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International Journal of Korean Unification Studies

Inter-Korean Relations in Historical Perspective

Charles K. Armstrong

Abstract

From the early 1970s onward, inter-Korean relations have moved fitfully and gradually toward greater contact and mutual recognition, a process which has accelerated since the end of the 1990s. As Korean division and inter-Korean conflict were products of Great Power politics and the Cold War, movement in inter-Korean relations was largely the result of changes in Great Power relations during the Cold War period. However, since the end of the Cold War, the major impetus in inter-Korean relations has shifted toward an internally driven dynamic on the Korean Peninsula itself, especially under the initiative of South Korea. At the present time, inter-Korean relations are dominated by this internal dynamic. At the same time, however, they remain constrained and limited by external forces, in particular the nuclear confrontation between North Korea and the United States. While the two Koreas have moved toward a position of de facto peaceful coexistence, further integration between the two is necessarily linked to resolution of these external conflicts as well as greater integration among the countries of Northeast Asia.

Key Words: inter-Korean relations, conflict, confrontation, coexistence, integration

Vol. 14, No. 2, 2005, pp. 1-20.

From the time the two contemporary Korean states were founded in 1948, they have vied with each other for domestic legitimacy and international recognition. The devastating war between the two in 1950-3 intensified rather than resolved these rival claims, and the competition for legitimacy between Seoul and Pyongyang remained fierce for decades after the Korean War. However, from the early 1970s onward, inter-Korean relations have moved fitfully and gradually toward greater contact and mutual recognition, a process which has accelerated since the end of the 1990s. As Korean division and inter-Korean conflict were products of Great Power politics and the Cold War, movement in inter-Korean relations was largely the result of changes in Great Power relations during the Cold War period. However, since the end of the Cold War, the major impetus in inter-Korean relations has shifted toward an internally driven dynamic on the Korean Peninsula itself, especially under the initiative of South Korea. At the present time, inter-Korean relations are dominated by this internal dynamic. At the same time, however, they remain constrained and limited by external forces, in particular the nuclear confrontation between North Korea and the United States. While the two Koreas have moved toward a position of de facto peaceful coexistence, further integration between the two is necessarily linked to resolution of these external conflicts as well as greater integration among the countries of Northeast Asia.

Seoul-Pyongyang relations have evolved through four stages: The first stage, characterized by a zero-sum game of mutual antagonism, ended with the July 4 Communiqué of 1972, on the basis of which Seoul and Pyongyang for the first time established official contacts. The 1972 breakthrough in inter-Korean relations was a direct result of a dramatic change in the configuration of Cold War dynamics in the East Asian region: Rapprochement between the United States and China, the main Great Power allies of South and North Korea, respectively. The second stage, a period of on-again, off-again talks

and exchanges, culminated in the Agreement on Reconciliation, Nonaggression, Exchanges and Cooperation (Basic Agreement) of December 1991, the Agreement on Denuclearization of the Korean Peninsula in February 1992, and the entry of the two Korean states simultaneously into the United Nations in September 1992. This second-stage set of agreements also resulted from changes in the Cold War environment, including the development of economic and diplomatic ties between South Korea and the communist countries of Eastern Europe and Asia, the collapse of the Soviet Union, and indeed the end of the global Cold War itself.

The third and fourth stages of inter-Korean relations have been driven more by internal dynamics on the Korean Peninsula itself, albeit inevitably linked to external factors. In the 1990s, after a period of severe domestic crisis in North Korea coinciding with a nuclear stand-off with the United States, a third stage began with the tentative opening of North Korea to external economic and political forces, culminating in the historic June 2000 summit meeting between North Korean leader Kim Jong Il and South Korean President Kim Dae Jung. Whereas the breakthrough of the early 1990s had been preceded by the establishment of new links between South Korea and the communist bloc, strongly (if fruitlessly) resisted by the North, this time South Korea encouraged North Korea's openness to Western capitalist countries. However, this process reached an impasse when North Korea's cautiously evolving relations with Japan and the United States were halted by, respectively, the dispute over Japanese citizens abducted by North Koreans in the 1970s and 1980s, and a renewed crisis over North Korea's nuclear program that emerged in the fall of 2002.

Finally, inter-Korean relations appear to be moving toward a fourth stage, a period of intensifying economic linkages on the Korean Peninsula within the broader framework of an evolving regional dialogue among the two Koreas, Russia, China, Japan, and the United

States, partners in the Six-Party Talks that began in Beijing in 2003. Although progress in the Six-Party Talks has been slow and inconclusive thus far, a peaceful and definitive resolution of the nuclear crisis could establish the basis for a stable regional security environment within which the two halves of divided Korea can become increasingly integrated. Much remains to be done to resolve the security question and especially US-North Korean confrontation, but despite these unresolved issues, inter-Korean relations are now more extensive and advanced than at any time in the history of divided Korea. Barring an unexpected calamity on the Peninsula – the sudden collapse of the North Korean regime, military confrontation between the US and North Korea, renewed war – the trend toward greater interaction, interdependence, and integration between the two Koreas will continue. Unification as such, however, may yet be many years away.

The Politics of Existential Antagonism, 1948-1972

Before and after the Korean War, inter-Korean relations were characterized by what could be called "existential antagonism": Each Korean state saw the very existence of its rival as a threat to its own existence, and held as its explicit goal the elimination of the other. For the South, North Korea was an illegitimate and threatening regime that needed to be defended against at all cost. North Korea viewed South Korea as a weak and unstable regime that would collapse its own contradictions sooner or later, so therefore the North should bide its time and be prepared to move in and reunify the country when the opportunity presented itself. However, an outright invasion of the South, along the lines of June 1950, was never again attempted, for two reasons: The clear US commitment to the defense of South Korea, and the unwillingness of the USSR and China to support such a

venture.

In the area of inter-Korean relations, both Koreas at this time practiced their version of West Germany's Hallstein Doctrine or China's policy toward the Republic of China on Taiwan: Refusal to recognize the rival state's existence or to maintain diplomatic ties with any foreign country that recognized it. Both Koreas were entrenched in their respective Cold War blocs, which reinforced the North-South Korean confrontation and inhibited North-South contact. This external environment changed dramatically in the early 1970s, when the Nixon Administration made secret, and then public, overtures toward normalization with the People's Republic of China, North Korea's closest supporter. To preempt abandonment by their respective patrons, the two Koreas took matters into their own hands and began direct negotiations with each other, first through their respective Red Cross committees and then through a series of meetings between North and South Korean intelligence officers. Just under a year after Henry Kissinger's secret visit to Beijing on July 9, 1971, Seoul and Pyongyang issued a Joint Communiqué on July 4, 1972, outlining their principles for peaceful unification.

Toward Cautious Coexistence, 1972-1992

The new movement in inter-Korean relations inaugurated by the July 4 Communiqué raised tremendous expectations in both the North and the South, but produced little in the way of concrete result. After a half-dozen meetings of the newly created South-North Coordinating Committee, the two sides reached an impasse and the North cut off talks in mid-1973.[1] North-South Red Cross dialogue was revived in

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[1] Chuck Downs, "Discerning North Korea's Intentions," in Nicholas Eberstadt and Richard J. Ellings (ed.), *Korea's Future and the Great Powers* (Seattle, WA: The National Bureau of Asian Research, 2001), p. 96.

the mid-1980s and there was a brief flurry of cultural exchanges and visits of separated families in 1985, but this too quickly fizzled out. The next breakthrough in official inter-Korean relations would not come until the beginning of the 1990s, by which time the international environment had changed drastically, to the benefit of the South and the great detriment of the North.

The growing economic strength of South Korea in the 1980s found diplomatic expression in the Northern Policy or *Nordpolitik* of President Roh Tae Woo in the latter part of the decade. Focused on wooing North Korea's communist allies into economic and political relations with the ROK, and modeled on West Germany's Ostpolitik toward East Germany and the Soviet bloc, Nordpolitik was extremely successful at establishing ties between South Korea and the communist countries in Eastern Europe, including the Soviet Union itself, which recognized the ROK in 1990. For the North, Roh outlined a broad vision of inter-Korean cooperation, and ultimately unification, into what he called a "Korean National Community."[2] The main North Korean proposal for unification, to which Roh's proposal was in part a response, was a "Confederation" of the two existing political systems on the Korean Peninsula, first outlined in 1980. While initially presented as a sudden union of the two system, over time the North has shown flexibility in its Confederation proposal, willing to see confederation not as the end-goal of unification but a transitory institution and giving more rights to the two "regional governments." By 1991, in fact, North Korean officials including Kim Il Sung were suggesting that there was room for negotiation with the South on the form of confederation and that both sides within a confederated Korean system could have considerable autonomy even in its foreign

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[2] B. C. Koh, "A Comparison of Unification Policies," in Young Whan Kihl (ed.), *Korea and the World: Beyond the Cold War* (Boulder: Westview Press, 1994), p. 156.

relations, under the general rubric of military and diplomatic unity.[3] This proposed "Confederal Republic of Koryo" was thus not dissimilar to Roh's "Korean National Community." Both proposals, however, remained fairly abstract; on the ground, inter-Korean relations moved cautiously toward government-to-government contacts.

As the 1990s dawned, high-level North-South talks began again. In December 1991, the fifth in this series of high-level talks produced an Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation, or "Basic Agreement."[4] This agreement was the most important declaration of North-South cooperation and coexistence since the 1972 Joint Communiqué, and was far more detailed than the 1972 agreement had been. It was followed in February 1992 by a joint "Declaration of the Denuclearization of the Korean Peninsula." Once again, hopes were high for a major change in North-South relations and for a new momentum toward reconciliation and eventual unification. But once again such hopes would be unfulfilled. Regional and global circumstances had shifted dramatically, and the very survival of the North Korean regime became Pyongyang's preoccupation. Movement toward inter-Korean reconciliation would be postponed as North Korea went through a series of profound crises. The collapse of every communist state in Eastern Europe between 1989 and 1991, including the USSR itself, came as a deep shock to North Korea and deprived Pyongyang of most of its important trade partners, political supporters and allies. Even before the communist collapse, East European countries had begun to normalize relations with the ROK; by 1992, Russia and even North Korea's allegedly staunch ally China had established diplomatic relations with Seoul. It would take almost

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[3] Selig Harrison, *Korean Endgame: A Strategy for Reunification and US Disengagement* (Princeton: Princeton University Press, 2002), p. 76.

[4] "The Politics of Inter-Korean Relations: Coexistence or Reunification," in Kihl (ed.), *Korea and the World*, p. 135.

a decade for a reciprocal movement of Western countries normalizing ties with Pyongyang. Economically, South Korea had long since leapt almost unimaginably beyond the level of the DPRK. Far from the Basic Agreement ushering in a new age of equality between the two Koreas, the times seemed to call into question the continued ability of the Democratic People's Republic of Korea (DPRK) to exist at all. Movement in inter-Korean relations seemed almost a moot point. German-style unification, with the South absorbing the North as West Germany had absorbed East Germany in 1990, was widely predicted, especially by Western analysts.[5]

Nuclear Crisis, Economic Catastrophe, and the Politics of "Sunshine"

The 1990s were a decade of disaster for the DPRK, beginning with the collapse of every communist state in Eastern Europe, proceeding to a crisis over international inspections of DPRK nuclear energy facilities that nearly led to war with the US in June 1994, the death of Kim Il Sung in July, and finally a series of natural calamities that pushed North Korea's ever-precarious food situation into full-scale famine.[6] North Korea spent most of the decade simply trying to cope with these multiple crises, and its leadership seemed unsure of where to take the country. Meanwhile, many in the outside world expected an inevitable collapse of the DPRK.

The threat to the DPRK's very existence in the 1990s was greater than at any time since the Korean War. North Korea's response was to batten down the hatches and proclaim its continued adherence to

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[5] See for example Nick Eberstadt, *The End of North Korea* (Washington, DC: AEI Press, 1999).

[6] See Andrew Natsios, *The Great North Korean Famine: Famine, Politics, and Foreign Policy* (Washington, DC: United States Institute of Peace, 2001).

"socialism."[7] Pyongyang for the most part played a waiting game, maintaining the system while hoping for the "correlation of forces" to become more favorable toward the DPRK. As Paul Bracken has explained, the North Korean nuclear program was a way for the DPRK to "buy time for the regime to adapt to new international circumstances."[8] Bracken argues that the nuclear program was a defensive, even desperate attempt at ensuring state survival in an environment suddenly much more hostile. In this case the gamble almost backfired, as the US and North Korea came to the brink of war in June 1994, averted at the eleventh hour by the visit of former US President Carter to Pyongyang and discussions with Kim Il Sung that led, finally, to the US-DPRK Agreed Framework of October 1994.

By the late 1990s the domestic situation had somewhat improved. The economy, which had fallen precipitously throughout the 1990s, appeared to turn around at the very end of the decade, due in considerable measure to a sharp increase in foreign aid following the natural disasters of 1995-7. According to ROK Bank of Korea estimates, the North Korean GDP had been consistently negative from 1990 to 1999, reaching as low as minus 6% in 1992 and minus 6.3% in 1997. In 1999, GDP was above zero for the first time in a decade, at 6.2%, and remained positive in subsequent years.[9] At the same time, Kim Jong Il made public the consolidation of his political rule. Three years after the death of his father, the younger Kim was named General Secretary of the Korean Workers' Party in 1997, and the following year was re-appointed Chairman of the National Defense

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[7] Charles K. Armstrong, "A Socialism of Our Style: North Korean Ideology in a Post-Communist Era," in Samuel S. Kim (ed.), *North Korean Foreign Policy in the Post-Cold War Era* (Oxford: Oxford University Press, 1998).

[8] Paul Bracken, "The North Korean Nuclear Program as a Problem of State Survival," in Andrew Mack (ed.), *Asian Flashpoint: Security and the Korean Peninsula* (New York: Allen & Unwin, 1993), p. 86.

[9] Cited in Korea Economic Institute, "North Korean Economic Data," http://www.keia.org/, accessed on December 15, 2005.

Committee, putting him firmly at the apex of the North Korean power structure. By 1998 the "Arduous March" through hunger and distress was declared over, and the new slogans of the DPRK were Kangsong Taeguk ("Rich, Powerful and Great Country," or simply "Powerful Nation") and Songun chongch'i (Military-first Politics).[10] No longer preoccupied with sheer survival, North Korea in the new millennium could return to inter-Korean relations with a modicum of internal strength and unity.

Meanwhile, South Korea had come some distance since the early 1990s, when the Kim Young-Sam government viewed US-North Korean negotiation over the Agreed Framework with suspicion and concern. President Kim Dae Jung, elected at the end of 1997, considered improvement of North-South relations as one of his highest priorities in office. Kim stressed that his Administration would actively pursue inter-Korean dialogue and exchanges in a wide range of fields, including culture, trade, tourism, family exchanges, and humanitarian assistance. In particular, Kim focused on increasing inter-Korean economic relations, separating the economic from the political, in the hopes of encouraging greater openness and economic development within North Korea itself.[11] President Kim stepped up South Korean trade with the North, which had grown steadily since 1991, and lifted restrictions on South Korean investment in North Korea in March-April 1998. By 2001, South Korea was North Korea's largest trading partner after China.[12]

Kim's policy of stepping up economic and cultural ties with

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[10] These two "guiding principles" have been elaborated at length in, respectively, *Sahoejuui kangsong taeguk konsol sasang* (The Ideology of Constructing a Powerful Socialist Nation), (Pyongyang: Sahoe Kwahak Ch'ulp'ansa, 2000) and *Kim Chong-il Changgunui songun chongch'i* (General Kim Jong Il's Military-First Politics), (Pyongyang: Pyongyang Ch'ulp'ansa, 2000).

[11] Yung-Sup Han, *Peace and Arms Control on the Korean Peninsula* (Seoul: Kyungnam University Press, 2005), p. 209.

[12] Korea Economic Institute, "North Korean Economic Data."

North Korea in the hopes that positive inducements would encourage internal reform and inter-Korean dialogue, dubbed the "Sunshine Policy," put Seoul in the lead in engagement with North Korea. The Clinton Administration in the US, despite the 1994 Agreed Framework, moved slowly and sporadically toward normalization with Pyongyang, not least because of a highly critical, Republican-controlled Congress. A crisis over North Korea's test-firing of a missile over Japan led to a new crisis in US-DPRK relations in 1998, which led to a renewed attempt at engagement. American engagement with Pyongyang reached a peak in the fall of 2000, when North Korean Vice Marshal Jo Myong-rok, the de facto number-two ruler in Pyongyang, met with President Clinton in Washington. Shortly thereafter Secretary of State Madeleine Albright met Kim Jong Il in Pyongyang. The two sides renewed their commitment to work toward normal relations, and North Korea appeared to be on the verge of agreeing to curtail its missile development and exports, one of Washington's chief concerns. However, such promises could not come to fruition before Clinton left office, and the Bush victory in the 2000 presidential election effectively halted US momentum toward normalization with the DPRK.

Inter-Korean Relations and the United States

The new millennium began with the third major symbolic breakthrough in inter-Korean relations, the Kim Jong Il-Kim Dae Jung summit in Pyongyang in June 2000. At the same time, with Seoul's encouragement, North Korea began to emerge from its diplomatic isolation. In the space of two years, Pyongyang established diplomatic relations with most countries in Western Europe and Southeast Asia, along with Canada, Australia, the Philippines, Brazil, and New Zealand; in July 2000, North Korea joined the ASEAN

Regional Forum (ARF) for East Asian security dialogue.[13] Meanwhile, North Korea began to make cautious but potentially far-reaching steps toward internal economic reform, including unprecedented wage and price reforms undertaken in the summer of 2002.[14] Improvement in inter-Korean relations was part and parcel of this trend toward North Korea becoming a more "normal" country.

While North-South Korean relations were on a generally upward trend, US-North Korean relations took a decided turn for the worse after George W. Bush became president. Bush condemned North Korea as part of an "Axis of Evil," along with Iran and Iraq, in his State of the Union address in January 2002. North Korea responded with predictable outrage. A Foreign Ministry spokesman called the Bush speech "little short of declaring war against the DPRK" and accused the US Administration of "political immaturity and moral leprosy."[15] North-South relations, having already lost a great deal of momentum since the summer of 2000, were dampened considerably by the Bush Administration's statements. It took a visit to Pyongyang by Kim Dae Jung's special envoy Lim Dong Won in early April to get inter-Korean dialogue restarted. On April 28, Pyongyang agreed to resume reunion meetings of separated family members and to move forward with high-level contacts and economic cooperation. On August 11-14 the first ministerial-level North-South meetings in nearly a year took place in Seoul. At the same time, the two sides marked the 57th anniversary of liberation from Japanese

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[13] Samuel S. Kim, "North Korea in 2000," *Asian Survey*, Vol. 41, No. 1 (January/February, 2001), p. 20.

[14] "North Korea Undergoing Economic Reform," *Chosun Ilbo* (July 26, 2002); "Stitch by stitch to a different world," *The Economist*, July 27, 2002, pp. 24–26.

[15] "DPRK Denounces Bush's Charges: Statement of FM Spokesman on Bush's State of the Union Address," *People's Korea*, February 9, 2002, p. 1. The response is also available online as "Spokesman for DPRK Foreign Ministry Slams Bush's Accusations," *Korean Central News Agency*, January 31, 2002, http://www.kcna.co.jp/calendar/january.

colonial rule on August 15th with an unprecedented joint celebration, including the visit of more than 100 North Korean delegates to Seoul.[16]

Washington-Pyongyang relations also showed signs of a thaw in late July and early August 2002, when Secretary of State Colin Powell met briefly with North Korea's foreign minister at an ASEAN meeting in Brunei, and the Bush Administration sent Jack L. Pritchard as its first official envoy to the DPRK. Pritchard, who had met with Pyongyang's ambassador to the UN several weeks earlier in New York, went to North Korea in early August for the ceremony marking the start of construction on the first light-water nuclear reactor to be built by the Korean Peninsula Energy Development Organization (KEDO), the US-South Korean-Japanese consortium formed under the auspices of the 1994 Agreed Framework.[17] Moreover, on the DPRK-Japan side, Prime Minister Koizumi's unprecedented summit meeting with Kim Jong Il in Pyongyang in September, where Kim made his extraordinary admission that North Korea had abducted over a dozen Japanese citizens in the 1970s and 1980s, seemed at first to open up a new era in Japan-North Korea relations and start the two countries on the road to normalization.[18] Kim Jong Il's revelations, presumably intended to clear the path for DPRK-Japan normalization, had the opposite effect: The Japanese media and public responded to these revelations with such feelings of hostility toward North Korea that the "abduction issue" became a major impediment to improved ties between North Korea and Japan.

The belated and tentative moves toward re-starting US-DPRK dialogue in late summer and early fall 2002 were dramatically derailed by the "Kelly revelations" of October. On October 5th,

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[16] "Inter-Korean Festival Kicks Off in Seoul," *Korea Times*, August 14, 2002, p. 1.

[17] "Work Starts on North Korea's US-Backed Nuclear Plant," *New York Times*, August 8, 2002, p. A14.

[18] Howard W. French, "North Koreans Sign Agreement with Japanese," *New York Times*, September 18, 2002, p. A1.

Assistant Secretary of State James A. Kelly visited Pyongyang to meet with DPRK foreign ministry officials. To the North Koreans great surprise, Kelly presented them with evidence that North Korea had been secretly pursuing a program to develop highly enriched uranium (HEU), whose only purpose could be the manufacture of nuclear weapons.[19] According to US accounts (North Korea publicly neither confirmed nor denied the accusation), the DPRK officials acknowledged the existence of this program and declared their right to possess such weapons. While it could be argued that the HEU program was technically not a violation of the Agreed Framework, as it only covered the plutonium program, this was clearly a violation of the spirit if not the letter of the agreement, and did directly violate the Joint Declaration of South and North Korea on Denuclearization of the Korean Peninsula.

North Korea, for its part, accused the US of failing to abide by the Agreed Framework through its slowness in lifting the economic embargo against the DPRK, not removing North Korea from the State Department's list of countries that supported terrorism, and failing to move with due haste on the construction of light-water reactors. The two countries were at an impasse. The US insisted that Pyongyang cease all of its nuclear-related activities before there could be any new negotiations, and in November Washington suspended deliveries of fuel oil to North Korea as required under the Agreed Framework. This was followed by a rapidly escalating set of moves on the part of North Korea toward re-starting its plutonium program, frozen by the 1994 Agreement: Pyongyang announced its intention to re-open its nuclear power plant at Yongbyon, expelled International Atomic Energy Agency (IAEA) inspectors at the end of December 2002, announced its withdrawal from the Non-proliferation Treaty (NPT) in January 2003, and began to remove spent nuclear fuel rods from storage in

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[19] US State Department Press Statement, "North Korean Nuclear Program," October 16, 2002, http://www.state.gov/r/pa/prs/ps/2002/14423pf/htm.

February – the latter an act which had brought the US and North Korea to the brink of war in 1994.

While the crisis in US-DPRK relations deepened in 2003, North-South relations continued to move forward. Indeed, a distinctive aspect of the 2002-3 crisis was the common ground Pyongyang could find with the Seoul government in criticizing the American approach to Korea. This was the reverse of the 1993-4 crisis, in which the ROK government of Kim Young-Sam deeply feared US-DPRK "collusion" at the expense of South Korea's national interest. This is not to say that Seoul-Pyongyang relations became cordial or that Seoul suddenly broke its ties with Washington; Seoul decried North Korea's development of nuclear weapons, and Pyongyang attacked the Roh Moo-hyun government for agreeing to send South Korean troops to Iraq.[20] Roh visited Washington in May, and he and President Bush tried to put a unified face on their policy toward North Korea; Pyongyang condemned the Roh-Bush joint statement as "a perfidious act which runs counter to the basic spirit of the June 15 North-South Declaration."[21] However, various agreements and meetings between the ROK and DPRK went ahead despite the new nuclear crisis, including a seven-point agreement on inter-Korean economic relations, signed by the representatives of North and South Korea in Pyongyang in late May. The two sides agreed on the establishment of a special industrial zone in the North Korean city of Kaesong, reconnection of east and west coast railway lines, and other joint projects.[22] For its part, the US proposed a multilateral forum to resolve

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[20] "Pyongyang Hits Seoul's Decision to Dispatch Troops to Iraq," *People's Korea,* April 22, 2003, p. 1.

[21] "North, South Conclude 7-Point Agreement in Inter-Korean Economic Talks," *People's Korea*, May 31, 2003, p. 1.

[22] "Fifth Meeting of North-South Committee for Promotion of Economic Cooperation Concludes," *Choson t'ongsin* (*Korea Central News Agency*), May 24, 2003, http:// www.kcna.co.jp/ index-k.htm.

the new nuclear issue, a six-way dialogue among North and South Korea, China, Russia, Japan, and the US. The Six-Party Talks began in Beijing in April 2003.

Two Koreas, Six Parties, One Superpower

In the midst of this impasse in US-North Korean relations, George W. Bush was elected to a second term as US President. North Korea seemed to find the second Bush Administration just as hostile as the first, if not more so. Pyongyang seized upon Condoleezza Rice's reference to North Korea as an "outpost of tyranny" in her inauguration speech as the new Secretary of State, claiming that this and other statements proved that the "true intention of the second-term Bush Administration is not only to further its policy to isolate and stifle the DPRK pursued by the first-term office but to escalate it." On February 10, 2005, the DPRK Foreign Ministry confirmed that North Korea had "manufactured nukes" and was now a "nuclear weapons state." Nevertheless, North Korea insisted that nuclear weapons were purely for self-defense against a hostile United States, and the official Korea Central News Agency reiterated that "[t]he DPRK's principled stand to solve the issue through dialogue and negotiations and its ultimate goal to denuclearize the Korean Peninsula remains unchanged."[23] In the meantime, until US attitudes and policy toward North Korea shifted to one of peaceful coexistence, the nuclear issue could not be resolved and the North Korea would stay out of the Six-Party Talks.[24] North Korea thus blamed the United States for the suspension of the Six-Party Talks, but left the door open for their resumption.

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[23] http://www.kcna.co.jp/index-e.htm, February 11, 2005.

[24] An Sang Nam, "Why North Korea Isn't Talking," *Asian Times,* June 11, 2005, http://atimesol.atimes.com/atimes/archives/6_11.2005.html.

There were, however, indications that the second Bush Administration, unlike the first, was serious about negotiating with the North Koreans. Christopher Hill, a career diplomat who had been a key negotiator for the Balkan crisis under Clinton, was appointed ambassador to Seoul and then, less than a year later, chief US representative to the Six-Party Talks. While the US engaged in official dialogue with North Korea in Beijing, a team led by Ambassador Joseph DeTrani pursued "informal" dialogue with North Korean representatives in New York. This helped to get the Six-Party Process back on track. In June 2005, the movement toward renewed US-DPRK formal dialogue rapidly picked up momentum. On June 10, President Bush met with ROK President Roh Moo-hyun in Washington. On June 17, as part of a South Korean delegation visiting Pyongyang for the fifth anniversary of the June 15 North-South Summit, ROK Unification Minister Chung Dong Young met with Kim Jong Il, and Kim conveyed to him North Korea's desire to return to the Six-Party Talks by the end of July. Later, Minister Chung explained that South Korea had promised to supply electricity to the North in order to help resolve the nuclear issue, as North Korea had long insisted that its nuclear program was primarily intended to alleviate its severe energy shortages.[25] Finally, on July 10, North Korea announced that it would return to the talks. Secretary Rice insisted that the US position had not changed: "We are not talking about enhancement of the current proposal," that is, the proposal of June 2004.[26]

During the 13 months in which the talks had been suspended, both the United States and North Korea insisted they would not move from their respective positions. However, close reading of each side's

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[25] Joel Brinkley, "South Korea Offers Power if North Quits Arms Program," *New York Times,* July 13, 2005, p. A6.

[26] Joel Brinkley, "Setting the Table for North Korea's Return," *New York Times*, July 11, 2005, http://www.nytimes.com/2005/07/11/international/asia/11assess.htm.

rhetoric and actions during that time suggested otherwise. North Korea had begun to speak of "peaceful coexistence" rather than outright normalization or a peace agreement in the immediate future; the United States referred to North Korea's "sovereignty" and quietly pursued bilateral discussions with the DPRK both in New York and Beijing. As the talks began on July 25, North Korean and American diplomats met in Beijing for extensive one-on-one discussions, despite the longstanding US resistance to bilateral talks. Ambassador Hill described a step-by-step process of each side working simultaneously to resolve the nuclear standoff, rather than North Korea conceding everything up front; he described this as "words for words and actions for actions," exactly the phrase the North Koreans had long used. Hill's North Korean counterpart, chief negotiator Kim Kye Gwan, opened his remarks with a more conciliatory, less belligerent tone than earlier North Korean statements.[27] When the six parties met for a fourth round of talks in September, they produced for the first time a joint statement on the denuclearization of the Korean Peninsula.[28] The six-point statement was notable for its vagueness; issues of procedure, much less implementation, were far from resolved, and little progress was made toward resolution in the fifth round, held in early November.[29] Nevertheless, the very existence of such talks signified a considerable improvement in US-North Korean relations since the tense days of late 2002 and early 2003, when – as in the 1993–4 crisis – the two seemed on the verge of military confrontation. As the world's sole superpower and the most important external presence on the Korean Peninsula, the US was an essential factor in

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[27] Jim Yardley and David E. Sanger, "US Tries a New Approach in Talks with North Korea," *New York Times*, July 27, 2005, p. A10.

[28] "Full Text of Joint Statement from Six-way Nuclear Talks," *Vantage Point* (October, 2005), p. 11.

[29] Joseph Kahn, "North Korea and US Spar, Causing Talks to Stall," *New York Times*, November 12, 2005, p. A6.

any resolution of the inter-Korean conflict. North-South Korean relations could not proceed very far without US cooperation and encouragement. Despite important differences, by the end of 2005, after three years of growing divergence, the US and South Korea were again converging on how to approach North Korea. However, it remains to be seen how far this convergence will proceed. Without a breakthrough in the North Korean nuclear crisis, US-DPRK relations cannot move toward normalization, and consequently inter-Korean relations will remain constrained.

Inter-Korean Relations toward the Future

Inter-Korean relations have come a long way since the days of mutually exclusive antagonism in the post-Korean War period. Nevertheless, relations remain quite limited, and the two sides have only moved toward a situation of de facto mutual recognition, coexistence, and emerging interdependence. Substantial interdependence, much less integration, has yet to occur. Unification remains a distant possibility, and at present neither North nor South Korea speaks much of unification in the near future. Since the June 2000 summit, both sides have acknowledged that unification is likely to be a long, gradual process. For the South, sudden unification could have powerful, disruptive near-term consequences in its economy and society, turning back decades of hard-earned economic growth and creating social turmoil. For the North, the last thing its leaders want is a German-style absorption by the South, which would mean the end of their system and their privileged position in it. Additionally, for all of the surrounding countries in Northeast Asia, a gradually and peacefully integrated Korean Peninsula is far preferable to unification resulting from a sudden collapse of North Korea, with all the problems of instability, masses of refugees, and loose weapons that could

produce.

Military confrontation on the Korean Peninsula has not ceased. The North and the South remain technically in a state of war with one another. They both maintain enormous conventional forces facing each other across the DMZ, and it is increasingly likely that the North has nuclear weapons as well. Furthermore, the presence of tens of thousands of American troops in the South, as well as American forces elsewhere in the Asia-Pacific that could be deployed to the Korean Peninsula should war break out, help make Korea one of the most potentially dangerous military flashpoints on earth. Nevertheless, while the two Koreas are not officially at peace, the chances of either side going to war with the other have lessened as ties between them have gradually grown. In a small but symbolic gesture, the ROK Ministry of National Defense no longer refers to the North Korea as the "main enemy" in its most recent White Paper.[30] This gradual thaw in the military confrontation occurs in the midst of growing economic interaction and exchange within the Korean Peninsula, and much more extensively among the countries of Northeast Asia, including South Korea, China, Russia, and Japan. A less confrontational, more cooperative and increasingly integrated Korean Peninsula is in the interest of all the countries of the region, above all the Koreans themselves.

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[30] Jung Sung-ki, "English Defense Paper Issued," *Korea Times*, May 15, 2005, http://times.hankooki.com/lpage/nation/200505/kt2005051517390011990.htm. For the text of the White Paper, see www.mnd.go.kr.

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How South Korean Means Support North Korean Ends: Crossed Purposes in Inter-Korean Economic Cooperation

Hazel Smith

Abstract

North and South Korea share the same political and strategic aim of integration and eventual unification of Korea, although they remain divided in their understanding of what should be the specific nature of the unified Korea. Both states, in their own ways, use the same instruments of unification policy; these are military deterrence, political diplomacy, economic cooperation, and humanitarian assistance. Economic cooperation and humanitarian assistance provide the main instruments of inter-Korean cooperation, albeit in an unequal manner as it is South Korea that provides the major funding for cooperation projects. The objective of this paper is to evaluate whether South Korea receives economic or political value for money in its expenditure on inter-Korean cooperation. This is not therefore an argument about the military and political instruments of the unification strategies of North and South but instead remains focused on the nature and modalities of economic cooperation. My thesis is that economic instruments are being used for cross-purposes and that this should matter to South Korea as it is unwittingly helping North Korea achieve aims which it does not share, and, as a logical consequence, weakening its ability to achieve its own unification goals. I argue that South Korean means need to be re-calibrated with South Korean ends. I also argue that the South Korean unilateral approach to economic cooperation, while beneficial in opening up relations with the North, has now run its course. A determined complementary strategy of economic and humanitarian multilateralism will enable it to pursue its own agenda at the same time as supporting the moral imperative, shared by the majority of South Korea's electorate of every political hue, of assisting the impoverished North Korean population in the short-, medium- and long-term.

Key Words: economic instruments, development, conditionality, unification goals, multilateralism

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North and South Korea share the same political and strategic aim of integration and eventual unification of Korea, although they remain divided in their understanding of what should be the specific nature of the unified Korea. Both states, in their own ways, use the same instruments of unification policy; these are military deterrence, political diplomacy, economic cooperation, and humanitarian assistance. Economic cooperation and humanitarian assistance provide the main instruments of inter-Korean cooperation, albeit in an unequal manner as it is South Korea that provides the major funding for cooperation projects.

The objective of this paper is to evaluate whether South Korea receives economic or political value for money in its expenditure on inter-Korean cooperation. This is not therefore an argument about the military and political instruments of the unification strategies of North and South but instead remains focused on the nature and modalities of economic cooperation. My thesis is that economic instruments are being used for cross-purposes and that this should matter to South Korea as it is unwittingly helping North Korea achieve aims which it does not share, and, as a logical consequence, weakening its ability to achieve its own unification goals.

The paper begins by articulating the different political unification objectives and strategies of North and South Korea. I then unpack North Korea's development goal whereby the ends of regime maintenance are underpinned by the means of 'military-led' politics and enclave capitalism economics. I demonstrate how North Korean promotes an enclave capitalism whose dominant rationality is political not economic and which tries to square the circle of opening to foreign capital as well as simultaneously closing to foreign contact. I show how the initial means of enclave capitalism have transmuted now into the ends of a new North Korean development strategy. In so doing I show how South Korean financed instruments of economic cooperation have the unintended effect of providing the means for

North Korea's ends. I further show how the North Korean strategy designed to achieve the goal of regime maintenance is underpinned by a two-level game that seeks long-term financial funding from Japan and in the short-term relies on economic assistance from South Korea. I outline the aims and philosophy of South Korean economic support to the North and summarize the unintended effects of the way in which South Korean funded economic cooperation instruments have been deployed. I demonstrate how current modalities of inter-Korean economic cooperation are therefore structurally biased against the achievement of South Korean objectives.

