Then I analyze South Korean efforts to promote inward foreign direct investment after the crisis.

South Korea's Inward Foreign Direct Investment Policy.

South Korea has undergone three periods of change in its inward foreign direct investment policy. The first was between 1960 and 1983, when Korea was building its industrial base and actively pursued an export-led growth development strategy. The second, between 1984 and 1997, was when South Korea had begun to realize the importance of FDI, though it tried to liberalize on this only minimally. The third period began in 1998, right after the financial crisis hit. (See Table 1.)

South Korea began its industrialization based on export-led growth in the early 1960s. This was accompanied by allowing DFI through enactment of the Foreign Capital Inducement Act in 1960. However, the prevalent policy during this period was to keep FDI to a minimum. The government preferred foreign borrowing to FDI because of its history of foreign domination under Japanese colonial rule.[2] Thus the government emphasized control, rather than free entry, of foreign capital resources.

The government began to allow FDI in the middle of the 1960s,

Period	Main Contents
Early institutionalization (1960-1983)	Enacted the Foreign Capital Inducement Act (1960) Established two Free Export Zones (1970, 1974)
Passive liberalization (1984-1997)	Adopted the negative list system (1984) Abolished performance requirements (1989) Allowed friendly cross-border M&A (1997)
Active promotion (1998–present)	Allowed hostile cross-over M&A (1998) Enacted the Foreign Investment Promotion Act (1998) Ended most restrictions on foreign land ownership (1998)

Source: June-Dong Kim, *Inward FDI*, 1999, p. 11.

Table 1. Inward FDI Policy.

especially in the Free Export Zones at Masan and Iri, due to growing foreign debt and in order to develop light industry. However, performance requirements, such as export or technology transfer requirements, were imposed in order to raise foreign exchange earnings and acquire advanced technology. In the 1970s, South Korea realized that FDI was necessary to restructure its economy. The government began to allow FDI in heavy industry sectors. However, foreign ownership was limited to less than 50 percent, and the primary purpose of the FDI policy was to support exports.

The government recognized FDI as a key channel for acquiring advanced technology in the early 1980s. It replaced the positive list system of restricting FDI with a negative list system in 1984. This liberalization measure was followed by the abolition in 1989 of performance requirements such as export, local content, and technology transfer provisions, which had been imposed on foreign investors.

When Korea became a member of the Organization for Economic Cooperation and Development (OECD) in 1996, it brought its FDI policies in line with international norms and standards by turning the Foreign Capital Inducement Act into the Act on Foreign Direct Investment and Foreign Capital Inducement. Under the new Act, the concept of FDI was expanded to encompass long-term loans. Foreign investors were allowed to pursue friendly mergers and

acquisitions beginning in early 1997. However, Korea's basic attitude toward FDI was still passive. The government did not pay much attention to removing various impediments and to promoting FDI in general until after the financial crisis broke out.[3]

The financial crisis made the government rethink the utility of FDI because its economy experienced refusals by foreign lenders to roll over debt. To overcome the financial crisis as quickly as possible, Korea actively promoted an influx of FDI. The government enacted the Foreign Investment Promotion Act (FIPA) in November 1998, and other FDI-related laws thereafter. In addition, the government issued the Enforcement Decree of the Foreign Investment Promotion Act, The Enforcement Regulation of the Foreign Investment Promotion Act, Regulations on Foreign Investment and Technology Inducement, Regulations on Tax Reductions or Exemptions for Foreign Investment, and the Special Tax Treatment Control Act. The purpose of FIPA is to contribute to sound development through attracting foreign investment by providing support and facilitation, formulating policies to design the most supportive and convenient FDI system in the eyes of foreign investors, and establishing a FDI system in which local governments take an important role.[4] The more detailed promotional policies are dealt with later.

South Korea's Inward FDI Records.

The total volume of FDI between 1962 and 1997 was only $25 billion. Since then, the amount of FDI has been really remarkable — some $40 billion in 1998-2000. (See Table 2.)

Year	1995	1996	1997	1998	1999	2000
Amount	1,941	3,203	6,971	8,852	15,541	15,690
Cases	556	596	1,055	1,399	2,102	4,136

Source: Ministry of Commerce, Industry and Energy, *Investment Statistics Database*.

* Based on Notification.

Table 2. Inward FDI Records (Million of Dollars).*

Compared to other developing countries, South Korea ranked 6th in this regard, as Table 3 indicates. This is remarkable, because South Korea received much FDI after the financial crisis. It should also be noted that China and Hong Kong occupy the first and second position and receive 35 percent of total FDI flows among developing economies.[5]

Economy	Percentage
China	19.2
Hong Kong, China	16.0
Brazil	14.4
Argentina	6.5
Mexico	5.6
Korea, Republic of	4.0
Singapore	3.1
Bermuda	2.8
Chile	2.7
Cayman Islands	2.4
Top 10 total	76.7

Source: UNCTAD, *World Investment Report 2001*, p. 52.
* Average 1998-2000

Table 3: Largest Recipients' Shares of FDI Flows among Developing Economies.*

According to *Word Investment Report* by the United Nations Conference on Trade and Development (UNCTAD), longer-term investment prospects for developing Asia remain bright. In this vein, FDIs to South Korea likely were sustained or increased this year too. However, the share of incoming FDI in the ROK Gross Domestic Product (GDP) in 1998 was only 6.1 percent, up from 3.5 percent in 1997. This is quite low compared to the worldwide average of 13.7 percent; for developed countries, 20 percent; for developing countries, 17 percent; and for China, 27.6 percent.

As Table 4 shows, FDI to South Korea came primarily from the United States, the European Union, and Japan. The United States was predominant before and after the financial crisis, though its share decreased in 2000. However, much of the FDI from the

Cayman Islands was reportedly from American enterprises, so the U.S. share may have remained higher than it appeared.

	1996	1997	1998	1999	2000
Japan (Share)	255 (8.0)	266 (3.8)	503 (5.7)	1,750 (11.3)	2,449 (15.6)
U. S. (Share)	876 (27.3)	3,190 (45.7)	2,976 (33.9)	3,739 (24.1)	2,916 (18.6)
E. U. (Share)	892 (27.9)	2,305 (33.0)	2,889 (32.6)	6,261 (40.3)	4,607 (29.4)
Others (Share)	1,180 (36.8)	1,210 (17.4)	2,484 (28.1)	3,791 (24.3)	5,718 (36.4)

Source: Ministry of Commerce, Industry and Energy, *Investment Statistics Database*.
* Based on Notification.

Table 4. Inward FDI by Sources (Millions of Dollars).*

It should be noted that Japanese FDI flows to South Korea rose in 1996-2000. The South East Asian countries were its primary investing location until the financial crisis,[6] after which Japanese investors turned to safer locations. Also the Korean effort to promote FDI to cure its economic and financial problems made Japanese investors more interested.

South Korea's FDI Promotion Policy After the Financial Crisis.