Different Political Objectives

The broad goal for North Korea and South Korea is unification of the peninsula. Both accept, however, that, in the short- and possibly medium-term, two ideologically opposite systems will continue to coexist within one country. Only at this rather high level of generality, however, do North and South Korean share political objectives. North Korea hopes for the eventual dominance of its own system over the whole peninsula.[1] South Korea's political objective appears to be for the North to ultimately and peacefully converge with the South around a liberal democratic polity. For fear of antagonising the North, South Korea is usually careful not to specify concrete political objectives. Instead policy goals remain coded as commitments to 'political reform, market economy, and prosperity on the Korean Peninsula.'[2]

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[1] Regular editorials in DPRK media make the goal explicit. See as a typical instance, 'The reality shows that…. [the DPRK can] bring the anti-imperialist, anti-US face-off to a successful conclusion, accomplish the building of a great prosperous powerful socialist country and national unification and accelerate the ultimate victory of the revolutionary cause of Juche.' See *The Pyongyang Times*, Saturday, August 2, 1999, p. 2.

[2] 'Presidents' Resolutions,' *Korea Now*, January 11, 2003, p. 5.

North Korean Objectives

Northern decision makers have not made any statements that display interest in allowing themselves to be incorporated within a pan-Korean democratic polity. There is no evidence whatsoever that the unification objective of the North remains anything other that the attainment of a political regime for the entire peninsula in which those currently holding power in North Korea would continue to play a large part in national policy making. The rest of the world, including South Korea, may not take these objectives seriously. The North Korean government does, however, consider its political objectives realistic. North Korean analyzes the contemporary politics in the South as being fruitful for a convergence of interest and values between North and South as one 'nation' – possessing joint interests in contra-distinction to the United States.[3] These shared values are 'anti-Americanism, independence, and national cooperation.'[4]

North Korea's policies designed to achieve the outcome of unification on its own terms are, in the short-term, the maintenance of military deterrence; the continuation of bilateral and multilateral diplomacy; the continued eliciting of bilateral humanitarian support from China and South Korea; and continued engagement with South Korea, again on its own terms. These policies are designed to contribute to achieving short-term goals of obtaining economic support to stem further socio-economic degradation; to build its preferred vision of market socialism as marketization without liberalization; and to stave off international isolation and possible military intervention from the United States.[5]

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[3] Editorial, 'Make this a year of brilliant victory,' in *Korea Today*, No. 3, Juche 93, 2004, pp. 6-7.

[4] *Ibid*., p. 7.

[5] I have developed this idea of marketization without liberalization as a way to understand the DPRK's economic policies in detail in Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance and Social Change in North Korea* (Washington, DC: USIP Press, 2005).

South Korean Objectives

Underpinning South Korea's ideas of how unification will come about is the strong but often unstated premise that institutionalized inter-Korean political and economic integration will inevitably lead to the South Korean system peacefully prevailing over that of the North. This is because of what are seen as the natural, almost gravitational pull factors of the comparative advantages of the South Korean system, that is, freedom and prosperity. Thus peaceful unification through the provision of a 'good example' will take place.

The logic of South Korean engagement with the North seems to be that the very process of negotiations will engender confidence-building, information-sharing, and increased openness between the two sides and consequently between North Korea and the wider international community. The policy goal of dialogue as a short-term end in itself is predicated on the idea that the socialization of DPRK negotiators into global norms and the self-evident South Korean intention to prevent war or violent regime change in North Korea will eventually lead to increased trust of the South. Such trust will form the foundations of a Northern willingness to gradually dismantle economic, social, and political obstacles to institutionalized integration of the two states. Gradual openness to South Korean ideas should gradually lead, given the superiority of the South Korean system, to North Koreans freely choosing a unification project based on a liberal democracy polity.

The South Korean position seems to assume that once the South Korean system is recognized as a better system by sufficient numbers of people in the North, then a free choice could be made by key decision makers, if not the population as a whole, in favor of gradually abandoning the current North Korean system. This is a problematic premise given that many of North Korea's elite have a very realistic understanding that their privileges and power would be threatened

should North Korea be somehow incorporated into a democratic society. They are aware that in South Korea even previous presidents have not been immune from justice to the extent that they have been tried and imprisoned for wrong-doing. It is also difficult to identify any political trends within North Korea that might imply that in the future either the population or sectors of the elite could exercise the degree of choice in domestic or foreign policy that allow, effectively, for the political absorption of the North by the South. Indeed, as I demonstrate below, the unintended effects of the current modalities of South Korean economic cooperation contribute to achieving the rebuilding of the North Korean system in ways that are least compatible with South Korean objectives.

North Korea's Development Goals

Since the late 1990s North Korea's domestic development goal has been of regime maintenance and is therefore a political, not an economic, goal. The strategy is to prevent regime change – from inside or out. In pursuit of the strategic goal the government has decreed that the entire society should be reconstituted as a military force under the leadership of the army.[6] The armed forces, which have law and order functions as well as national defence capabilities, are the guarantor of regime maintenance. DPRK economic policies are designed to support the political reconstitution of the society around the military-led development project.

The economic objectives of building a modern industrial and technological capacity and developing an economic system of tightly

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[6] *Rodong Sinmun/Kulloja*, 'Invincible is the Workers' Party of Korea's high priority army politics,' reprinted in English in *Korea Today*, No. 10, Juche 88, 1999, pp. 11-18; For representative statement see 'Ever-Victorious Sword-High Priority Army Politics,' *Korea Today*, No. 12, Juche 88, 2004, p. 4.

controlled market socialism should be understood as functional in respect of the primary goal of regime maintenance. The medium-term strategy designed to achieve the goal of regime maintenance has political and economic strands. It is to consolidate the regime such that it can sustain itself without the constant necessity for crisis management – for instance by having to rely on the 'imperialists' of Japan and the United States for food aid to compensate for North Korea's continued substantial and now chronic food deficits.[7]

To a large extent the North Korean government has for the short- to medium-term adopted the development strategy of Latin American authoritarian regimes of the 1970s and 1980s – also adopted to prevent regime change from below or from outside. Entrepreneurs are allowed to flourish provided they keep their distance from the political realm. Political controls are retained over the population to control dissidence and the army acts as the guarantor of regime stability. The new North Korean development project is also similar to that of Cold War Latin American authoritarian capitalist regimes in two other ways; the embedding of poverty for large swathes of the population and the structural support for corruption as a necessary way of doing business. There are no plans to revive the extensive social welfare system that underpinned the Kim Il Sungist period and at the same time we see in North Korea the continued creation of a large class of marginalized poor people.[8] Also similarly to Latin America in the 1970s and 1980s, because of the relative freedom allowed to economic entrepreneurs and the necessity for those entrepreneurs to find their ways around the restrictive political controls that inhibit opportunities to maximize profit, the inevitable results have been growth in the

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[7] FAO, 'North Korea has bigger harvest but millions still need food aid,' November 23, 2004, http://www.fao.org/newsroom/en/news/2004/51607/.

[8] Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance and Social Change in North Korea* (Washington, DC: USIP Press, 2005).

bribery and corruption as a necessary feature of doing business in the new DPRK.[9]

The Political Means: A Military-led Society

In the mid-1990s, following domestic economic collapse and the cut-off of external financial support, up to a million North Koreans died of famine.[10] North Korea has never published numbers of famine deaths although it openly recognizes the disaster that befell the county in its continued references to the period of the 'arduous march' after the famine in which all North Koreans struggled for survival.[11] In the wake of the economic collapse of the 1990s, North Korean reconstituted its political objectives around what it terms a 'military-led' or 'Songun' system.[12] In this system the entire society is instructed to operate as if it were part of a military organization. In this reconstituted North Korea 'all members of the society should model [*sic*] after the traits of soldiers.'[13] For North Korea the highly valued traits are obedience, discipline, and subordination to the leadership. These are neither implicit to North Korea's understanding of what constitutes

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[9] Hazel Smith, Crime and economic instability: The real security threat from North Korea and what to do about it, *International Relations of the Asia Pacific*, Volume 5, 2005, pp. 235-249; Hazel Smith, The disintegration and reconstitution of the state in the DPRK in Simon Chesterman, Michael Ignatieff, and Ramesh Thakur (eds.), *Making States Work* (Tokyo: United Nations University Press, 2005), pp. 167-192.

[10] For an exhaustive and rigorous analysis of famine deaths in the DPRK in the 1990s see Suk Lee, *Food Shortages and Economic Institutions in The Democratic People's Republic of Korea,* unpublished doctoral thesis, Department of Economics, University of Warwick, January 2003.

[11] For example, "Local industry in Kowon county," *Korea Today*, No. 10, Juche 88, 1999, p. 10.

[12] Editorial, 'Make this a year of brilliant victory,' in *Korea Today*, No. 3, Juche 93, 2004, pp. 4-7.

[13] *Ibid.*, p. 5.

necessary features of the reconstituted political system nor marginal features.

In the new era of the 'military-led' society 'working people… should put the interests of society and the collective above their own.' The society is rigidly hierarchical and its individual members have no rights to individual choice or dissent. This anti-democratic political system by definition provides structural restraints to political change – for to change to democracy it would have to overturn its own principles, norms, and institutions. It is also a system that is by definition controlled through the exercise of force and the threat of punishment. As in the military, those who do not obey orders are punished.

The Economic Means: The Pursuit of Enclave Capitalism

The North Korean government has had a clear policy of encouraging foreign investment since the creation of the state in 1948. It had imported technology, inputs, and know-how from the former communist states and when it could afford it, technology from the West.[14] In the 1980s however, the DPRK could not generate sufficient export earnings to service its debts and stopped paying its international creditors. International lack of creditworthiness combined with the end of concessionary support from former communist countries and China in the early 1990s resulted in a dramatic downturn in foreign investment, precipitating the famine conditions of the early and mid-1990s.[15] In 1995, lacking alternative sources of investment other

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[14] For summary of DPRK foreign and economic policy prior to the 1990s see Hazel Smith, 'North Korean Foreign Policy in the 1990s: The Realist Approach,' in Hazel Smith *et al*. (eds.), *North Korea in the New World Order* (London and New York: Macmillan and St. Martin's Press, 1996).

[15] For detail on pre-famine economic strategies, post-famine economic strategies, and the socio-economic change that too place in the DPRK from the 1990s

than from the major capitalist countries and requiring emergency inputs to put a halt to deaths from starvation and malnutrition, the government turned to the West for economic assistance and humanitarian aid.[16] It did so in such a way as to try to minimize the potential political impact of large numbers of foreigners doing business in the North.

One problem for the North Korean government was that its educational system and media had drawn a picture of foreign countries, especially South Korea, as having an inferior level of social, cultural, and economic achievement to that of North Korea. An unmediated exposure to large numbers of foreigners, even those who did not speak Korean, would have exposed this picture of the outside world as false. Large-scale access to alternative sources of information, combined with visible long-term immiseration for most of the population, could have provided grounds for political unrest. Another objective was for the government to gain maximum credit for any economic success story such as to help re-build the domestic legitimacy of the regime.

A priority therefore was to prevent large numbers of foreigners having unimpeded access to the population and perhaps fomenting dissent. The North Korean government thus searched for a framework for DPRK-capitalist cooperation that could encourage foreign investment but at the same time prevent anything other than superficial interaction of foreigners with the North Korean population.

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onwards see Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance and Social Change in North Korea* (Washington, DC: USIP Press, 2005).

[16] For details of these negotiations see Hazel Smith, *Overcoming Humanitarian Dilemmas in the DPRK* Special Report No. 90 (Washington, DC: United States Institute of Peace, July 2002).

Developing the Enclave Model

In 1991 the DPRK designated the remote north-eastern region of Rajin-Sonbong as a special economic zone in an attempt to encourage foreign investment in the region and to promote international trade. In the mid-1990s, in the wake of the 1994 Geneva agreement and the creation of the multilateral Korean Peninsula Energy Development Organization (KEDO), the government designated a fenced-off site in the east of the country at Kumho for the building of two light-water nuclear reactors. The Kumho light water reactor site was designed to provide a hermetically sealed site for state-controlled receipt of foreign capital investment and advanced technology, mainly from South Korea and Japan.

Rajin-Sonbong was part of the UNDP Tumen River Area Development Programme: A regional cooperation zone that also included bordering remote areas of China, Russia, and eastern Mongolia. Rajin-Sonbong did not attract major foreign investment – less than one hundred million dollars between 1991 and 2000.[17] It did, however, provide a forum in which North Korean senior government officials could interact with South Koreans, thus providing one of the few arenas of direct dialogue before the great thaw between North and South that started in 2000 with the meeting of South Korean President Kim Dae Jung and North Korean leader Kim Jong Il.

Reasons for lack of economic success included the lack of infrastructure including decent roads and reliable rail transport into North Korea and out through China and Russia; poor telecommunications; and irregular and inadequate electricity and water supplies. Another reason was that possibilities were not available for market expansion back into North Korea. The North Korean

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[17] For investment data see Tumen Secretariat, *Tumen Update*, No. 3, Beijing, October 2000, p. 13.

government deliberately discouraged interlinkage backwards into the DPRK society and economy. The inhospitable mountains separating Rajin-Sonbong from the rest of the country were seen by the North Korean government as a plus not a negative factor in the promotion of Rajin-Sonbong as an enclave for capitalist enterprise. Foreigners would thus be geographically prevented from contact with the North Korean population. The foreigners who visited Rajin-Sonbong, of which there were 90,000 in 1999, were kept under close scrutiny with South Koreans particularly subject to suspicion.[18]

At Kumho, the North Korean government physically cleared the site of the local North Korean population. Only North Korean technicians and service workers were permitted to stay on site. Visiting foreign technicians and officials were not permitted to leave the site. Uzbeki workers brought in by the management organization, the Korean Peninsula Development Organization (KEDO) endured conditions verging on penal servitude. They were contracted for one year for less than $200 a month and were not allowed to leave the Kumho construction site, which lacked all but the most basic facilities, during the entire year long contract.[19]

Both the Rajin-Sonbong and the Kumho KEDO project provided testing grounds for the enclave strategy. The DPRK learned from the experiences of Rajin-Sonbong and Kumho that its interlocutors in the West would be prepared to accept severe restrictions of freedom of movement of foreign staff and visitors; that conditions of labor were

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[18] South Korean academic staff at Yanbian University of Science and Technology, in the Yanbian area of China that is also part of the Tumen River special economic zone, informed me in 2002 that two of their number had been arrested and imprisoned in Rajin-Sonbong after their deliveries if food and goods to children's nurseries had brought them under suspicion of spying.

[19] Uzbeki sources report that Uzbeki workers were paid just $110 a month. See http://uzland.freenet.uz/2001/march/19.htm. North Korean workers had been paid $110 a month, and when they demanded more money, KEDO refused to pay and imported Uzbeki workers who were also paid low wages. The sum of $200 is from my interviews with KEDO officials.

not a priority negotiating objective for foreign investors; and that an acceptable modus operandi was to physically segregate foreigners from the North Korean population. The North Korean government thus adopted this model as the template for inter-Korean economic cooperation, which began in the late 1990s with the Hyundai sponsored Mount Kumgang tourism project, and was followed by the Kaesong joint industrial zone in the early 2000. The North Korean government saw the Mount Kumgang project as a way to generate millions of dollars of hard currency while the Kaesong project was viewed as providing a vehicle through which large-scale capital and high-end technology could be transferred.

North Korea further demonstrated its commitment to the enclave strategy in its attempt to push through an international free trade zone in Sinuiju on its north-western border with China. The plan failed as it did not have the cooperation of the Chinese government.[20] Intrinsic to the plan was the non-voluntary relocation of the entire population of Sinuiju, some 340,000 people, from their homes to what would have been a newly created residential area. What was also planned was the building of a wall to prevent anything other than minimal contact of the displaced population with foreigners.

The Modalities of SEZ Cooperation

The DPRK considers it has a unilateral political and sovereign right to insist on specific modalities of economic cooperation. These included the 'macro-modalities' of the principles of economic cooperation as well as the 'micro-modalities' of the procedures of

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[20] See Hazel Smith, Asymmetric nuisance value: The border in China-Democratic People's Republic of Korea relations, in Timothy Hildebrandt (ed.), *Uneasy Allies: Fifty Years of China-North Korea Relations* (Washington, DC: Woodrow Wilson Center Asia Program Special Report, September 2003), pp. 18-25.

inter-Korean economic cooperation. In the South Korean-funded economic zones these macro-modalities adhered closely to those principles understood by the North Korean government as necessary for regime protection. The local North Korean population was excluded from both sites except as they were needed as workers. South Korean businesses were not given control over the labor they employed; and foreigners, whether as tourists to Mount Kumgang or employees in Kaesong and Mount Kumgang, faced strict controls in terms of their interaction with local counterparts and North Korean workers.[21]

Politically driven macro modalities were mirrored by politically driven 'micro-modalities' that sought to maintain a one-sided control over business dealings with the South. These included insisting on cash transfers, inadequate accounting procedures, refusal to permit productivity-linked wages, one-sided arbitrary decision-making, and sideline payments. Such non-transparent methods had been inherited from the way in which North Korean business and the government had learned to engage in economic cooperation with foreigners in the past: North Korean economic strategies have now internalized and institutionalized these modalities within SEZ practice. Macro- and micro-modalities of inter-Korean cooperation are intrinsically non-liberal and, in a liberal capitalist sense, non-economic.

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[21] Lim and Lim argue that South Korean businesses have greater autonomy in labor management in Kaesong than in the past. This may be true in relative terms. In practical terms, as Lim and Lim acknowledge, all decisions regarding labor polices must be negotiated with the 'representatives of Kaesong SEZ workers' which in the context of North Korea means the North Korean government. See Kang-Taeg Lim and Sung-Hoon Lim, *Strategies for Development of a North Korean Special Economic Zone through Attracting Foreign Investment*, Studies Series 05-01 (Seoul: Korea Institute for National Unification, 2005), pp. 47-48. Lim and Lim's generally rather optimistic analysis of the potential for SEZs in North Korea also notes that one of the problems in Kumgangsan is that 'more free activity to individual tourists' needs to be permitted, *ibid*., p. 38.

Experimenting with Exceptions

North Korea did not confine its attempts to secure funding from abroad to promoting special economic zones. The government experimented with different modes of economic interaction with the outside world from the 1990s onwards; most importantly with the international humanitarian organizations and with foreign business. These diverse interactions were, except for the experience with the humanitarian agencies, politically controllable. Economically, however, they proved not to be substantial or viable enough to provide a foundation for North Korea's economic reconstruction.

The Humanitarian Organizations

The government received significant funding from the multilateral humanitarian and development organizations, and NGOs, particularly the United Nations World Food Programme (WFP).[22] The WFP contributed around $300 million dollars of aid a year through the late 1990s at a time when the DPRK's export earnings were hardly double that amount. This funding came at a political cost to North Korea. The World Food Programme, as did all the major agencies, insisted on accountability of monies spent in terms of transparent reports back to donor governments and of using the principles of efficiency and fairness when allocating relief aid. The DPRK government found the transparency required of them intrusive and sometime threatening. As relations with the United States deteriorated through the 2000s, the government increasingly took the view that national security was jeopardized by allowing foreigners, even those employed by the

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[22] Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance and Social Change in North Korea* (Washington, DC: USIP Press, 2005).

humanitarian organizations, to travel, observe, and analyze North Korean society.[23]

North Korea had managed to find ways to gradually accommodate the demands for transparency of the humanitarian organizations up until the early 2000s. It had done so reluctantly but because it continued to require very large amounts of food, agriculture and medical assistance that it could not afford to buy and that could only be obtained from multilateral agencies. From the early 2000s, however, North Korea became less reliant on multilateral humanitarian aid as bilateral aid from China and South Korea flowed into the country.[24] Bilateral aid did not require the detailed reporting and monitoring that had been a condition of multilateral aid and was therefore more attractive to the North Korean government.

In 2004 the North Korean government announced that it wanted the humanitarian agencies to cease operating in the DPRK. The rationale was that harvests were improving and the government no longer needed humanitarian food assistance but instead wished to attract development funding. In fact, DPRK agricultural production continued to be so inadequate that without South Korea's annual assistance of substantial amounts of fertilizer and food aid the population would again face the starvation of the 1990s.[25] In addition, development funding in the sense that 'development' is conventionally understood would have required much more intrusive socio-economic data collection and analysis than anything that had been hitherto undertaken by the humanitarian agencies.

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[23] For detailed discussion on the changing nature of DPRK interaction with humanitarian organizations see *ibid., idem*.

[24] Mark E. Manyin, 'Foreign Assistance to North Korea,' *CRS report* (Washington, DC: Congressional Research Service, 2005), pp. 24-28, reproduced on http://www.fas.org/sgp/crs/row/RL31785.pdf.

[25] For 2004/2005 cereal deficit predictions see FAO, 'North Korea has bigger harvest but millions still need food aid,' November 23, 2004, http://www.fao.org/newsroom/en/news/2004/51607/.

Non-South Korean Foreign Business Investment

North Korea encouraged foreign business to invest in the DPRK through offering very favorable tax incentives. The various handicaps to investment including poor infrastructure and absence of business-oriented socio-economy, however, combined with the intense competition from business-friendly China, meant that these ventures were not successful in bringing substantial amounts of foreign capital or significant technological transfers. The experience of foreign business in dealing with North Korean business and government was that a political rationality always trumped economic imperatives. This resulted among other things with contracts being unilaterally and abruptly changed, terminated, or not honored.[26]

Chinese businesses may have had a comparative advantage in having experience of working around politicized decision-making in economic affairs.[27] They were, to a large extent, border traders from Korean speaking areas in China with the additional comparative advantage of knowing the Korean language. They also managed to find their way around the new North Korean system by relying on cash transactions, petty or major corruption and were able to cope with the degree of opacity required by North Korean interlocutors. These businesses operated at a relatively low level of economic activity, however, and by their nature could not bring the quantity of foreign capital and advanced technology that the DPRK needed to support its

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[26] There is a favorable report on the success of South Korean business in non-enclave North Korean business initiatives in Pyongyang, Nampo, and Sinuiju, in '80 percent post profits in Inter-Korea Trade,' *Korea Now*, August 24, 2002. This should be contrasted with the more sober assessment of Young-Yoon Kim in 2005 who reports that 65 percent of South Koran businesses operating in the DPRK 'considered that their business... was not going well.' Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), p. 31.

[27] Information in this paragraph from author's interviews with Chinese traders based in Dandong, China, and Pyongyang, DPRK, 2000-2001.

re-development model.

Miscellaneous Sources of Capital

The government also received financial transfers from other diverse foreign sources. These included over twenty million dollars from the United States Department of Defence in the 1990s and 2000s in return for access to military teams searching for the remains of those missing in action in the Korean War.[28] Other sources of income included arms sales. Annual transfers of substantial but undocumented sums of hard currency from the London insurance markets with which it held policies in respect of natural disasters and harvest failure also took place.[29] North Korea has been accused of engaging in criminal activities such as currency counterfeiting and drugs production and shipments, although there has been little hard evidence to support claims that such activities are directly organized by the government.[30]

The Enclave Model as Development Ends

By the mid-2000s the North Korean government believed it had found solutions to its food and economic problems – mainly through the channelling of South Korean resources into meeting its development objectives. Firstly, the North Korean government no longer needed to submit to the politically uncomfortable processes of openness to the

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[28] Mark E. Manyin, 'Foreign Assistance to North Korea,' *CRS report* (Washington, DC: Congressional Research Service, 2005), p. 33, reproduced on http://www.fas.org/sgp/crs/row/RL31785.pdf.

[29] Interviews with insurance company assessors in Pyongyang 2001.

[30] The most well-documented incident was the Australian seizure of a North Korean ship carrying 50 kilos of heroin that ran aground on a beach I Victoria, Australia in 2003. See Alan Boyd, 'North Korea: Hand in the cookie jar,' *Asia Times*, April 29, 2003, reproduced on http://www.atimes.com/atimes/Korea/ED29Dg01.html.

humanitarian organizations, as it was more or less assured that the basic food needs of the population would be taken care of through bilateral and hence unconditional aid from South Korea and China. Second, foreign business investment remained welcome but only insomuch as it kept to the terms of trade established by the North Korean government. Thirdly, North Korea's decade and a half of experience of Special Economic Zones had convinced the government that it could attract foreign capitalist investment and expand international trade without opening up the rest of the country to physically free access to foreigners. Special Economic Zones (SEZ) 'North Korean style' thus evolved as a way to square the circle of opening to foreign capital at the same time as closure to foreign contact.

The SEZ strategy did not solve all the governments' economic problems. The government for instance periodically tried to regain control over markets, particularly the buying and selling of grains, and had not been successful in doing so. The government was less concerned about the petty trading mechanisms that had ensured survival for most North Koreans since the mid-1990s since the government had not been able to provide even basic food rations. It was, however, concerned that if private grain traders or more productive cooperative farms became rich through their own independent participation in the market, this could herald the formation of a powerful social group with potential political interests separate, even contrary, to that of the government. The government's determination to channel large-scale transfers of capital into the controlled and supervised geographically fenced off SEZ sites might, however, prevent the growth of political alliances between those potentially enfranchised as interlocutors for foreign capital (senior military and party officials), the *nouveau riche* (those that grew wealthy from domestic trading), and the better-off farmers.

Short-term Economic Results

The largest of the private South Korean investors, Hyundai, has not yet made a profit from the Mount Kumgang project. Despite the North trumpeting its advantageous labor costs and favorable tax policies, nearly two thirds of South Korean investors made a loss in their North Korean projects.[31] South Korean business also found that overall production costs are cheaper if goods are made in China.[32] Projects were abandoned for reasons that included unilateral suspension by the North, disputes during the project and lack of profitability.[33]

Bradley Babson and Yoon Deok Ryong, in their realistic and not unsympathetic treatment of DPRK development strategies, note that special economic zones are successful to the extent that they are situated in commercially attractive areas; increasing policy liberalization and experimentation takes place; and there is increased private involvement in the management of such zones.[34] This is perhaps to miss the point. North Korea's purpose in establishing special economic zones is not the same as that of conventional liberal economic planners. For North Korea, the purpose of SEZ policy is to avoid policy liberalization and to reinforce government, not private,

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[31] Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), p. 32.

[32] In one survey three out of four South Korean businesses found it was cheaper to produce in China than North Korea. See Jong-geun Lee, 'Research on the structure of processing trade between two Koreas,' M.A. dissertation (Kyungnam University, December 2002), used as the basis for a table on 'Comparison of the Production Cost of Processing Trade with North Korea and China' in Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), p. 19.

[33] *Op. cit.*, p. 31.

[34] Bradley Babson and Yoon Deok Ryong, 'How to finance North Korea's capital requirements for economic recovery,' in *East Asian Review*, Vol. 16, No. 2, Summer 2004, p. 90, reproduced online at http://www.ieas.or.kr/vol16_2/16_2 _4.pdf.

control over investments. The lack of short-term economic success is therefore not surprising.

Medium- and Long-term Aims

The North Korean government had thus two aims for SEZ policy. The first was as part of the means to re-establish control over the broader national economy such that capital and technology transfers could take place to build the foundations for re-development without exposing the North Korean population to the impact of uncontrolled information from foreigners. Secondly, Special Economic Zones would serve as government-controlled sites for receipts of large-scale Japanese capital and technology subsequent to a political deal on the nuclear issues being agreed. The SEZ had become much more than a singular element of a broader foreign economic strategy but instead had become in many ways the economic strategy itself.

The Two-level Economic Game

The DPRK engaged in a number of diplomatic and commercial interactions in order to try to find funding for re-development. It was successful in gaining large-scale humanitarian assistance from a variety of states, international governmental organizations, and non-governmental organizations. It was, however, less successful in persuading foreign business to invest in any significant sense. It was also unable to persuade the major international financial institutions to lend substantial amounts and, because it is still a major international debt defaulter, it was not able to secure international investment loans from private or public sources.

By 2005, the DPRK had accumulated a reasonable knowledge of where economic support for its development project might come

from and where it might not. It had reluctantly ruled out the European countries and the European Commission as a source of inputs. It understood that the European concentration on improving human rights in the DPRK and preventing nuclear proliferation combined with the lack of a hospitable economic climate in the DPRK meant that significant sums from Europe were not going to be forthcoming. It also realized that despite its rhetoric to the contrary, it was not United States sanctions policies that prevented the growth of North Korea's trade and foreign investment inflow. China after all had a wide-open (for business) 1,000 mile border with the DPRK. Neither political nor human rights prevented the growth of commerce with China. More significant obstacles were the appalling transport and communications infrastructure; the lack of security for investors; poor quality North Korean products; and lack of capital to purchase technology and necessary inputs.

North Korea learned from some of the experiences of interaction with the outside world to the extent that by the mid-2000s, North Korea's economic strategy evolved as a two-level game. At the macro-level, the political negotiations designed to dismantle the North's nuclear weapons capabilities were understood as eventually providing a payoff in that a political deal on the nuclear issues would be followed by substantial foreign investment. Some funding might eventually come from the international financial institutions but North Korea was not counting on the World Bank or the IMF in the short-term. Instead the DPRK was confident that it would receive substantial sums from Japan in the wake of a security deal, probably in the region of between 50 to 100 billion dollars.[35] These payments would be analogous to those received by South Korea in 1965 and

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[35] Mitsuru Mizuno, 'Japan's Development Assistance: Implications on [*sic*] North Korean Development,' reproduced in The Export-Import Bank of Korea/ University of North Korean Studies, *International Symposium on North Korean Development and International Cooperation*, mimeo, Seoul, July 6-7, 2005, p. 18.

would be designed to settle outstanding claims for restitution and compensation for Japanese colonialism and wartime occupation. Japan announced that substantial payments will be forthcoming in the aftermath of normalization of diplomatic relations with the DPRK, including grants, long-term concessional loans, and humanitarian assistance.[36] They are unlikely to be conditional on domestic economic or political reform.

At the micro-level and in the short-term North Korea's strategy was to increasingly rely on economic assistance from the South Korean government and South Korean NGOs; as well as investment from South Korean large- and small-scale businesses. South Korean trade and investment was not large in South Korean terms, either in absolute amounts or in percentage terms of national wealth. By 2003 total inter-Korean trade amounted to only around three quarters of a million dollars, that is a mere 0.09 percent of South Korean GDP and nearly a half of this comprised humanitarian assistance to the North.[37] From the North Korean perspective however, these financial flows from South Korea were large enough to enable the DPRK to support a stabilization of the economy, albeit around a low level of economic activity. More importantly South Korean investment gave a breathing space to the government so it could reconstitute the economy around its development project of authoritarian marketization.

The importance of South Korean economic assistance can be demonstrated in trade and investment terms. North Korea had only achieved a slight recovery in its export capacity since the 1990s with total exports rising from around $650 million dollars in 1998 to around one billion dollars in 2003.[38] By 2003, however, South Korea was

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[36] *Ibid*, p. 17 of the reproduced paper. No page numbers given for the entire volume.

[37] Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), pp. 6-7.

[38] *Ibid.,* p. 6.

North Korea's second largest export destination, second only to China.[39] China's trade with South Korea continued to increase in 2004 while South Korea's slightly diminished and in absolute terms also provide a significant source of financial support for the North Korean economy.[40] South Korean economic relations with North Korea are significant, however, not just because they are also relatively large but because South Korea is a technologically developed, fully capitalist and democratic country with which North Korea has hopes of eventually uniting. South Korea is a member of the OECD, the club of the richest countries in the world, and its methods of economic operation are governed by economic regimes that also govern the major capitalist countries including the United States and Japan.

South Korean investment was, crucially for the North, not made conditional on economic or political reform, either in macro-institutional terms or in terms of micro-business interaction with the DPRK. In macro-terms, South Korea did not wait for instance for the implementation of judicial or regulatory reform that would have ensured more security for the South Korean investor, for instance in ensuring that might have ensured that contracts once signed could not be arbitrarily changed or cancelled. Neither was South Korean business and government investment made conditional on the application of international labor and business norms in South Korean-funded enterprises.

South Korean businesses remained unable to hire and fire labor – nor were they permitted to provide incentives for individual workers so as to encourage productivity or, conversely, impose penalties to

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[39] *Ibid*., p. 5.

[40] Dae-Kyu Yoon and Moon-Soo Yang, 'Inter-Korean economic cooperation for North Korean Development: Future Challenges and Prospects,' in The Export-Import Bank of Korea/University of North Korean Studies, *International Symposium on North Korean Development and International Cooperation*, mimeo, Seoul, July 6-7, 2005, no page numbers given.

sanction lack of productivity. North Korea also took as much care as it could to avoid the free movement of South Korean persons on its territory, refusing to allow systematic monitoring for instance of the substantial amounts of food and fertilizer aid by South Korean agronomists and technical personnel.[41] This means among other things that the modalities of multilateral humanitarian assistance that were so carefully developed through nearly a decade of tough negotiation with the North Korean government and which introduced principles of accountability, transparency, and efficiency to North Korea along with the aid itself were undermined.[42]

South Korean Aims and Philosophy

The successful visit of President Kim Dae Jung to Pyongyang in 2000 had opened up hitherto unimagined political, social, and economic communication between North and South. The South was for the first time able to engage in substantial bilateral relations with the North, visually epitomized by the joint entry into the Sidney Olympiad opening ceremony in 2000. As the DPRK's political relations became ever more tense with the two Bush Administrations in the United States the South found itself increasingly in the position of mediator and political conduit between the North and the outside world.

The national 'we' feeling engendered by the renewed hope that

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[41] Some of this is hinted at *ibid.*, no page numbers given. I interviewed agronomists that accompanied the fertilizer aid to North Korea's main port of Nampo in 2002 in Seoul. The South Korean agronomists were not permitted to leave the hotel in Nampo or the shipyard area in working hours. They could not visit Pyongyang or the farms to which the fertilizer was to be sent.

[42] For details of these negotiations see Hazel Smith, *Overcoming Humanitarian Dilemmas in the DPRK* Special Report No. 90 (Washington, DC: USIP, July 2002).

the Korean nation and the increasing disbelief that the North could be a military threat given its poverty and economic weakness further inclined South Korea to what were for the South paltry amounts of economic transfers to the struggling North. Given the relative small amount of funds, the consequences of the modalities of economic transfers were not either properly understood or, if considered, understood as temporary, conjunctural, and easily reversible difficulties.

South Korean policy was to encourage increasing numbers of inter-Korean cooperative economic projects while at the same time to negotiate for gradual and incremental improvements in the quality of those exchanges. South Korean economic and humanitarian support was not, however, conditional on improved quality of implementation of projects. The South Korean government did not demand for instance that South Korean businesses have hire and fire authority over local labor. The problems in the quality of cooperation are various and include 'transportation, the payment system, and communication system, causing problems in the quality of the product.'[43] Payment is often demanded before the South Korean investor even visits the DPRK for the first time and failure to meet due delivery dates continues to be a major issue. When goods are produced, it is 'almost impossible' for South Korean investors to control the quality of production as they are not permitted to send quality control inspectors into the factories.[44]

South Korean philosophy was that the process of negotiation would of itself lead to improvements and if it did not some incremental change in the right direction was better than none at all. The overall philosophy – of South Korean business and of South Korean govern-

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[43] Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), p. 39.

[44] *Ibid*., p. 43.

ments – was to accept economic irrationality and lack of profitability in inter-Korean cooperation for the greater good of working for national unity.

The issue of providing bilateral aid to North Korea was defended as less costly for the South Korean government and, because bilateral food aid was delivered on concessional loan terms, as encouraging the North Koreans to understand that they would have to engage in reciprocity and pay back the loans at some point.[45] The last point is somewhat disingenuous as nobody seriously expects that the North will pay back the food loans. The costliness of the WFP operation is no doubt a factor and these costs include payments for the extensive monitoring and evaluation exercises that will be foregone if WFP no longer works in the DPRK. Another reason for South Korean preference for bilateral aid is that the government favors monetization of food aid and may hope that the substantial amounts of food aid it sends is sold in markets as a way to reinforce the marketization processes that it wishes to see grow in the North.[46] One obvious problem with this approach is that food aid goes to those that can afford it not to those who most need it.

The Unintended Effects of South Korean-funded Economic Cooperation

Kang-Taeg Lim and Sung-Hoon Lim note that North Korean SEZs were 'designed to be of benefit to business but also for

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[45] Chung-In Moon, 'Why Seoul helps the North,' *International Herald Tribune*, September 30, 2005, reproduced on http://www.iht.com/articles/2005/09/30/opinion/edmoon.php.

[46] The United States and South Korea monetize food aid as a matter of policy. For discussion of the problems see Sophia Murphy and Kathy McAfee, *US Food Aid: Time to Get it Right* (Minneapolis: Institute for Agriculture and Trade policy, 2005).

overcoming economic difficulties... as well as constructing a base for future economic growth... [the SEZ] is going to have a relationship with a capitalist system and play the role of being a test ground for the North Korean economy.'[47] Lim and Lim also argue that the North Korean approach to SEZ policy 'will have an important influence on the national economic system.'[48] These influences may not necessarily be as positive as South Korea seems to hope.

Two million dollars worth of South Korean investment has been channelled into geographical enclaves.[49] These sums, while negligible in relation to the South Korean economy, are significant for North Korea. South Korean investment thus allowed the North to implement experimental economic strategies designed to promote tightly controlled enclave capitalism. South Korean government policy of relatively unconditional investment fitted well with North Korea's approach to economic and political development. It did not disturb North Korea's preferred foreign economic strategy of promoting 'enclave capitalism' that it saw as underpinning the overriding development goal of reconstituting the DPRK as a 'military-led' hierarchically organized society, obedient to the leadership, whose primary purpose was regime maintenance. Insofar as the South Korean approach to economic cooperation gave credibility, legitimacy, and financial support to politically controlled economic projects intrinsic to which are the subordination of the individual to the state, it also had the inadvertent affect of giving support to the North's military-first policy.

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[47] Kang-Taeg Lim and Sung-Hoon Lim, *Strategies for Development of a North Korean Special Economic Zone through Attracting Foreign Investment*, Studies Series 05-01 (Seoul: Korea Institute for National Unification, 2005), p. 20.

[48] *Ibid*.

[49] Young-Yoon Kim, *Evaluation of South-North Economic Cooperation and Task for Success*, Studies Series 05-03 (Seoul: Korea Institute for National Unification, 2005), p. 25.

Contrary to South Korean hopes, the North Korean government did not commit itself to using the inter-Korean economic zones as a means to introduce liberal economic principles and practices into the DPRK economy – much less of using these as a means to allow trickle down into the rest of the economy of such principles. Perhaps even more worrying for South Korea, South Korean-funded economic cooperation within the special economic zones was encouraged because it supported the North's political rationality for the promotion of special economic zones as a means to re-establish the *ancien régime*. South Korean-funded economic instruments of inter-Korean cooperation have thus contributed to a North Korean development goal that is intended to establish the foundations for a unification outcome that is very different from that envisaged or desired by South Korea.

Understanding crossed Purposes: Re-calibrating Means with Ends

Young-Yoon Kim provides a salutary warning when he remarks that the 'North Korean government regards South-North economic cooperation as a means to obtain foreign currency and advanced technology without the reformation of internal economy system.'[50] This warning perhaps does not go far enough. The fact is that North Korea's internal economic system is being reconstituted but that this reconstitution is based on economic principles which are not likely to lead to either economic growth or what South Korean decision-makers had hoped for, that of political liberalization.

Non-economic modalities of economic exchange have become the standard operating procedures (SOPs) of inter-Korean exchange.

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[50] *Ibid.*, p. 27.

These SOPs have become institutionalized as the 'normal' pattern of economic interaction in the SEZs that North Korea expects to use as the major vehicle for the receipt of foreign capital and technology. This non-economic rationality will be very difficult to alter once it is established and underpinned by capital and technology transfers. Another difficulty arises because SEZ-based cooperation forms a major part of inter-Korean cooperation, which is itself the most substantial of North Korean economic links with the West. The patterns of cooperation established through the further expansion of SEZ-based inter-Korean cooperation will therefore be consequential for the way the North Korean government enters into all its foreign economic relations.

South Korean hopes to achieve unification through an incremental process of economic interaction and dialogue and uses the policy of support for SEZs as a way to encourage dialogue with the DPRK for the broad objective of 'promoting reconciliation.' North Korea's more concrete objective is to use fenced-off investment zones to consolidate government control over financial transfers into the DPRK. The North's aim is to re-constitute the ways of doing business that were formerly characteristic of the top-down governmental economic methods of the pre-1990s.

I do not argue that it is necessary for South Korea, in order to safeguard its own interests and strategic objectives, to abandon what has been a politically productive economic engagement strategy. It is after all possible that North Korea will not achieve its intended aims, however hard it seeks to channel South Korean cooperation in the direction it prefers, simply due to the law of unintended affects. North Korean society in other words may gradually transform itself in the direction preferred by South Korea through a sort of automatic process in the direction of liberal capitalism. I do argue, however, that simply hoping for transformation is a risky strategy for South Korea, given

the determined planning by its counterpart to try to prevent such an outcome.

Instead, I argue, South Korean means need to be re-calibrated with South Korean ends. The modalities of economic cooperation need to be modified in the light of the significantly large unintended and undesirable effects, at least from South Korea's perspective, of current modalities of inter-Korean cooperation. I also argue that the South Korean unilateral approach to economic cooperation, while beneficial in opening up relations with the North, has now run its course. A determined complementary strategy of economic and humanitarian multilateralism will enable it to pursue its own agenda at the same time as supporting the moral imperative, shared by the majority of South Korea's electorate of every political hue, of assisting the impoverished North Korean population in the short-, medium-, and long-term.

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The Transformation of Class Structure and Class Conflict in North Korea

Jae-Jean Suh

Abstract

This study examines how North Korea's class structure transformations influenced the social transformations, and seeks to understand the structural characteristics of North Korea by examining in detail the existing shape of each social class. This study found that North Korea's socialist transformation was the process of dismantling every social class, such as the landowners, farmers, commerce and industry, and intelligentsia classes, etc. The 1946 land reform dismantled the landowner class, the 1958 agricultural collectivization dismantled the farmers class, and the 1958 nationalization of commerce and industry did the same to the petty bourgeoisie. The only class remaining in North Korea is the managers of the governing class. There was no class differentiation, only dismantlement. Thus, with social classes dissolved, the governing class remains as the monolithic class monopolizing social, economic, and political power in North Korea, with no other social power to act as a balancer. This type of class structure may constitute the social conditions of political dictatorship in North Korea.

Key Words: North Korea, class structure, social class, democracy, dictatorship

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Introduction

The unification of two countries does not simply involve the uniting of two political and economic systems, but ultimately requires social integration. For the two Koreas, North and South, which hope to one day reunify, this fact is particularly salient. For while each has aligned itself on opposite sides of the Cold War divide for over half a century, making the difference in their political and economic systems rather obvious, the most important difference that deserves our attention is that between the North's and South's social systems. In fact, analyzing the heterogeneity of these two countries' societies is one of the most important tasks for social scientists today.

Class structure is a pivotal point in which social system should be analyzed. Class structure implies the structure in which the economic and political gain of each individual is distributed in the process of economic production. In that regard, each social class is an interest group with an independent economic base. As Barrington Moore points out, social classes represent social forces with political influence. In modern times, a decisive precondition for modern democracy has been the emergence of a rough balance between the state and the society.[1]

Since North Korea (the Democratic People's Republic of Korea, DPRK) is characterized as a society under dictatorial rule, its class structure should be paid due attention because authoritarianism is not just a political aspect of a society, but an aspect of class structure as well. Consequently, analyzing the transformation of North Korea's class structure – an area of study that has received little attention in the literature on the country – is a highly useful approach when

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[1] Barrington Moore, Jr., *Social Origins' of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), p. 417.

analyzing the social structure of the DPRK.

In North Korea, via the so-called socialization of the means of production, all social classes were dismantled and a new ruling class was installed as the sole power in society. If we consider that the foundation of society in North Korea was developed as a monopolistic system, then we might be able to see how the country's class structure and class characteristics are determined politically rather than socially. While individual class position is determined by the ownership of the means of production, a society's class structure is determined by the mode of production. The mode of production is reorganized as a result of industrialization, but through political decisions it can be artificially reorganized. In the case of North Korea, political power has reorganized the means of production in the process of socialist transformation, and hence, completely reorganized the mode of production and class structure in the country.

This study examines how North Korea's class structure transformations influenced the social transformations, and seeks to understand the structural characteristics of the DPRK, such as by examining in detail the existing shape of each of the social classes. By way of conclusion, the study draws a brief comparison between North and South Korea in terms of class structure.

Dismantling of the Social Classes

In North Korea, the fundamental ownership relations of the traditional class structure were dismantled in the name of socialist construction. The victims of this construction were the traditional classes of landowner, petty bourgeoisie, farmer, and intellectual, which we shall begin to examine.

Dismantlement of the Landowner Class

Within North Korea, the large class of landowners was brought to ruin when the Land Reform of 1946 came into effect. At that time, the North Korean Provisional People's Committee announced the Land Reform Law and in only a month completed the land reform. The principle and method of the reform appeared in the officially announced March 5, 1946 'North Korean Land Reform Act' and March 7 'Rules Concerning the Implementation of the Land Reform Act.' The basic principle of the reform was voluntary forfeiture (a euphemism for confiscation) and free distribution. The reform essentially provided for the confiscation by the government of any land over 5 *chongbo* (1 *chongbo* equaling approximately 2.45 acres). Only those who cultivated land were deemed worthy of having it.[2]

When completed, about 1,000,325 *chongbo* of the 1,982,431 *chongbo* under cultivation in North Korea at the time was confiscated. Among this land, the amount owned by the Japanese state, Japanese people, and religious organizations was barely 4 percent. The remaining 96 percent was that of Korean landowners and land tenants. This reached a total of 405,603 inhabitants, about 40 percent of the total number of 1,121,295 farming households registered in North Korea at this time. No fewer than four among every ten farmhouses are known to have had their land confiscated in whole or in part.[3]

In North Korea, land reform was the most important policy in the construction of the Kim Il Sung regime. In the beginning, the landowner made up only 4 percent of the agricultural households, while the people made up 58.2 percent of total cultivated land tenants against close to a total population of 80 percent. As a result of the agrarian land reform North Korean society's class structure was

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[2] For a detailed analysis on land reform in North Korea, see Park Myung Rim, *Outbreak and Origins of Korean War: Origins and Cause,* Vol. 2 (Seoul: Nanam, 1996), chapter 4.

[3] *Ibid*., p. 196.

greatly reorganized. The landlord (i.e., landowner) class, a traditional ruling class, was completely dissolved. The poor and other farmers positively supported the political power agency of the land reform as it gave them their own fields to cultivate. The agricultural class, which represented 74.1 percent of the entire population at the end of 1949, was working in absolute support of establishing the political power of the Kim Il Sung regime.

Dismantlement of the Petty Bourgeoisie

In addition to the land reform, nationalization of key industries had reorganized class structure toward urban regions in a revolutionary way. The North Korean Provisional People's Committee on August 10, 1946 promulgated the rules regarding the nationalization of industry, traffic, transportation, communications, and bank finances. It follows hereupon that at this time, across the country, over 90 percent of industry's 1,034 important factories and businesses were nationalized.[4]

In 1947, from the total amount of industrial production, 80.2 percent was held by the state management industry, while capitalistic commerce and industry made up only about 19.8 percent. After the Korean War, private enterprise production in the North as a whole consisted mainly of small-scale rice mills, metal-works shops, rubber factories, and other small-scale establishments. By 1957, on average, each existing private employer employed about 1.4 people. Private enterprises that employed more than 5 laborers amounted to a mere 14 percent. By May 1957, the total number of existing private industrial enterprises was 633.

After the Korean War, the capitalist economic structure and small-goods economic structure of commerce still remained, but it

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[4] *Kuloja*, Vol. 7, No. 4 (1963), p. 87.

began to transform toward socialist relations of production, a transformation that completed itself by August 1958. Prior to the war in 1947, within the commerce and trade sector, the share of private enterprises selling retail goods was 43.5 percent. However, just after the war in 1953, this number fell to 32.5 percent. By the end of 1956, it was just 12.7 percent. By August 1958, this type of activity was completely eliminated.[5]

Dismantlement of the Farming Class

Through the land reform, all farmers received land. This pleased them until they had to return it to the state in 1958. Though the right to private land ownership depended on and was accomplished via the land reform of 1946, through Kim Il Sung's instructions of March 11, 1954, and the Party's Central Committee's conference of November 1954, the agriculture collectivization movement was actively pursued until August 1958 and successfully carried out. All farmers and farmland of North Korea were included in the collectivization.

South Korean social scientists mainly tend to cite economics as being the main reason why Kim chose a socialistic collectivization path for agriculture, as Kim himself argued the destruction of farming villages during the Korean War made it difficult for individual farmers to manage farming by themselves. However, this argument is controversial because the reason behind it lies somewhere else. Ten years after the land reform, some farmers were beginning to prosper greatly, and their emerging political power and independence were becoming evident. It seems apparent that after the land reform in rural communities, Kim Il Sung strived to develop his own agriculture as a means to control all farmers.

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[5] Kim Young Hee, *Socialization Experience of Private Commercial and Industrial Sector* (Pyongyang: Social Science Publisher, 1987), pp. 14-15, 46-47.

> We also cannot close our eyes to the fact that rich farmers are constantly emerging in the countryside. Of course, we successfully carried out the agrarian reform. Since then there has been no serious trouble, but it is a fact that rich farmers are gradually appearing in the countryside. Though they benefited from the agrarian reform, those who are growing into rich farmers are liable to be influenced by south Korean reactionary circles as their farming gradually takes a capitalist character. An analysis of those who collaborated with the reactionaries during our temporary retreat shows that some had benefited by the agrarian reform and some had even worked as farm hands for the landlords. The reason is that as they were becoming rich farmers after the agrarian reform in our countryside, they were all influenced by south Korean reactionary circles and by the US imperialist. Inasmuch as rich farmers are emerging in the countryside and they are affected by reactionary influences, the class struggle is continuing in the rural areas anyway, even though it has not yet come out into the open, and it may gradually grow sharper.[6]

Even though the reason why Kim Il Sung carried out agriculture collectivization is related to the economic problems of North Korea at the time, one can also see that the political problem loomed larger, and that the nationalization of land in the North was carried out so that the state could control at will the farmers' production arrangements.

If we were to follow the line of Milovan Djilas,[7] with the exception of North Korea's managerial class itself, no ownership class with stabilized power was to be allowed to remain in the North. Typically, in times of serious political instability or turmoil, farmers hold the possibility of becoming dangerous, politically, to the established authority. Understanding this, Kim Il Sung executed the agriculture collectivization to force the farmers to obey his authority. There was

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[6] Kim Il Sung, "On Our Party's Policy for the Future Development of Agriculture: On the Economic Structure in the Northern Half of the Republic and the Socialist Transformation of the Countryside" (Concluding Speech at a Plenary Meeting of the Central Committee of the Workers' Party of Korea, November 3, 1954), *Kim Il Sung Works*, Vol. 9 (English ed.) (Pyongyang: Foreign Language Publishing House, 1982), p. 108.

[7] Milovan Djilas, *The New Class: An Analysis of the Communist System* (New York: Prager Publisher, 1957), p. 56.

no need to risk the possible sabotage of the food supply by the farmers. This meant that the nationalization of the land was necessary. This is the direct reason why the attack was conducted against the farmer in North Korea, a process similar to the agriculture collectivization done earlier by the Soviet Union.[8] Through the agricultural collectivization that was performed in the North, the farmers' class was dismantled. Farmers and peasants alike were degraded, becoming much like the serfs of the middle ages.

After 1958, in terms of mode of production, North Korea was thoroughly transformed into a socialist society. Those from the upper industrial sector that grew into wealthy merchants were also castigated. People in the North who raised themselves defiantly against this process were purged.

Dismantlement of the Intellectual Class

At the beginning of the regime, because of the shortage of manpower, North Korea pursued a policy which attempted to utilize intellectuals who had studied under the pre-liberation system. However, the regime purged many intellectuals while ousting dissidents in the process of the nationalization. Kim Il Sung proposed the issue of reforming and purging of intellectuals for the first time when he talked with local officials on August 9, 1958: "We have to speed up the construction of Socialism, and for that purpose, we have to fight against the conservatism of intellectuals."[9] A passage from the *Rodong Sinmun* (a mouthpiece of the Party) shows the perception of North Korea's leadership:

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[8] Sheila Fitzpatrick, *Stalin's Peasants: Resistance & Survival in the Russian Village after Collectivization* (Oxford University Press, 1994).

[9] Kim Il Sung, "On City, County People's Committee's Current Tasks," *Kim Il Sung Works*, Vol. 6 (Pyongyang: Chosun Workers Party Press, 1960), p. 2.

> There are people who still work lazily while other people cast out old things, and people who still stick to the old paradigm while innovation is taking place.[10]

North Korea issued a "Letter of the Central Committee of North Korean Worker's Party" (or the *Red Letter*) to appeal to all party members as a policy of overcoming passiveness and speeding up the construction of socialism. The letter said, "let's break conservatism and passiveness, and go forward with Cheollima!" This, however, was mere lip-service to constructing socialism and in reality was an effort to purge dissidents. The *Chosun Jun Sa* (*Whole History of Korea*) hints at this: "There was an ideology fight to get rid of old ideas that harm the revolution, such as passiveness, conservatism, mysticism. In this process dissidents were harshly criticized."[11] Key targets of the purge were the intellectuals, who had received their education during the period of Japanese occupation of the Korean Peninsula. Kim Il Sung's remarks in a campaign of national innovative producers further suggest this:

> Conservatives still have the remnants of Japanese imperial ideas. Those people try to see our reality with the old paradigm while saying, "I went to a Japanese University and studied in the past, but what about you?"[12]

The movement of overcoming conservatism and passiveness started from technicians and managers in the economic field, but it

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[10] "Again Against Conservatism and Passiveness," *Rodong Sinmun*, Editorial, September 16, 1958.

[11] Social Science Academy History Institute, *Chosun Whole History,* Vol. 29 (Pyongyang: Science Encyclopedia, 1981), p. 103.

[12] Kim Il Sung, "Opposing the Passiveness and Conservatism in Socialist Building" (A Speech in a National Production Reforminst Conference, September 16, 1958), *Kim Il Sung Works*, Vol. 12 (Pyongyang: Chosun Workers Party Press, 1981), p. 523.

gradually extended to all intellectuals. With the *Red Letter* and orders from the Party Central Committee, the purge against conservatives (i.e., intellectuals, technicians, etc.) extended to all fields of general affairs, administration, education, arts, and culture.[13] According to North Korean defector Jeong Gab Ryeol, all competent intellectuals were ousted in order to set up the dictatorship.[14]

Writers and artists were purged in October 1958 right after the nationalization of all industries was complete:

> Some writers and artists don't follow the Party's lead and criticism, and they just act recklessly. There are no rules or regulations.... The reason why writers and artists still have remnants of the Capitalist idea is that they don't make efforts to get rid of their old paradigm. In the past, writers and artists didn't examine their own idea and they didn't fight well to get rid of the old paradigm.... Writers and artists should join the fight to get rid of the remnants of Capitalism. All writers and artists need to examine and criticize their work and life with the Party's guideline, as if they were looking at their face through a mirror.[15]

The following also suggests that dissident writers were purged under the pretext of their being bourgeois revisionists obeying larger global powers:

> 'Culture-line' ideologues who talked about characters of no-class in literature, old rubbish who pointed arts-best ideology with dissident poem *Eung Hyang*, corrupted anti-revolutionists who cooperated with American imperialists with bourgeois ideas, and all dissidents and old things including anti-party families who transplanted ideas of obeying big countries and revisionism with international opportunists. All of them have been dismantled by the marching of our literature with the

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[13] Institute for North Korea Studies, "Class Policy in North Korea," Yang Homin (ed.), *North Korean Society Reconsidered* (Seoul: Hanwool, 1987), p. 310.

[14] Jung Gap Yul (musical instrument researcher; age 46; defected on May 31, 1996) testimony.

[15] Lim Il Sung, "Fighting against Old Thoughts Residue among Writers and Artists" (A Speech to Writers and Artists, October 14, 1958), *Kim Il Sung Works*, Vol. 12 (Pyongyang: Chosun Workers Party Press, 1981), pp. 553, 557.

literature policy of the Party.[16]

According to Shibada Minoru, many cultural intellectuals were purged under the pretext of their being 'dissident bourgeoisie,' 'liberalists,' and 'revisionists.'[17] One North Korean defector even testified to this by publishing a book about oppression and the purging of writers and artists at that time.[18]

Essentially, all social powers were ousted. All landowner, farmer, businessmen, and intellectual classes were dismantled. All classes that possessed means of production were eradicated. All means of production were socialized and nationalized, so all individuals became employees of the state, and the state became the sole employer in North Korea. For North Korean people, there is no property which they can control. Everything is under the bureaucratic control of the state. Individuals are only objects of the state's mobilization.

Therefore, in North Korea, class structure consists of the rulers − a class of cadres as the political power group − and the ruled − that is, everyone else. The ruled have no social power; only cadres do. The ruled are merely objects to be governed. The process of dismantling of social classes was a process of dismantling and purging the privileged. In this process, many people were punished for being hostile or a social "cancer." All social classes were dismantled and the new ruling class grabbed hegemonic power in the name of proletariat dictatorship.

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[16] Rim Soo Rim, "Our Juche Literature Marching Strongly Sustaining the Great Sun," *Chosun Literature* (May 1982), p. 65.

[17] Sibada Minoru, Yi Wonbok, trans., *Kim Il Sung's Ambition: History of Purge* (Seoul: Gyungji Sa, 1989), p. 147.

[18] Yi Chul Ju, *North's Artists* (Seoul: Gemong Sa, 1965).

Class Policy of North Korea after Class Dismantlement

During the regime's beginning, if the initial class policy was to get rid of the physical base of the dissident class through collectivization in farming and nationalization of industries, then the policy that followed was to prevent remnants of the past from being revived. This was done by clearing the ideological base of the past class structure. For that, North Korea classified each individual according to their family background at birth, and pursued a policy of discrimination based on class. This discrimination policy has been actively pursued since 1957.

It is widely known that Kim Il Sung consolidated his power by purging his political opponents, such as those belonging to the Yunan and Soviet factions when the August Faction Incident occurred in 1956. In 1957, when Kim Il Sung established his dictatorship, it was also deemed necessary to classify people into "trustful" people and "distrustful" people. It was based on the demand for power that remaining dissidents be ousted, as well as those complaining of the radical socialist reform, such as the agricultural collectivization and abolishment of individual industries, that had been undertaken.

At the international level, a type of anti-socialist backlash was spreading within the Eastern socialist world in 1956 (e.g., the Hungarian Revolt in Hungary, the October Confrontation in Poland), with a stream of revisionism started in the USSR by Nikita Khrushchev after Stalin died. Kim Il Sung needed a policy that would block these winds now blowing from the USSR and the Eastern bloc and threatening his regime.

Facing crisis both internally and externally, Kim's regime began identifying who was an enemy and friend by classifying all people as either supporter or dissident based on their family background at birth and ideological orientation. This kind of policy toward people was pursued in the name of class struggle and a fight against anti-

revolutionists.[19]

On May 30, 1957, after a meeting of the Standing Committee of the Korean Workers' Party Central Committee, North Korea issued a statement about transforming the anti-revolutionists fight into a movement of the whole party and all people. At first, North Korea launched a local movement, but it pursued a Party's Central Intensive Guidance for effective administration of the Standing Committee's 'May 30 Decision.' Intensive Guidance started its organizing plan in December 1958. It organized 7,000 agents including Kim Young Ju as a top leader and an organization director of the party who was a younger brother of Kim Il Sung.

Intensive Guidance began in Pyongyang and was extended nationwide by the end of 1960. In the Intensive Guidance, North Korea classified its people into those that could be trusted and those that could not, based on one's family background at birth. And from this classification, it again classified them into the core, wavering (potential dissidents), and hostile (dissidents) classes. Through this operation, North Korea ousted groups that resisted Kim Il Sung's leadership and opponents of the agricultural collectivization policy, as well as those who were dissidents during the period of the Korean War. By doing so North Korea identified enemy and friend and ousted dissidents in the name of Cabinet Decision 149. According to the decision, those ousted were to be put into an area 20km away from the seacoast and demarcation line, 50km away from Pyongyang and Gaesung, 20km away from cities, and into limited residential areas. From this calculation, those limited residential areas meant Jagangdo, Yangangdo, and Hamgyeongbukdo. People of Decision 149 received a special stamp on their ID card and were registered on the social security agency list for close monitoring. Many were relocated step by

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[19] Institute for North Korea Studies (ed.), *North Korea Chongram* (Seoul: Institute for North Korea Studies, 1984), pp. 301-302.

step within a year: 5,000 residents in Pyongyang, 600 in Kaesong, and 1,500 in Gangwondo; the total reached 8,000. Others received worse punishment: 5,500 people were put in labor camps, 1,500 were confined, and 1,000 sentenced to death.[20]

North Korea classified its people, and those classifications determine one's destiny. The core class, the privileged, includes workers, farmhands, participants in the Korean War, honorable veterans, general residents, intellectuals educated after Korea's liberation from Japan, enthusiastic members who had helped in the establishment of the North Korean regime, etc. Those not a part of this core fall into one of the other two classes, the wavering and hostile, and are systematically discriminated against. The wavering class possesses a politically complicated problem, as those in this category are subjects for revolutionalization and re-education because they are believed to be vacillating: They may embrace the socialist ideals of North Korea, or possibly the so-called fantasy of South Korea and/or capitalism. As for the hostile class, it includes those who collaborated with the Japanese during the colonial rule of Korea, landowners, rich farmers, capitalists, those who collaborated with the United States or South Korea during the Korean War, families of defectors, persons ousted from power, anti-revolutionists and their families, religious people, political dissidents and their families, and so on. They are classified further as subjects to be re-educated, isolated, or eradicated.[21]

The Condition of Each Social Class

The Ruling Class: An Exclusive Group

Though North Korea claims that all exploiting classes in the

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[20] For a detailed analysis on Central Intensive Guidance, see *op. cit*., pp. 302-308.
[21] Kang Ilsung, *North Korea's Personnel System* (mimeo, 1997), pp. 3-4.

country have undergone socialist reform, the reality is that a new ruling exploiting class was created. They are the managers of the state practicing state capitalism, managing the now nationalized means of production. They function as a managerial class, and Lenin's vanguard party theory is used to justify their rule. It states that the party's vanguard role is necessary to give class identity to its workers, who lacked a class identity. According to Lenin, it was the party's vanguard role that made workers realize their class identity, rather than social or economic conditions.[22] Thus, this class is a managerial class in both theory and practice, a privileged class that monopolizes everything economic, political, and social, has no dissidents, and tends to be an exclusive group that shuts out people from the other classes.

Like this, the North Korean managerial class is an exclusive group which has institutionalized a system so that it may keep its privileges. Only the sons and daughters of the core class can become promoted within the managerial class. Those of the wavering and hostile classes are discriminated against and cannot enter the core.[23]

This North Korean status system is one based on parentage or background, not on personal effort or ability. This is the key of North Korean class policy, as it regards the label one is given at birth as the most important thing in the system. Although North Korea claims that ideology is the standard by which a person can become a party member or go to college, it is one's network and lineage that affords one real power in this society.[24] Hence, family line is the most important apparatus for reproducing the managerial class.

For example, one's father's background is very important if one wants to go to college. Sons of cadres are almost guaranteed success.

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[22] Ralf Miliband, *Class Power and State Power* (New York: Verso, 1983), pp. 161-162; Leszek Kolakowski, *Main Currents of Marxism*, *2-The Golden Age* (Oxford: Oxford University Press, 1978), pp. 386, 396.

[23] Cho Byung Im (mine worker defected on May 8, 1996) testimony.

[24] Ha Gun Sung (diplomat defected on January 16, 1996) testimony.

One's personal network, such as knowing the sons of other cadres, is a much bigger factor that influences whether one may enter college or get a promotion. Thus family background is used as a standard of legitimacy and discrimination.

There is a thick wall that separates the classes in North Korean society. Children of cadres only marry children of cadres. Cadres are connected together and they construct a closed system. Through this system, cadres make their children cadres. Therefore, North Korean people think that cadres come only from the families of cadres. Thus there is a big difference between the rulers and the ruled both in their standard of living and way of thinking. They are, in fact, different people. While in the past it was good to be a worker, or a child of a worker, now it is good to be a child of a cadre. If one's father is a cadre, the child too can become a cadre; if a worker, then he or she will ultimately become a worker.[25] Often North Korean people criticize their reality and class order by saying, "we should have a good foundation, we should have Mt. Baekdu's power, and we should have good lineage" to be successful.

Cadres are party members in North Korea, and party members monopolize all the rare resources of wealth, power, and social prestige. Non-party members are prohibited from obtaining such resources, exist merely as people who cannot become cadres, and essentially live in exile. Since those who are not selected to become party members are generally regarded as having a problem with their family history, it is obvious that the relationship between the party and non-party members is not established based on equality, but on one's being "legitimate" or "illegitimate." Discrimination of non-party members by party members leaning on their party affiliation often leads to conflict, and the non-party members are disadvantageously

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[25] Nam Jun Yi (material purchaser defected on July 22, 1996) testimony.

judged regardless of the causes of a dispute.

It is frequently said that non-party members are treated unfairly. For instance, they must bow their heads toward party members. Party members are also clearly distinguished from the non-party members even in their everyday life. In the workplace, every individual is obliged to engage in one of three organizations: The party, the Youth League (the former *Sarochong*), or the Workers Union (*jikmaeng*). Everyone joins the Youth League by age 31. While those who joined the party are admitted into the party organization, the others who could not are assigned to the work union organization. In the work union organization, only the chief is a party member.[26]

In North Korean society, it is said that the party members are so authoritative that when they become a chief they do not regard the people as human beings. In other words, they rule the non-party members by virtue of their party membership. Party members hold much authority, with no other social power to keep them in check. Since preferential treatment of party members is institutionalized, non-party members are consequently regarded with contempt.[27]

Privileges also exist for the managing staffs in the distribution system. Supplies are divided into special numbers, i.e., No. 4, No. 3, No. 2, and No. 1. Those people who are in higher positions are afforded a higher rank distribution, i.e., a wider variety of products. There are supply stations (shops) for staff in the regions ranked higher than *gun* and *do* that provide tobacco products, confectionery, meat, oil, etc. On such inequality of the distribution, people make cynical remarks, saying things like "how could the lowest party secretaries that don't do anything be allowed to obtain objects of a No. 4 (*tukho*) classification?" There is much criticism of this reality in which the lowest cadres get one and a half times the salary as the

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[26] See Cho Byung Im testimony.

[27] *Ibid.*

underprivileged. And at the same time, it is also heard that the workers complain about the staff, saying, because of their better backgrounds, these staff could enter universities, become cadres, and live idly.[28]

The ruling elite is the privileged class reigning over the ruled. Overall, they enjoy relatively far more special benefits than the other classes, have a very high affinity for the system because their special benefits are transferable, and prefer that the existing system continues.

The Working Class: An Atomized Class

In North Korean society, the inequality has already been structuralized as much as the working classes are regarded as the lower classes treated with contempt, even though the DPRK advocates a society of proletarian dictatorship. According to such a social structure, the value consciousness of the people has also changed. Even though the North Korean regime has promoted social reconstruction in many ways (such as through the humanity-reform project, the thought-education and training project, and others), the internal value system of the people has changed to run opposite the party line. This is because the value system of the people is affected by how social power and resources are distributed. The occupational prestige has formed a dual structure in North Korean society with regard to the difference between the officially claimed socialist value system and the actual one that influences North Koreans' everyday lives. The actual value system of the people is far from the original direction of socialist ideology (in which the working class leads, pursuing equality in a society without classes).

One other important feature of the North Korean working class's existing form is that it is thoroughly atomized. The North Korean

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[28] Im Chul Myung (steel worker defected on November 18, 1995) testimony.

leadership believed that the atomization of the individual would make state control of the people much easier. In fact, a socialist regime normally adopts policies intended to maintain its power by preventing the masses from being loyal to anything other than the regime. Peer groups were recognized as interfering with the absolute control of the state. Moreover, these groups are usually understood as the basis for the formation of underground organizations and anti-government actions.[29] In Soviet society, the company groups were important private organs that resisted the state. While the Soviet encouraged comradeship, it prohibited friendship. There was a good reason for the Soviet regime to view close relationships between people with suspicion. One of the causes of alienation, anomie, and solitude in socialist societies originates from this characteristic.[30]

In North Korean society, human relationships are also atomized. This means that the ones who do not correspond to the goal of the party are suppressed. The regime considers that trust toward anything other than the party may foster potential reactionary elements against the party's goal. In other words, private relationships are possible only through the party. Individuals cannot foster relationships independently.[31]

One of the institutions which promote the atomization of human relationships is the mutual indictment system. Under this system, if someone does not implicate someone else for a fault committed, he himself will similarly be punished. Because of this policy, people cannot talk freely without inhibition. They say that they do not open their hearts to others since they cannot make certain who is an informant of the security agency and who is not. There are a number

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[29] Shlapentokh, "Public and Private Life of the Soviet People," p. 172.

[30] Andrew Walder, *Communist Neo-Traditionalism* (Berkeley, CA: University of California Press, 1986), p. 3.

[31] Suh Chul Young (rail road station officer defected on August 14, 1999) testimony.

of cases in which informants have made false statements against innocent people just to place those people in a position of greater hardship. North Koreans, therefore, take care of what they say, and do not trust or discredit each other.

The self-criticism sessions carried out weekly also promote the atomization of human relationships. Since these have become routine, people know each other and act accordingly (unless someone gravely irritates them). And because everyone has to criticize one another in these sessions, they tend to do so in a modest way.[32] Regardless of how things play out, the fact remains that this system itself institutionally atomizes human relationships.

North Korean defectors often say that no one has a true friend in North Korean society, because there were many cases in which open-minded words caused calamities. They say that they were always ready to inform against their comrades no matter how close the relationship looked on the surface – in one case, after a divorce, a spouse prosecuted the ex-spouse for speaking out against the politics of the system.[33]

Agrarian Class Reduced to Serfdom

It would be helpful to look into the notion of the European serf in the medieval feudal ages as a historical phenomenon to understand the class realities of the peasants in the DPRK.

The origin of the serf began near the time when the Roman Empire was ending. The forerunners of medieval serfs were the colon, or people who placed themselves under the protection of the Roman potentates and were given land to farm and paid a yearly amount to do

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[32] Sung Whan Young (military medical doctor defected in September 1999) testimony.

[33] Kim Chul Dae (researcher of Waterpower Engineering Institute defected in 1999) testimony.

so. Except for their specific duties to their lords, they could possess their own properties, and manage their own businesses independently.

However, the serfs under the jurisdiction of the feudal lords in the middle ages could never leave the territories of the lords, and, in most cases, they died there without any chance (or liberty) to move. Moreover, they could not marry free persons (and their marriages with one another were not regarded as full marriages) but only those who their lord selected. The serfs were solemnly the properties of their lords, even if they could enjoy a certain liberty of individual life within the territory. These people were tied to the land and could be sold together with their lot. They were not slaves, but they were not free either.

While the modern free peasants only had to pay ground rent and were free people equal to the landowners in social position, the serfs were, at first, prohibited from moving about freely since they were tied to the lands, and, secondly, they were responsible for shouldering various kinds of burdens (poll taxes, death taxes, marriage taxes, etc.) besides ground rents. Thirdly, they were under the control of their lords.