The Kim Dae-Jung administration was born in the midst of the financial crisis. The foremost task for President Kim was to overcome the crisis. His administration adopted a series of measures to restructure the economy, including a comprehensive organizational structure for promoting investment as much as possible to increase its foreign reserves.

The administration put forth the following directions.[7]

1. Foreign investment will be the central axis in improving the industrial structure.

2. Foreign investment will be directed to fundamentally address Korea's fragile industrial structure.
3. Foreign investment will be used to enhance the competitiveness of the weak areas and materials industry and strategically nurture them.
4. The investment climate will improve on a continuing basis so that the impact of foreign investment expands.
5. Post-investment management will be consolidated by resolving the troubles of foreign investors.
6. There will be continual work towards improving the labor-management climate.
7. Government will promote solicitation of foreign investment through close teamwork between the government, provincial governments and corporations.
8. The systematic support system for foreign investment solicitation activities will be strengthened.
9. Government will promote a positive attitude and mindset about foreign investment, ultimately inducing the nation to actively respond with foreign investment.

In addition, the government established the Korea Investment Service Center (KISC) in April 1998 as an arm of the Korea Trade-Investment Promotion Agency (KOTRA), a government-sponsored nonprofit organization. Since its inception in 1962, KOTRA has played a major role in Korea's export-led development. Under the 1998 Foreign Investment Promotion Act, KISC has assumed a leading position in KOTRA's promotion of FDI.

The government also established the Office of the Investment Ombudsman (OIO) in 1999 to serve foreign investors. A quasi-government institution, the Ombudsman office is an example of the initiative the government has taken to resolve the business-related grievances of foreign investors to ensure an investment-friendly environment.[8]

The KISC set forth the direction of FDI related policies as follows.[9] First, Korea is steadily liberalizing business sectors to FDI. After joining the OECD, South Korea streamlined previously restricted regulations on FDI and brought them to an internationally accepted level. Second, under the Foreign Investment Promotion Act, notifications and applications have been simplified, substantially eliminating red tape and delay in processing applications. Third, one

barrier for foreign companies has been settled through improving the system for company public disclosures and for transparent accounting in keeping with international accounting standards. Fourth, the South Korean government has made continuous efforts to strengthen unemployment-related measures, expand the social safety net, and establish stable labor-management relationships in a bid to support foreign investment and regain corporate competitiveness in the world market. Fifth, the government has tried to change peoples' negative attitudes towards foreign investment by publicizing positive aspects of the investment, such as greater employment opportunities, development of the local economy, more foreign exchange, and so on. All this is based on the notion that foreign investors can do business in South Korea just as South Koreans do.

South Korea's FDI Environment.

As we have seen above, South Korea's efforts to attract FDI have been successful. Now we consider ways to improve this in the future. The Korea Investment Service Center has outlined South Korea's advantages as a location for FDI: a strategic location between two giant markets, high profitability, an educated and skilled labor force, strong science and technology development, a developed physical infrastructure, a strong industrial base, and rapid growth in the IT industry.[10]

First, on the location between giant markets, South Korea is situated in a region with a huge customer base between Japan and China. In total, South Korea is surrounded by nearly two billion East Asian consumers, 500 million just in the Association of Southeast Asian Nations (ASEAN) countries. The Korean peninsula is poised to emerge as a mammoth transportation hub connecting East Asia and Europe as North and South Korea are jointly restoring the "Seoul-Uiju" railway that will boost the economic synergies between the Eurasian and Pacific economies.

As for high profitability, approximately 2,900 foreign companies have chosen South Korea as a manufacturing location, and they perform far better than domestic companies in terms of profitability and financial soundness. According to a study by the Bank of Korea, the ordinary profit of international companies (ones at least 50 percent foreign-owned) stood at 11.7 percent of aggregate sales

revenue in 1999. South Korea has maintained the lowest corporate tax rates among the 29 members of the OECD. Foreign investors are free from double taxation if their home country is a signatory to a tax convention with South Korea, as 53 countries are now.

On the educated and skilled labor force, South Koreans attach great importance to education, since it has been a vital element in the country's economic and technological advancement. The labor force is well educated, the product of a highly organized school system. More than 97 percent of the workers have education to the level of vocational training or university degrees. At 98 percent, literacy is nearly the highest in the world.

Labor productivity has grown by an average of 10 percent annually. The work force is renowned for its diligence and skill. South Korean employees worked 50 hours per week on average in 1999. A flexible working hour system, along with the regular working hour system, enables employers to offer work in 2-week or 1-month periods, reducing labor costs and raising competitiveness.

Fourth, South Korea's strengths in science and technology lie in its high level of investment in research and development (R&D), its patent registration, and its development of human resources. There are 2,863 R&D-related institutes in South Korea, including 163 public research institutes; some 258 at universities, colleges, and junior colleges; plus 2,435 that are corporately owned. Investment in R&D as a proportion of the gross national product (GNP) increased from 0.81 percent in 1981 to 2.68 percent in 1999 and is expected to have hit 5 percent in 2001. South Korea now ranks fifth in the world in this regard after Sweden, Japan, Finland, and Switzerland.

A package of tax and credit incentives has helped firms raise their research expenditures to 3-4 percent of gross revenue. Firms may take a tax deduction of up to 15 percent of total expenditures on human resource development. A deduction of up to 10 percent is allowed for investments in research facilities. There is also a 90 percent annual depreciation allowance on research and test facilities.

Fifth, is developed physical infrastructure. Maritime transportation is vital for South Korea since 99.7 percent of all exported goods travel this way. With three coasts, South Korea is well-positioned as a base for shipments to Northeast Asian markets, being close to major Chinese, Japanese, and Russian ports. International airlines operate 802 scheduled direct flights per week between Seoul and

major cities in North America, South America, Europe, North Africa, the Middle East, and Asia. Electricity and telecommunications costs are the lowest in Asia.

As for the strong industrial base, the domestic semiconductor industry ranks third in the world in production. The dynamic random access memory (DRAM) sector has developed as the country's most competitive business, claiming 40 percent of the world market. The Korean shipbuilding industry became the world's largest in 1999, accounting for 40 percent of the market. South Korea is the world's sixth largest electronics producer, with 6.6 percent of global production. The home appliances industry ranks second worldwide and the related parts sector, third, testimony to their status as major players in overseas markets.

The petrochemical sector is one of the pillars of South Korea's industrial base, providing raw materials for such critical industries as electronics, automobiles, textiles, aerospace, and precision chemicals. South Korea is the third largest ethylene producer after the United States and Japan. Domestic production accounts for 15.1 percent of the world total, ranking fifth globally. With top-of-the-line technology, low investment costs, and geographical adjacency to China and other outstanding Asian markets, the outlook for the industry is extremely positive.

With 16 million users by mid 2000, the Internet industry has grown rapidly. The country now ranks sixth in terms of Internet use. The rapid growth of the Internet market is due to the expansion of e-trade along with the development of such Internet-related businesses as contents, auctions, and game marketing. The degree to which Internet-related business has taken off in Korea may be gauged by the increase in the number of Internet domains from 26,000 in 1998 to 207,000 in 1999. As Internet access skyrockets, companies are not only using the Internet as a marketing tool, but also have designated Internet business as a core segment for the future. South Korea is also the first country to have commercialized Code Division Multiple Access (CDMA) technology, a development that led to the creation of a global CDMA market, and it maintains the lowest telephone costs in Asia.

Clearly South Korea offers numerous inducements to foreign direct investors. However, many of these existed *before the financial crisis* or, more precisely, before the administration began to actively seek FDI. So what made investments increase so much after the

crisis? Changed attitudes towards foreign investment, an upgraded FDI promotion policy, and a shift in the mentality of South Korean businessmen about the usefulness of foreign investment. However, certain businessmen still consider FDI as a matter of ownership, not as an opportunity to acquire high technology and advanced financial systems.

Indeed, small- and medium-sized enterprises[11] are, in general, still reluctant to receive FDI. They have not had enough communication and contact with foreign businessmen, and most of the owners have considered FDI more as a way of investing abroad, especially those in the light-industry sector. Owners are also not accustomed to complying with transparent accounting systems because they have long been dependent on private borrowing.

The Office of the Investment Ombudsman (OIO) performed a survey on the environment for foreign firms in 1999, with 233 responding. About 85 percent cited the market potential as a primary reason to invest, and about 59 percent said that profitability had improved in the previous year. On the other hand, taxation and labor relations were cited as problems. They were dissatisfied about noninstitutional difficulties, such as unreasonable practices by South Korean companies and the authorities.

What are the implications of the survey results? First, foreign firms were, in general, satisfied with the government's efforts. Second, they were also satisfied with the business environment improvements made after the financial crisis. Third, unreasonable business practices, however defined, were still in place. These points imply that South Korean business may not be fully utilizing the opportunities provided by the government on attracting FDI.

Conclusion.

The South Korean government has made efforts to attract foreign investment as much as possible after the financial crisis. The policy changes include improvements, such as the adoption of one-stop service, and other liberalization measures. Owing to these attitudinal changes, South Korea ranked 6th in receiving foreign investment among developing countries. Can this trend continue? South Korea is at the center of the Northeast Asian region. However, it cannot fully exploit its geo-economic advantages because the Korean peninsula is divided, while the adamant attitude of North Korea

inhibits South Korea's efforts to become the center of economic cooperation in the region.

The financial crisis affected the economy dearly. It made South Koreans rethink hyper economic growth. It also raised questions about the role of politics in economic development. South Korea has long been accustomed to high economic growth and an export-led development strategy. Now may be the right time to consider a moderate level of economic growth as appropriate and to put more emphasis on sustainable development.

We also have to remember the premise that unstable political conditions affect economic development potential. Stephen Haggard has pointed out the adverse impact of bad politics: undue political influence, moral hazard, corruption and private fraud, policy biases, and economic mismanagement.[12] President Kim Dae Jung was elected in the midst of the crisis and one of his major campaign promises was to overcome it. He received strong support from the people in the first half of his term and could pursue restructuring initiatives. Thus, many economic problems could be solved in a rather short time. However, South Korea's political problems still affect its economy in an adverse manner, and more difficult tasks may lie ahead.

In the meantime, it may be necessary to rethink the impact of South-North relations on the South Korean economy. Take the example of Hyundai. It launched the Mt. Kumgang project in 1998, welcomed by President Kim and President Clinton. The South Korean president pointed out that the project bolstered South Korea's economic credentials by providing an impression of stability to the world. However, Hyundai's investment in North Korea became a major cause of its economic mismanagement.

It may be too early to evaluate the last 3 years' performance in attracting foreign investment. The Asian experience shows that there can be many ways to achieve industrialization, modernization, and democratization. The Asiatic mode of development was certainly different from the Western one. However, its uniqueness may no longer be an advantage under globalization. It is necessary for us to recall the true meaning of democracy. A less democratic country is highly likely to fall into opaque business practices, corruption, and an inefficient financial sector. The *Economist* pointed to six myths about the factors behind East Asia's economic growth: the virtue of high investment, small government, flexibility of economic system,

good governance, the virtues of long-term relationships, and higher level of universal education.[13] These same factors are now seen as causes of the financial crisis. It pointed out that the cozy relationship between firms and government was partly to blame for the tigers' problems.

Finally, now is also the right time to consider strengthening multilateral cooperation in the Northeast Asian region. Asia has the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN. However, there is no multilateral cooperative body to handle Northeast Asian economic problems exclusively. To fully realize the economic potential of the region, it may be necessary to devise a new form of multilateral cooperation.

ENDNOTES - CHAPTER 11

1. Numerous articles on the causes of the crisis have appeared, though most of them deal just with economic causes. These articles and related documents are compiled at *www.stern.nyu.edu/~nroubini/asia/AsiaHomePage.html*.

2. June-Dong Kim, *Inward Foreign Direct Investment*, Seoul: KIEP, 1999, p. 9.

3. *Ibid*., p. 11.

4. See *http://www.kisc.org/sevlet/ KiscCMNKiscMenu01A?OP=102&SITE_ID=KISC& MENU_ID*.

5. UNCTAD has cited three factors behind Hong Kong's performance: 1) recovery from recent economic turmoil; 2) Trans National Corporations planning to invest in China "parking" funds in Hong Kong before China's entry into the WTO; and a major cross-border mergers and acquisitions in telecommunications, which alone accounted for nearly one-third of the territory's FDI inflow. UNCTAD, *World Investment Report 2001*, New York: United Nations, 2001, p. xiv.

6. Japan was the largest investor in South Korea until the end of the 1980s. Then, in the 1990s, Japan turned its investing to China and ASEAN instead. After the financial crisis, this trend was reversed.

7. See *http://www.kisc.org/sevlet/KiscCMNKiscMenu01A?OP=102&SITE_ID*.

8. See *http://www.i-ombudsman.or.kr*.

9. See *http://www.kisc.org/sevlet/ KiscCMNKiscMenu01A?OP=102&SITE_ID*.

10. The full text can be found at *http://www.kisc.org*.

11. The Small and Medium Business Administration, a central government agency, defines small and medium enterprises as employing fewer than 300 persons or having

capital below 8 billion won. *Http://www1.smba.go.kr/human/english.*

12. Stephen Haggard, *The Political Economy of Asian Financial Crisis*, Washington, DC: Institute for International Economics, 2000, p. 16.

13. "A Survey of East Asian Economies: Frozen Miracle," *The Economist*, March 7, 1998, pp. 17-18.

CHAPTER 12

PROMOTING ECONOMIC COOPERATION BETWEEN NORTH AND SOUTH KOREA

Joseph A. B. Winder

INTRODUCTION

Promoting economic cooperation between North and South Korea has long been a central element in the process of promoting peace and stability on the Korean Peninsula. President Park Chung-hee included a reference to economic cooperation in his opening to the North in the early 1970s, and each subsequent government has added content to its policy on economic cooperation with the North. Economic cooperation was a major element in the communiquè issued at the conclusion of the historic summit visit of President Kim Dae-jung to North Korea in June 2000, and it has been a central focus of attention in the government-level exchanges that have taken place since the summit.