For the serfs, even though there were land-leases for maintenance so that independent agricultural management was permitted, they were required to pay taxes, which included labor and money, to their lords, since the subordinate relationship was a price they had to pay for permission to work the land. In particular, they were so tightly subordinated to their lords that they had to work to manage their lords' lands as well. Even though the serfs were more independent and enjoyed freer existences than the slaves, they were still lower in status than the independent peasants who were emancipated from the whole restriction.

The serfdom in which means of production combine with producers forms a type of supremacy through personal non-economic coercion. In this sense, serf means the same as feudal peasant. The

ancient slaves were mere possessions of their owners, and essentially different from the modern wage earners since the latter sell their labor without means of production. But the serfs in the feudal society possessed means of production, such as land, farming tools, draft animals, and so forth.

The Chinese peasants before Deng Xioaping were also called serfs.[34] According to Zhou, the Chinese peasants were not free to move and choose their own jobs. They were tied to farms by the census institution and food card system, and more severely restrained from moving than the European serfs of the middle ages. For example, a married woman could not visit her parents' home, and peasants were prohibited from going to agrarian markets.

North Korean peasants share similar aspects to the medieval serfs. In a sense, the former are more subordinate in social status. While serfs could possess their own property and manage it independently, North Korean peasants cannot.

As financial difficulties deepen and the food situations worsen, peasants usually become the main subject of exploitation since there is actually nothing to exploit in the other industrial sectors. While formerly the products were distributed with peasants of the collective farm, namely the producer as the central figure, now such distribution is centered on military supplies. Moreover, because of the food shortage, when there is any food support, distribution of the food is not according to ordinary rules, but according to orders from higher authorities. And since shares for peasants were reduced, the peasants are no longer enthusiastic about production and expectations of distribution have vanished.[35]

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[34] Kate Xiao Zhou, *How Farmers Changed China* (Boulder, CO: Westview Press, 1996).

[35] Kim Guk Chul (manager of Meal Management Corporation defected in November 2000) testimony.

In North Korea, the newly added type of exploitation of peasants comes in the form of peasants having to supply pork to the North Korean People's Army. It is an institution that requires every farmhouse to supply one pig of 100kg every year. Reportedly, this has been in operation since the late 1980s. If anyone does not accomplish this task, then an equal proportion of his share of distributed food is withheld. The price of one pig is approximately 10,000 won, which matches about 500kg of food, and is more than the yearly amount of food for one person (340kg). This places a lot of stress on peasants, and is one of the biggest fetters on peasants today.

The closing account of distribution of the collective farm consists of national duty procurement rice, military provisions, food for peasants, 1:1 feed (feed for one pig), and seed. Among them, the provisions are first subtracted, and the rest are given to the peasants. If anyone fails to supply pork, 1:1 feed is subtracted.

In many cases, peasants could not even taste (unglutinous) rice. While they sometimes borrow corn and repay with unglutinous rice in recent years, they have begun repaying with fowl, goat, rabbit, and so on instead of pig. However, they cannot skip the payment due to the criticism they would receive at self-criticism sessions, which operate at the level of administrative units and the party.

As exploitation against peasants grows, so does their anger. They say that the life of a peasant is harder than a laborer or office worker. While laborers can at least do business, peasants do not have time to do so. In addition, while laborers do not have to show up at work since the factories are closed, peasants have to work since the lands are still cultivatable. Although some enlightened peasants live a better life by bringing some fields under cultivation, most people are dependent on the state and live a tough life.[36]

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[36] Testimony from one of the defectors cited above.

It is said that there are many among the peasants who criticize Kim Jong Il for his bad policies. Typically, after one of Kim Jong Il's field (i.e., on-the-spot) guidance trips, people would see him on TV repeatedly for several days. Their reaction, however, was very negative. They usually said, "when will he show up? It would be better to give us rice." They often say that it was good while Kim Il Sung ruled, but it has been bad since Kim Jong Il officially took power. For them, the reality has worsened: Families have split up, and more and more houses are becoming empty. Now people complain openly. It is said that even cadres and military officers speak like this.[37]

The Hostile Class: Leading the Change in Values

The class-discrimination policy has operated since 1957, producing a mass of dissatisfied, disenfranchised people excluded from the regime, and they are leading a systemic change. They are working as seeds of change conceived inside the system. As a result of the Party's central intensive guidance and the resident registration project of 1971, North Korean society has been divided into 3 classes and 51 sub-classes: The core class of 3,915,000 people in 870,000 households; the wavering class of 3,150,000 people in 700,000 households; and the hostile class of 7,930,000 people in 173,000 households.[38] Combined, the number of people who make up the wavering and hostile classes accounts for well over half the population in North Korea, with the hostile class alone accounting for one-third of the entire population.

We have already said that in North Korean society, if someone is branded as wavering or hostile, it is hard for them to become a party member, which is basically equal to citizenship. Such a person also

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[37] Yi Sook Mi (female farmer defected in 2000) testimony.

[38] *Naewae Tongsin*, No. 22, 1977.

has limited opportunities to improve his condition as far as career is concerned: For example, such a person is denied entrance into university and cannot be appointed to the position of cadre. Moreover, such restrictions are not placed simply on that individual alone, but extend to his family and descendants. Thus, once one is branded as "wavering" or "hostile," regardless of political propensity, the individual quickly loses hope to achieve great success in life in the North Korean social system. In addition, once one is officially labeled by the authorities, he is essentially labeled in society, since he would subsequently be despised by his neighbors and colleagues. In this society, the policy that classifies people into core, wavering, and hostile classes actually functions as a social discrimination policy.

Once branded as a reactionary element, these people become marginalized and end up harboring hostile feelings against authority. Therefore those labeled are driven into a situation in which they cannot help but be hostile toward the system, as remodeling their thought so that they could once again seek approval within the system is deemed impossible. Those politically identified as hostile do in the true sense of the word become antagonistic toward the system. The DPRK's classification policy has done this, and as a result has mass produced an underlying hostile power. In fact, most of the North Korean defectors that have come to the South were of the wavering and hostile classes.

With an extremely limited chance of rising in stature in the North Korean system, once the official section encountered crisis and left little benefit for anyone else, those of the wavering and hostile classes had an immediate change of attitude toward the unofficial section of the economy. These people were the first to enter into the black market, which had become the subject of the authorities' control, and pursued new material values. In a way this resembles what took place in China, where because of the discrimination policy between urban

and rural residents, rural community peasants started to find ways to make money, all in search of a reformative breakthrough.

So while the core class concentrated on inner-systemic solidarity when faced with such a systemic crisis, the other classes immediately began searching for other opportunities. They found these opportunities in the market, which was officially prohibited for it was deemed anti-socialist, and began to flock there to do business. After businesses expanded countrywide like a prairie fire, the authorities ended up bringing the business into the open in July 2002 with the announcement of the economic reform measures.

Hence the seed of change grew from within the system itself. The marginalized of society essentially led the change of values. Among this group, most were from the general masses and those classified as wavering. Rather than attempt to seek approval in a system that had rejected them, they decided to achieve success by conducting business and making money. For them, a change in values toward emphasizing economic prosperity via business was an easy change to embrace.

Reportedly, they collude with the regulation authorities, such as the regional safety personnel and national security guards, creating a symbiotic relationship between the wavering class and members of the regulation authority. The former habitually bribe the latter, borrow or rent their motorcycles for business, and give them gifts. When a new regulation squad like the anti-socialist group monitors appears, those conducting business shy away from the group members at first because they are unfamiliar with the characteristics of the organization. However, once they begin to understand the group's inner workings and characteristics of its members, they bribe them as well and continue to conduct black market operations.

Class Conflict of North Korean Society

In the North Korean system, the ruling class is the group that monopolizes power, wealth, and prestige. Because the degree of monopoly is extreme, it is expected that other groups be suppressed. Controlling the suppression of and protection against the non-ruling classes is most important.[39] In order to suppress the non-ruling classes, North Korea uses a policy of distinction based on one's heredity and discriminates against certain members of certain classes. Hereditary distinction of the individual shoulders the responsibility of this discrimination. This acknowledges the structural discord of class and contrasts it with the case of capitalism, which pursues class compromise.

Ultimately, North Korea's decades of class discrimination policy has brought about untold suffering and pain for the North Korean people, which has given rise to feelings of antagonism against the system. Only those sub-classified as part of the *Mangyoungdae* line (i.e., of Kim Il Sung's lineage), *Baekdosan* line (i.e., Kim Jong Il's lineage), *Ryongnamsan* line (i.e., fellows who chummed with Kim Jong Il and graduated together with him from Kim Il Sung University), and specific others can receive official government posting. One's family background determines one's fortune or misfortune, and this has become the social reality in North Korea.[40]

When preparing for the 1970s succession planning, Kim Il Sung said, "our world is a world of workers," and when that was said the North Korean citizens consented to these words. But when the 1980s followed, it is said that the people stated, "our world is a world of cadres."[41]

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[39] Michael Voslenski, *La Nomenklatura*, Hong Sunho, trans. (Seoul: Pyungmin Sa, 1982), pp. 75-76.

[40] Kang Ilsung testimony.

[41] Yi Chul Sng (researcher of waterpower station defected on October 9, 2003) testimony.

From the situation of the recent economic difficulties bounds a rare opportunity to witness the struggle for survival intensify between the cadres and citizens, and it is possible that we will see this conflict between the two intensify even further. The ruling class set the economy on a path toward recession, and as the economic situation worsened, they began to monopolize the things of scarcity through legitimate and illegitimate ways, leaving those people without power relatively deprived. Of the population, only about 10 percent makes up the power-holding ruling class, another 40 percent a class of a lower social rung doing business and smuggling here and there to make ends meet, while the remaining number compromises the those that live a life of great hardship.

Until the early 1980s, it has been thought that cadres and non-cadres have lived together, but it is believed that due to the economic difficulties, the discontentment of the people toward the cadres has become serious. Recently, many people have said that "the last three years have been harder to live than before liberation, which hardens the heart." The discontentment bred from absolute poverty is culminating. Though it depends on one's social class and it is different for each individual, the antagonism North Korean citizens feel and their subconscious resentment toward the cadres are growing. In particular, the disaffection is generally aimed at the lower-level cadres.

Of course, people are not permitted to say abusive things against the cadres. However, when like-minded people come together they usually seriously express their dissatisfaction. In most cases, the cadres are considered to be nothing more than thieves who are able to stay in their positions because people have no choice but to flatter them.

The common folk have said the cadres must die. They recognize that if they themselves do a little unauthorized business on the side, it

will be kept under observation and control; but if the cadres undertake business, even on a larger scale, they suffer no consequences. Cadres, of course, do business by taking advantage of the official system and the existing organization. For example, they may call the section chief of a warehouse and ask for rice to be loaded into a car, where subordinates are then charged to do the work according to the order. These cadres are taking advantage of the official system, but secretly and mildly. This is the parasitic system of the country and it is a method which robs the individual of his profit.

North Korean citizens refer to the cadres as landowner-like rogues, *seorim* (of which are the villainous characters of North Korea's Robin Hood-like legend, *Im Kuk Jung*) and other names. There is a lot of criticism that cadres are the ones responsible for the country's fall into hardship. The complaint is that to obtain personal promotions, things that have not gone well have been falsely reported by the cadres as having been done well. Because of this, it is said that the country has failed to and cannot develop. However, it is said that the people cannot oppose the cadres on the surface, for if people fight with party workers, they are criticized for damaging the authority of the party.[42]

The cadres can sense the people's animosity, and in the local areas security bars on windows and locks have been installed as way for the cadres to deal with any rising antagonism or threat to themselves. Whether or not the cadres believe that some of the ordinary people want them dead, what is certain is that a number of cadres do fear the common people. Thus, in the event of a major catastrophe in North Korea, the families of the party cadres and security authorities, as well as the elite of the core class, would likely be the first to flee the country.

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[42] Kim Jung Hoon (head of corporation committee defected in 2003) testimony.

While organized resistance is almost unheard of in North Korea, stories of people seeking revenge are not uncommon.[43] Security workers are frequently terrorized. In Hamgyung Province, it is said that sabotage has also taken place. Acts of hostility by the residents against the cadres do occur. Foreign affairs bureaucrats have said that, because of the disaffection of the people, cadres have been known to go to work dressed as common folk, and only change into their "Red Guard" uniforms once they have reached the office. In another case, it is said that when cadres of the Party Central Committee came out to directly impart ideological education to coal miners, the miners responded by saying, "bring rice and then wash the coal dust from off our necks!" Likewise, cadres going into local regions for the purpose of imparting party propaganda have been met by a serious level of antipathy among farmers, much like it was back in the period of Japanese colonial rule of Korea. Therefore, cadres have transformed their means of imparting propaganda education, going into each department (for example, of a factory) separately to do the propaganda work, instead of gathering all the people together. It is said that now only core party members are gathered for a lecture.[44] In addition, in agricultural regions, agricultural committee regional chairmen are said to be scared to go out to the local districts because of the antipathy of farmers. This indicates that the farmers' antagonism toward the cadres has already risen significantly.

Because North Koreans who travel around the districts tend to conduct a lot of business, railway security officials have begun to enforce travel restrictions. Hence these days the average person tends to hate the railway security officials and (local) market inspection officials the most. Soldiers, too, are avoided by the people. It is said that there is no place where the military does not pass by and steal

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[43] Yi kwan Moon (mine worker defected in 1998) testimony.

[44] Yi Su Dong (diplomat defected in 1998) testimony.

everything. Soldiers like this are despised and considered to be nothing but local bandits.[45]

What descends from the upper level authorities is not well executed by the lower level cadres. Those that take the responsibility must see some kind of added benefit (i.e., chance for networking, side business, gifts, etc.) in implementing the tasks or taking on the responsibility, otherwise they would not want to be in the position of cadre. And because of the hostile feelings toward the cadres by the people, it is very difficult for the cadres to conduct themselves. It is a well-known fact that lower rank cadres do not want to widely abide by Kim Jong Il's own policy, and thus they are frequently purged. Ultimately, being suppressed from the top and resisted from the bottom, cadres have a hard time succeeding, being positioned between a rock and a hard place.[46]

The North Korean power elite recognizes the dissatisfaction among the people and its latent explosive characteristic. The reason behind the North Korean leaders' maintenance of a closed-door policy is obvious here. We recognize the fact that if North Korea were to wage war, the barrels of North Korean guns might just as likely turn around, that is, the people might very well take aim at the cadres themselves. It is expressed that this possibility is only limited to a certain part of the population, but in fact it may apply to many more people. Regardless of the possibility, North Korea is constantly on guard against the resistance of the masses.

However, there is a recognition that things have been done wrong and change is being considered. The shock of the 1990s has continued, and the heated criticism from the middle level management is ascending to the upper level departments. North Korean people

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[45] Kim Nan Ae (office worker of Quality Control Institute defected in 1997) testimony.

[46] Kang Kuk In (material purchaser defected in 2003) testimony.

would like to speak ill of Kim Jong Il, but speaking ill of Kim would be a problem, especially for the middle class. Expressing doubts about Kim even once puts a person in great danger, therefore one cannot speak ill of him. Nevertheless, in the border regions of the country, they do curse Kim Jong Il.[47]

Conclusion

North Korea's socialist transformation was the process of dismantling every social class that existed back in 1945. The 1946 land reform dismantled the landowner class, the 1958 agricultural collectivization dismantled the farmers class, and the 1958 nationalization of commerce and industry did the same to the petty bourgeoisie. There was no class differentiation, only dismantlement. Thus, with social classes dissolved, the governing class remains as the monolithic class monopolizing social, economic, and political power in North Korea, with no other power group to act as a balancer. And it is this type of class structure that may constitute the social conditions of political dictatorship in North Korea.

In contrast, South Korea's process of capitalistic industrialization led to the differentiation of classes, promoting the wealthy capitalist class, the well organized working class, the diversely oriented middle class, and intellectual groups. In South Korea, there exists a democratic society with checks and balances, forming a balance of power between the classes and between the society and the state, a form that favors the conditions for democracy. If the condition for democracy is "balance of power," as Barrington Moore claims,[48] South Korea has formed one between classes and political rights and between the classes

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[47] Kim Nan Ae testimony.

[48] Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966).

themselves. Moreover, the condition of class structure has been maturing to allow for the establishment of democracy.

This is ultimately far from the reality in North Korea. The gap in class structures might be the determining cause of democracy in the South and dictatorship in the North. Every society and nation tends to abuse and monopolize power. As Thomas Hobbes pointed out, the state is "Leviathan": Whether or not there are checks and balances of the social power against the Leviathan will determine if the state becomes a democracy or dictatorship. Barrington Moore asserted that absent the presence of a bourgeois revolution, democracy will not emerge: "No bourgeois, no democracy."[49] Through until the end of the 1980s in South Korean society, the capitalist class' political operation did not function well in spite of the high degree of economic growth. But we can see that a bourgeois democracy in Korea involves the role of the middle class, which has a high degree of differentiation as a result of the industrialization, and this class does function properly as a powerful force in society. What will emerge in North Korea in the future is hard to say, but at this point, considering the class structure, democracy lies far in the distance.

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[49] *Ibid*., p. 418.

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North Korea Stressed: Life on the Hamster Wheel

*Alexandre Y. Mansourov**

Abstract

In the past decade, Kim Jong Il succeeded in achieving his foremost goal – his regime survived, augmented its power capabilities, and is taken seriously by the international community. From the viewpoint of a traditional Korean frog that sees the world only from the bottom of a deep well ("*umuranui kkaegurri*"), North Korea's position today may look much stronger both at home and abroad. Pyongyang has few incentives to cooperate or improve relations with the United States because the second Bush Administration is expected to continue to act as the "American empire of evil," pursuing a "hostile" policy aimed at overthrowing the North Korean regime. The DPRK government publicly shifted its stance from a policy of "strategic ambiguity" to a policy of "strategic clarity" with respect to the country's possession of nuclear weapons in order to cope with the perceived "threat of a US preemptive nuclear strike." Kim Jong Il's regime will never give up its newly obtained nuclear credentials and agree to "CVID" or "do a Kaddafi" with respect to its elusive nuclear weapons programs. Pyongyang may have decided to turn the clock back to the pre-1991 situation in its relations with the United States, by refraining indefinitely from any substantive contacts with Washington, whipping up anti-American sentiment, and concentrating on enhancing its security through economic restructuring and mobilization of internal military deterrent capabilities, as well as improvement of bilateral relations with its traditional allies and new partners in the region.

Key Words: North Korea, Kim Jong Il, nuclear diplomacy, US-DPRK relations, Six-Party Talks

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* The views expressed in this article are personal views of the author, and they do not represent the official positions of the US government, the Department of Defense, and the Asia-Pacific Center for Security Studies.

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Why Hasn't North Korea Collapsed?

The year 2005 (Juch'e 95) marked the eleventh anniversary since Kim Jong Il assumed the supreme leadership mantle after the death of his father Kim Il Sung on July 8, 1994. Despite numerous predictions to the contrary, the DPRK has not collapsed and disappeared from the historical scene, the fact that the North Korean propagandists describe as the "true miracle of Songun Korea." It is obvious that Kim Jong Il succeeded in achieving his foremost goal – his regime survived, augmented its power capabilities, and is taken seriously by the international community. The big question is why the North Korean regime survived, despite all its troubles and challenges, whereas all the schools arguing for collapse themselves collapsed in the past ten years.

The official DPRK propaganda predictably credits this "miracle" to the "genuine leadership" of the Dear Leader and usually highlights "ten signal accomplishments of the Juch'e-oriented Songun revolution," achieved in the past decade under the "revolutionary leadership" of Kim Jong Il,[1] all of which are meant to emphasize his strategic thinking and far-sighted wisdom, total control and absolute power at home, the tremendous endurance of the North Korean people and their will to win or die, and increased international prestige and influence abroad.

First of all, the North Korean people are told that "the DPRK, a small country, put a satellite into orbit at the first attempt entirely with its own technique and wisdom in the difficult days of the long Arduous March, in August 1998." Second, in January 1999, Kim Jong Il introduced the Songun ("military-first") notion in politics and launched the era of

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[1] "Songun Idea and Politics Lauded," *KCNA*, Pyongyang, December 8, 2004, http://www.kcna.co.jp/index-e.htm, posted on December 9, 2004.

building a "great, prosperous, powerful nation."[2] Third, in June 2000, the Dear Leader "arranged the North-South Summit, the first of its kind in the 55-year long history of national division, and adopted and announced the June 15 North-South Joint Declaration, thus opening a turning phase in the country's reunification." Fourth, in 2001, Kim Jong Il brought back to their socialist motherland 63 unconverted long-term prisoners from South Korea. Fifth, "the DPRK has manufactured nuclear weapons and created a reliable nuclear deterrent for self-defense against American imperialism." Sixth, in summer 2001, the world was swept with the "Kim Jong Il Craze" and the "Kim Jong Il Storm" after the Dear Leader made a 50,000-ri journey across Russia. Seventh, in five years (1998-2003), a major land-rezoning program was implemented in Taebaek-ri, Changdo County, Kangwon Province, with at least 236,360 hectares of crop fields having been rezoned across the country. Eighth, under Kim Jong Il's guidance, the KPA built a major new canal network (over 150km-long and tens of meters wide) from Taegak-ri, Kaechon City, South Phyongan Province, to Lake Thaesong in Kangso District, Nampho City. Ninth, on August 29, 1999, Jong Song Ok, the DPRK woman marathoner, won the gold medal at the women's marathon race of the 7th International Athletic Championships held in Sevilla, Spain, demonstrating the endurance and will to win of the North Korean people to the world. Finally, Kim Jong Il is said to have been the mastermind and have personally directed the grand Gymnastic Display and Mass Artistic Show "Arirang" performed by over 100,000 persons at the May Day Stadium in Pyongyang on April 29, 2002.[3]

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[2] It is noteworthy that some scholars date the introduction of Songun politics to January 1, 1995. For a detailed explanation why the author believes that the Songun politics was launched in early 1999, please read Alexandre Y. Mansourov, "Inside North Korea's Black Box: Reversing the Optics," in Kongdan Oh Hassig (ed.), *North Korean Policy Elites* (IDA: Alexandria, VA), June 2004, pp. IV-1 to IV-56.

[3] "Miracles of Songun Korea," *KCNA*, Pyongyang, December 5, 2004, http://www.kcna.co.jp/index-e.htm, posted on December 6, 2004. Also see "DPRK's Tremendous

In other words, in domestic propaganda, Kim Jong Il is credited for making North Korea a space power and a nuclear weapons state. He is presented as the true patriot who can bring two Koreas together, the strong Commander-in-Chief who knows how to enhance and wield military power and does not leave his men behind the enemy lines, the international statesman who can charm skeptical world leaders and captivate foreign publics, the visionary social engineer who can move earth, shake heavens, and inspire his own people to accomplish heroic deeds.

In contrast, outside observers point to a number of external and internal factors that may have contributed to the continued survival of Kim Jong Il's regime and the North Korean state. There are those who emphasize the impact of the multi-billion dollar foreign aid received by the North Korean government since the mid-1990s as the key factor that enabled Kim Jong Il's regime to stay in power for so long. They argue that every year Pyongyang derives from 1.0 to 1.5 billion US dollars in foreign assistance, including up to USD 0.5 billion in food, fuel, and other subsidies from China,[4] up to 0.5 billion US dollars in international humanitarian assistance from the UN-affiliated international community,[5] and more than half a billion US dollars in one-way transfers in cash and in kind from the ROK through bilateral humanitarian assistance, Kaesong Industrial Zone project, the Kumgang Mountain Tourism Zone project, inter-Korean railway and

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Achievements in Construction," *KCNA*, November 9, 2005, posted at http://www.kcna.co.jp/index-e.htm on November 10, 2004.

[4] Samuel S. Kim, "Sino-North Korean Relations Under Kim Jong Il," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 183-202. Also, see C. Kenneth Quinones, "Reconciling Nuclear Standoff and Economic Shortfalls: Pyongyang's Perspective," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 75-96.

[5] L. Gordon Flake and Scott Snyder (eds.), *Paved with Good Intentions: The NGO Experience in North Korea* (Praeger: Westport, CT, 2003), pp. 125-128.

highway reconnection projects, and various other under-the-table direct and indirect financial subsidies from the South to the North.[6] These regular foreign contributions on so-called humanitarian grounds amount to nearly 5-7.5 percent of the DPRK's annual gross national product, and play a very important role in subsidizing and sustaining Kim Jong Il's regime. Indeed, in 1995-2004, all forms of foreign assistance to the DPRK may have cumulatively exceeded 10 billion US dollars, which could have created a major disincentive for any fundamental change or reform by the North Korean regime.[7] So the argument for change goes as follows: Cut the aid and the regime will go down, won't it?[8]

Some Korea watchers stress that intensified international isolation and the US-led economic embargoes may actually help Kim Jong Il consolidate his rule by cementing the siege mentality in Pyongyang, making it easier for the DPRK's security apparatus to maintain strict internal controls over the population, and perpetuating the baseless myths created by the DPRK's official propaganda that the US blockade, not the WPK's economic mismanagement and structural inefficiencies of the command-and-control socialist system, is the primary cause of the DPRK's economic and humanitarian crises.[9] In other words, by isolating and pressuring North Korea, the West helped Kim Jong Il stay in power as long as he did. So the

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[6] C. Kenneth Quinones, "Reconciling Nuclear Standoff and Economic Shortfalls: Pyongyang's Perspective," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 75-96.

[7] See Mark E. Manyin, *US Assistance to North Korea*, report for US Congress (CRS: Library of Congress), March 17, 2003, pp. CRS-2 to CRS-5.

[8] See Marcus Noland, "Life in North Korea," Testimony on Life Inside North Korea, Subcommittee on East Asian and Pacific Affairs, United States Senate, Washington, DC, June 5, 2003, posted at http://www.iie.com/publications/papers/paper.cfm?ResearchID=253, accessed on December 9, 2005.

[9] See Oh Kongdan C. and Ralph Hassig, *North Korea Through the Looking Glass* (Brookings Institution Press: Washington, DC, 2000).

alternative argument for change goes as follows: Engage the Dear Leader and open up the all-out relationship, and Kim Jong Il will be blown away by the winds of internal change, won't he?[10]

Another external factor that may have contributed to the continued survival of Kim Jong Il's regime is a "safety valve" of managed human traffic to China. The underground migration to China presents an efficient venue for relieving the socio-economic pressures from the discontented public on the malfunctioning regime institutions. Money remittances from migrant laborers and family members in Manchuria help liquefy the economy. Cross-border Korean-Chinese shuttle traders help satisfy consumer demand outside the broken state-run public distribution system. Locally, frightening stories from the returnees about the horrors accompanying the escape and dangers of life under unbridled Chinese capitalism help deter and discipline new potential opportunists.[11] For the Kim regime to suffer, China either has to open up its border widely and begin encouraging a mass exodus from the North, which will probably never happen, or it has to shut down its border completely in order to let the steam of destabilizing discontent to build up inside North Korea, which is also quite unlikely. However, as long as the current situation of manageable human traffic on demand continues, Kim Jong Il is sure to take advantage of it to ensure his regime's survival.[12]

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[10] See Chung-in Moon, "North Korean Foreign Policy in Comparative and Theoretical Perspective," in Byung Chul Koh (ed.), *North Korea and the World: Explaining Pyongyang's Foreign Policy* (IFES: Kyungnam University Press, Seoul, 2004), pp. 327-368.

[11] See Alexandre Y. Mansourov, "Giving Lip Service with an Attitude: North Korea's China Debate," in Satu Limaye (ed.), *Asia's China Debate* (APCSS: Honolulu, 2003), pp. 1-9 to 9-10.

[12] Some US lawmakers and human rights activists are drawing up a bill to impose trade sanctions on China unless it stops the practice of deporting North Korean refugees back to the DPRK. Although Washington has warned Beijing of punitive measures if it continues to expatriate North Korean refugees, but has so far taken no legislative action. Under the draft bill, the US would freeze imports from China at the 2003 level and reduce them if Beijing continues to violate international

Many conservative analysts argue that internal self-defensive mechanisms of the North Korean state proved to be more efficient, resilient, and durable than expected.[13] The DPRK is after all a model police state towering over the poor society enslaved, known for its popular repressions, mass brainwashing, and political indoctrination. The shift to military rule in the late 1990s allowed Kim Jong Il to further consolidate his power and suppress any seeds of dissent within the ruling class, let alone the general population, which suffered from mass fatigue and apathy, following many years of mass starvation and persistent malnutrition.[14]

Among other internal factors that may contribute to the continued survival of the North Korean regime, some neo-conservative observers focus on what they label as the "dirty businesses of the Soprano-like Kim family," worth 0.5-1 billion US dollars annually, including foreign exchange proceeds from missile sales (allegedly several hundred million US dollars annually), and possibly, WMD proliferation, illicit drug trafficking (from 75 to 500 million US dollars per year), counterfeiting of foreign currency (several dozen million US dollars per year), abductions for ransom (millions of US dollars), and some sort of dividends from state-sponsored terrorism around the world.[15] The US-led Proliferation Security Initiative is

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treaties on refugees, impede access by the UN High Commissioner for Refugees, and fails to stop trafficking of North Korean women. The bill, dubbed the "Scoop Jackson National Security and Freedom Act 2005," is modeled after the Jackson-Vanik bill that imposed trade sanctions on the Soviet Union in 1975, in what lawmakers believe enabled the mass migration of Russian Jews to Israel and the US. See "US Draft Bill to Punish China for Deporting N. Koreans," *Chosun Ilbo*, October 12, 2005 at englishnews@chosun.com.

[13] See Ilpyong J. Kim, "Kim Jong Il's Military First Politics," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 59-74.

[14] See Michael Breen, *Kim Jong-Il: North Korea's Dear Leader* (John Wiley & Sons (Asia) Ltd: Hoboken, NJ, 2004), pp. 1-200. Also, see Kang Chol-hwan, *The Aquariums of Pyongyang: Ten Years in a North Korean Gulag* (Basic Books: NY, 2001), pp. 1-238.

[15] See Raphael F. Perl, *Drug-Trafficking and North Korea: Issues for US Policy,*

designed to stop these alleged transnational criminal activities and curtail the above-mentioned flow of dirty money that allegedly supports the North Korean regime.[16] However, how realistic is this highly ideological view? Could it be just another reincarnation of American Don Quotes fighting the North Korean windmills in his imagination? The 40-year old Cuban example may offer some clues that the US-led naval blockade and strict enforcement of the PSI outside the DPRK's territorial waters may be insufficient to prompt the collapse of the North Korean regime any time soon.

Finally, a number of constructivist observers, especially in the ROK, believe that the North Korean state was able to survive and overcome the worst consequences of the trade shocks, macro-economic breakdown, and famine of the first half of the 1990s because, instead of cracking down on the burgeoning informal economic activities, Kim Jong Il's regime chose to adapt to the new realities by accommodating the growth of the informal sector and shedding off the burden of public subsidies. After unveiling his vision of building a great, prosperous, powerful nation, beneath the

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CRS report (CRS: Library of Congress), March 5, 2005; David L. Asher, "The North Korean Criminal State, its Ties to Organized Crime, and the Possibility of WMD Proliferation," *Policy Forum Online* 05-92A (The Nautilus Institute: Berkeley, CA), November 15, 2005; Sheena E. Chestnut, *The 'Sopranos State'? North Korean Involvement in Criminal Activity and Implications for International Security,* honors' thesis (Stanford University: Stanford, CA), May 2005; "North Korean Drug-Trafficking," Joint Interagency Task Force West assessment, US DoD, 2000; "Drugs, Counterfeiting, and Weapons Proliferation: The North Korean Connection," complete transcript, hearing before the Financial Management, Budget, and International Security Subcommittee of the Committee on Governmental Affairs of the US Senate, 108th Congress, May 20, 2003; Even the US Ambassador to the ROK Alexander Verbshow referred to the North Korean authorities as the "criminal regime" in his speech at the Kwanhun Club in Seoul. When the subject of North Korea's alleged currency counterfeiting came up, Vershbow said North Korea was the first regime involved in government-sponsored currency counterfeiting "since Adolf Hitler." See "US Envoy Calls Pyongyang a 'Criminal Regime'," *Chosun Ilbo*, December 8, 2005.

[16] Balbina Y. Hwang, *Curtailing North Korea's Illicit Activities*, Backgrounder #1679 (The Heritage Foundation: Washington, DC), August 25, 2003. Also see David L. Asher, *op. cit*.

military-first policies, Kim Jong Il in reality began to promote the economy-first policy, which produced uninterrupted modest economic growth for six years in a row from 1999 to 2005.[17]

"A Frog at the Bottom of the Well"

In July 2002, the DPRK government went a step further by launching the market-based rehabilitation of the formal sector of the economy - "the July 1 economic improvement measures,"[18] labeled as the "biggest reform measures taken by the government since land reform of 1946."[19] These reforms reduced the double distortion in relative prices between goods and relative prices between the formal and informal sectors, as well as substantially increased differentiation in salaries and wages, introduced performance-based incentives, and moved the economy from de facto rationing to all-out monetization of goods and services.[20] At the same time, the regime went through a series of ideological contortions, reinterpreting the *Juch'e* ideology by emphasizing creativity rather than infallibility and underscoring the need for changes because "times have changed," although the changes were still aimed at "perfecting and improving" socialism without rejecting the past.[21]

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[17] See Choong Yong Ahn (ed.), *North Korea: Development Report 2002/03* (Korea Institute for International Economic Policy: Seoul, 2003); Choong Yong Ahn (ed.), *North Korea: Development Report 2003/04* (Korea Institute for International Economic Policy: Seoul, 2004).

[18] Some analysts believe that, on July 1, 2002, the government simply legalized many of the quasi-marketization processes that had been under way in the informal sector of the economy for years.

[19] See *Choson Sinbo*, Tokyo, July 20, 2002.

[20] See "The Creation and Reform for the Economic Revival," *Choson Sinbo*, Tokyo, July 26, 2002; "Price Adjustment for Manufacturers," *Choson Sinbo*, Tokyo, August 2, 2002; "Farmers, Production's Owners," *Choson Sinbo*, Tokyo, August 2, 2002.

[21] See Kang Il-chun, "Evaluation of North Korea's July 1 Economic Reform," paper

The economic reforms are still a work in progress.[22] A limited supply response has resulted in a situation when too much money is chasing too few goods, leading to creeping inflation. However, a limited monetary accommodation allows the government to avoid the price-wage spiral. The government's ability to mobilize local resources for economic production is constrained by the scarcity of internal investment capital and lack of access to and the credibility problem on the international capital markets. This notwithstanding, it looks like the guided decentralization of economic management is going to continue under the auspices of the Cabinet of Ministers through further proliferation of regulated markets and increasing managerial autonomy at the large- and medium-size state-owned enterprises, as well as intensifying national efforts to attract foreign direct investment (primarily Chinese, South Korean, and Middle Eastern) into the special economic zones in Kaesong, Rajin-Sonbong, Nampo, Wonsan, and Sinuiju.[23]

In sum, the North Korean state may have survived because it was able to initiate and accelerate vital economic reforms while skillfully preserving social peace and stability. This is not to say that the ruling class did not have to pay a certain price for the ongoing economic

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presented at the international conference held by the Department of North Korean Studies of the Korea University in July 2003.

[22] It is noteworthy that, in July 2005, the DPRK government decided to revive the nation-wide public distribution and food rationing system, starting on October 1, 2005, which was interpreted by outside observers as a sign of improving economic performance, growing confidence of conservative forces, and a step back on the road towards further market-oriented reforms. It remains to be seen if this new policy will survive the upcoming winter and to what extent the government will be able to satisfy the surging consumer demand, relying on the now discredited old centralized resource allocation system, as well as whether this partial reversal of recent economic reforms will provoke some sort of expression of any anti-government sentiment around the country in the months to come.