In the initial stages, the government looked to the private sector as the principal instrument for implementing a policy of North-South economic cooperation. There was interest in some elements of the private sector, and this approach ran less of a risk of generating strong political opposition. In fact, the government placed tight constraints on the activities of the private sector in dealing with the North and put in place strict regulations governing all South-North economic contact.

Contacts grew slowly and were limited to trade and investment in a few manufacturing projects. Over time, the government relaxed the restrictions on private sector activity, and both trade and investment increased, albeit slowly. In 1988, the government began a gradual shift in its overall policy approach and began to encourage the private sector to become engaged in economic cooperation with the North. The results were positive but meager.

With the election of President Kim Dae-jung in December 1997, the government's approach became one of active support and encouragement of private sector commercial activity in the North.

Restrictions were eased, and the government devised mechanisms to assist South Korean firms doing business with the North. Public funds were made available in support of private sector projects, and the government made the expansion of business activity an agenda item for direct government-to-government negotiations with the North. The private sector responded with a spurt of activity after the North-South summit, but trade and investment still continued to grow at a modest pace. Much of the interest in the private sector in pursuing business opportunities in the North came from firms whose founders or key officers had been born in North Korea. The North Korean government courted these people, inviting a number of senior executives of South Korean companies, who were born in North Korea, to visit North Korea in April 2000.

The government also moved to engage the public sector directly in the process of North-South economic cooperation. State firms began to invest in projects in the North, and the government became involved in financing and constructing two power plants in the North, while holding out the prospect of providing additional funds in support of other infrastructure projects.

In spite of these efforts, private sector interest in undertaking business ventures in North Korea was limited. The business environment was difficult; the prospects for profitable ventures were uncertain, particularly in the short run; there were growing opportunities in other countries in the region; and business conditions at home were tough. Increasingly, the government was forced to take on the primary responsibility for energizing North-South economic interaction. The government assumed the role of cheerleader, negotiator, and financier with the private sector clearly in a key but subordinate position. Both sides seemed comfortable with this new paradigm.

THE EVOLUTION OF GOVERNMENT POLICY

The government established much of the legal and administrative framework for controlling and regulating North-South economic cooperation during the administration of President Roh Tae-woo. In July 1988, a few months after he took office, President Roh issued a Special Presidential Declaration promoting North-South economic interchange, and the government followed up in October with the "inter-Korean trade measure," which officially allowed inter-Korean

trade. In 1989, the government established the Inter-Korean Exchange and Cooperation Promotion Committee as an oversight body for all North-South interaction. The Committee has responsibility for reviewing and passing on all proposals for North-South economic cooperation. On August 1, 1990, the National Assembly passed the Inter-Korean Exchange and Cooperation Act which expanded the basis for North-South economic cooperation.

In July 1993 the government of President Kim Young-sam prepared a plan for inter-Korean economic exchanges and cooperation as part of the latest New Five-Year Economic Plan. The government followed up in November 1994 with a series of measures designed to energize North-South economic cooperation.

Sunshine Policy.

The administration of President Kim Dae-jung made the promotion of North-South economic cooperation a central element of government policy. In a policy directive dated April 30, 1998, the government outlined its new approach, which has been named the Sunshine Policy. The central theme of this approach is the separation of business and government. The aim of the policy, as explained by government officials, is to encourage private enterprises to expand economic cooperation with North Korea solely on the basis of economic principles of a market economy, independent of the political situation in inter-Korean relations.

The Sunshine Policy includes measures to support and encourage trade and economic interchange between South and North Korea. The government took steps to ease the tight constraints on private sector activity with the North. It expanded the number of items which could be imported from North Korea without a permit, it eliminated the ban on the export of manufacturing facilities, and it lifted the ceiling on the size of investment by South Korean businesses in the North, subject only to a negative list of prohibited areas of business. In July 2001, the government announced its intention to widen the range of activities the Export-Import Bank can support. The Export-import Bank has recommended the modification of a law which currently classifies inter-Korean trade as "inside exchange," rather than foreign trade. A change in the law is needed so that the Bank can provide export financing for trade with North Korea. The government has also expressed public support for North Korean

membership in the Asian Development Bank.

The government did not totally abandon its control over the process of inter-Korea economic cooperation, however. The government continues to exercise oversight of North-South economic cooperation through the Inter-Korean Exchange and Promotion Cooperation Committee chaired by the Minister of Unification, and it has maintained the system of a two-step approval process for investments in North Korea. The government also issued a pronouncement warning against "excessive competition" between South Korean firms seeking to do business in the North.

Berlin Declaration.

In addition to providing additional stimulus to North-South economic cooperation via the private sector, the government also recognized that it, too, must play a more active, direct role in moving the process forward. President Kim Dae-jung used the occasion of a speech in Berlin in March 2000 to articulate a policy of adding a government-to-government element to the process of inter-Korean economic cooperation. He said such a program of government-to-government cooperation is necessary, since "private business can only do so much to expand social overhead structure, promote a favorable investment environment, and reform the overall agricultural setup." In that speech, President Kim outlined several specific areas of cooperation between North and South:

- The expansion of social infrastructure, including highways, railroads, and electric and communication facilities.

- Government-to-government agreements regarding investment guarantees in prevention of double taxation.

- Support for comprehensive reforms in North Korea's agriculture sector including the provision by the South of quality fertilizers, agricultural equipment, and irrigation systems.

President Kim's speech in Berlin followed on the heels of an

announcement earlier that month of plans to cultivate a "peace belt" in North Korean areas near the Demilitarized Zone (DMZ) with the construction of a large industrial complex. Unification Minister Park Jae-kyu said in a speech in April that the government would build as many factories as possible around the DMZ.

North-South Cooperation Fund.

The government also took steps to increase the resources of the North-South Cooperation Fund (sometimes referred to as the Inter-Korean Cooperation Fund) and to expand the purposes for which it could be used. The Fund had been created by the National Assembly in August 1990 as a vehicle for funding government-level humanitarian assistance to North Korea. The government allocated 25 billion won to the Fund in 1991, and increased its resources by an additional 510 billion won from the period 1992–97. Thus far during the Kim Dae-jung administration, an additional one trillion won in government resources have been made available to the Fund. The government also expanded the Fund's mandate to encompass financial support for public and private sector projects in North Korea. The Inter-Korean Exchange and Cooperation Promotion Committee, which oversees the activities of the Fund, has approved its use for small and medium firms' business projects in the North and for a major tourism project at Mt. Kumgang. The government decided to reduce the interest rate for loans from the Fund to firms engaged in inter-Korean cooperation projects from 6 percent to 4 percent beginning in 2002.

The Fund is also expected to be the source of support for infrastructure projects in North Korea. When the Korean Peninsula Energy Development Organization (KEDO) was established, the Fund was authorized to provide financial support for the Light Water Reactor (LWR) Project. As of August 2001, the government had provided 43.7 billion won in loans from the Fund to the Korea Electric Power Corporation (KEPCO) for the LWR project. In September 2000, the oversight committee approved the use of Fund resources for the construction of railroads and roads linking South and North Korea.

Government Entities.

In April 2001, the Ministry of Agriculture announced the establishment of a 21-member consultation group, which will provide agricultural expertise to North Korea and will explore the possibility of developing cooperative projects between South and North. The group will be comprised of professionals from both the government and private sectors. Specific areas of cooperation will include seed potatoes, irrigation systems, and improvement in the quality and production levels of crops in North Korea. The government has announced plans to set up a North-South Korea Information Technology (IT) Support Centre at the Korea IT Promotion Agency to assist the North-South IT Private Council in its work on joint projects with the North.

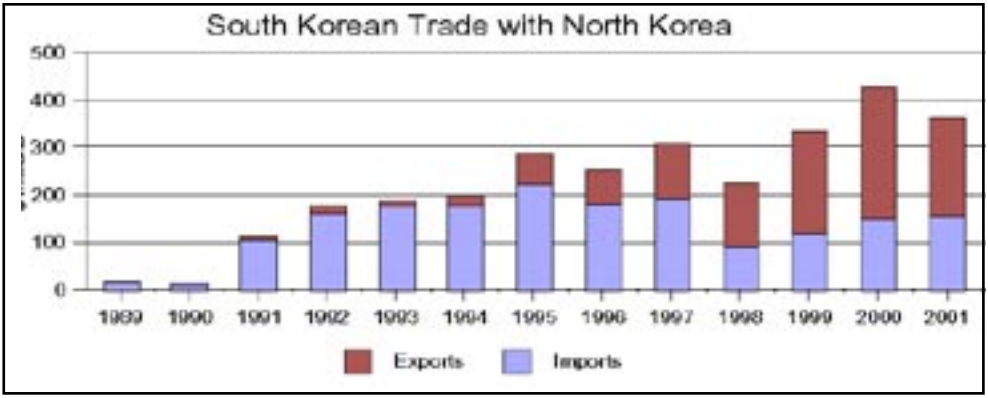
Some South Korean public sector firms have also taken steps to establish a presence in North Korea.

- The Korea Tobacco and Ginseng Corporation provided $2.4 million worth of cigarette making equipment to the North in October 2000 in exchange for imported North Korean cigarettes.
- In June 2001, Korea Resources Corporation signed an agreement to develop a Tantalum mine in the town of Abdong North Korea.

The Growth in Inter-Korean Trade.

As a result of the changes in South Korean government policy beginning in 1988, goods began to flow between South and North Korea. Due to political sensitivities, inter-Korean trade began as and remains primarily third-party. Early shipments went largely through Hong Kong, although with the dramatic growth in trade between South Korea and China, much inter-Korean trade is now directed through China. In recent years, more and more inter-Korean trade is being carried directly between the two countries.

Two-way trade began slowly. By 1992 it had only reached a level of $173 million. Following the government's initiatives in 1993 and 1994, inter-Korean trade began to grow, and by the end of 1997, it had reached a level of $308 million. Inter-Korean trade declined in 1998 as a result of the sharp economic downturn in the South Korean



Source: Korea Trade Investment Promotion Agency (KOTRA).

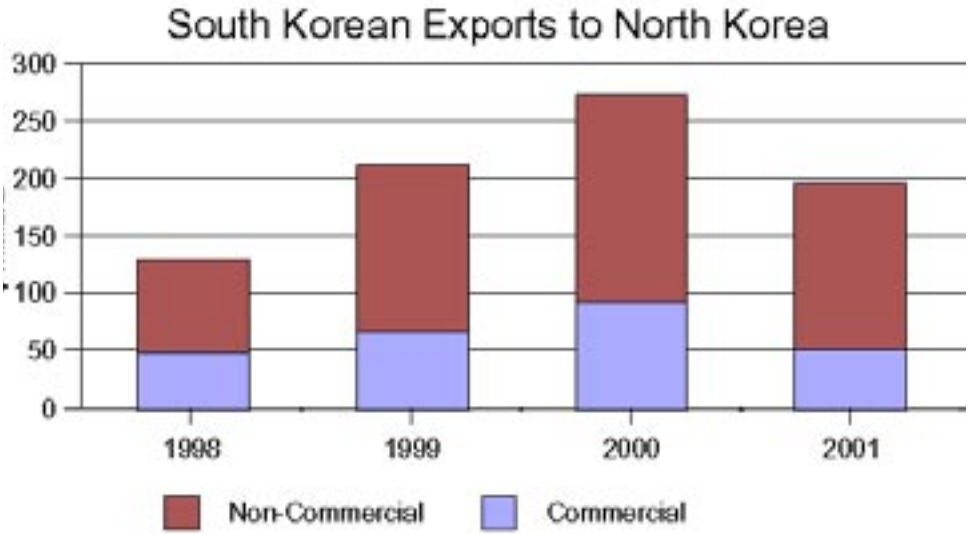
Table 1. South Korean Trade with North Korea.

economy in conjunction with the Asian financial crisis. Total trade in 1998 fell 28 percent to $221 million with imports falling by $100 million. Inter-Korean trade rebounded in 1999, however, to $333 million, and reached a record level of $425 million in 2000. During the first 11 months of 2001, inter-Korean trade registered a decline of 9.3 percent, compared to the same period in 2000. Outdated facilities at Nampo, North Korea's major port, have led to high transportation and storage costs, which have hampered the growth of inter-Korean trade. Table 1 shows the level of inter-Korean trade from 1989 through the first eleven months of 2001.

Much of the growth in inter-Korean trade in recent years is attributable to increased exports from South to North Korea. Most of these increased exports are the result of noncommercial transactions, primarily humanitarian aid, construction materials for the KEDO LWR project, and shipments to South Korean ventures in the North, including the Mt. Kumgang tourism project. Table 2 shows the breakdown of South Korean exports to the North by commercial and noncommercial transactions.

Processing on Commission Trade.

One of the salient features of inter-Korean trade is the Process-



Source: KOTRA.

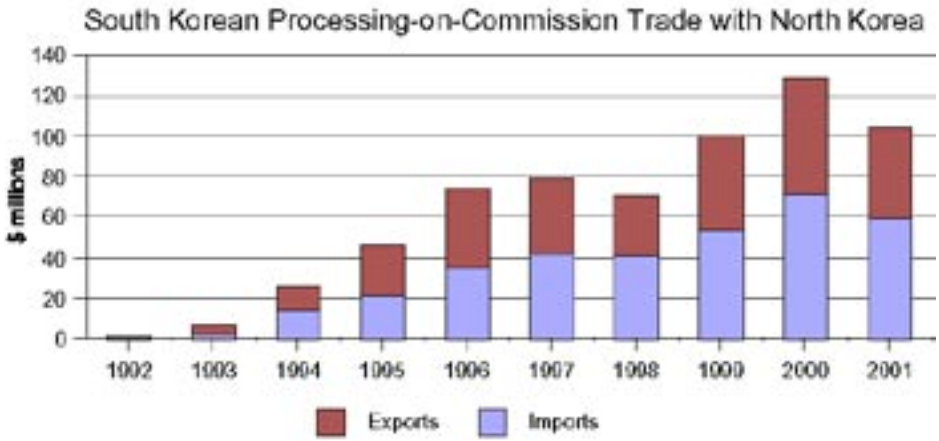
Table 2. South Korean Exports to North Korea.