[23] "Part V. The Recent Economic Policy Changes," in Choong Yong Ahn (ed.), *North Korea: Development Report 2003/04* (Korea Institute for International Economic Policy: Seoul, 2004), pp. 287-369.

liberalization. The four pillars of the existing regime began to show some cracks: There is less fear, less isolation, less ideology, and less elite unity in the country.[24] To cope with these growing internal fissures, the Kim Jong Il regime began to rely increasingly on the military rule under the slogans of the Songun (military-first) revolution. At the same time, while the Kim clan, the national security establishment, the technocrats, the ideologues, and local elites - all major players in North Korea - are focused on preserving their monopoly on power and its benefits, are increasingly under pressure from the blowing "foreign winds" and potential popular discontent, there is considerable elite and popular support for the idea of "gradual reforms without losers" and greater exchanges with the outside world, albeit on an increasingly nationalistic basis.[25]

It is obvious that from Kim Jong Il's perspective, the economy seems to be improving, his grip on power appears to be rock-solid, and the regime future looks unchallenged. In 2005, the Kim family marked the 60th anniversary of the national liberation, founding of the WPK, and enthronement of the Kim dynasty in 1945, and they are eager to extend their rule well into the twenty-first century. In the past two years, the North Korean propaganda machine even developed a new forward-looking concept of *Jiwon* ("aim high")[26] as another reincarnation of the anti-Japanese traditions of the national liberation

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[24] See Alexandre Y. Mansourov, "Inside North Korea's Black Box: Reversing the Optics," in Kongdan Oh Hassig (ed.), *North Korean Policy Elites* (IDA: Alexandria, VA), June 2004, pp. IV-1 to IV-56.

[25] See Alexandre Y. Mansourov, "Emergence of the Second Republic: The Kim Regime Adapts to the Challenges of Modernity," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 37-58.

[26] What comes to mind is a parallel between Kim Jong Il's *Jiwon* idea and the concept of "Think Big, Aim High" promoted by the former ROK business tycoon Kim Woo-choong. It may be a pure linguistic coincidence, especially given the ultimate shameful fate of the Daewoo's founder, but it shows a potential bridge in the ambitious pan-Korean nationalist discourse.

movement complementary to the revolutionary cause of *Juch'e*, *Pulgyngi* ("red flag") ideology, and *Songun* (military-first) politics. Since "all the thinking and activities of Kim Jong Il, who is steering the 21st century with his great *Songun* (army-based) politics, are also based on *Jiwon*,"[27] one can assume that his clan will "continue the revolutionary struggle generation after generation until the day when the entire Korean Peninsula is liberated and unified" under the Kim family rule.

An improved domestic position adds confidence to the North Korean government on the international arena. Kim Jong Il's foreign policy report card looks much more reassuring these days. In the past three years, North Korea appears to have discovered and joined China's economic juggernaut: Now the DRPK-PRC relations, including booming bilateral trade and investment, can be described as the "re-inflated lips and reconstructed teeth."[28] With respect to Russia,

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[27] See " 'Aim High' inherited in Korea," *KCNA*, Pyongyang, March 25, 2003, accessed at http://www.kcna.co.jp/index-e.htm, on March 26, 2003. According to this North Korean propaganda, "The idea of *Jiwon*, founded by Kim Hyong Jik, the Great Leader's father and outstanding leader of the anti-Japanese national liberation movement in Korea, in the early 1920s, is an indomitable revolutionary one that the country should be liberated through the struggle continued generation after generation. Inheriting the idea, President Kim Il Sung triumphantly waged the anti-Japanese armed struggle and achieved the country's liberation. He built a socialist state independent, self-reliant, and self-supporting in national defense, and devoted his all to the cause of national reunification until his last moment... Kim Jong Il has successfully overcome the difficult situation of the country with a strong will to defend socialism and accomplish the revolutionary cause of *Juche* with arms and turn Korea into a powerful socialist country as wished by the president in his lifetime. *Jiwon* is an ideological and spiritual source of the Korean people advancing under the banner of socialism, undaunted by the imperialists' persistent efforts to isolate and stifle the country."

[28] Michael Rank, "Minerals, railways draw China to North Korea," *Asia Times Online*, November 18, 2005, accessed at http://www.atimes.com/atimes/China Business/GK18Cb06.html, on December 12, 2005. As Mr. Rank writes, "Border trade in consumer items from televisions to beer has been booming since the 1990s, but now the focus is turning to the industrial sector. Deals are being reached on mines, railways, and leasing a North Korean port to a Chinese company, but North Korea is notoriously secretive and few details have been published outside China." The deals include an agreement to "completely open" North Korea's

Kim Jong Il looks at his great Northern neighbor and sees the neo-Soviet restoration under way and a lot of pro-authoritarian changes taking place there to his liking; perhaps, he does not even mind being regarded as a little Putin or Putin's clone in his own land - modern on economy yet authoritarian in politics, iron-fisted with opposition yet popular among the subordinated elites and the impoverished masses, strong at home and confident abroad.[29] From Pyongyang's perspective, the DPRK-ROK relations are well on the right track where Kim Jong Il may want them to be, whereby the North increasingly uses the South to prop up its own economy and deflect the US military and political pressure, thus succeeding in its long-term strategy of driving a deep wedge in the US-ROK alliance and co-opting the South to pursue his own developmental and security objectives on the peninsula.

On the negative side of the diplomatic ledger, despite strong protestations from Pyongyang, KEDO was slowly dismantled and finally buried without much fanfare in New York, in late November 2005.[30] The US-DPRK relationship remains hostile, as it always used to be, with the exception of a brief thaw in the second half of the 1990s.[31]

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railways to a Hong Kong millionaire (Tumen-Chongjin rail link) and moves to modernize and expand the port of Rajin in order to give Chinese companies direct access to the Sea of Japan. In addition, China and DPRK concluded agreements to revive ailing coalmines in Anju for Chinese market sales, iron mines in Musan (between Tonghua Steel of Jilin and Musan Iron ore mine) and gold mines (between Guoda Gold Co. Ltd. Of Zhaoyuan in Shandong and Sangnongsan gold mine).

[29] See Alexandre Y. Mansourov, *ibid.*

[30] See "DPRK FM Spokesman Demands US Compensate for Political and Economic Losses," *KCNA*, Pyongyang, November 28, 2005, accessed at http://www.kcna.co.jp/index-e.htm on November 29, 2005. Also, see "KCNA Blasts US and KEDO's Total Stoppage of LWR Construction," *KCNA*, Pyongyang, December 6, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on December 7, 2005.

[31] Some of the best accounts on the evolution of the DPRK-US relations in the past 15 years are given in Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton University Press: Princeton, NJ, 1998); Victor D.

Despite some promising signs in 2000-2001, relations with Japan are going downhill and need an electric shock for a course reversal and miraculous recovery.[32] However, Japan has never been an independent and reliable player in Kim's eyes; hence, he must have low expectations about reconciliation with Japan anyway. The bottom line is that from the standpoint of a traditional Korean frog that sees the world only from the bottom of a deep well ("*umuranui kkaegurri*"), North Korea's position at present may look indeed much stronger both at home and abroad.

From "Strategic Ambiguity" to "Strategic Clarity"

It took the North Korean government only three weeks after the inauguration of President George W. Bush on January 20, 2005 to complete a policy review and produce its own evaluation of the likely US policy towards the DPRK in the second Bush term. The verdict from Pyongyang is scathing: "The true intention of the second-term Bush Administration is not only to further its policy to isolate and stifle the DPRK, pursued during the first term, but to escalate it."[33]

Cha and David C. Kang, *Nuclear North Korea: A Debate on Engagement Strategies* (Columbia University Press: New York, 2003); Joel S. Wit, Daniel Poneman, and Robert L. Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Brookings Institution Press: Washington, DC, 2004), as well as C. Kenneth Quinones, "Kim Jong Il's Strong and Great Nation' Campaign and the DPRK's Deterrence of the US 'Imperialist Threat'," in Alexandre Y. Mansourov (ed.), *Bytes and Bullets: Information Technology Revolution and National Security on the Korean Peninsula*, (APCSS; Honolulu, 2005), pp. 276-298.

[32] See Hong Nack Kim, "Japanese-North Korean Relations Under the Koizumi Government," in Young Whan Kihl and Hong Nack Kim (eds.), *North Korea: The Politics of Regime Survival* (M.E. Sharpe: Armonk, NY, 2005), pp. 161-182; Young C. Kim, "North Korea Confronts Japan: Politics of Normalization and Rice," in Byung Chul Koh (ed.), *North Korea and the World: Explaining Pyongyang's Foreign Policy* (IFES: Kyungnam University Press, Seoul, 2004), pp. 133-198.

[33] See "DPRK FM on Its Stand to Suspend Its Participation in Six-Party Talks for Indefinite Period," *KCNA*, Pyongyang, February 10, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on February 11, 2005.

The United States is expected to continue to regard the DPRK as an "enemy state," "a rogue state," "a terror-sponsoring state," "a part of the axis of evil," and an "outpost of tyranny"; and, therefore, it is unlikely to renounce its "hostile policy" toward the DPRK and switch to peaceful coexistence between the two countries. Instead, Washington is sure to seek a "regime change" in Pyongyang in one way or another since its final goal is declared to be "to terminate tyranny," i.e. the DPRK, at any cost, even "by the use of force if necessary, threatening the DPRK with a nuclear stick." Consequently, the North Korean government decided not only to announce in specific terms (see February 10, 2005, MOFA statement) that instead of building an opaque "nuclear deterrent force," it has "manufactured nuclear weapons," but also that it intends "to bolster its nuclear weapons arsenal for self-defense in order to protect the ideology, system, freedom, and democracy chosen by its people."[34]

Many outside observers and Western governments discounted the DPRK MOFA statement as a negotiating tactic aimed at repositioning North Korea in preparations for the next round of the six-party nuclear talks, as "typical whimsical grandstanding" and another example of "irresponsible brinkmanship" designed to blackmail its negotiating counterparts, which drives a wedge between the other five participants, and up the ante before the final settlement.[35] They interpreted the North Korean "antic" as a "sign of weakness" in Pyongyang and urged their allies and partners to stay united and firm on their principle of "no rewards for bad behavior."[36]

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[34] *Ibid.*

[35] See Ralph A. Cossa, "Pyongyang Raises the Stakes," *PacNet* No. 6, Pacific Forum (CSIS: Honolulu, HI), February 10, 2005; Sohn Jie-Ae, "World Regrets North Korea's Quitting Nuke Talks: Rice Says Country Risking Further World Isolation," *CNN*, accessed at http://www.cnn.com/2005/WORLD/asiapcf/02/10/nkorea.talks/, on February 10, 2005; Anthony Faiola, "North Korea Declares Itself a Nuclear Power," *The Washington Post*, February 10, 2005.

[36] See US-Japan Joint Statement on North Korea, Washington, DC, accessed at

It is hard to believe that it was just a tactical move for bargaining purposes or another linguistic exercise in improving the demonization skills of Pyongyang propagandists. Neither timing nor substance of the move seems to be incidental. The February 10, 2005, MOFA statement reflects the outcome of a policy review conducted by Pyongyang with respect to the evolution and future course of the DPRK-US relations in light of the election of George W. Bush for the second term. It appears to be the product of strategic reassessment of the desirability and feasibility of seeking a new more positive relationship with Washington in the next four years. In the words of the MOFA spokesman, "we have shown utmost magnanimity and patience for the past four years since the first Bush Administration was sworn in. We cannot spend another four years as we did in the past four years and there is no need for us to repeat what we did in those years."[37]

From Pyongyang's perspective, President George W. Bush's first term was a complete disaster, resulting in a total breakdown of the DPRK-US relations. In late 2000, they had waited in vain for a better deal with the newly-elect Republican President Bush, refusing to accommodate the modest demands by the outgoing Clinton team. However, instead, they had to face off the American leader who cursed the Dear Leader as a "pigmy," branded their country as a "member of the axis of evil," walked away from the path-breaking Cohen-Cho Myong-rok Memorandum of Understanding and the landmark Agreed Framework, single-handedly terminated badly-needed heavy fuel oil shipments in November 2002, and refused to

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http://www.state.gov/r/pa/prs/ps/2005/42491.htm, on February 19, 2005; "North Korea Wants Talks with the United States," *AP/CBS*, Seoul, February 11, 2005, accessed at http://www.cbsnews.com/stories/2005/02/11/world/main673271.shtml, on February 11, 2005; "North Korea Admits Having Nuclear Weapons," *AP/USA Today*, accessed at http://www.usatoday.com/news/world/2005-02-10-nkorea-nukes_x.htm, on February 10, 2005.

[37] See DPRK MOFA statement in full, as cited by *BBC* at http://news.bbc.co.uk/2/hi/asia-pacific/4252515.stm, February 10, 2005.

rule out any options, including a "threat of preemptive nuclear strike," in his fight against global terrorism and its sponsoring states, pointing a finger at North Korea.[38]

In the past five years, the United States is said to have repeatedly revealed its "hostile intent" towards the DPRK, foremost, through "belligerent military activities" on and around the Korean Peninsula. Once a month, spokesmen for the Committee for Peaceful Reunification of the Fatherland and the National Reconciliation Council publish statements analyzing and denouncing OPLAN 5026, 5027, 5030, 8022, and augmentation plans as "new invasion plans aimed at destroying our country and overthrowing our government."[39] At the end of every month, the KPA spokesman publicly lists in detail and denounces "hundreds of cases of aerial espionage against the DPRK conducted by the US strategic and tactical reconnaissance planes on the east and west seas of the DPRK, areas along the Military Demarcation Line and the whole area of the DPRK."[40]

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[38] See "Conclusion of Nonaggression Treaty Between DPRK and US Called For," statement by DPRK MOFA spokesman, *KCNA*, October 25, 2002, accessed at http://www.kcna.co.jp/index-e.htm, on October 25, 2002; "US Indicted for Ditching the DPRK-US Agreed Framework," *KCNA*, Pyongyang, October 21, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on October 22, 2005; "Spokesman of DPRK Foreign Ministry on Its Nuclear Deterrent Force," *KCNA*, Pyongyang, October 18, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on October 19, 2005.

[39] For instance, see "US urged to withdraw new war scenario Operation Plan 5030," *KCNA*, July 18, 2003, accessed at http://www.kcna.co.jp/index-e.htm, on July 19, 2003; "US Accused of War Plan (5029-05) against DPRK," *KCNA*, April 26, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on April 27, 2005; "US New Operation Plan 5026 Against DPRK Denounced," *KCNA*, Pyongyang, February 13, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on February 14, 2005; "Rodong Sinmun on Scenario for War of Aggression (OPLAN 5027-04)," *KCNA*, October 25, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on October 26, 2005; "KCNA Blasts US Attempt at "Regime Change" in DPRK (CONPLAN 8022-02)," *KCNA*, June 7, 2005, accessed at http://www. kcna.co.jp/index-e.htm, on June 8, 2005.

[40] The latest example of the KPA monthly releases was published by KCNA on December 1, 2005, under the title "US Aerial Espionage against DPRK in November under Fire," *KCNA*, Pyongyang, accessed at http://www.kcna.co.jp/

The North Korean official propaganda outlets such as KCNA, Rodong Sinmun (WPK Central Committee), Minju Choson (Cabinet of Ministers), Chosun Inmingun (KPA), and Chongnyon Chonwi (Central Committee of the Kim Il Sung Socialist Youth League) are filled with critical articles on "anti-American class education," blasting the Bush Administration's "doctrine of preemption," the "reduction and relocation of USFK" as "pre-staging for a preemptive nuclear strike against the DPRK," criticizing the US plan to spend 11-13 billion US dollars to enhance the ROK's military strength as an "arms build-up" promoted in real earnest under the cloak of "cutback" of the US forces in South Korea, which is aimed at "choking the DPRK by military force," and denouncing the "development of an earth-penetrating low-yield nuclear warhead" as being aimed at "busting our bunkers and stifling us with nuclear means." On a daily basis, these publications run condemnatory articles regarding various US military preparations for the alleged forthcoming invasion of the DPRK, including the US Air Force redeployment of a squadron of F-15E fighter-bombers from Alaska to the ROK in September 2004 and deployment of more than 10 F-117 Stealth fighter-bombers in an air force base in Kunsan,[41] the US deployment of "PAC-3" and 450 troops at the air force base in Kwangju in November 2004,[42] the US deployment of Aegis destroyers of the 7th Fleet, equipped with an ultra-modern missile interceptor system in the East Sea of Korea,[43]

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index-e.htm, on December 2, 2005. The KPA estimates that the US forces in Korea conduct on average about 200 missions of aerial espionage a month, totaling approximately 2,400 missions a year.

[41] See "US Intensified Moves for Preemptive Nuclear Strike at DPRK under Fire," *KCNA*, December 18, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on December 20, 2004.

[42] For instance, to see a sample North Korean reaction to the deployment of two battalions of PAC-3 in Kwangju, one can read "US Massive Military Build-up against DPRK under Fire," *KCNA*, January 4, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on January 5, 2005.

[43] For example, to see a sample DPRK reaction to the deployment of the AEGIS

the military exercises of the Okinawa-stationed US Marines around DMZ, the "war games"[44] such as RSOI, Freedom Banner, Ulji Focus Lens, "daily bomber runs by the US Air Force from Japan against mock targets in the DPRK during Iraq war," and the "PSI-related naval exercises in Tokyo Bay,"[45] all of which are allegedly designed "to intimidate the DPRK government and to prepare for a new American invasion of Korea."

The US "hostile intent" is said to have been demonstrated convincingly through "aggressive and hostile psychological warfare" conducted by the United States and aimed at toppling the DPRK's political system and bringing down its leadership.[46] Since 2002, spokesmen for the DPRK Ministry of Foreign Affairs and such government counter-propaganda agencies as KCNA have repeatedly denounced what they called "the US government smear campaign against the DPRK's leadership and system"[47] and blustered Washington for "fabricating and spreading rumors, allegations, and innuendoes" about "anti-state and anti-system activities in our country," "removal of Kim Jong Il portraits,"[48] "the lawless or criminal state of

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destroyers in the East Sea of Korea, one can read "US Madcap Arms Build Up Under Fire," *KCNA*, October 29, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on October 30, 2004.

[44] For instance, see "Frequent War Exercises Bound to Lead to War," *KCNA*, March 22, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on March 23, 2005.

[45] See "Spokesman for DPRK FM Blasts; Joint Naval Exercise to be hosted by Japan," *KCNA*, August 7, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on August 8, 2004; "KCNA Blasts US 'Proliferation Security Initiative'," *KCNA*, July 20, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on July 21, 2004.

[46] See "Rodong Sinmun Calls for Shattering Imperialists' Psychological Warfare," *KCNA*, Pyongyang, July 6, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on July 7, 2005.

[47] See "FM Spokesman Slams Bush's Vituperation against DPRK's Supreme Headquarters," *KCNA*, Pyongyang, April 30, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on May 1, 2005.

[48] See "KCNA Warns Hack Writers against Involvement in Anti-DPRK Psychological Warfare," *KCNA*, Pyongyang, November 27, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on November 28, 2004.

DPRK,"[49] about "state-sponsored drug-trafficking,"[50] "North Korea-China oil pipeline switch-off,"[51] "human smuggling,"[52] "the state sponsorship of counterfeit money,"[53] "training of computer hackers," "suppression of religion," and "a sheer lie that the DPRK tested a chemical weapon on prisoners,"[54] as well as an "utter lie about 20 nuclear scientists of the DPRK who allegedly sought asylum in the United States and other countries via China."[55] They put special emphasis on publicly countering the US nuclear proliferation accusations alleging the DPRK's clandestine nuclear trade with Lybia, Iran, and Pakistan.[56] The North Korean security services had to compete with the Voice of America broadcasting and track down the recipients of the alleged US-sponsored drops of short-wave radios,

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[49] See "KCNA Refutes US Smear Campaign (about the 'lawless/criminal state') against DPRK," *KCNA*, Pyongyang, November 30, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on December 1, 2005.

[50] See "US Condemned for Pulling Up DPRK over Drug Issue," *KCNA*, Pyongyang, March 5, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on March 6, 2004.

[51] See "US Anti-DPRK Smear Campaign under Fire," *KCNA*, Pyongyang, October 27, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on October 28, 2004.

[52] See "Spokesman for DPRK FM Lambastes US Smear Campaign against DPRK," *KCNA*, Pyongyang, February 5, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on February 6, 2004.

[53] See "KCNA Refutes US Smear Campaign Against DPRK," *KCNA*, Pyongyang, November 30, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on December 1, 2005.

[54] See "KCNA Blasts CNN's Anti-DPRK Diatribe," *KCNA*, November 26, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on November 26, 2005.

[55] See "KCNA assails US psychological war against DPRK," *KCNA*, May 26, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on May 27, 2004; "KCNA Dismisses Misinformation Spread by S. Korean "Ministry of Unification", " *KCNA*, August 4, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on August 5, 2004.

[56] See "KCNA Refutes Story about DPRK's "Secret Sale of Fluorine Gas" to Iran," *KCNA*, November 23, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on November 24, 2004; "DPRK FM Spokesman Refutes US Story about "Transfer of N-Technology" to DPRK by a Pakistani Scientist," *KCNA*, February 10, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on February 11, 2004.

small TVs, and cell phones, as well as prevent the dissemination of anti-regime leaflets and PC games in the country.[57] In other words, from Pyongyang's standpoint, Washington continues to demonize the North Korean leadership and vilify its political system. The passage of the North Korea Human Rights Act in October 2004 proves to them that the Bush Administration is bent on regime change and likely to intensify its subversive anti-regime campaign against Kim Jong Il's regime.[58]

Finally, the United States is said to expose its "hostile intent" through its refusal to conduct any kind of political dialogue with Pyongyang at the leadership level and through its diplomatic strategy of isolating the DPRK in the international arena.[59] From Pyongyang's standpoint, Washington uses the Six-Party Talks not to "find a peaceful and diplomatic solution to the nuclear issue," but to "mislead the world public opinion" and "to isolate, blockade, and strangulate the DPRK economically, while letting the talks proceed without any results, pursuing the aim of buying time, and creating an environment for putting collective pressure on the DPRK in the long run." Pyongyang accuses Washington of seeking to halt North-South

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[57] See "High Vigilance against US Disintegration Moves Urged," *KCNA*, January 23, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on January 24, 2005; "US Psychological Warfare and Espionage Scenario against DPRK Assailed," *KCNA*, November 27, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on November 28, 2004; "Planned Distribution of US-Made Anti-DPRK Computer Games under Fire," *KCNA*, September 23, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on September 24, 2004.

[58] See "US "North Korean Human Rights Act" under Fire," *KCNA*, November 20, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on November 21, 2004; "US "Human Rights Offensive" under Fire," November 13, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on November 14, 2004; "Respecting Human Rights Called for," *KCNA*, December 10, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on December 11, 2005.

[59] See "US hit for its attempt at intensified blockade against DPRK," *KCNA*, June 8, 2003, accessed at http://www.kcna.co.jp/index-e.htm, on June 9, 2003; "US Economic Sanctions against DPRK under Fire," *KCNA*, February 5, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on February 6, 2005.

reconciliation and blocking the ROK's transfer of technology and investment in Kaesong industrial zone, bad-mouthing Pyongyang in front of Moscow and Beijing and pressuring Russia and China to abandon their position of understanding of the DPRK's security and economic development needs, derailing the DPRK-Japanese normalization process and aggravating their relations by urging Tokyo to impose economic sanctions against the DPRK and to pass the Japanese version of the North Korea Human Rights Act, denying North Korea access to various international organizations, and implementing the Proliferation Security Initiative aimed at cutting off the DPRK's maritime trade and overseas sources of revenues, which Pyongyang labeled as "a product of the Bush Administration's sinister attempt to escalate its policy to isolate and blockade the DPRK."

With the exception of the fourth round of the Six-Party Talks in Beijing in September 2005, there have been very few positive elements (such as irregular deliveries of American humanitarian aid and sporadic diplomatic contacts in New York and Beijing) to the DPRK-US relationship in the past five years. Pyongyang hoped very much that President Bush would lose his electoral bid for the second term and would be replaced with a more moderate Democratic Administration. The North Korean propaganda machine promised "milk and honey" and a quick comprehensive settlement of the nuclear dispute if Senator Kerry were elected to the White House.[60] However, "America hands" in Pyongyang miscalculated. Their best hope proved to be wishful thinking. Their worst nightmare in the White House came to life, and the DPRK leadership had to decide how to structure its relationship with the second Bush Administration.

It is safe to assume that Kim Jong Il does not believe in the human ability to change much, especially after a certain age. When he

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[60] See "US Must Approach Six-way Talks with Sincerity," *KCNA*, February 23, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on February 24, 2004.

looks at George W. Bush, he must see essentially the same man who loathed him and sought to deprive him of his throne for the previous four years. President Bush's ideals have not changed since his re-election: If anything, his inaugural address and State of the Union speech in January 2005 may indicate that he is more eager than ever "to bring the torch of freedom to the North Korean shores" in the next four years. However, in the words of the DPRK MOFA spokesman, "the US campaign to light up the fire of freedom everywhere in the world may result in transforming the world into a sea of fire."[61]

Although American priorities seem to have shifted to the Middle East for now, no one knows how long that favorable development may last: After Iraq, Iran is publicly made the next target, which gives Kim Jong Il some breathing space, but also is ominous for North Korea, the would-be last standing charter member of the "axis of evil."[62] President Bush's top advisors (Vice-President Cheney, Defense Secretary Rumsfeld, Secretary of State Ms. Rice) known for their hard-line views on North Korea remained in place. His second-tier team responsible for formulating Korea policy has changed, but the departure of some neo-conservative policymakers from the State Department and Department of Defense was balanced off by the departure of their more liberal counterparts like Mr. Armitage, Mr. Kelly, and Mr. Reiss, as well. Besides, the newcomers at the DoD, State, and National Security Council may be of the same neo-

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[61] See DPRK MOFA Memorandum of March 2, 2005, *KCNA*, March 3, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on March 4, 2005.

[62] For the lessons drawn by Pyongyang from the US war in Iraq, see "Aggressor's True Colors Can Never Be Veiled," *KCNA*, February 9, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on February 10, 2004; "KCNA on Lesson Drawn from Situation in Iraq," *KCNA*, March 18, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on March 19, 2004; With respect to Iran, "US Termed Harasser of Peace and Stability," *KCNA*, October 30, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on October 31, 2004; "Iraqi War Shows US Hoodwinks World People," *KCNA*, March 19, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on March 20, 2005.

conservative persuasion or may not have the political clout required to orchestrate a policy course correction.

In other words, the DPRK government has few incentives to cooperate or improve relations with the United States because the second Bush Administration is expected to continue to act as the "American empire of evil" (in the words of KCNA), seeking "to topple our system and leadership with nuclear arms," and being not interested in a "bold switchover" of its Korea policy, in recognition of Pyongyang, and in peaceful coexistence with the DPRK.[63]

North Korea's Alternative Futures

Key drivers of change in the internal and foreign behavior of the North Korean state in the years to come will be economic reform and softening of the "hard state" at home and the degree of external cooperation (political, economic, diplomatic, financial, military, etc.) it can obtain from abroad.

Assuming that the current developmental trajectory of the North Korean state remains intact, one can think of four different scenarios of North Korea's future evolution. First, if the North Korean government chooses to pursue limited economic reform, while refusing to resolve the existing security issues with the United States and the international community, then the country is likely to remain largely isolated from the outside world, with only a minimum amount of economic assistance, primarily on humanitarian grounds available. In this case, the Songun nation is likely to revert itself to the "arduous march" of the mid-1990s, with the annual GDP growth rates hovering around 0-1 percent.

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[63] See "Memorandum of DPRK Foreign Ministry," *KCNA*, March 3, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on March 4, 2005.

Secondly, if the North Korean leadership decides to accelerate the pace and increase the scope of economic reforms, but opts to refrain from the nuclear and other security talks and foregoes the normalization of relations with the United States and Japan, then it can benefit only from a limited amount of economic assistance from China, Russia, and South Korea because of continued economic sanctions and embargoes imposed by Washington and Tokyo. Therefore, it can develop its economy only slowly at the annual GDP growth rate of 2-3 percent. In essence, this course of action, based on mercantilism (i.e. "economic nationalism for the purpose of building a wealthy and powerful state") and political opportunism, will constitute the perpetuation of the current situation. It may well be suitable and acceptable to the North Korean leaders because it allows them to build up their power capabilities while controlling the pace of reforms and the degree of external opening. Additionally, it may help them screen out undesirable influences and elements from abroad.

Thirdly, if the DPRK government pursues only limited reform, but chooses to resolve major security issues and normalize relations with its former enemies, then a significant amount of economic assistance can become available, although due to the limited nature of reform, private-sector capital inflows may be restricted. The annual GDP growth rate is likely to be 4-5 percent. North Korea will no longer be regarded as a rogue state, more like East Germany, but it will fall short of becoming an Asian tiger.

Finally, if the North Korean government decides to proceed with fundamental reform and resolve the nuclear issues in a comprehensive manner (for instance, nuclear CVID in exchange for security guarantees, economic and energy assistance, as well as full normalization of relations with the United States and Japan), large-scale economic assistance may become available: The FDI inflows on a commercial basis may begin to rise, and the rapidly marketizing national economy

may display an average annual 6-7 percent GDP growth. In this case, North Korea may follow the example of an outward-oriented developmental dictatorship based on state monopoly capitalism backed by monolithic rule by the national security establishment like in the Republic of Korea in the 1960s-1970s. More extreme developmental outcomes appear to have much lower probabilities at the present moment.

Hermit Hamster on the Wheel?

It seems to me that North Korea spends all its days hopelessly trying to make progress, only to find itself right back where it started. The Hermit Wheel Runner is like a little mechanical battery-powered hamster, who scurries inside a running wheel. As the poor and hungry critter tries to run, the wheel spins under him so he can never progress very far. What's more, if this isn't depressing enough, batteries are not included.

It appears that Pyongyang may have decided to turn the clock back to the pre-1991 situation in its relations with the United States, by refraining from substantive contacts with Washington, reinforcing "anti-American class education" in schools and at the workplace, concentrating on enhancing its security through the mobilization of domestic deterrent capabilities, rebuilding its traditional alliances with China and Russia in addition to courting a risky friendship based on blood ties with its former nemesis and newly discovered benefactor – South Korea, and de facto stimulating the non-conventional arms race on the peninsula.

The difference today is that the DPRK government has publicly shifted its stance from a policy of "strategic ambiguity" to a policy of "strategic clarity" with respect to the country's possession of nuclear

weapons.[64] The lessons of Iraq were clear: The declared absence of nuclear weapons and UN inspections failed to prevent the US attack.[65] Hence, on February 10, 2005, Pyongyang officially declared that it had manufactured nuclear weapons and stressed its intention to build up a nuclear weapons arsenal and a potent missile force capable of delivering the weapons of mass destruction to their intended targets, despite its earlier repeated reassurances that total denuclearization of the Korean Peninsula was its ultimate goal. Kim Jong Il's regime will never give up its newly obtained nuclear credentials or agree to "CVID" or "do a Kaddafi" with respect to its elusive nuclear weapons programs.[66] The hermit bomb can be found and eliminated only with the dismantlement of the hermit kingdom itself.

What should one make out of the DPRK's often stated "commitment to the denuclearization on the Korean Peninsula?"[67] Pyongyang appears to uphold the principle of denuclearization in general, but hardly more than that. In practical terms, Pyongyang makes an argument that in accordance with the 1968 Nuclear Nonproliferation Treaty, the five nuclear weapon states are also theoretically and legally committed to global nuclear disarmament (Article VI). However, in reality, although the United States, Russia, China, UK, and France talk about it from time to time, they do nothing

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[64] On March 31, 2005, the DPRK MOFA spokesman publicly stated that "Now that the DPRK has become a full-fledged nuclear weapons state, the Six-Party Talks should be disarmament talks where the participating countries negotiate the issue on an equal footing." See "DPRK Foreign Ministry Spokesman on Denuclearization of Korea," *KCNA*, March 31, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on April 1, 2005.

[65] See "KCNA on Lesson Drawn from Situation in Iraq," *KCNA*, March 18, 2004, accessed at http://www.kcna.co.jp/index-e.htm, on March 19, 2004.

[66] See "Memorandum of DPRK Foreign Ministry," *KCNA*, March 3, 2005, accessed at http://www.kcna.co.jp/index-e.htm, on March 4, 2005.

[67] One can find the latest evidence of such commitment in the joint statement issued at the end of the Fourth Round of the Six-Party Talks in Beijing on September 19, 2005. See http://www.fmprc.gov.cn/eng/zxxx/t212707.htm, accessed on September 19, 2005.

but modernize and often increase (during the Cold War) their nuclear arsenals. Moreover, the international community has acquiesced to living with this duplicitous reality for almost four decades. In the same vein, the North Korean leadership may believe that it is possible to talk about its commitment to the nuclear disarmament on the Korean Peninsula – one day, somehow, and somewhere, while feeling entitled and obligated to build up its nuclear arsenal – here and now.

Correspondingly, with respect to the nuclear issue, Pyongyang may occasionally return to the negotiating table with Washington under different formats, including the on-again, off-again Six-Party Talks in Beijing – if the price is right. The driving motives behind the North Korean participation in various nuclear disarmament talks seem to include the followings:

- Pecuniary compensation (both ad hoc and long-lasting; in cash and in kind; for instance, monetary transfers, energy subsidies, food assistance, infrastructure development, etc.)
- Political legitimization of the regime (such as a security blanket for Kim Jong Il's family clan) and its nuclear ambitions (including minimization of the international costs of "coming out of the closet" and juch'e-style transition from a nuclear threshold state to a nuclear weapon wannabe state to an internationally recognized and accepted nuclear weapon state)
- Geopolitical repositioning of the North Korean state in the light of the WPK's long-standing unification aims.

In addition to serving as a strategic deterrent against the perceived "US nuclear threat," the DPRK's nuclear monopoly on the Korean Peninsula places the Republic of Korea in a strategically inferior position, demoralizes its military, and undermines its will to fight. North Korea's war strategy may be not merely to overrun the South so rapidly that reinforcement would become impossible, as the

first Korean War experience seems to suggest. Rather, KPA operational planners may be preoccupied with finding ways of how to prevent reinforcement from ever taking place by threatening to use the KPA missiles tipped with nuclear warheads against Japan, should the US intervene. It remains to be seen to what extent the nuclear North will be able to blackmail and annex the non-nuclear South, which appears to be all too eager to loosen its military alliance ties with the United States at the moment.

It is hard to expect any substantive progress at the nuclear talks until mutual trust is rebuilt, which is a tall order. Only then will the North Korean leaders be compelled to recalculate the potential costs and benefits to be accrued from their re-engagement with the United States. At that time, in addition to security guarantees, economic assistance, and respect for sovereignty, as conditions of any nuclear settlement, Pyongyang may step up its long-standing demands for the complete withdrawal of USFK, removal of the US nuclear umbrella over South Korea, and dissolution of the US-ROK military alliance. One cannot exclude the possibility that North Korea may resort to nuclear diplomacy as a vehicle to meet the long-term objectives of its revolutionary unification strategy.

In the meantime, the DPRK may seek to keep a relatively low but assertive nuclear profile. Although Pyongyang may refrain from ratcheting up nuclear pressure until the December 2007 ROK presidential elections or November 2008 US presidential elections, under appropriate circumstances, the limited North Korean nuclear deterrent "in the basement" coupled with a potent missile force ("a proxy strategic deterrent") deployed against American military bases and US allies in the region may score Pyongyang some points in China and Russia, thanks to growing tensions between the United States and China (aligned in "strategic partnership" with Russia) and against the background of deteriorating relations between Japan and its Northeast

Asian neighbors.

The mini-Cold War-type confrontation and arms race between the DPRK and the United States is likely to continue for more years to come. However, Pyongyang may be reluctant to precipitate any major escalation, while it is "publicly" building up its mysterious nuclear weapons arsenal. The North Korean hamster will try hard to scurry faster on the running wheel, but he is unlikely to make much progress.