-ing on Commission (POC) regime. Under this regime, which went into operation in 1992, South Korean firms ship primary or unfinished goods to North Korea on consignment where they are processed and then re-exported back to South Korea or elsewhere. This trade has grown steadily since 1992, and reached $129 million in 2000 (See Table 3.) This trade represents a substantial portion of commercial exports and imports between South Korea and the North. In 2000, for example, 39 percent of South Korean commercial exports to the North and 53 percent of commercial imports from the North took place within the POC framework. POC trade declined by 5 percent during the first 10 months of 2001 due in part to interruptions in shipping service between the ports of Inchon in the South and Nampo in the North.

The number of South Korean firms participating in this trade expanded steadily throughout this period, rising from four in 1992, to 151 in 2000. During the first half of 2001, 93 firms participated in POC trade. Most of these firms are small and medium enterprises.

COOPERATION PROJECTS

In addition to inter-Korean trade, the other major element in



Source: Ministry of Unification.
Note: 1st 10 months of 2001.

Table 3. South Korean Processing-on-Commission Trade with North Korea.

North-South economic cooperation has been the establishment of specific cooperation projects in the North by individual South Korean enterprises. The South Korean government provided for this form of cooperation in the 1990 Inter-Korean Exchange and Cooperation Act. Firms seeking to engage in cooperation projects in the North are subject to a two-stage approval. In the first stage, a firm must apply for permission to pursue a cooperation partnership with the North. This status of "Cooperation Partnership" is, in effect, a license to try and make a deal. Firms may proceed to negotiate arrangements with the North, but before they can proceed to fruition, they must obtain a second approval to pursue a specific cooperation project. Approvals at this second stage are referred to as "Cooperation Projects."

Daewoo was the first firm to avail itself of the opportunity provided by this new policy environment. In January 1992 Chairman Kim Woo-choong visited North Korea and reached agreement to invest in nine light industrial joint projects at the Nampo industrial estate. The venture was subsequently scaled back to three projects, producing shirts, blouses, bags, and jackets. The venture began operation in 1995, with Daewoo eventually investing over $5 million in it.

A number of South Korean firms sought to emulate the Daewoo example. In 1995, six firms received cooperation partnership permits, and four more firms were granted cooperation partnership permits in 1996. The pace of activity picked up in 1997. Sixteen cooperation partnership permits were granted in 1997, and another twelve were granted in 1998. The pace slowed to three cooperation partnership permits in 1999, one in 2000, and three in the first half of 2001.

The vast majority of these project ideas have not yet born fruit. Of the 45 proposals approved by the South Korean government as cooperation partnerships, only 18 have actually progressed to the stage where they were granted approvals as cooperation projects. Four were cancelled, and the remainder are pending. Of the 18 approved cooperation projects, four are associated with the LWR project and three are associated with the Mt. Kumgang tourism project. These seven are moving forward. There are three projects in the Rajin-Sonbong special economic zone which are not moving forward. The remaining eight are in various stages of implementation.

In May 2000, the Federation of Korean Industries (FKI) issued a report stating that there are only 20 South Korean firms that have more than $100,000 in business dealings with North Korea. Table 4 presents the status of the top several firms doing business with North Korea.

Korea Electric Power Corp. (KEPCO)	$4 billion
Hyundai	100 million
International Corn Foundation	10 million
Samsung Electronics	7 million
Pyunghwa (Rev. Moon)	6.67 million
Daewoo	5 million

Source: Federation of Korean Industries.

Table 4. Firms with Major Business Dealings with North Korea—May 2000.

There are many other South Korean companies that have a business presence in North Korea, even though it may be relatively small. According to the Ministry of Unification, 152 South Korean companies are operating original equipment manufacturing facilities in the North.

IT Sector.

North Korea has made it clear that it attaches a high priority to cooperation in the information and communications technology sector. South Korean firms have responded with a variety of initiatives.

A group of IT firms led by *Hanabiz.com* have agreed to establish a joint inter-Korean information and technology company in Dandong, China. Samsung Electronics, Joongwon, and Unicotec are active in the joint development of computer software. Several South Korean firms produce software in North Korea on a commission basis, and import it into the South. Three dimensional contents and digital animation are areas of high growth potential for processing on commission activity. Ntrak and six other partners reached an agreement to set up software production operations in an inter-Korean IT complex being constructed in Pyongyang. IMRI and Hanaro Telecom both produce computer hardware in North Korea on a processing-on-commission basis. IMRI produces monitor printing circuit boards and Hanaro produces splitters.

MAJOR PROJECTS

Much of the current interest in North-South economic cooperation is focused on a few major projects. The two largest ones involving the private sector were the brainchild of Chung Ju-yung, the founder of Hyundai. Chung was born and raised on a farm in Kangwon Province in North Korea and had a driving passion to reduce tensions and contribute to the process of reconciliation between North and South Korea. He visited North Korea many times and established a personal relationship with the North Korean leader, Kim Jong-il. Chung negotiated the original agreements with North Korea for each of these projects. One involves a tourist facility at Mt. Kumgang, and the other is a giant industrial park in Kaesong just north of the DMZ. Although the initiative for both of these projects originated in the private sector, the government has moved in to provide financial and other support for each.

Mt. Kumgang.

The centerpiece and crowning achievement of Chung's efforts

to reach out to North Korea was the establishment of a tourism project centered around the scenic Kumgang Mountain a few miles across the DMZ in North Korea. Mt. Kumgang is one of the three mountains that are cultural icons on the Korean peninsula. After many years of negotiation, Chung finally obtained permission from the North Korean authorities in 1998 to ferry tourists from South Korea to Mt. Kumgang, where they could walk on mountain trails and enjoy a local spa. Hyundai agreed to pay North Korea $942 million in royalties in monthly payments of approximately $12 million through the middle of 2005 to operate the tours, after which the contract is to be renegotiated. The agreement gives Hyundai exclusive rights to develop tourism at Mt. Kumgang for a 30-year period. In additions to royalties, Hyundai agreed to pay a $100 entrance fee for each visitor. Hyundai spent $110 million to build tour facilities in North Korea, including the spa, theater and docks. The company also announced plans to spend an additional $250 million on other attractions, including a hotel, golf course, a ski resort, beach facilities, a shopping mall, and a theme park. Hyundai also announced its intention to seek government approval to open a casino in Mt. Kumgang.