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Rising Powers, Offshore Balancers, and Why the US-Korea Alliance is Undergoing Strain

*David C. Kang**

Abstract

Why have US-ROK relations undergone tension in the past few years? What impact has China's rise had in Northeast Asia? In this essay, I argue that although South Korea desires to remain a firm ally of the US, their regional interests are diverging. Indeed, the relations between the US and ROK are fairly smooth: Maintaining the alliance and cooperation over the Iraq war has been excellent. However, their interests diverge in their focus on regional issues and long-term strategies. The bulk of evidence leads to the conclusion that South Korea is making hesitant moves in the direction of diminished United States influence and increased accommodation of China. Although the US remains clearly the most important actor in the region, and no country appears poised to replace it, other East Asian states are increasingly being forced to take China into account in formulating their foreign policies. Furthermore, while the more apocalyptic concerns about the end of the US-ROK alliance will not occur, it does mean that both the US and South Korea need to find a new basis for their relationship, and South Korea needs to find a way to integrate North Korea into the region, and to move beyond shrill nationalism and ultimately to coexist with Japan and China.

Key Words: Korea, US, alliances, unification, strategy

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Introduction

The US-ROK alliance is under greater strain than ever before. As Scott Snyder notes, "the alliance appears demonstrably less important to both Americans and South Koreans than it was during the Cold War."[1] While US and South Korean policies were relatively consistent with each other during the first North Korean nuclear crisis (1993-1994), the crisis of 2002 showed how far the two countries had drifted apart in their foreign policies and perceptions.[2] One former US ambassador called 2004 "the lowest point in the history of the alliance."[3]

In the United States, some influential policy analysts are openly criticizing South Korea for being naive, and have begun calling for an end to the alliance. Nicholas Eberstadt of the American Enterprise Institute characterized South Korea as "a runaway ally," arguing that the US ought to "work around" the Roh Administration.[4] The Cato Institute called for an "amicable divorce," and Ted Galen Carpenter and Doug Bandow suggested that the alliance should be dissolved.[5] In the *Wall Street Journal*, Bruce Gilley even advocated that China invade North Korea in order to force regime change.[6]

At the same time that tensions are rising between the US and ROK, China is becoming an increasingly important actor in the

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[1] Scott Snyder, "The Beginning of the End of the US-ROK Alliance?" *PacNET* 36, August 26, 2004.

[2] David C. Kang, "The Avoidable Crisis in North Korea," *Orbis* (Summer 2003).

[3] Donald Gregg, February 11, 2004.

[4] Nicholas Eberstadt, "Tear Down This Tyranny," *The Weekly Standard*, November 29, 2004.

[5] Ted Galen Carpenter and Douglas Bandow, *The Korean Conundrum: America's Troubled Relations with North and South Korea* (London: Palgrave MacMillan, 2004).

[6] Bruce Gilley, "An Immodest Proposal," *Wall Street Journal*, January 5, 2005.

region. Particularly in the United States, observers are increasingly questioning whether China's rise will be peaceful, and whether China poses a threat to the region and to the United States.[7]

Why have US-ROK relations undergone tension in the past few years? What impact has China's rise had in Northeast Asia?

These questions are interlinked, as is their answer. In answering these questions, it is useful to start with the impact that China has had on East Asia and the United States. Indeed, China's rise has caused considerable concern among both policymakers and scholars of international relations. There are at least three major bodies of literature that would predict that a rising China is destabilizing. Realpolitik pessimists see China's rise as inherently destabilizing. For example, John Mearsheimer writes that if China threatened to dominate the entire region, "it would be a far more dangerous place than it is now… engagement policies and the like would not dull China's appetite for power."[8] Power transition theorists also see rapidly rising power as a likely cause of conflict. Robert Powell writes that, "a rapidly shifting distribution of power combined with the states' inability to commit to an agreement can lead to war."[9] Finally, those who focus on signaling emphasize that an authoritarian state has more difficulty in making credible statements about its intentions than a democratic state.[10]

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[7] Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Alfred A. Knopf, 1997).

[8] John Mearsheimer, *The Tragedy of Great Power Politics*, p. 400. For similar arguments, Richard K. Betts, "Wealth, Power, and Instability: East Asia and the United States after the Cold War," *International Security* 18, No. 3 (Winter 1993), p. 55; Aaron Friedberg, "Ripe for Rivalry," *International Security* 18 Issue 3 (Winter 1993/94), pp. 5-33; Christopher Layne, "The unipolar illusion: Why new great powers will rise," *International Security* 17 (Spring 1993) pp. 5-51.

[9] Robert Powell, "The Inefficient Use of Power: Costly Conflict with Complete Information," *American Political Science Review* 98, No. 2 (May 2004), p. 231. See also Douglas Lemke, *Regions of War and Peace* (Cambridge: Cambridge University Press, 2002).

[10] James D. Fearon, "Domestic Political Audiences and The Escalation of International Disputes," *American Political Science Review* 88, No. 3 (September

Against this backdrop, the conventional view on the US-ROK (and US-Japan) alliance is that the US plays an important and stabilizing military and diplomatic role in Asia. For example, Michael Mastanduno writes that "American power and presence have helped to keep traditional power rivals in the region from engaging in significant conflict and have reassured smaller states who have traditionally been vulnerable to major regional wars."[11] Although originally designed to balance the Soviet Union, this perspective expects that because the US and ROK are both advanced capitalist democracies, their assessments of threat in the region would also be similar, and that relations between the two should be stable, and they would view both the rise of a powerful, non-democratic China and the nuclear weapons program of North Korea with similar concern.

Yet the "China threat" perspective understates the complex relationship between East Asian states and China. The complexity of this relationship is particularly evident on the Korean Peninsula. Many academics and policymakers in the US still tend to see the region in Cold War terms, expecting South Korea to ally closely with the US against North Korea, and to be wary of China's rapid growth. However, the region is undergoing arguably its greatest transformation since the end of World War II, and South Korea, while wary of China, is not obviously balancing against it. This adjustment may occur even though South Korea has been one of the United States' closest Asian allies for sixty years.

This is due in part to the differing roles that China and the US can play in resolving South Korea's most important security issue, that of

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1994), pp. 577-593; Christopher F. Gelpi and Michael Griesdorf, "Winners or Losers? Democracies in International Crisis, 1918-94," *American Political Science Review* 95, No. 3 (September 2001), pp. 633-648.

[11] Michael Mastanduno, "Incomplete Hegemony: The United States and Security Order in Asia," in *Asian Security Order*, Muthiah Alagappa (ed.) (Stanford: Stanford University Press, 2003).

North Korea. South Korea wants to engage North Korea, while the United States wants to confront North Korea. South Koreans worry that the US will erode the slow gains towards national conciliation that they have made in the past decade. Americans worry that South Koreans are being naive in their desire to find common ground with the North. In this situation, China has emerged as a country that is helping to minimize tensions and provide an approach to North Korea similar to that of South Korea's.

More significantly, however, are the differing long-term strategic concerns of the US and South Korea. For South Korea, the key foreign policy issue for South Korea is regional and political-economic: Focused on unification, South Korea is concerned with how, ultimately, to integrate North Korea back into the world's most dynamic region, how to end the conflict that has lasted over fifty years, and what ultimately this unified Korea's foreign policy should be. In contrast, the US strategy is global and political-military. For at least the next several years, the United States will be mainly concerned with countering potential terrorist threats. Distracted by the overwhelming focus on anti-terrorism, homeland security, and other issues, the United States has viewed its Korea policy as a narrow extension of its anti-terrorism policy, focusing almost exclusively on denuclearizing the North. Beyond that, the US is not particularly focused on economic integration in the region, or shaping the pace or manner of Korean unification. These differing long-term strategic interests are at the present muted, but they lie just below the surface, and they point to a more fundamental difference between the US and South Korea than many previously have recognized.

In this essay, I argue that although South Korea desires to remain a firm ally of the US, their regional interests are diverging. Indeed, the relations between the US and ROK are fairly smooth: Maintaining the alliance and cooperation over the Iraq war has been excellent.

However, their interests diverge in their focus on regional issues and long-term strategies. The bulk of evidence leads to the conclusion that South Korea is making hesitant moves in the direction of diminished United States influence and increased accommodation of China.[12] Although the US remains clearly the most important actor in the region, and no country appears poised to replace it, other East Asian states are increasingly being forced to take China into account in formulating their foreign policies. Furthermore, while the more apocalyptic concerns about the end of the US-ROK alliance will not occur, it does mean that both the US and South Korea need to find a new basis for the relationship, and South Korea needs to find a way to integrate North Korea into the region, and to move beyond shrill nationalism and ultimately to coexist with Japan and China. No one is advocating abandoning the long-term alliance with the United States in favor of jumping on the China bandwagon. The problem is more subtle than that.

China's expected emergence as the most powerful state in East Asia has been accompanied with more stability than pessimists believe because China is increasingly becoming the predominant regional power. On the one hand, China has provided credible information about its capabilities and intentions to its neighbors. On the other hand, East Asian states actually believe China's claims, and hence do not fear − and instead seek to benefit from − China's rise. This shared understanding about China's preferences and limited aims short-circuits the security dilemma.[13]

This paper is composed of five main sections. In the first section, I provide a theoretical framework that explains different responses to

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[12] On Japan, see David C. Kang, "Japan: US Partner or Focused on Abductees?" *The Washington Quarterly* (Autumn 2005), pp. 107-117.

[13] On different types of rising powers, see Charles Glaser, "Political Consequences of Military Strategy: Expanding and Refining the Spiral and Deterrence Models," *World Politics* 44 (July 1992).

rising power. In the second section I explore the changing China-Korea relationship. The third section explores the North Korean nuclear issue, while a fourth section examines the US-ROK relationship in depth. A final section briefly compares the US-ROK alliance with the US-Japan alliance, and draws overall conclusions and directions for further research.

Rising Powers and Offshore Balancers

In sorting out a theoretical framework that can explain the complex dynamics in East Asia, I begin with the important task of defining the region itself. As Robert Ayson notes, "the widely inclusive membership of the Asia Pacific Economic Cooperation (APEC) is too wide to be analytically useful, including as it does Latin America as well as those states in East Asia."[14] Barry Buzan and Ole Weaver define regional security complexes as a set of "geographically proximate states…[characterized by] the relative intensity of security interdependence among a group of units, and security indifference between that set and surrounding units."[15] That is, a region is one where the units are primarily focused on the interactions and issues that occur between the units, and relatively less concerned with issues that occur outside that set of states.

By this definition, the states of Northeast Asia (mainly Japan,

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[14] Robert Ayson, "Regional Stability in the Asia-Pacific: Towards a Conceptual Understanding," *Asian Security* 1, No. 2 (2005). See also Gilbert Rozman, *XYZ* (XYZ: XYZ); Gil Rozman, "Flawed Regionalism: Reconceptualizing Northeast Asia in the 1990s," *Pacific Review* 11, No. 1 (1998), pp. 1-27; Alexander Woodside, "The Asia-Pacific Idea as a Mobilization Myth," in Arif Dirlik (ed.), *What's in a Rim?*: *Critical Perspectives on the Pacific Region Idea* (Lanham, MD: Rowman and Littlefield, 1998), pp. 13-28; Michael Ng-Quinn, "The Internationalization of the Region: The Case of Northeast Asian International Relations," *Review of International Studies*, Vol. 12, No. 1 (1986), pp. 107-125.

[15] Barry Buzan and Ole Weaver, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003), pp. 27, 48.

China, and the two Koreas) and Southeast Asia (mainly Taiwan and the states of ASEAN) form an East Asian region. Defining what comprises the region is of more than semantic interest. We would expect that the processes within the region would be different than those outside of it, and that states would interact differently with states inside or outside of the region. That is, the pattern I elucidate in this essay is occurring only in East Asia, and we would not expect to see states such as India or Russia deal with China in the same manner as does South Korea.

Although public US officials will vehemently deny it, the US is not, in fact, an East Asian state. Rather, the US is a global actor that has regional interests, that is – an offshore balancer. The United States has been deeply involved in East Asia for the past century, but involvement – and even war – is not the proper criterion for determining whether a state is within or outside of a region. Rather, as Barry Buzan has argued, it depends much more on whether the issues within the region are the primary issues upon which the state focuses.[16] In defining the United States as an offshore balancer, I build on the work of scholars such as Thomas Christensen, Christopher Layne, and others, who also define the US as an offshore balancer.[17]

The United States is not properly a part of the region, because although the United States has security concerns in East Asia, it clearly has a global focus, and its attention is only intermittently focused on East Asia. That is, East Asia has never been the only, or

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[16] Barry Buzan, "A Framework for Regional Security Analysis," in Barry Buzan and Gowher Rizvi (eds.), *South Asian Insecurity and the Great Powers* (New York: St. Martin's Press, 1986), pp. 3-8.

[17] Tom Christensen, "China, the US-Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23, No. 4 (Spring 1999), p. 50; Christopher Layne, "From Preponderance to Offshore Balancing," *International Security* 22, No. 1 (Summer 1997), pp. 86-125; See also the detailed discussion on the US as a global, not regional, actor, in Barry Buzan and Ole Weaver, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003), especially pp. 93-184.

even the primary, focus of US foreign policy. This contrasts with the East Asian states, which despite their global interests, are principally focused on issues that arise from interactions among themselves. The Iraq war of 2003 and the North Korean nuclear issue of 2002 are good examples of this. While the states of East Asia have been concerned for the past three years primarily with the North Korean issue, the United States has focused more on Iraq, and attempted to manage the North Korea issue without sustained attention. The opposite has occurred for the East Asian states – although Iraq has an impact, they are more concerned about resolving the North Korean issue. Thus, Japan and South Korea sent troops for the Coalition of the Willing more to cement US ties to East Asia, not from an inherent desire to stabilize Iraq. For similar reasons, other states such as India and Russia are also not East Asian states. While these states interact often with those in East Asia, their main concerns and issues are quite different.

Rising Power

Can East Asia be stable in the presence of a rising power? That is, is it possible for a stable situation to occur in which one state has overweening power, but does not cause the other states in the system to balance against it, and also does not fold the secondary states under its wing into an empire? Realists, who focus mainly on the distribution of power in a system, tend to see the rise of any state with overweening power as inherently destabilizing.[18] Others argue that preponderance of power is the most stable situation.[19] However, for choice theoretic

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[18] Kenneth Waltz, *Theory of International Politics* (Redding, MA: Addison-Wesley, 1979); Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987); John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001).

[19] A.E.K. Organski, *World Politics* (New York: Alfred Knopf, 1958), pp. 315-611;

scholars, the answer to the question above is, in R. Harrison Wagner's words, "it depends."[20]

Indeed, a rising power poses both potential costs, but also potential benefits, to the secondary state. While a rising power may demand concessions or territory from the secondary state, it may also offer benefits from a growing economy and lower defense spending if relations between the two are warm.[21] Balancing a rising power puts the balancer in a better position to avoid potential costs, if there is conflict. However, balancing will also be more likely to limit the benefits of cooperation with the rising power, and potentially raise costs through added defense expenditures and creating conflict where there may be none to begin with. By contrast, aligning with the rising power puts the bandwagon jumper in a more vulnerable position relative to the rising power, but also increases the probability of its enjoying the benefits the rising power can provide.[22] Thus, a secondary state's alignment decision will depend in part on the tradeoff between the costs and benefits the rising power potentially provides.

Although material power is important, the preferences of other states are just as important in determining a state's assessment of threat in the international system. Robert Powell writes that "although

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A.E.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980); Douglas Lemke, *Regions of War and Peace* (Cambridge: Cambridge University Press, 2002); Geoffrey Blainey, *The Causes of War*, 3rd edition (New York: The Free Press, 1988); Woosang Kim and James Morrow, "When Do Power Shifts Lead to War?" *American Journal of Political Science,* Vol. 36, No. 4 (November 1992), pp. 896-922.

[20] R. Harrison Wagner, "Peace, War, and the Balance of Power," *American Political Science Review* 88, No. 3 (September 1994), p. 593. See also Jack Levy, "The Causes of War," in Philip Tetlock *et al*. (eds.), *Behavior, Society, and Nuclear War* (New York: Oxford University Press, 1989), pp. 209-333.

[21] Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security* 19, No. 1 (Summer 1994), pp. 72-108.

[22] Robert Powell, "Bargaining Theory and International Conflict," *American Review of Political Science* 5 (2002), pp. 1-30, quoted on page 16.

some structural theories seem to suggest that one can explain at least the outline of state behavior without reference to states' goals or preferences…in order to specify a game theoretic model, the actor's preferences and benefits must be defined."[23] This coincides with recent formal work on international conflict that has identified asymmetric information as one of the main causal mechanisms that can lead to conflict.[24] Information is asymmetric or incomplete when different actors know or believe more about their own preferences and vital interests than do other states. This can lead to conflict if two sides have different assessments of the other's willingness to fight over an issue. In the reassurance context, signals must show that the state is moderate and willing to reciprocate cooperation.[25] The information problem can be most severe in determining what a state's "vital interests" are, that is, those interests over which a state will fight.[26]

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[23] *Ibid.*, p. 17. See also James D. Fearon, "Signaling Foreign Policy Interests: Tying Hands Versus Sinking Costs," *Journal of Conflict Resolution* 41, No. 1 (February 1997), pp. 68-90.

[24] James Fearon, "Rationalist Explanations for War," p. 381; Andrew Kydd, "Game theory and the spiral model," *World Politics* 49 (1997), pp. 371-400; Lisa Martin, "Credibility, Costs, and Institutions: Cooperation on Economic Sanctions," *World Politics* 45, No. 3 (1993), pp. 406-432; James D. Fearon, "Signaling Foreign Policy Interests: Tying Hands Versus Sinking Costs," *Journal of Conflict Resolution* 41, No. 1 (February 1997), pp. 68-90; Andrew Kydd, *Trust and Mistrust in International Relations* (Princeton: Princeton University Press, 2005); Fearon 1994; Robert Powell, "Bargaining Theory and International Conflict, *American Review of Political Science* 5 (2002), p. 17. The other main mechanism is the "commitment problem," which arises when two states cannot trust each other to uphold their side of a bargain. Even in situations of perfect information, the structure of incentives may make it impossible for two states to commit not to attack each other. Although the issue of credible commitments is important one, I do not address the credibility problem in detail in this paper. In contrast to the approach I take here, Robert Powell focuses only on the credible commitment problem and does not address the information problem in "The Inefficient Use of Power: Costly Conflict with Complete Information," *American Political Science Review* 98, No. 2 (May 2004), pp. 231-241.

[25] Andrew Kydd, "Game Theory and the Spiral Model," *World Politics* 49 (April 1997), pp. 371-400.

[26] James D. Fearon, "Signaling Foreign Policy Interests: Tying Hands Versus Sinking Costs," *Journal of Conflict Resolution* 41, No. 1 (February 1997), pp. 68-90.

In a system of unequal (or "unbalanced") power, it is not just security and economic relations, but also the intentions and preferences of both dominant and secondary states that make China's emergence as the largest regional state stable and not threatening. To the extent that China communicates restraint to its neighbors, and its neighbors believe China, then the system will be stable even in the context of rising power.

Why would a state limit its goals? A number of theorists have noted that power maximization is only one of many possible assumptions about state preferences.[27] In fact, it is quite possible that a dominant state will not pursue empire even if it has the potential to do so. It is also reasonable to assume that states pursue and satisfy the needs of safety, domestic stability, income for their citizens, and perhaps a number of other goals in addition to power. Under these different assumptions, if a dominant state does not face any threats and is satisfied with the status quo, it would not feel the need to pursue empire. States routinely make inferences about each other, based on a number of actions and interactions with the other states.[28]

One way international relations theorists pose this issue is to ask whether a rising power is a status quo or revisionist power.[29] A satisfied or status quo dominant state would not necessarily cause fear and balancing among the secondary states, and an important issue for the secondary state is whether the dominant state conveys intentions

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[27] James D. Fearon, "Domestic Politics, Foreign Policy, and Theories of International Relations," *American Review of Political Science* 1 (1998), p. 294.

[28] Andrew Kydd, "Game Theory and the Spiral Model," *World Politics* 49 (April 1997), pp. 371-400.

[29] On definitions of status quo and revisionist powers, see Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), p. 34; Randall Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security* 19, No. 1 (Summer 1994), pp. 72-108; Alastair Iain Johnston, "Is China A Status Quo Power?" *International Security* 27, No. 4 (Spring 2003), pp. 5-56; Organski and Kugler, *The War Ledger*, pp. 19-23.

that allay secondary states' concerns. More importantly, if the rising power communicates dissatisfaction with the status quo, it is more likely that the secondary states will fear, and attempt to balance if they can, the rising power. If the rising power communicates satisfaction with the status quo, it is more likely that the secondary states will be reassured, and bandwagon with the rising power in order to benefit from its rise.

That is, one could go far and even argue that China does not have to communicate its preference about security policy through publishing military reports or sending delegations – those communicative actions are not necessary because everyone implicitly knows that China needs stability to sustain economic growth and others also need China to expand their market. It is true that it is impossible to tell with complete surety whether a state is sincere or bluffing in the signals it sends out, or what its intentions are, because a state's preferences can always change.

Thus, while one possibility is that secondary states will balance against a rising and potentially dominant power, this is by no means the only –or most likely– strategy. An alignment decision depends on two things. First, the costs and benefits the rising power potentially provides versus the costs and benefits that an offshore balancer potentially provides. Second, how the rising power and the secondary state communicate and draw inferences about each other's preferences. To the extent that a rising, potentially predominant power can communicate its preferences for stability and the status quo, provide benefits of leadership and economic growth, and lower the costs of preparing for war, the system as a whole will be stable and likely lead to bandwagoning, or at least accommodation.

China's Emerging Presence in East Asia

Applied to East Asia, this framework allows us to better understand the difficult strategic position within which South Korea finds itself. As the region has emerged from the Cold War, and China's rise has become increasingly clear, all the regional states have begun to ask themselves how they should adjust their foreign policies to deal with this new configuration of power and states in the region. The past decade has seen China's presence rapidly increase on the Korean Peninsula, and this has had repercussions for both South-North relations, as well as the US-ROK relationship. The increasingly warm relations between South Korea and China have spanned a range of issues, from economic to political.

Furthermore, China has shown deft foreign policy toward the peninsula, simultaneously reassuring South Korea of its intentions, while also taking an increasing leadership role in a number of issues. Coupled with the diverging US and South Korean interests, South Korea is increasingly questioning whether the US as an offshore balancer truly is its best foreign policy path, or whether finding accommodation with China will better secure South Korea's future on the peninsula.

The goal of integrating North Korea back into the region, and even eventual unification, is still only part of the strategic problem South Korea faces. South Korea – and a unified Korea – must find a way to live in a region with two massive countries (Japan and China), and a global superpower with interests in the region (the US). There are no easy choices. As noted in the theoretical section, South Korea must decide whether the lure of China's booming economy outweighs the potential vulnerability South Korea could face in the future.

Like every other country in the world, South Korea sees its economic fate in the future of the Chinese economy. The potential

benefits are large, especially given the geographic proximity and cultural similarities they share. There is clearly concern in Korea about the rapid rise of Chinese manufacturing and technological prowess, yet this has not stopped the headlong rush of South Korean firms into China. Nor does the South Korean government resist regional moves – mostly initiated by China – to further economic integration and open borders. Indeed, China, Japan, and South Korea are rapidly institutionalizing their economic relationship, often without the US present at the table.

The overall contours of the China-ROK relationship are well known. In terms of economic cooperation, China's attraction to Korea was exemplified in 2003 by its surpassing of the United States as the largest export market for South Korean products – a position the US held since 1965.[30] In fact, China became South Korea's largest trade and investment partner in 2003.[31] In 2003, Korea invested more in China than did the United States – $4.7 billion to $4.2 billion. In 2003, the ROK was China's fifth-largest investor, investing over $1 billio n.[32] Korean exports to China increased 35% in 2003, to $47.5 billion, far surpassing Korean exports to the United States, which increased 7%, to $36.7 billion.[33] These broad data are backed up by other evidence of South Korean economic interest in China. Over one million South Koreans visited China in 2000, and the number continues to grow.[34] Over 25,000 Korean companies now produce goods in China.[35] Woori Bank has a 150-member research group

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[30] Korea International Trade Association, *Bridging the Pacific* No. XXXIV (January 2004).

[31] Scott Snyder, "The Beginning of the End of the US-ROK Alliance?" *PacNET* 36, August 26, 2004.

[32] "Korea's China Play," p. 32.

[33] *Ibid*., p. 32.

[34] James Brooke, "China 'Looming Large' in South Korea as Biggest Player, Replacing the US," *New York Times*, January 3, 2003.

[35] "Korea's China Play," *Business Week*, March 29, 2004, p. 32.

focused on China, and all the major Korean banks had opened branch offices in China by 2004.[36]

In security planning, South Korea has shown little inclination to balance China, and also shows little evidence of planning to defend itself militarily from China. As James Przystup writes, "it is highly unlikely that Japan or America's other allies in the region are prepared to join in a concerted containment strategy aimed at China… they have voiced their apprehension that actions taken in Washington could cause them to be confronted with difficult choices."[37] Although the US-ROK alliance provides South Korea with a strong ally, South Korean planning has not been focused on a potential Chinese threat. South Korea has also shown considerable deference to China, especially in its reluctance to support fully United States plans for theater missile defense.[38] If South Korea considered China a threat, ostensibly their force structure would be different. From 1990-2004, South Korea's defense spending has decreased by over a third from 4.4 percent of GDP in 1990 to 2.8 percent of GDP in 2004.

The events of the past few decades have led to a fundamental shift in South Korea's foreign policy orientation, its attitudes toward the United States and China, and its own self-image. However, South Korea has clearly not completely bandwagoned with China. A wholehearted embrace of China has not happened.

As Victor Cha writes:

> The net assessment therefore is that in terms of grand strategic choices, South Korea has edged down the path of being cut "adrift," [moving away from the US and closer to China] but not yet by definitive leaps

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[36] Kim Chang-gyu, "Korean banks race into China market," *JoongAng Ilbo*, July 1, 2004.

[37] James Przystup, p. 37.

[38] This may also reflect South Korea's decision that TMD will not help it in a conventional war with the North. See Victor Cha, "TMD and Nuclear Weapons in Asia," in *Asian Security Order*.

> and bounds… The fact that no clear direction has been set out over the past year is testament to the genuine state of flux in the ROK's strategic direction.[39]

South Korea and China have become much closer than they were during the Cold War. Yet their relationship is not nearly as close as the South Korea-United States relationship. It is clear, however, that South Korea's relations with both of these major powers are changing, and that South Korea-China relations are steadily growing closer.

The North Korean Issue

Regarding the North Korean nuclear program, although the United States has been mainly concerned with the North Korean nuclear program because of its global war on terror, South Korea's much deeper long-run question has been more complex: How to manage and ultimately solve the North Korea issue, even if nuclear weapons are no longer a factor. In this case, China has emerged as a regional player – even perhaps the leader – on the issue of how to best deal with North Korea. This leadership over the North Korea-US standoff is further evidence of China's emerging role in the region. This role has involved China engaging in "shuttle diplomacy" between the US and North Korea, hosting in Beijing the few meetings between the two sides that have taken place, and generally urging both the US and North Korea to moderate their rhetoric and negotiate over the issues.

Although there are other reasons for the changing US-ROK alliance, the most immediate difference has occurred over how to deal

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[39] Victor Cha, "Korea," in *Strategic Asia* (Seattle, WA: National Bureau of Asian Research, 2004).

with North Korea. The United States is worried about North Korean strength: Its nuclear weapons program. Even though North Korea has not successfully tested a missile that can reach the US, the US is worried about the potential sale of nuclear material or weapons to groups such as Al Qaeda that would use such weapons on the US.

In contrast, South Korea in particular, as well as the countries in East Asia, is more concerned about North Korean collapse or chaos than it is about an unprovoked North Korean attack. These countries believe that North Korea can be deterred, and instead are worried about the economic and political consequences of a collapsed regime. To put the matter in perspective, were North Korea to collapse, the number of refugees could be potentially greater than the entire global refugee population of 2004.[40] Even assuming a best-case scenario in which collapse did not turn violent, the regional economic and political effects would be severe. Economic growth in all the neighboring countries would be affected, if only because of the disruption from refugees and the increased demand on resources placed on all the governments. Politically, China, South Korea, Japan, and Russia would have to coordinate policies and actions in a rapidly changing environment.

Since 2002, the United States has taken the policy of attempting to isolate North Korea, and refused to negotiate with the North until it had dismantled its nuclear weapons programs.[41] However, Chinese, Russian, South Korean − and to a lesser extent, Japanese officials began to privately and publicly advocate positions that were more moderate than the American position. For example, in June of 2004, Zhou Wenzhong, China's Deputy Foreign Minister said, "we know

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[40] US Committee for Refugees and Immigrants, "World Refugee Survey 2004," http://www.refugees.org/article.aspx?id=1156.

[41] Victor Cha and David Kang, "Can North Korea Be Engaged?" *Survival* 46, No. 2 (Summer 2004), pp. 89-108.

nothing about [North Korea's] uranium program. So far the US has not presented convincing evidence of this program… The United States is accusing North Korea of having this or that, and then attaching conditions [to negotiations]. So it should really be the US that takes the initiative."[42] As one newspaper report put it in June 2004, "for months, diplomats from China, Japan, and South Korea have worried that the talks with North Korea were going nowhere, and they have described Mr. Kim and Mr. Bush as equally stubborn."[43]

China as well shows little signs of desiring to pressure the North. While China continues to take the a strong interest in attempting to restart the Six-Party Talks, a number of observers point out that China desires stability in North Korea as much as it desires a solution to the nuclear issue. For example, Piao Jianyi of the Institute of Asia Pacific Studies in Beijing said that, "although many of our friends see it as a failing state, potentially one with nuclear weapons, China has a different view. North Korea has a reforming economy that is very weak, but every year is getting better, and the regime is taking measures to reform its economy, so perhaps the US should reconsider its approach."[44] Moreover, without Chinese cooperation, any attempt to isolate the North will be difficult, if not impossible. China also continues to nudge the North toward economic reforms. During the last 4 years, the trade between China and North Korea rapidly increased, along with reports that Kim Jong Il himself has visited Shanghai industrial zones three times since 2002.

Despite much skepticism about Kim Jong Il's intentions, North Korea's market-socialism policy is accelerating, most notably it has

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[42] Joseph Kahn and Susan Chira, "Chinese Official Challenges US Stance on North Korea," *New York Times*, June 9, 2004.

[43] David Sanger, "About-Face on North Korea: Allies Helped," *New York Times*, June 24, 2004.

[44] Howard French, "Doubting US, China is Wary of Korea Role," *New York Times*, February 19, 2005.

abandoned its centrally planned economy and allows supply and demand to set prices.[45] The North has also moved forward on the creation of special economic zones. These changes have begun to affect the daily lives of North Korean citizens, and, once unleashed, it will be difficult to return to the previous economic situation. South Korea has rapidly developed its relationship with the North: North-South merchandise trade increased fifty percent year-on-year from 2001 to 2002, exceeding US$800 million.[46] Trade between the ROK and DPRK in 2003 rose 13 percent year-on-year to US$724.22 million.[47]

Signs of the similarity of approach by South Korea and China continued with the latest round of Six-Party Talks held this summer and fall. One of the sticking points was the desire by North Korea to retain a civilian nuclear power program. The US adamantly opposed this, arguing that North Korea should abandon any nuclear program, peaceful or not. However, both China and South Korea came out saying that a peaceful nuclear program is allowed under the NPT and they were supportive of North Korea's desires.[48]

China and South Korea in particular have cautiously welcomed such small changes in North Korea. South Korea is leading the efforts to pursue the economic integration of North Korea into the region. While the recent Roh-Bush summit meeting in Pusan was cordial, and although South Korea continues to attempt to find a way to cooperate with the US, it is also likely that the next three years will see the South resisting attempts to pressure the North.

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[45] See David Kang, "North Korea's Economy," in Robert Worden (ed.), *North Korea*: *A Country Study,* Federal Research Division, Library of Congress, forthcoming.

[46] Economist Intelligence Unit, *North Korea: Country Report 2003* (London: The Economist Intelligence Unit, 2003), p. 19.

[47] "Inter-Korean Trade Rises 13 Percent Last Year," *Yonhap*, December 9, 2004.

[48] Nautilus stuff here from Sept. 1, 2005.

US-ROK Relations: Differences between a Regional and Global Power

There are deep divisions within South Korea over the utility of the US-ROK alliance, policy toward North Korea, the global "war on terror" being pursued by the United States, and South Korea's relations with the other powers in the region.[49] While differences over how to deal with North Korea are nothing new, these differences were often tactical, resolved in large part because of the common perception that North Korea represented a serious security threat. In recent years, however, from Seoul's perspective, the Bush Administration's apparent interest in fostering Pyongyang's collapse or in using military force is unacceptable since both would threaten the progress made over the past three decades. Magnified by other tensions in the relationship – increasing South Korean self-confidence and pride, anti-Americanism and concerns about US unilateralism – the Bush approach to North Korea has become the prism through which many South Koreans view the security relationship. South Korea sees the United States as potentially starting a war on the Korean Peninsula, and views the US actions as destabilizing the peninsula.

For its part, the United States has viewed the North Korean nuclear issue through the prism of its global anti-terrorism efforts. For the foreseeable future, the US will be preoccupied mainly with this task, and all other issues have become secondary. In contrast, South Korea's fundamental strategic issue is not nuclear weapons – it never was. The key long-term issue is how to integrate North Korea back into the world's most dynamic region. Therefore, it is here where the strategic conundrum develops.

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[49] Chung-in Moon, "Between Banmi and Sungmi: Changing Images of the United States in South Korea," paper presented at Georgetown University, August 20, 2003.

However, this goal of integrating North Korea back into the region, and even eventual unification, is still only part of the strategic problem South Korea faces. It must ultimately find a foreign policy that allows it to deal with China, Japan, and the United States at the same time. Thus, although Roh Moo-hyun was roundly criticized for exploring the notion that Korea could be a "balancer," and he dropped the phrase almost immediately, it is part of a long-term national decision about how, and to what extent, Korea will situate itself in the region. The days when a focus on the US comprised 90% of South Korea's foreign policy are gone forever. Now, South Korea – and a unified Korea – must find a way to live in a region with two massive countries (Japan and China), and a global superpower with interests in the region (the US). There are no easy choices, but ultimately South Korea will face such a decision. As such, Roh's foreign policy pronouncements are far more than a reflection of "leftists" or "callow youths." It is a reflection of the changed realities in the region.

South Korea is a country divided – in its perceptions of the United States, in its views towards North Korea and the region, and in its goals. It is not clear whether the US presence has decreased tensions in Korea, or whether it exacerbates them. Although the conventional wisdom in Washington is that a dangerous and authoritarian North Korea that wants a nuclear capability is threatening stability in the region, South Koreans are increasingly worried that the US will demolish the slow gains made between the two Koreas over the past decade. That the security perceptions of these two long-standing allies diverge so widely is a puzzle. Although a strong US alliance with the South deterred the North from attacking during the Cold War, some South Korean analysts are now arguing that the United States is hampering progress towards normalization on the Korean Peninsula with its overly zealous focus on an "Axis of Evil."

Erik Larson notes that while there continues to be "substantial support for the alliance and a continued US military presence in South Korea, there also is support for further revisions to the Status of Forces Agreement…. The ongoing nuclear crisis and what is perceived as a harsh position on the part of the US toward North Korea seems to have led to growing concern among many South Koreans that US actions could pose as great a threat to South Korea as North Korean ones."[50] The September 2003 *Joongang Ilbo* poll found that the United States was simultaneously the most liked and the second-most disliked country in South Korea. 18.5 percent of those polled liked the US the most. Japan was the most disliked country, at 25.6 percent, although the US, with 23.7 percent, was the second most frequently mentioned country.

The South Korean public has attitudes that clearly oppose the US-led efforts. Only 15 percent of South Koreans surveyed in the summer 2002 considered terrorism to be a national priority.[51] Victor Cha writes that 72 percent of South Korea opposed the US-led war on terrorism. In the run-up to the war in Iraq, 81 percent of the general public in March 2003 opposed US-led military action against Iraq and only 9.7 percent supported it. 75.6 percent opposed the deployment of ROK combat troops to Iraq and only 16 percent supported.[52] A survey of college students in October 2003 found that 88 percent believed the US initiated a war against Iraq without justifiable cause and only 4.7 percent thought the US justified in its actions.[53]

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[50] Erik Larson, "An Analysis of the September 2003 Joongang Ilbo-CSIS Polls of South Korean attitudes toward the US," paper prepared for the CSIS study group on South Korean attitudes toward the United States, December 13, 2003, p. 1.

[51] Pew Research Center, "What the World Thinks in 2002," http://people-press.org/reports/pdf/165.pdf.

[52] A larger number, 54.2 percent, supported dispatch of non-combat troops to Iraq. See "ROK Poll Shows Koreans Support Dispatch of Non-Combat Troops to Gulf," *Yonhap*, March 20, 2003, FBIS-LAT-2003-0320.

[53] See Victor Cha, "Korea."

While South Korea – and perhaps even a unified Korea – will continue to seek good relations with the United States, it is also becoming clear that South Korea's national priorities are regional, and differ from the US's global priorities.

Conclusion

At the same time that South Korea-US relations are undergoing strain, Japan-US relations are seemingly growing closer. This presents a puzzle, because both Japan and the ROK would appear to be in superficially similar strategic positions relative to China. Although this may appear to be the case, South Korea's fundamental strategic situation is different from that of Japan's in one major way, and similar in one major way. The ROK is different from Japan in that South Korea is ultimately forced to confront the North Korean situation, no matter what happens. That is, the continued Korean War and division of the peninsula means that South Korea's primary foreign policy issue will be North-South relations. Japan, on the other hand, can view its relations with its neighbors and the US in broader terms; although Japan would clearly be affected by a war, collapse of the North Korean regime, or any other occurrence on the peninsula, it is more removed than is South Korea from having to deal with the situation. This allows Japan a measure of freedom in its foreign policy that is not yet available to South Korea.

On the other hand, it is important to remember that Japan – like South Korea – has not obviously taken any competitive stance toward China. While China-Japan relations are still in flux, and the US-Japan alliance is stronger than that of the US-ROK for the reason mentioned above, Japan still is in a position to have to determine whether it will ultimately seek to benefit from good relations with China, or whether it will take a competitive, balancing stance. To date, Japan has not

shown any genuine evidence of confronting China. Even if it abandons Article IX of the constitution (the "peace" article), Japan's military planning shows no signs of challenging China, nor does its relationship with the US point to any attempt to create a balancing coalition around China. For these two reasons, it is not that surprising that Japan-US relations are warmer, at least for the time being, than US-ROK relations.

The US-ROK alliance is still strong, and China has not yet become the regional leader in Northeast Asia. However, compared to fifteen years ago, or even three years ago, US influence has diminished, and China's influence has clearly increased. South Korea is at a critical decision point. Even the conservatives in Seoul recognize that the traditional Cold War alliance with the United States will inevitably change, and they hope to find some way of dealing with China while retaining their US relationship. This will not be an easy task.

On top of this, China's rise is forcing South Korea to confront a region radically different from the past fifty years. While most international relations theory, and indeed, most American policy-makers, see the US as the most benign ally with which South Korea could ally, unfortunately China's proximity and its massive size mean that South Korea can no longer ignore China. Far from being threatened by China, South Korea indeed shares similar policy orientations on short-term issues such as the best way to solve the nuclear crisis. Over the long run, the US has not articulated any fundamental strategy toward the region other than ridding North Korea of nuclear weapons. This means that if and when the nuclear issue is resolved, South Korea and the US may not have the same interests in how the region should look, or who should be the leader, or even from where threats arise.

Furthermore, South Korea shows no signs of security fears regarding China, and even shows a willingness to let China take the

lead in some regional issues, such as how to resolve the 2nd North Korean nuclear crisis. Even South Korean conservatives do not advocate a balancing posture against China. Thus, while there may be a transition occurring in East Asia, it is very clear that the pessimistic predictions regarding China's rise do not obtain on the Korean Peninsula. Rather, South Korea appears to be adjusting to China's place in Northeast Asia, and seeking to benefit from close ties with China while maintaining good relations with the US.

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A Regional Play of the Global Game: China's Korea Policy and the Sino-American Relationship

*Fei-Ling Wang**

Abstract

This paper describes China's policy towards the two Koreas in the context of the global game of the Sino-American relationship. It outlines the key motivations behind the making of Chinese foreign policy in general and the uncertainties and constraints produced by China's relationship with the United States. As a result of its overall objectives in diplomacy, Beijing is seeking a shared strategic interest with Washington on the Korean Peninsula but prefers the continued survival of the DPRK regime and simultaneously develops ever-closer relations with the ROK. China's basic policy towards the two Koreas remains in favor of maintaining the status quo as well as aiming towards the denuclearization of the peninsula. However, the uncertainties and complications of China-US/Japan relations profoundly affect China's strategic calculations and Beijing may be ready to make major shifts in its policy on Korean unification and the North Korean nuclear issue, as its power grows and its relations with Washington and Tokyo become increasingly complicated.

Key words: motivations of Chinese foreign policy, Sino-US relations, Beijing's Korea policy, status quo, denuclearization

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Introduction

As a rising power, China is playing an increasingly active and important role in its neighboring areas especially in East Asia. A key component of China's diplomacy in the region is its ties with the two Koreas. Beijing's policy towards the Korean Peninsula has always been crucially important to peace and stability in Northeast Asia, and this issue is now especially illuminating when it comes to China watchers hoping to plot the future development of Chinese foreign policy.

This paper will outline the basics of China's foreign policy towards the two Koreas with an emphasis on Beijing's recent conduct, main concerns, and key constraints. Chinese ties with the Koreas still appear to be fundamentally conditioned by the Sino-American relationship. As Beijing's conduct and concerns in reference to the ongoing issue of North Korean nuclear program have shown, the PRC pursued a pro-status quo policy in Korea with a clear objective of dealing with the United States for its main strategic and geopolitical interests in Northeast Asia.[1] In the 21st Century, China's Korea policy displays a continuity as the US-China relationship continues to be basically stable and Beijing's incentive structure of foreign policy making remains largely unchanged.

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[1] Fei-Ling Wang, "Changing Views: Chinese Perception of the United States-South Korea Alliance," in *Problems of Post-Communism* (formerly *Problems of Communism*), Washington, DC, July-August 1996, pp. 25-34; *Tacit Acceptance and Watchful Eyes: Beijing's Views about the US-ROK Alliance* (Strategic Studies Institute: Carlisle Barracks, PA), The US Army War College, January 1997; "China and Korean Unification: A Policy of Status Quo," *Korea and World Affairs*, Seoul, Korea, Vol. XXII, No. 2, (Summer 1998), pp. 177-198; "Joining the Major Powers for the Status Quo: China's Views and Policy on Korean Reunification," *Pacific Affairs*, Vol. 72-2 (Summer), 1999, pp. 167-185. Also Tae-Hwan Kwak and Thomas L. Wilborn (eds.), *The US-ROK Alliance in Transition* (Korea: Kyungnam University Press, 1996) and Tae-Hwan Kwak & Edward A. Olsen (eds.), *The Major Powers of Northeast Asia: Seeking Peace and Security* (Boulder, CO: Lynn Rienner Publishers, 1996).

Barring any major changes in the Sino-American relationship and any catastrophic development inside the PRC (People's Republic of China), Chinese policy towards the Korean Peninsula is expected to be stable and conservative: Beijing prefers the continued survival of the DPRK (Democratic People's Republic of Korea) regime for its political and strategic needs while developing ever-closer relations with the ROK (Republic of Korea) for important economic interests and geopolitical considerations of cultivating a counterweight to Japan and the United States. Nominally supporting a Korean unification, the PRC seeks to maintain the political status quo and a denuclearization on the Korean Peninsula. However, the uncertainties and complications of the Sino-American relations, the growing Sino-Japanese discord, and the Taiwan issue are likely to develop further in profoundly altering China's strategic calculation about Korean Peninsula and hence Beijing's policy about status quo and denuclearization. China appears to be ready to accept both a nuclear North Korea and a Seoul-dominated united Korea, stable and friendly to Beijing, in the not too distant future.

To discuss these points, this paper will first outline the key concerns and constraints of the making of Chinese foreign policy: The peculiar incentives in Beijing and the relations China has with the United States. In line with its overall objective in its diplomacy, Beijing is seeking a shared strategic interest with the United States and other major external powers on the Korean Peninsula. She yet may make significant changes as the overall US-China relationship evolves amidst profound differences and uncertainties.

Internal Constraints: A Rising Power with Peculiar Motivations

In the past two decades, the PRC has managed to achieve two seemingly impossible goals: Remarkable socio-political stability and

record-shattering economic growth. After surviving the political scare of 1989, the CCP (Chinese Communist Party) perpetuates a monopoly of political power in China with a still poor, albeit improving, record of social liberty and human rights. The Chinese economy has been experiencing a major boom that promises a rise of China as a world-class power in the foreseeable future.

China's GDP has grown at the speed of 8-9 percent annually for the past 25 years.[2] By purchasing power parity (PPP), in 2005, according to the CIA, the Chinese economy was already the world's second largest, about 62% of the American and over 1.9 times of that of Japan. China is now considered a middle-income nation with per capita GDP over $4,500, almost twice as much as that of India.[3]

Foreign investors have shown great interest and confidence in China by investing great sums and making China the world's second largest recipient of foreign direct investment (FDI), after the United States. In 2003, China received eight times more FDI than Brazil, seven times more than Mexico, and almost 21 times more than India. China is now the fifth largest trader in the world. As the combined result of the massive inflow of foreign capital and significant trade surplus, China's foreign currency reserves have ballooned from $10 billion in 1990 to over $700 billion by mid-2005, second only to Japan's.[4]

To be sure, China's rising economic power still has significant problems. About two-thirds of the Chinese population are systematically excluded from the glittering, vibrant urban centers and have the low

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[2] Charles Hutzler, "China May Be on Course To Overtake US Economy," *The Wall Street Journal*, January 24, 2005, p. A2.

[3] CIA, *The World Factbook 2005* (Washington, DC: CIA, 2005).

[4] For the achievement and power of the Chinese economy, see the special coverage, "Great Wall Street: How China Runs the World Economy," *The Economist*, July 30-August 5, 2005 and the special issue on China and India by *Business Week*, August 15, 2005.

living standard typical of a developing nation. China is essentially still a giant labor-intensive processing factory. Among the great variety of industrial goods China now produces and exports, few are invented or designed by Chinese. As a result, the Chinese end up earning low wages at great costs to their environment, while foreign patent holders, investors, and retailers capture the lion's share of the profit.[5]

Nonetheless, China's economic record in the past two decades has been truly impressive. With that, Beijing has successfully justified its political system to the millions of Chinese especially the economic, social, and intellectual elites. A new ruling class and a new developmentalist political consensus have emerged and taken strong hold in China to stabilize the CCP's authoritarian one-party regime. "Under the neo-authoritarianism banner" of the CCP, described a PRC analyst, "(China's) political elite, economic elite, and intellectual elite have all reached a consensus and joined an alliance" to rule China as a new ruling class that monopolizes political power.[6] Many CCP officials and leaders are so pro-business and so devoted to economic growth that they appear to be almost identical as their counterparts in places like Seoul, Taipei, and Singapore. Opinion polls and anecdotal evidence have widely suggested that the CCP's political monopoly is secure, as long as the economy grows and the income of the people (mainly the politically potent urban population) increases. It seems that political legitimacy can indeed be effectively purchased in China, at least for the time being.

More active Chinese participation in the management of international affairs and a more evenly constructed multi-polar world seems to highly appeal to a rising China. Many PRC analysts prefer to

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[5] Fei-Ling Wang, "Lots of Wealth, Lots of People, Lots of Flaws: China Rising," *International Herald Tribune*, July 21, 2005.

[6] Kang Xiaoguang, "Weilai 3-5 nian zhongguo dalu zhengzhi wendingxing fengxi" (Analysis of the political stability issue in Chinese Mainland in the next 3-5 years), *Zhanlue yu guanli* (Strategy and management), Beijing, No. 3, 2003, pp. 1-2.

be first given a great power (*daguo*) responsibility in the Asian-Pacific region to ensure a "just and rational" new security order in the region.

Beyond that, China could take advantage of the differences between the United States and its allies in Europe – the so-called strategy of "utilizing the West-West conflicts" by forging more ties between the "rising Asia" and the European Union.[7] She could also form a China-India-Russia alliance to counter the US-EU-Japan dominance.[8] In 2004-05, Beijing made a somewhat surprising move to support New Delhi's bid for a permanent seat in the UN Security Council while openly and repeatedly stated its objection to Japan's similar aspiration.[9] Eventually, many in Beijing hope that China's rise will make it a new world leader to provide new norms and create a new history for itself and for the world.[10] One analyst put the economic reasons for more Chinese power very bluntly:

> "China's sustained development in the future cannot be sufficiently supported by (our) domestic resources, we must have the right to share the world's resources and use it to support China's development."[11]

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[7] The PRC started to actively participate in the Asia-Europe Meeting (ASEM), a dialogue between the EU and East and Southeast Asia nations created in 1996, in the early 2000s. In 2004, China participated in the 39-nation dialogue. Huang Haiming *et al.*, "ASEM Enhances Overall Asia-Europe Relations," *Xinhua*, Beijing, October 6, 2004; Xiao Chenglin "Asia, Europe Move Closer in Cooperation," *Xinhua*, Beijing, October 5, 2004. In 2005, Beijing's tenacious pursuit of EU arms sales, over the objections of Washington, is a good example of such strategy.

[8] Authors' interviews in Beijing, 2004. The Russians, however, seem to deeply doubt this. "Alliance Between Russia, China, and India Hardly Possible According to Expert Opinion," *Russian News and Information Agency*, Moscow, January 20, 2005.

[9] Indo-Asian News Service, "Shift in China's Foreign Policy under Hu," October 21, 2004. For China's objection to Japan's bid, see *Renmin Ribao* (People's daily), "Four Barriers on Japan's Way to 'Permanent Seat'," in FBIS-NES-2004-0927, Beijing, September 26, 2004.

[10] Zhang Feng, "Zhongguo fuxin kaiqi xin lishi" (China's rejuvenation creates new history), *Global Times*, Beijing, August 30, 2004.

[11] Zhang Wenmu, "Quanqiuhua jincheng zhong de zhongguo guojia liye" (China's national interest in the process of globalization), *Zhanlue yu guanli* (Strategy and

A new and bigger role for China in international affairs in the near future in Asia and beyond has now become not just a hot topic but also a widely accepted fact among analysts in and outside the PRC. Apprehension and even fear of the dragon are seen in China's neighboring areas.[12]

Yet rising Chinese power has already faced important and rather peculiar concerns and constraints. In the 21st century, Beijing's top concern in foreign policy remains to be the preservation of the one-party political system of the CCP. Short of effective political reforms to produce better governance, the preservation necessity remains the top objective for Beijing. Tangible and continued economic prosperity has become *the* avenue to reach that goal; international acceptance and approval have become major sources of legitimacy for the CCP at home, while nationalistic demands for more Chinese power and prestige have presented Beijing with an additional opportunity for and a new challenge to its political preservation. Together, a peculiar incentive structure of political preservation, economic prosperity, and national power/prestige fundamentally motivates China's foreign policy.

For the CCP's political survival, China's foreign policy remains basically conservative, pragmatic, pro-status quo, and reactive. External respect itself has become a leading source of political legitimacy, hence Beijing cultivates hard its peaceful and cooperative posture in international relations. But China's conservative foreign policy for political preservation and its drive for economic prosperity has combined to generate fuel for a rising sense of Chinese nationalism. On the one hand, rapid economic growth and technological

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management), Beijing, No. 1, 2001, p. 63.

[12] Jane Perlez, "China shoring up image as Asian superpower," *International Herald Tribune,* December 2, 2004; "Fear of the Dragon," *The Economist,* London, November 17, 2004, pp. 34, 37.

advances have powered nationalistic sentiments and demands; on the other hand, Beijing's preservation-oriented conservative foreign policy has frustrated many Chinese nationalists. The will to seek more power in international relations is creeping up inside China as an increasingly strong factor to be reckoned with. Although the official line in Beijing remains to be the mild and benign "peaceful development," after a fling with the new and more majestic idea of the "peaceful rise" during the power transition from Jiang Zemin to Hu Jintao in 2003-04.[13] The rise of nationalist emotions and demands in the PRC is here to stay, as the massive anti-Japanese demonstrations in China in spring of 2005 vividly illustrated.

Practically, China has developed an unprecedented dependence on international trade. In 2003-04, 20 percent to a quarter of China's GDP is directly related to foreign trade; and China imports increasingly more oil from the troubled region of the Middle East.[14] Economic globalization, hence, appears to Beijing as a worthwhile gamble. A senior CCP official argues that as long as China seizes the currently available "development opportunity that presents itself only once in a thousand years so to ride the tide to catch the express train of economic globalization, we will realize our ideals of having a leapfrog (form of -sic) development and having a powerful nation and rich people."[15] For that, China clearly needs to be part of the existing international

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[13] Zheng Bijian (former executive vice president of the CCP's Central Party School) first officially proposed the concept in his speech in November of 2003. Hu Jintao (as late as in February of 2004) and Wen Jiabao (as late as in March of 2004) both advocated the new concept of "peaceful rise" as it was customary in the PRC for a new leadership to come up with a new slogan, news.xinhuanet.com/zhengfu/2004-03/26/content_1386611.htm. However, presumably under pressures and after second thoughts, the phrase disappeared from PRC official speeches, statements, and reports by mid-fall of 2004.

[14] For China's needs for more energy and oil imports, see "Asia's Great Oil Hunt," *Business Week*, November 15, 2004.

[15] Qiu Yuanping, "Minaxiang shijie de xunyan" (Declaration to the world), *Qiushi,* Beijing, No. 3, 2003, pp. 27-28.

economic institutions, trade aggressively with everyone, and especially maintain a good relationship with the developed nations. Recently, Beijing is also actively flexing its economic muscles for more advantage. A leading example is the idea of constructing a free trade zone that includes basically all of East and Southeast Asia, the so-called ten plus three scheme. In 2004, Beijing joined the meeting of financial ministers and central bank governors of the G-7 countries for the first time.[16] It seems to the CCP that to selectively embrace globalization pays and substantial political legitimacy can be purchased internationally as well.

Guided by such a three-P incentive structure, Beijing believes that the post-9/11 war on terrorism and the US invasion and occupation of Iraq have provided a "period of strategic opportunity" for the CCP to concentrate on its strategy of stability and development in the first two decades of this century.[17] So the CCP hopes for a continuation of the current stability in the US-China relationship and a generally peaceful international environment for China's economic growth.[18]

It is worthwhile to note that many Chinese analysts are now increasingly candid about the inadequacy of Chinese power, primarily defined as China's lack of military capabilities. While the PLA may be able to safeguard the PRC political system and the stability of the CCP regime against foreseeable domestic threats, it is clearly under equipped and poorly-trained to carry out missions outside of China's

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[16] *Financial Times*, September 22, 2004.

[17] Jiang Zemin, Political Report to the 16th CCP National Congress, Beijing, November 2002. Under Hu Jintao, Beijing kept this estimate but rephrased it as a "coexistence of opportunity and challenges." *The Communiqué of 4th Plenum of the 16th CCP Central Commission,* Beijing, September 19, 2004.

[18] For more discussion of the Chinese foreign policy making in the 2000s especially Beijing's peculiar incentive structure, see Yong Deng and Fei-Ling Wang (eds.), *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham, MD: Rowman & Littlefield, 2005).

borders. The PLA is viewed as increasingly falling behind that of the Western militaries, with perhaps the exception of nuclear capable land- and sea-based ballistic missiles.[19] A possible clashing point between Pyongyang and Washington over the North Korean nuclear issue may force Beijing to fight US forces in a second Korean War, with a much slimmer chance of another stalemate. Consequently, increasingly many now in the PRC are calling for quiet but steady building up and exercising of China's national power, especially military forces, to safeguard its political system and national sovereignty, seek the appropriate Chinese "sphere of influence," and "regain" China's rightful but deprived great power status and influence.[20] PLA analysts now openly write that China "must increase" its military spending and keep its military spending growing at the same pace with the economy in the future.[21] Leading Chinese economists also argue for a "massive increase of military spending" by as much as 50 percent in the near future as a key to a new grand strategy to make China a world class power by the mid-21st century.[22] With a fairly complete industrial system, reasonably sophisticated technology, millions of soldiers, and a booming economy, the PLA indeed could resort to a militarization that will make the alleged

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[19] David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2003), pp. 330-332.

[20] Tang Shiping, "Zailun zhongguo d da zhanlue" (Another threat use on China's grand strategy), *Zhanlue yu guanli* (Strategy and management), Beijing, No. 4, 2001, pp. 29-37; Zhang Wenmu, "Quanqiuhua jincheng zhong de zhongguo guojia liye" (China's national interest in the process of globalization), *Zhanlue yu guanli* (Strategy and management), Beijing, No. 1, 2002, pp. 52-64.

[21] Lou Yaoliang, *Diyuan zhengzhi yu zhongguo guofang zhanlue* (Geopolitics and China's national defense strategy) (Tianjin: Tianjin Remin Press, 2002), p. 255; Yan Xuetong, "Zhongguo zonghe guoli shangbu pingheng" (China's comprehensive power is not balanced), *Global Times*, August 24, 2004.

[22] Hu Angang and Meng Honghua, "Zhongmeirieying youxing zhanlue ziyuan bijiao" (A comparison of tangible strategic resources among China, the US, Japan, Russia, and India), *Zhanlue yu guanli* (Strategy and management), Beijing, No. 2, 2002, pp. 26-41.

weapons of mass destruction in the so-called "Axis of Evil" nations (Iraq, Iran, and North Korea) look like a fairy tale. A fully mobilized military-industry complex in China would likely render futile any American effort for absolute security.[23]

External Constraints: US-China Relations

In the first decade of the 21st Century, the basics of Sino-American relations, widely believed to be the most important bilateral relationship to both countries, are expected to remain stable as the second Bush Administrations openly seeks to build "a candid, cooperative, and constructive relationship with China that embraces our common interests." However, as Secretary of State Condoleezza Rice told the US Senate, there are "considerable differences about values" between Washington and Beijing.[24] Furthermore, there are several explosive mines that could seriously damage the US-China relationship, among which the Taiwan issue is a major one.[25] Stability with considerable uncertainties that have great consequences seems to be the proper characterization about the current US-PRC relationship, which serves as the most powerful external constraint of the Chinese foreign policy.

For the three-P objectives outlined above, Beijing has been seeking to avoid direct conflict with the United States, at least for now, by pursuing a conservative, pro-status quo, and risk-averse policy that is quite unusual for a rapidly rising power.[26] Beijing appears to be

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[23] Geoffrey York and Marcus Gee, "Flexing its Military Muscle," *Global and Mail*, Toronto, October 23, 2004.

[24] Rice's statement at the US Senate's Confirmation Hearing, January 18, 2005.

[25] Richard Armitage's TV interview, December 10, 2004. Released by the US Department of State on December 30, 2004.

[26] Hu Jintao's speech at the Summit Meeting of the Shanghai Cooperation Organization, Moscow, May 30, 2003.

betting its future on its efforts *within* the current international political and economic system and its focused program of economic development by taking advantage of Western capital, technology, and markets to make the PRC an equal to the West. In addition, after more than two decades of opening to the outside world (mainly the West) and as new Chinese élites who tend to have great vested interests in a good relationship with the United States increase in number, China is now increasingly and genuinely developing some shared values, interests, and even perspectives with reigning Western powers.[27]

The United States, as the lone superpower and the leading external player that can realistically undermine or accept (and hence legitimize) Beijing's political system and help or hinder Beijing's economic and foreign pursuits, is heavily influential in the PRC.[28] Both finding the status quo in their interest, Washington and Beijing have developed some shared strategic interests in the global war on terrorism and in handling regional or UN-related issues, such as the control of weapons of mass destruction. Nuclear-armed and deemed by many to be condemned into a hopeless course of collision between the reigning power and the rising power, America and China appear to be surprisingly peaceful and cooperative with each other so far.[29]

Beijing shows great deference to American power and leadership. A senior "American Hand" in Beijing wrote in 2002 that "even if the US economy and the Chinese economy maintain 3 percent and 8 percent growth rate respectively, it will take 46 more years for

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[27] Yong Deng and Fei-Ling Wang (eds.), *In the Eyes of the Dragon: China Views the World* (Boulder: CO, 1999); Li Shengming and Wang Yizhou (eds.), *2003 Nian quanqiu zhengzhi yu anquan baogao* (2003 yellow book of international politics and security), (Beijiing: Shehui Kexue Wenxian Press, 2003), especially pp. 1-15, pp. 84-105.

[28] Ding Gang, "Tuo meiguohua: Buke huibi de wenti" (De-Americanization: An unavoidable question, *Global Times*, Beijing, September 13, 2004.

[29] Samuel Kim (ed.), *The International Relations of Northeast Asia* (Lanham, MD: Rowman & Littlefield Publishers, 2004).

China's GDP to reach the size of that of the United States."[30] Another analyst estimated that China's GDP, about 10.9 percent of the US GDP in 2000, will only increase to be about 18.6 percent of the US GDP by 2015.[31] As a result of the disparity of power and differences, the United States is viewed in Beijing as "the largest external factor affecting China's national reunification and national security."[32]

Luckily, the current *de facto* alliance of anti-terrorism has offered the CCP leadership a breathing opportunity. One authoritative analyst wrote to educate PRC officials that, although the United States has not changed its policy of concurrently engaging and containing China after 9/11, right now, the tip of the US spear is not all pointed at China.

> This brings a rare opportunity for us to concentrate on economic construction and create beneficial international and neighboring environments. We must seize upon this rare opportunity after more than ten years since the end of the Cold War. (We) should not stand out diplomatically so to avoid drawing fire to ourselves; instead, (we) should concentrate on doing a good job internally, speed up economic construction, accelerate development, to strive for a larger elevation of China's comprehensive national power in the first ten to twenty years of the new century.[33]

Yet, as perhaps a testing balloon or a sign of the changed time, the CCP's foreign policy guru Qian Qichen unexpectedly published

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[30] Wang Jisi, "Gailun zhongmeiri sanbian guanxi" (On the triangular relationship among China, the US, and Japan), in Lin Rong, *Xinshiji de sikao* (Thinking in the new century), Vol. 1 (Beijing: Central Party School Press, 2002), p. 3.

[31] Tang Shiping, "2010-2015 nian d zhongguo zhoubian angquan huangjin" (China's neighboring security environment in 2010-2015), *Zhanlue yu guanli* (Strategy and management), Beijing, No. 5, 2002, p. 40.

[32] Zhu Tingchang *et al.* (eds), *Zhongguo zhoubian anquan hunagjin yu anquan zhanlue* (China's security environment and strategy in the neighboring areas), (Beijing: Shishi Press, 2002), p. 5.

[33] He Dalong, "9.11 hou guoji xingshi d zhongda bianhua" (Major changes in international situations after 9/11), *Shishi ziliao shouce* (Handbook on current affairs), Beijing, No. 4, October 20, 2002, pp. 12, 15.

an article on the eve of 2004 US presidential election harshly criticizing the foreign policy of the Bush Administration as an attempt to "rule the whole world" by force; and assert that the 21st century "is not the American century."[34] Whether Qian's article is an opportunistic move, a case of accidentally speaking out of turn, or a sign of upcoming defiance and confrontation remains to be seen.

There are significant uncertainties between Beijing and Washington that may make the US-China relationship just another repeat of the tragic history of great power politics. While not unavoidable yet, a more confrontational cross-Pacific relationship will necessarily produce profound shocks and costs to the whole world, especially the Korean Peninsula.

Cyclical American domestic politics may cause new ups and downs in US-PRC relations. Rhetoric critical of China, especially in the areas of Beijing's human rights record, is likely to continue and even grow as the second Bush Administration professes to actively promote freedom and democracy, "seeking an end to tyranny in the world."[35] To the dismay of Chinese political exiles as well as opposition groups like the Falun Gong, American ideological criticisms of Beijing are mainly for domestic consumption and are unlikely to lead to concrete actions against China beyond words. Given the more urgent, real American need of China's cooperation in fighting international terrorism and working on the North Korean nuclear issue, human rights and ideological differences, long-standing as they indeed are, will take a back seat.

Out of all the uncertainties between the United States and China, the most explosive problem has been the Taiwan issue. It is widely believed that the Taiwan issue is the single issue that could destroy the

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[34] Qian Qichen, "US Strategy Seriously Flawed," *China Daily*, Beijing, November 1, 2004.

[35] George W. Bush, "State of Union Address," February 5, 2005.

peace and prosperity of East Asia, and ruin Sino-American relations. Taiwan, a *de facto* independent entity that seeks a full or *de jure* independence, is of core interest to China as it directly affects the CCP's political preservation, China's economic prosperity, national power, and prestige. No Chinese ruler, Communist or not, can afford to "let Taiwan go" without the collapse of his own regime. Wary of the cost of "swallowing" a democratic Taiwan, which will pose a great threat to the CCP's one-party political monopoly, Beijing sincerely prefers the status quo to be stabilized with the nominal reunification of "one country, two systems" for its own domestic consumption. However, Beijing is nonetheless also preparing to fight a war with even the United States to keep Taiwan within a "one-China" framework. Regarding Taiwanese independence, one detects very little difference in attitude among Chinese élites, street people, and even political exiles, as they all appear to oppose it on the grounds of nationalism, history, fairness, or simply Chinese pride.

The United States has officially recognized Taiwan as part of China through numerous official statements and three bilateral communiqués with the PRC since 1972. A skillful play of the Taiwan card has very effectively yielded considerable geopolitical benefits for Washington. However, a war between Beijing and Taipei is likely to draw America into the fray as US law (The Taiwan Relations Act) mandates American actions in response to Taiwan's security needs. To have a direct military confrontation between the US and China because of Taiwan would be one of the worst tragedies in modern international relations, with destruction beyond imagination. Mindful and fearful of that, America has been cautiously walking a tightrope: Washington wants to preserve and utilize Taiwan as a strategic asset and promote it as a worthwhile cause, yet is careful not to end up fighting a Taiwanese independence war against China. Moreover, the PRC seems to see the US position clearly in its 2004 national defense

white paper.[36]

Will Beijing trade the DPRK for Taiwan? Chinese officials and analysts seem to see the futility and danger of making such a connection. Nonetheless, one hears frequently from Beijing comments like this: "Of course, the American strategy towards China (mainly on the Taiwan issue) strongly shapes the Chinese attitude (towards the Korean Peninsula)."[37]

Beijing and the two Koreas: A Sketch

More than half-century after the Korean War, the major powers in the region, the United States, China, Japan, and Russia, continue to hold the key to the political future of the Korean Peninsula. Currently, China and the United States have demonstrated a view that there is a shared interest in peace and stability in Northeast Asia through maintaining the *status quo* and pursuing a denuclearization on the Korean Peninsula. After "joining the great powers" on how to deal with the nuclear ambitions of the DPRK and on the Korean unification issue in general in the 1990s, [38] the PRC has continued to play its happy role of hosting and participating in the "Six-Party Talks" that seem to help stabilizing the situation. This position and role fit well Beijing's overall three-P diplomatic objectives as analyzed earlier. An analyst in Beijing gladly and candidly concluded:

> The future new international political order in Northeast Asia depends

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[36] PRC State Council, "Chinese National Defense in 2004," Beijing, December 2004.

[37] Wang Yiwei, "China's Role in Dealing with the North Korean Nuclear Issue," conference paper, July 2005, p. 3.

[38] Fei-Ling Wang, "Joining the Major Powers for the Status Quo: China's Views and Policy on Korean Reunification," *Pacific Affairs*, Vol. 72-2 (Summer), 1999, pp. 167-185.

> on the relations among the four major powers: The US, Japan, China, and Russia. The interests of the four major powers will affect the issue of Korean reunification. Korean reunification will be decided by inter-Korean factors under the influence of the political attitudes of the four major powers.[39]

Up until the present time, Beijing has continued its "status quo" Korea policy as "a responsible great power" in line with its overall foreign policy, reflecting the largely stable US-China relationship. China's views and policies towards Korea, according to foreign policy analysts in Beijing, "have been nearly unanimous and consistent" for nearly two decades now.

Officially supporting an *independent* and *peaceful* reunification of Korea in principle, but unsure of the consequences of a Korean reunification and apprehensive about the possible negative impact associated with a likely continuation of US military forces in a united Korea, China has continued to advocate a "balanced" policy that aims at the preservation of the *status quo* of political division on the Korean Peninsula.

Being "tricked into entering the Korean war" more than 50 years ago, the PRC harbors strong, though well hidden, resentment, and distrust towards Pyongyang. Beijing has felt deep frustration and constant irritation with its Pyongyang comrades, who not only failed to reform the North Korean economy, but have also attacked China's unorthodox reforms.[40] In recent years, the DPRK has created considerable thorny diplomatic problems for the PRC: Repeated

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[39] Guo Xuetang, "Chaoxian bandao tongyi: Wenti yu qianjing" (The reunification of the Korean Peninsula: Issues and prospects), *Guoji guancha* (International observation), Beijing, No. 5 (May 1996), pp. 26-29.

[40] Wang Yiwei, "China's Role in Dealing with the North Korean Nuclear Issue," conference paper, July 2005, p. 7. Some senior CCP officials commented in private that the North Koreans are "really a shame of socialism" because they have failed to pursue a Chinese or Vietnamese style reform, criticized the Chinese as "revisionists," and become a group of "socialist paupers."

North Korean defectors seeking protection in Japanese and ROK diplomatic missions in the PRC have continuously put Beijing in an awkward position. There is also the costly problem of how to repatriate the significant number of North Korean refugees in China's Northeast who only create local problems and tensions with the South Koreans. Beijing is especially unhappy with the DPRK's play of nuclear fire since it not only threatens China's preference for peace and stability in Northeast Asia, but also may lead to a possible showdown with the United States on the Korean Peninsula that will directly affect core PRC foreign policy objectives.

Unable to control or abandon Pyongyang, yet clearly unwilling to fight the US and its allies for the DPRK, Beijing is caught between two tough choices. The best way out is to muddle-through by trying to preserve the status quo and prevent a showdown. Hence, Beijing continues its discrete but vital assistance to the DPRK for mainly geopolitical concerns coated with humanitarian and ideological rhetoric. Energy and food from China are now literally a lifeline for Pyongyang, with Beijing supplies more than 70 percent of oil to the starving DPRK. Beijing further insists that it "has always maintained close contacts and cooperation" with the DPRK in just about every aspects of their relations.[41] When Chinese scholars published an article criticizing the North Koreans for their domestic polices and external adventures in September 2004, in the influential *Zhanlue yu guanli* (Strategy and Management), Beijing ordered the magazine recalled and the journal banned indefinitely. In the multilateral negotiations of the "Six Party Talks," Beijing tries hard to be an honest broker between the United States and the DPRK and an inconspicuous but consistent agent and spokesman for its North Korean comrades.