The Mt. Kumgang project accomplished its initial objective of providing a way for South Koreans, many of whom were born in the North, to visit North Korea for the first time in over 50 years. A total of 420,000 tourists traveled to Mt. Kumgang from its launch in November 1998 through November 2001. The numbers grew steadily through 2000, but have dropped off sharply in 2001. [By November 2002, over 500,000 tourists had visited since 1998. Ed.] The project has turned out to be a heavy financial drain on Hyundai, however. According to one report, Hyundai Asan, the unit that manages all the Hyundai projects in North Korea, has lost over $350 million from the Mt. Kumgang business since 1998. Hyundai has paid $378.9 million in fees to North Korea through August, 2001, but was behind on its payments for the year. [Hyundai Asan's losses were expected to top $400 million by the end of 2002. Ed.] It had set the break-even point for the cruise service at 500,000 visitors per year, but the numbers have fallen far short of that.

Hyundai Asan's financial difficulties led it to cut back on the cruise service. It withdrew the three luxury cruise ships from the project, leaving in service only a small, fast ship that makes 1-day trips to Mt. Kumgang. Hyundai has also attempted to renegotiate

the terms of its agreement with North Korea without success. Due to the decline of people wishing to visit Mt. Kumgang, Hyundai Asan has reduced the frequency of sailings from ten per month to once a week.

In light of Hyundai Asan's financial difficulties, the South Korean government decided to provide active support for the project. In June 2001, the government-owned Korea National Tourism Organization (KNTO) signed an agreement with Hyundai Asan for joint operation of the Mt. Kumgang tour program. KNTO agreed to purchase Hyundai Asan's hotels and service facilities at Mt. Kumgang for $22 million. The South Korean government approached the North about the opening of a 13.7 kilometer overland tourist route to Mt. Kumgang and the removal of land mines in the DMZ. Considerable progress has been made in both areas, althugh procedural obstacles remain.

Kaesong Industrial Park.

Hyundai's second major project in North Korea is an industrial park in Kaesong. Hyundai founder Chung Ju-yung obtained the agreement of North Korean leader Kim Jong-il to the establishment of the industrial park during a visit to the North in June 2000. The scope of the project as envisaged by Chung is enormous. The total complex would house 850 industrial firms in a space of 66 million square meters. With a planned completion date of 2008, the complex would create 220,000 jobs and generate $20 billion in exports. The first of three phases called for the construction of a 33 million square meter complex to house about 200 plants and employ 40,000 workers. The majority of companies would be in light industries, e.g., fabric, clothing, bags, toys, electric devices, and shoes.

In July 2000, Hyundai Asan signed an agreement with the Pusan Footwear Association to build a 1.32 million-square meter complex designed to house 45 companies specializing in the manufacture of footwear. Progress on the project was halted for several months in 2001 when North Korea put a hold on North-South dialogue and cooperation. That hold was lifted in September 2001 in conjunction with the resumption of ministerial level talks.

In the September 2001 FKI survey of private firms, respondents were asked what, in their opinion, it would take to ensure the success of the Kaesong project. Infrastructure expansion was listed

by 60 percent of the respondents followed by freedom of passage (24.7 percent) and freedom to manage personnel (11.2 percent).

The state-run Korea Land Corporation (KOLAND) has joined with Hyundai to develop the project. KOLAND President Kim Yong-chae visited North Korea in November 2000 to discuss the project, and KOLAND officials have undertaken a survey of the site for the industrial complex. The South Korean government made this project a subject of government-to-government negotiations. In the sixth round of ministerial-level talks, held in Seoul on September 16–18, 2001, the two sides "agreed to actively carry out the Kaesong Industrial Complex project, have working-level contacts at an early date for that purpose, finalize concrete project plans, including the size of the complex, and start construction."

Other Groups' Projects.

Samsung has also shown active interest in inter-Korean economic cooperation. Yun Jong-yong, the Vice-Chairman of Samsung Electronics, was born in North Korea. In 1996, Samsung Electronics began assembling televison sets at the Taedong River Complex outside Pyongyang and shipping them south. In November 1998, Samsung unveiled a plan to invest $1 billion per year over a 10-year period in an industrial complex in North Korea designed to produce $3 billion worth of electronics products annually. Products include video cassette recorders, refrigerators, mobile phones, and computer chip parts. Phase one, originally planned to be completed in 2002, is to produce $500 million worth of appliances to be re-exported to the South. This venture remains in the planning stage, and Samsung has announced its intention to scrap it unless progress is made in developing the necessary infrastructure.

The Hanwha business group had planned to build a condominum in the Kumgang tour region, but shelved the project in light of the current uncertainties over the overall tourism project. Hanwha said that the group will only consider future investment projects in the North if Pyongyang signs a government-to-government treaty to guarantee the investments and commits itself to safeguard South Korean investments against risks that might come from outside the projects.

The LG group, the second largest group in the country, has shelved plans to set up a bicycle assembly plant in the Rajin

Sonbong industrial complex. The group said it would only proceed with projects if there were on-land transportation and direct telecommunications links between North and South.

Railroads.

The reconnection of the railroad links between South and North Korea and beyond to Europe has been one of the major South Korean objectives in the economic negotiations with the North. Both sides are now considering ways to establish railroad links along both the west and east coasts of the Korean peninsula.

*Kyongui Line***.** The Kyongui line runs for 500 kilometers along the Korean west coast between Seoul and the Chinese border town of Shinuiju. Originally constructed in the early days of the Twentieth Century, the Seoul-Shinuiju and Seoul-Pusan links combined to form a transport route connecting Japan and Korea to Manchuria and mainland China. Rail service commenced in April 1906 but was suspended in September 1945. The railway was destroyed during the Korean War. The Kyungui line would link up with the Trans-China Railroad. It would reduce the shipping time from Inchon to Nampo from 13–14 days to 1–3 days, and substantially lower transportation costs between South Korea and Europe. In addition, it would be a visible symbol of the cooperation between North and South Korea, and a first step as a confidence building measure in easing tensions in the peninsula.

Upon his return from the North-South Summit in June 2000, President Kim Dae-jung expressed his determination to reconnect the Kyungui line; "why can't we travel by train to Paris and London? If the severed Kyungui line is reconnected, we would go to Europe and a new Silk Road will be created." The government also advocated a simultaneous connection of an expressway to serve as an access road to the proposed industrial complex in Kaesong.

At the first ministerial level meeting between North and South Korea after the summit, the two sides agreed to reconnect the severed section of the Kyungui line. South Korea has already begun the work of reconnecting the railroad on its side of the DMZ. On September 30, 2001, South Korea opened a railway station on the Imjin River, 6.8 km north of Munsan, the previous northern end of the railway. Work on the northern side of the DMZ resumed in 2001 after an interruption of several months. A major obstacle is the need

for an agreement between the militaries of both sides to clear land mines.

Kyongwon Railroad. The second railway project of interest would run along the east coast and reconnect the Kyongwon Railway between Seoul-Wonsan in North Korea and on to Vladivostok. Russia has expressed substantial interest in this project, and Russian President Vladimir Putin has discussed the project with both President Kim Dae-jung and North Korean leader Kim Jong-il.

The Kyongwon line would link up with the Trans-Siberian Railroad and would reduce shipping time between Seoul and the Belarus Republic from 26 days to 16 days. The Korean government has completed the design of the severed section of the railroad that would link Seoul to Wonsan. According to press reports, North Korea has already begun reconstructing its train stations near the border regions of Russia. Russian officials have already begun visiting North Korea to determine the feasibility of linking the railroads. A Russian team in September 2001 made a thorough inspection of the 630 km section that stretched from the Tumen River to Wonsan.

DIFFICULTIES FACING THE PRIVATE SECTOR

In spite of the atmosphere of cooperation and enthusiasm created by the inter-Korean summit and the various inter-governmental bodies that have been meeting since then, private sector firms, for the most part, remain hesitant to commit resources to inter-Korean business and commercial activity. Some of the hesitation reflects the continued uncertainty about the economic and business environment in North Korea. In addition, many of the companies that have taken steps to engage in business in North Korea have faced a number of difficulties which may well discourage others.

According to a press report, the Ministry of Commerce, Industry, and Energy submitted a report entitled "the Present Situation of Inter-Korean Business Deals by Domestic Companies" to the National Assembly Committee on Commerce, Industry, and Energy in September. According to the story, the report states that among ten business deals that have been approved by current government authorities from March 1998 to the present, almost all are either having great difficulties or their earnings cannot yet be estimated. North Korea's ban on visits to the Rajin area in the fall of 1998 has prevented firms from implementing projects in the Rajin-Sonbong

Special Economic Zone. The North unilaterally raised the price of an essential input in one project from $3.50 per ton to $100 per ton. According to the report, even Daewoo, the original investor in the North, has stopped its dressmaking business in the Nampo factory district because the North refused to allow technicians and managers to stay in North Korea.

KOTRA, the government entity that promotes trade and investment, issued a report in May identifying several issues affecting the development and growth of inter-Korean cooperation in the IT sector. One major issue is the prospects for profitable ventures. According to the report, IMRI is the only company operating in North Korea in the IT field that is making a profit. The report notes that most participants in this sector are small and medium-sized firms that cannot afford substantial investment in North Korea without a reasonable expectation of profit. The other major issue is the need to improve infrastructure, including communication networks and electric power supply.

Transportation difficulties have been one of the major problems confronting South Korean firms doing business with the north. In November 2000, North Korea unilaterally closed its port of Nampo to South Korean ships transporting goods between the Pyongyang harbor and Inchon. This interruption in sea transportation resulted in substantial losses for hundreds of South Korean firms engaged in cross-border trade. Although this problem was eventually resolved, the lingering uncertainty continues to discourage many possible participants in North-South economic cooperation.

Many South Korean textile companies that have been engaged in processing operations in North Korea have begun to move their operations elsewhere, particularly Vietnam and Indonesia. Some executives of textile firms report that North Korean authorities now seem much less interested in the light industry sector, including textiles. In addition, Korean businessmen complain North Korean authorities are extremely inflexible. They note that Southeast Asian countries are prepared to lower their labor costs during the summer off-seasons, but North Koreans refuse to make these adjustments. The problem of wages is one that affects many firms and projects in North Korea. Companies report that North Koreans are also restricting visits to the north of South Korean technicians and others for the purpose of technical training and quality control. North Koreans also reportedly insist on faxing through a third country.

In September 2000, FKI undertook a survey of 500 largest Korean firms and 200 biggest foreign firms operating in South Korea. Of the 448 respondents, only 60 said they had plans to undertake business activities in North Korea. Among the obstacles to pursuing inter-Korean business that respondents listed are the absence of investment guarantees, the prevention of double taxation agreements, the lack of infrastructure, and political uncertainties.

In September 2001, FKI conducted another survey among South Korea's 600 largest manufacturing firms. Of the 430 respondents, only 51 said they planned to do business in North Korea. In this survey, respondents listed as obstacles the absence of promising business, noneconomic uncertainties, restructuring and other internal difficulties, and immature market circumstances.

Problems are affecting not only private sector firms. According to a recent press report, the Korea Tobacco and Ginseng Corporation has reported a loss of 2.1 billion won since the launch of its joint business with North Korea. The loss is reportedly due to North Korea's heavy transportation fees, worn out facilities, and high regional costs of the cigarette packs.

THE FRAMEWORK FOR INTER-KOREAN ECONOMIC COOPERATION

The Kim Dae-jung administration attempted to address the concerns of the private sector by negotiating changes in the business environment in North Korea. After the June 2000 summit meeting, the two sides held ministerial level negotiations to address issues of concern, particularly investment protection, avoidance of double taxation, account settlement, and business dispute arbitration. After a series of negotiations, agreements in each of the four areas were signed by the two sides at the ministerial-level talks in Pyongyang from December 12–16, and the ratification process is underway in both countries. There was the hope and the expectation that the agreements would be ratified and go into effect within a period of 6 months or so, but the North Korean decision not to hold the ministerial-level talks in March 2001 as scheduled resulted in a delay in the ratification process. Both sides reiterated their intention to put the agreements into effect at an early date at a ministerial-level meeting in September 2001. [The latest ministerial talks took place in May 2003, while talks on inter-Korean economic cooperation took

place in November 2002. Ed.]

- Agreement on Investment Protection. Under the terms of this agreement, North Korea grants most favored nation status to South Korean investors in relation to their investment earnings and business activities in the north. The agreement bans the arbitrary expropriation or nationalization of South Korean investment by the North Korean government. The agreement also provides for the free remittance of earnings produced abroad. The South Korean side was unable to get the agreement of the North to provide for treatment of South Korean investors as being from a separate, sovereign nation.

- Agreement on Avoidance of Double Taxation. Under the terms of this agreement, a company that pays taxes in one country will be exempted from paying similar taxes in the other.

- Agreement on Accounts Settlement. This agreement enables both South and North Korean companies to conduct transactions through banks designated by the two governments. It thus avoids the need for companies to settle accounts through banks in third countries. The two sides agree that currency for settlement would be the U.S. dollar.

- Agreement on Business Dispute Arbitration. Under this agreement, the two sides agreed to create a joint business dispute arbitration committee that will adjudicate business disputes.

CONCLUSION

Economic cooperation remains a central element of the process of reconciliation on the Korean Peninsula. Experience with various forms of economic cooperation over the past decade or so, however, demonstrates that there are many obstacles hindering the development of strong commercial links between North and South Korea. In spite of the obvious attractions of a common language and a relatively skilled labor force in the north, there are very few commercial deals that have been brought to fruition. The North

Korean environment for business is simply not compatible with the norms of commercial activities practiced in modern industrial society.

The South Korean government has been successful over the years in stimulating a modest level of trade and investment between North and South Korea. It has adopted a variety of instruments to assist this policy. The government has increasingly been forced to rely on the initiative and resources from the public sector to move the process of inter-Korean economic cooperation forward. The two governments have negotiated a framework for economic cooperation that offers a prospect for providing a much more hospitable environment for South Korean firms to do business in the North. Whether this environment will be sufficiently attractive to stimulate trade and investment flows between South and North Korea above the current modest level remains to be seen.

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