China's economic and cultural ties as well as the overall

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[41] PRC Ministry of Foreign Affairs, News Release on DPRK, Beijing, October 23, 2004.

relationship with the ROK took off shortly after the two swapped full diplomatic recognition in 1992. Trade grew at an astonishing speed of 40 percent annually in the 1990s.[42] By the mid-2000s, the PRC became the largest trade partner of South Korea. Sino-South Korean exchanges of students and cultural products have grown at a breathtaking pace to make the ROK a major source of education, cultural influence, and even culinary fashions to millions of Chinese. Over 30,000 Chinese students now study in the ROK while a similar number of ROK students are studying in the PRC. At the end of 2004, China opened a cultural center in Seoul, its sixth in the world and first in Asia.[43] Dozens of Korean companies now provide up to 70 percent of the entire online electronic game industry in China. One study reports that a Korean snack food, Chocopie, now takes about 40 percent of China's pie industry. A "Han-ryu" or fever for Korean cultural products has been developing extensively in China. The ROK-produced TV programming, movies, and music videos have become a cultural phenomenon in the PRC, so much so that Beijing has decided in 2004 to step up its regulation of Korean cultural products to protect Chinese "pride."[44]

Distrust and undercurrents of problems between the PRC and the ROK, however, nonetheless exist and develop. Other than the periodically outcry over Beijing's handling of North Korean refugees and defectors that often led to the public burning of the PRC flags in Seoul, South Koreans are apparently developing strong nationalist sentiments against the Chinese. The recent PRC-ROK disputes over Chinese history books are a good illustration of the uncertainties and how Beijing typically reacts. In early 2004, South Koreans,

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[42] *Zhongguo Waijiao Gailang* (Survey of Chinese diplomacy), (Beijing: Shijie Zhishi Press, 1990), p. 97.

[43] *Xinhua News Dispatch*, Seoul, December 28, 2004.

[44] Mary Han, "Northeast Asia: A New Center of Culture," unpublished paper, Georgia Tech, December, 2004.

interestingly joined by the North Koreans too, protested strongly over a new Chinese textbook interpretation of history that claimed that the history of the ancient Korean kingdom of Koguryo (37 B.C.-668 A.D.), which existed in part of today's Korean Peninsula and part of China's Northeast region, was part of Chinese history.[45] Beijing, in its now familiar pattern of risk-averse and conflict-avoiding foreign policy, strictly controlled the Chinese media reports and public reactions to this inside the PRC and tried to calm the Koreans. A few months later, Beijing managed to reach a five-point agreement with Seoul to effectively shelve the dispute and exclude the Chinese claim from the PRC official teaching materials. That conciliatory act barely succeeded in calming the South Koreans,[46] and, very interestingly, simply not known to the Chinese, is very much in line with the PRC policy of keeping factual but sensitive information away from its own people. When two Chinese web sites published a story about the five-point agreement, they were reported to be ordered shut down by the PRC police.[47]

In addition to this possible "turning point for China-Korea relations" that may signal a more competitive and sensitive era for the PRC and the ROK,[48] uncertainties and new problems between them seem to be without any foreseeable end. On January 18, 2005, a Korean newspaper angrily called for a "second look at China" and questioned Beijing's stated policy for peace and friendship.[49] Two

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[45] Donald Kirk, "Chinese history - a cause that unites the two Koreas," *South China Morning Post*, February 28, 2004.

[46] Seo Hyun-jin, "Controversy lingers despite Korea-China agreement," *Korea Herald,* August 24, 2004; Ryu Jin, "China's No. 4 Man to Visit Seoul Thursday," *Korea Times*, August 25, 2005.

[47] "PRC closes two internet sites reporting PRC-ROC agreement on Koguryo history," *China Times*, Taipei, August 30, 2004.

[48] Scott Snyder, "A Turning Point for China-Korea Relations?" *Comparative Connections*, 3rd Quarter, 2004.

[49] Editorial, "A Second Look at China," *Korea Herald*, Seoul, January 18, 2005.

days later, Beijing got another taste of Korean nationalism in the ROK. The Mayor of Seoul formally declared that it would change the Chinese name of Seoul city from Han-Cheng to Shou-Er and requested the Chinese to comply, so to erase the old name for the city and avoid confusions about the true nationality of the ROK capital.[50] It has already sparked negative responses from the Chinese, critical of South Koreans for their "narrow nationalism,"[51] although officially Beijing has quietly and quickly accepted the change. The long, close, and complicated relationship between China and the two Koreas, especially the economically confident South Korea, has always been a mixture of emotions and will continue to offer both great opportunities and consequential uncertainties for them and for the United States in the years ahead. [52]

Chinese Objectives: No Unification and No Nukes for now

Currently, Beijing's dominant interest is in a peaceful and stable Korean Peninsula, divided or unified, preferably divided. It is also strongly interested in seeing the Peninsula free of nuclear weapons.[53] To avoid the entanglement and shocks at a time when Beijing is worrying about its own political stability and desires an avoidance of conflict with the United States, China is happy to play a passive, arguably indispensable, role in dealing with the North Korean nuclear program and the process of Korean reunification. While openly

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[50] *Xinkuai Bao* (News Express), Beijing, January 20, 2005; *UPI*, Seoul, January 20, 2005.

[51] For example, fjt.todayisp.com:7751/www.xinjunshi.com/Article/wangyou/200501/5315.html.

[52] Michael Yoo, "China Seen from Korea: Four Thousand Years of Close Relationship," *RIETI*, Tokyo, May 8, 2003.

[53] Nina Hachigian, "China's stake in a non-nuclear Korea," *Christian Science Monitor*, February 17, 2005.

professing its preference that the Korean Peninsula should remain nuclear-free, Beijing insists that the United States should not use that issue to destroy the DPRK or cause a military confrontation in northeast Asia. "After all," a PRC analyst wrote in mid-2005, "the DPRK's nuclear program imposes a threat to the US, not to China."[54]

The PRC exhibits a clear ambivalence towards the unification of Korea: A unified Korea may create stability and peace on the Peninsula over the long run, and may eliminate the existence of external military and political forces in the region; a united and stronger Korea will likely serve as an important force countering Japan in East Asia – to constitute the new multi-polar structure desired by Beijing; Korean reunification also echoes the similar desire China has *en re* Taiwan. However, Beijing has a strong sense of uncertainty and serious reservations about Korean reunification. A military alliance between a united and perhaps nationalistic Korea and the United States clearly makes Beijing uncomfortable. Hence the following official statement by the PRC several years ago still holds true today.

> China takes maintaining peace and stability on the peninsula as the fundamental principle in its handling of Peninsula affairs.... China has dedicated itself to maintaining peace and stability there, endorsing the improvement of relations between the North and South of Korea and supporting an independent and peaceful reunification.[55]

Practically, China is likely to continue its active role as a good host to the Six-Party Talks aiming at control, if not resolution, of the Korean nuclear issue and tries hard to give it a good spin every time it can, as it did in summer of 2005. It appears to be in Beijing's interest

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[54] Wang Yiwei, "China's Role in Dealing with the North Korean Nuclear Issue," conference paper, July 2005, p. 3.

[55] *Xinhua Daily Telegraphy*, Beijing, December 9, 1997.

to exert more pressure on Pyongyang to have a realistic and timely peaceful end to the US-DPRK dispute over North Korean nuclear ambitions and secure the survival of the Pyongyang regime, as some analysts have reported,[56] before the United States shifts its full attention to Northeast Asia after pulling out of the quick sands of Iraq. To have the whole weight of a freedom-promoting and tyranny-fighting America concentrate on its border area is not in the CCP's core interests. Thus, instead of just blaming the US for the deadlock of the Six-Party Talks, Beijing now frequently uses "the mistrust between the DPRK and the United States" as the official explanation.[57] The encouraging agreement reached by the six parties in September 2005 may indeed have a great deal to do with Beijing's efforts, even though its implementation is still an unresolved question. No nukes on the Korean Peninsula is indeed a shared interest with the United States; no unification of the Koreas and no confrontation with the United State on the Peninsula seem to be Beijing's higher goals, in the name of stability and peace. For that, Beijing is learning from the United States what its analysts called a "dual strategy of coaxing and coercing" in carrying out its Korea policy.[58]

One PRC scholar candidly described the "dilemma" Beijing now faces in dealing with the North Korean nuclear issue: It has strong concerns over the consequence of a nuclear Korea and beyond; "China worries about Japan's nuclear capability more than North Korea's"; it also clearly opposes the use of force on the Korean Peninsula by the United States. Furthermore, Beijing is obviously not very happy with Pyongyang on many issues and acts as few in China

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[56] You Ji, "Understanding China's North Korea Policy," *China Brief*, Vol. 4, Issue 5, March 2004.

[57] *Xinhua*, "Yearender, Mistrust Between DPRK and the US Snags Six-Party Talks," in FBIS-CHI-2004-1218, Beijing, December 18, 2004.

[58] She He, "Coaxing and Coercing in International Politics," *Guangming Ribao* (Guangming daily), Beijing, January 12, 2005.

"have good feelings towards North Korea" and there is "huge distrust exists between China and North Korea… and North Korea will remain suspicious of China's intentions"; yet it earnestly wants to preserve the DPRK regime. In the final analysis, "what China worries about the most is that the US will help Japan and Taiwan to build up theater missile defense (TMD) systems using the excuse of the North Korean nuclear threat." Hence Beijing worries about being "used" by the United States and seeks a low-key effort first to maintain the status quo and then address the DPRK nuclear program peacefully, so to escape from the dilemma and the "American trap."[59]

For its own gains of prestige and influence, Beijing has used the annual China-Japan-ROK summit meetings to create another mechanism to work on the regional issues, without the United States and outside the Six-Party Talk. In November 2004, the PRC Premier Wen Jiabao met the Japanese Prime Minister Koizumi Junichiro and the ROK President Roh Moo-hyun in Vientiane, the sixth such trilateral summit, and pledged to work on peace and stability in Northeast Asia and on the Korean Peninsula in a "strategy on cooperation."[60] The three countries also announced that they will join the 10-member ASEAN nations to hold the first East Asian Summit in 2005.[61] It should be expected that Beijing will pursue further such regional efforts as a way of expanding its emerging leadership.

There are obvious limits to how far a trilateral relationship in Northeast Asia can go. Beijing continues to watch attentively the United States policy and action in the region, among which a key aspect is the US-ROK military alliance.[62] The recent redeployment of

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[59] Wang Yiwei, "China's Role in Dealing with the North Korean Nuclear Issue," conference paper, July 2005, especially pp. 4, 5, 7.

[60] PRC Ministry of Foreign Affairs, Press Release, Beijing, November 29, 2004.

[61] *Xinhua News Dispatch*, Vientiane, November 29, 2004.

[62] Wang Mian, "A Reshapiing US-ROK Alliance," *Xinhua*, Beijing, December 19, 2004.

the US forces in Korea has been interpreted by some in Beijing as a innovative use of the US-ROK alliance that may have implications for Taiwan and elsewhere in the region. The popular belief, official announcements and actions in Tokyo treating China and the DPRK as the two major security threats to Japan, may have encouraged Beijing to ponder in considerable displeasure by being viewed the same as Pyongyang, an international outcast, by the Japanese.[63] The PRC Foreign Ministry Spokeswoman called the Japanese concerns hyped and objectionable; and in turn accused the Japanese for "affronting China's sovereignty and territory integrity."[64]

As China grows stronger and more confident, especially when the need to preserve a CCP one-party regime becomes less pressing, Beijing may conceivably develop different views and policies. In practice, it may worry much less about the possible destablizing effect Korean reunification could produce. The key external factors that may change Beijing's views and policies remain the same; firstly, the overall Sino-American relations and secondly, the status of China's own reunification with Taiwan. If Washington and Beijing are on good terms, China is making satisfactory progress in its own reunification effort with Taiwan, the US-ROK military alliance fades and even disappears as the Korean unification proceeds, the unified Korea is at least neutral in the major power games in East Asia, Beijing may throw in its weight to facilitate Korean unification. Otherwise, China is expected to simply continue to play a passive role and let the United States do the heavy lifting through leading the international effort aimed at maintaining the *status quo* on the Korean Peninsula. Beijing contributes to this effort by supporting the Kim Jong Il regime in the North, and cultivating a good relationship with the South.

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[63] *Xinhua Commentary*, "Who's Japan's New Defense Program Outline Intended to Defend Against?" Beijing, December 11, 2004.

[64] *Xinhua News Dispatch*, Beijing, November 10, 2004.

The *sine qua non* seems to be still the US-China relationship that is greatly defined by the Taiwan issue. Other than what will transpire between Washington and Beijing in the various aspects of the bilateral relationship, especially on the handling of the Taiwan issue, a key seems to be what the United State will do to the DPRK.[65] So long as Beijing worries about an American threat to its political stability and even its national security, China's support for Korean reunification is likely to be very limited. Beijing is anxious to see the DPRK to be on its own feet economically through a Chinese style reform and a proactive "help" from the PRC.[66] Beijing may even militarily intervene (as some ROK analysts have speculated) to prevent a rapid reunification of Korea,[67] especially if the US military presence, as viewed by most observers, is to be continued on the Peninsula beyond Korean reunification. It will be difficult for Beijing to accept a united Korea (most likely on the ROK terms) with a fully functioning US-ROK military alliance, while the United States is viewed as a political and ideological challenger to Beijing, and an obstacle to China's own unification effort.

Focusing on its core strategic interests, the PRC also appears to be interested in some strategic reciprocation with the United States regarding the Korean Peninsula. If Washington is willing to help more on the preservation of the status quo in the Taiwan Strait, as it has been signaling since Spring of 2004, then Beijing may show a willingness to work more with the US to pressure its comrades in Pyongyang concerning the DPRK nuclear programs, especially when it feels that the No Nukes and No Unification objectives on the Peninsula are in

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[65] Victor D. Cha, " Korea's Place in the Axis," *Foreign Affairs*, May/June 2002.

[66] John Park, "China Takes 'Xiaokang' Approach to North Korea," *The Strait Times*, May 5, 2004.

[67] For a report on the possible PRC military intervention on the Korean Peninsula through "taking over" North Korea, see Hamish McDonald, "Beijing considers its Korean options," *The Age*, September 7, 2003.

trouble. The trip by the US emissary Michael Green to Beijing in early February 2005 and "the highly unusual meeting" he had with the PRC President Hu Jintao illustrates the development of a new round in the strategic game.[68] The American media may be correct to conclude that Pyongyang's tough stance of declaring its nuclear arsenal and pulling out of the Six-Party Talks a few days after has put Beijing "in a quandary."[69] One may also see through that and speculate that there is now a somewhat sophisticated, calculated, even coordinated strategic action by Pyongyang, Beijing, or both together. The DPRK's open show of defiance may be just a preemptive act to guard against a possible "sell-out" by the PRC. Beijing appears to have seen that and quietly shows its unhappiness, as the rather uncharacteristically "free" criticisms of Pyongyang by the Chinese media have demonstrated.[70] The subsequent resumption and the encouraging achievement of the Six-Party Talks by fall of 2005 constituted another round of the continuation of the diplomatic game. The United States has demonstrated some flexibility in dealing with the DPRK bilaterally on what really matters in summer of 2005. This seems to be in Beijing's interest. The denuclearization objective may indeed be achievable, while preserving the stability of the Peninsula, if the Six-Party Agreement of September 2005 can be implemented, a proposition that will certainly require more of China's willing and effective cooperation.

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[68] David Sanger and William Broad, "US Asking China to Press North Korea to End Its Nuclear Program," *New York Times*, February 9, 2005.

[69] Keith Bradsher, "North Korea's Statement Puts China in a Quandary," *New York Times*, February 10, 2005.

[70] Keith Bradsher and James Brooke, "Chinese News Media Critical of North Korea," *New York Times*, February 13, 2005.

Conclusion

Ever since the late-1990s, the PRC has managed to have a stable working relationship with the United States, despite the existence of differences and uncertainties. This forms the central platform of its foreign policy, motivated by the pursuit of political preservation, economic prosperity, and national power. In Northeast Asia, Beijing has gingerly joined the United States and other major powers in forming a "consensus" to maintain peace and stability through *status quo* on the Korean Peninsula. This policy has sufficiently enabled the PRC, to keep its long time official commitment to a Korean reunification while enjoying a stable, manageable, and profitable division of the Korean Peninsula. As one senior policy analyst commented in private: With China's political "skills" (*shouwan*), Beijing has managed to keep the Korean division while, among the four major external powers, enjoying "the only good relationship" with both Seoul and Pyongyang. The Six-Party Talks, expected to be long and hard, are welcome developments to Beijing, promise a further sustenance of the *status quo* through a protracted dialogue towards a final cross-recognition process and a peace treaty replacing the often shaky armistice agreement, thus institutionalizing stability on the Peninsula. The talks also allow Beijing to prove to Washington that there are real shared strategic interests between them regarding stability and denuclearization of the Korean Peninsula.[71] The PRC is only glad to be viewed as a valued help to the US and continues to enjoy the best strategic position on the Korean Peninsula among all major powers.

In the near future, in the same style as the overall Chinese foreign

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[71] Doug Bandow, "Enlisting China: The Battle for Nuclear Free Koreas," *National Review,* April 29, 2003.

policy, Beijing is likely to leave the leadership and initiatives, as well as the burden, to the United States, *pro tempore*. The agreement of principles reached at the Six-Party Talk in September 2005 showed how Beijing can work to help resolving the DPRK nuclear issue. However, that decade-long PRC policy towards Korea could quickly change, should the stable US-China relationship sour, becomes more uncertain or even enters a probable crisis over, chiefly, the dispute over Taiwan; or should Beijing failed in maintaining its domestic political stability.

The Korean Peninsula has historically been a major playground and battlefield for the major powers; it now tests the future of China's foreign policy in close association with the all-important US-China relationship.[72] Beijing may trade the DPRK for Taiwan or for its own political survival; it may also think, as one Chinese posted on the Internet, "the enemy of your enemy is your friend. Nobody likes North Korea, but we should support everyone who opposes the United States."[73]

In short, the key objective of China's policy towards the Korean Peninsula appears to be outside the peninsula itself. To stabilize the Sino-American relationship and avoid a showdown over the Taiwan issue remain the key, as that fulfills the peculiar 3-P incentives that motivate Chinese foreign policy today. To this end, Beijing is now pursuing a shared interest with the United States on the Korean Peninsula. To address a feared threat seemingly arising from an "America-Japan-Taiwan bloc," China's policy for status quo and denuclearization of the Korean Peninsula could make drastic changes,

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[72] Phillip C. Saunders and Jing-dong Yuan, "Korea Crisis will Test Chinese Diplomacy," *The Asian Times*, January 8, 2003; Liu Aicheng, "US Foreign Policy Tend to Be More Hardline," *Renmin Ribao* (People's daily), Beijing, November 11, 2004.

[73] Keith Bradsher and James Brooke, "Chinese News Media Critical of North Korea," *New York Times*, February 13, 2005.

and soon. Some leading Chinese scholars have already signaled that lately by predicting, "like it or not, the world will probably have to accept North Korea's nuclear status."[74] Others have suggested the forthcoming Chinese acceptance of a South Korea-dominated Korean unification.[75] After all, the ties between the ROK and the PRC now are at their historical best and a nuclear Korea, or a nuclear North Korea, is unlikely to treat China as its main target anyway. In its grand games with Japan and, mainly, the United States, Beijing wants to cultivate and could use any help from possible allies. A friendly and stable Korean Peninsula, expected to be increasingly more nationalistic towards Japan and America, united and armed with nuclear weapons or not, may now increasingly appear to Beijing as a rather desirable future in Northeast Asia. The Chinese policy is becoming more important as the latest developments seem to suggest that Beijing may have become the key player in the diplomatic efforts addressing Pyongyang's nuclear program and beyond.[76]

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[74] Shen Dingli, "Accepting a Nuclear North Korea," *Far Eastern Economic Review*, March 2005, p. 54.

[75] Wang Yiwei, "China's Role in Dealing with the North Korean Nuclear Issue," conference paper, July 2005, especially pp. 6-7.

[76] Michael Hirsh and Melinda Liu, "North Korea Hold 'Em: Washington used to have most of the chips in Six-Party Talks over Pyongyang's nuclear program. But Beijing is the key player now – for better and worse," *Newsweek*, October 5, 2005.

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An Active Japanese Foreign Policy Impeded by a Frustrated Public in the Post-Cold War Era

Yoneyuki Sugita

Abstract

The Japanese government sought to take a more active foreign policy in the post-Cold War era, especially after the Gulf War. Prime Minister Junichiro Koizumi made a significant foreign policy decision to visit Pyongyang in September 2002 to begin a process of normalizing relations with North Korea. The move was intended to be emblematic of a reorientation of Japan's foreign policy onto a new course that was realist, activist, and suited to the post-Cold War era. However, an unmanageable level of domestic frustration among the Japanese people impeded the Japanese government in taking this new orientation any further. This frustration was born out of despondency over domestic economic conditions in the 1990s, the impotence of being an economic superpower with little foreign policy stature, and the emotional shock that came from learning that Japanese citizens had been kidnapped by North Korean agents. Focusing on the conditions that contributed to the development of a more active Japanese foreign policy and those that eventually undermined it (at least for now), this paper, being critical of the propensity of mass opinion to affect foreign policy, suggests that mass bigotry and popular passions can generate an irrational outcome that prevents decision makers from executing a rational foreign policy.

Key words: abduction, Pyongyang Declaration, Junichiro Koizumi, North Korea, Kim Jong Il

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Introduction

American hegemony during the Cold War allowed Japanese pacifism free reign. Japan was able to maintain a low profile with regard to foreign policy and the Japanese people had little concern for national security. As a result, although Japan had become an economic superpower by the early 1980s, it played no corresponding role in foreign policy and global security issues. This disparity frustrated some Japanese. However, the frustration was kept in check by the economic benefits and social and political stability of the post-World War II period. With the end of the Cold War, Japan's foreign policy elite sought to formulate a more active, multilateral, and independent foreign policy. The highlight of this more active policy was Prime Minister Junichiro Koizumi's historic visit to Pyongyang in September 2002. However, years of frustration finally erupted when the Japanese people realized that North Korean agents had in fact abducted Japanese nationals. This outcry prevented Japan from moving forward with a more active multilateral security strategy for itself in the Asian region.

This paper first examines US-Japan relations during the Cold War. It then reviews the reasons why Japan began to pursue a more active foreign policy in the post-Cold War era. Finally, it focuses on the conditions that contributed to the development of such a policy and the factors that eventually undermined this development. One of the threads running through the paper is that decision makers can be prevented from executing a rational foreign policy. Rather, popular passions and mass bigotry can generate irrational outcomes.

US-Japan Relations since World War II

Two major factors contributed to a stable international system for the half-century after World War II. First, during the Cold War there was a bipolar world of antagonism between the two superpowers, the United States and the Soviet Union. The existence of the threatening "other," the Soviet Union, was a critical element in US efforts to realize the hegemonic ambition of achieving and maintaining unity and integrity in the Western bloc. The bipolar Cold War framework gave the Japanese people no choice but to endure the Japan-US security treaty, the stationing of US military forces in Japan, and Japan's gradual remilitarization in accordance with US wishes.

The second factor was the existence of the United States as a hegemon in the West. During the allied occupation of Japan, General Headquarters (GHQ) controlled Japan's foreign trade and exempted Japan from the heavy burden of its huge trade deficit, much of which was underwritten by American aid. US assistance amounted to $404 million in 1947 and $461 million in 1948, accounting for 92 percent of Japanese imports in 1947 and 75 percent in 1948.[1] US economic assistance to Japan continued in various ways after the occupation.[2]

In addition, the Japanese people's deep-rooted pacifist sentiment had a significant influence on the nature of Japan's foreign policy and its relations with the United States. Many Japanese civilian leaders became willing to cooperate with GHQ to demilitarize the country, and to reduce the risk of a domestic social revolution while at the same time consolidating their grip on political power. Japan's surrender and

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[1] G. C. Allen, *Japan's Economic Recovery* (London: Oxford University Press, 1958), p. 33; Catherine Edwards, "US Policy Towards Japan, 1945-1951: Rejection of Revolution," (Ph.D. dissertation, University of California, Los Angeles, 1977), p. 163.

[2] Aaron Forsberg, *America and the Japanese Miracle* (Chapel Hill, NC: The University of North Carolina Press, 2000).

the end of militarism brought no immediate relief to the continuing misery of millions. Because falling bombs was replaced by serious hyperinflation and food shortages, and a general loss of hope, the Japanese people desperately needed someone to blame for their misfortunes. Consequently, Japan's civilian leaders held the militarists and ultra-nationalists wholly responsible for the ravages of war and its aftermath, thus gratifying the nation's political and psychological need for scapegoats. Japan's civilian leadership defined the Asia-Pacific War as a great aberration, wrought by a group of extremists who cared nothing about taking Japan down a path toward disaster. Article 9 post-war Japanese constitution was the ultimate measure of how power had shifted from the clique of militarists and ultra-nationalists into the hands of civilians.[3]

During the Cold War, the Japanese people were little aware of national security issues. Courtesy of US military protection, they enjoyed a peace that would continue as long as Japan remained in the Western bloc.[4] In practical terms, Japan's post-war security consisted of subservience to US wishes at the expense of any dialogue over regional security issues with its Asian neighbors. Consequently, Japan tended to have a strong sense of inward-looking, one-country pacifism and of isolation from other Asian countries.[5]

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[3] "The Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes," The Japanese Constitution, Article 9, at http://www.solon.org/Constitutions/Japan/English/english-Constitution.html#CHAPTER_II.

[4] Tatsuo Urano, "Nihon no Anzen Hosho to 'Kyokuto Yuji'" (Japan's security and military conflicts in the Far East), *Seikei Kenkyu*, Vol. 34, No. 3 (January 1998), p. 357.

[5] Shuichi Wada, "Ajia Taiheiyo ni okeru Takokukan Anzenhosho Wakugumi to Nihon" (Multilateral security framework and Japan in the Asia-Pacific region), *Seisaku Kenkyu Forum*, Vol. 503 (June 2002), p. 7.

An Active Foreign Policy after the Cold War

When the Cold War ended, Japan had to re-define its political and security relationship with the United States and re-consider its position in the international community. Japan suddenly found itself under pressure from various countries and international bodies to play a more significant political, military, and financial role in global affairs.

Japan's policy toward North Korea was the most vivid representation of a new, more activist post-Cold War foreign policy. In an attempt to establish itself as a post-Cold War regional leader in Asia, Tokyo took the initiative in attempting to construct a more amicable relationship with North Korea. Japan embarked on this approach by first offering a formal apology by Prime Minister Noboru Takeshita for Japan's aggression during the Asia-Pacific War made on March 30, 1989. In September 1990, Shin Kanemaru, a former Vice President of the Liberal Democratic Party (LDP), and Makoto Tanabe, Vice President of the Japan Socialist Party (JSP), led a team of Diet members (13 from the LDP and 9 from the JSP) to North Korea. They brought a letter from Prime Minister Toshiki Kaifu that expressed a sincere apology for Japan's colonial rule over the Korean Peninsula and a desire to take the first step to overcome difficulties in order to establish a friendly relationship.

North Korea became an international hot spot in February 1993 when it declined a request from the International Atomic Energy Agency (IAEA) for agency inspectors to be permitted to examine nuclear waste-related sites near Yongbyon. North Korea's refusal immediately caused alarm and suspicion at the IAEA and in the capitals of some countries that Pyongyang was working toward the development of nuclear weapons. Suspicions about the possible existence of such a program reached their peak in March 1993, when

North Korea announced its intention of withdrawing from the Nuclear Non-Proliferation Treaty (NPT). Then in May 1993, North Korea fired a Nodong missile over Japan. Over the next 12 months, tensions between Japan and North Korea escalated, with North Korean rhetoric becoming ever more hostile. Faced by this series of events, it dawned on Japan's diplomatic elite that North Korea's potentially threatening posture had become an issue that might have a direct bearing on Japan's national security.

In a bid to ease regional tensions, in October 1994, the United States negotiated the "Agreed Framework" (the Geneva Agreement) with North Korea. The agreement contained a US promise to construct two light-water nuclear reactors for North Korea in exchange for that country's commitment to suspend its nuclear weapons development activities. The Korean Peninsula Energy Development Organization (KEDO) was created in 1995 to help fund the construction of the reactors. The United States was in charge of the diplomacy that led up to KEDO, but South Korea and Japan were asked to finance the actual reactor construction and KEDO operations. Regardless of the diplomatic benefits made possible by the Agreed Framework, Japan could not fail to observe that the United States had gone over its head to negotiate one-on-one with North Korea about issues that have a direct bearing on Japan's national security. Japan exerted little influence over the contents of this agreement, but that did not stop the United States and Korea from assigning Japan the role of providing financial backing for the KEDO project.[6]

Because the Agreed Framework represented a dramatic instance of unilateral negotiation by the United States with North Korea in the absence of close consultations with Tokyo, Japan began to distrust

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[6] Narahiko Toyoshita, "Shinkyu Gaidolain no Hikaku Bunseki to Nihon Gaiko" (Comparative analysis of old and new guidelines and Japanese diplomacy), *Ritsumeikan Kokusai Chiki Kenkyu*, Vol. 17 (January 2001), p. 60.

post-Cold War US diplomatic orientation. The Japanese government now began to fear that the United States might resort to preemptive military attacks against North Korea or, alternatively, to unilaterally improve its relationship with Pyongyang without giving due consideration to Japan's interests.[7] This prompted Japan to re-examine the strategic role of the US-Japan alliance and the future of Japanese diplomacy in East Asia.

In August 1994, the Advisory Group on Defense Issues – the prime minister's private advisory group on Japan's security policy in the 21st century – issued a report titled "The Modality of the Security and Defense Capability of Japan: The Outlook for the 21st Century." The report recommended that "from now on, Japan should make an active contribution to establishing order" in the region, encouraging Japan to shift from total reliance on its alliance with the United States to a more proactive posture in its diplomacy and security strategy.[8]

Domestic Conditions for a Proactive post-Cold War Foreign Policy

Not only the international environment but also domestic conditions in Japan underwent significant changes in the late 20th century. When the JSP won a major victory in Upper House elections in 1989 under Chairwoman Takako Doi, the party had a real possibility of becoming a junior member of a ruling coalition. Unfortunately, by being close to political power, the JSP was faced with a severe dilemma: In the area of foreign policy, how would it balance its core

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[7] Masao Okonogi, "Kitachosen Mondai to Nihon Gaiko" (North Korean issues and Japanese diplomacy), *Ajia Jiho*, Vol. 34, No. 9 (September 2003), pp. 11-12.

[8] Advisory Group on Defense Issues, "The Modality of the Security and Defense Capability of Japan - The Outlook for the 21st Century," at http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/JPSC/19940812.O1J.html.

defense of Japan's peace constitution, the party's *raison d'etre*, and other long-standing ideals with the need to become more flexible if it wanted a seat at the table of power? In the end, the JSP failed to strike a workable balance. Under Tomiichi Murayama, the successor to Doi and a compromise choice as prime minister, the JSP abandoned many of its ideals, which resulted in an exodus of party members and near dissolution of the party.[9]

As for the LDP, Kanemaru's resignation from the Diet, because of the Sagawa Kyubin scandal, precipitated a severe power struggle within the Keiseikai (Takeshita) Faction, the largest and most powerful faction in the LDP, which led to an internal split in the party. Ichiro Ozawa, a former LDP Secretary-General and a senior member of the Keiseikai, led his followers to vote for a no-confidence motion against the cabinet of Prime Minister Kiichi Miyazawa. This motion was passed in June 1993. Miyazawa immediately dissolved the Lower House and Ozawa and his followers broke away from the LDP to form the Japan Renewal Party (JRP).

In the Lower House election that took place in July 1993, the LDP failed to secure a majority of seats. In August, a seven-party coalition government under Morihiro Hosokawa of the Japan New Party (JNP) was established. The supporters of the three main coalition parties, the JRP, the JNP, and Sakigake, were quite widely distributed across the conservative-progressive ideological spectrum, but in comparison with LDP or JSP supporters, the bulk of support was clustered around the moderate middle.[10] Consequently, despite a series of re-groupings among coalition members, the coalition, in whatever form, tended to implement policies that were more con-

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[9] Jiro Yamaguchi, "To Kaikaku no Seijigaku" (Politics of party reform), in Jiro Yamaguchi and Masumi Ishikawa (eds.), *Nihon Shakaito* (The Japan Socialist Party), (Tokyo: Keizai Hyoronsha, 2003), pp. 130-131.

[10] Ikuo Kabashima, *Seiken Kotai to Yukensha no Taido Henyo* (Changes of administrations and voters' changes in attitudes), (Bokutakusha, 1998), p. 45.

servative and realistic than those promoted by the JSP, but more progressive than those of the LDP. Especially in their foreign and security policies, the various coalition governments were more flexible than the LDP ever was during the Cold War, placing much emphasis on multilateral strategies for Japan in the Asia-Pacific region.

Unlike the LDP governments, Japan's coalition governments clearly strove to offer apologies for Japan's military aggression during the Asia-Pacific War. But this conciliatory move in turn rekindled nationalist right-wing sentiment, including among leading politicians.[11] In a May 1994 interview with the *Mainichi Newspaper*, Justice Minister Shigeto Nagano, a JRP member, stated that it was "wrong to define the Pacific War as a war of aggression" as "Japan stood up for survival because it was in danger of being crushed, … [and] Japan thought seriously about liberating its colonies." Nagano even claimed that the "Allied Powers should be blamed for having driven Japan that far. The aims of the war were fundamentally permissible and justifiable at that time." Nagano also said the massacre in Nanjing, China was a "fabrication."[12] During an August 1994 news conference, Environment Agency Director General Shin Sakurai, an LDP member, argued that "Japan had no intention of waging a war of aggression" and that it was thanks to Japan's occupation of Asian nations before and during World War II "that most of them were able to become independent from European colonial rule." He added that as a result of winning their independence, "education in these countries also spread significantly, thus building an enormous momentum for their subsequent economic rehabilitation."[13]

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[11] Yoshibumi Wakamiya, "Kokusaiteki Shiya kara Mita Jiminto Tandoku Seiken Shuen no 10nen" (A decade after the end of LDP single administration from international perspective), *Seikatsu Keizai Seisaku*, Vol. 495 (August 2003), pp. 4-5.

[12] *Mainichi Shimbun*, May 5, 1994.

[13] *Asahi Shimbun*, August 13, 1994.

Notwithstanding the willingness among the succession of coalition governments (including the LDP after 1994 as a member of coalition governments) to create more friendly relations with Japan's Asian neighbors, the strategy of multilateral engagement was not a policy alternative to the Japan-US bilateral alliance. The governments' orientation was a pragmatic supplement to the bilateral alliance and the Japanese government took advantage of this in order to increase its independence from the United States.[14] In April 1996, Prime Minister Ryutaro Hashimoto and President Bill Clinton issued the "Japan-US Joint Declaration on Security: Alliance for the 21st Century," which confirmed that the Japan-US "partnership would remain vital in the 21st century."[15] In June 1996, Japan and the United States concluded the Acquisition and Cross-Servicing Agreement that established terms and conditions for a mutual exchange of goods such as fuel, water, and food and services, including transportation and maintenance between Japan and the United States.[16] In September 1997, the two countries issued a "Review of the Guidelines for US-Japan Defense Cooperation," the so-called "new guidelines" that created "a solid basis for more effective and credible US-Japan cooperation under normal circumstances, in case of an armed attack against Japan, and in situations in areas surrounding Japan."[17]

The LDP formed a coalition government in June 1994. From that time until 2005, it was unable to win a majority of seats in the Lower

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[14] Peter J. Katzenstein and Nobuo Okawara, "Japan, Asian-Pacific Security, and the Case for Analytical Eclecticism," *International Security*, Vol. 26, No. 3 (Winter 2001/2002), p. 166.

[15] "Japan-US Joint Declaration on Security: Alliance for the 21st Century," April 17, 1996, online at http://www.mofa.go.jp/region/n-america/us/security/security.html.

[16] "Acquisition and Cross-Servicing Agreement," June 28, 1996, at http://www.jda.go.jp/j/library/treaty/acsa/acsa.htm.

[17] "Completion of the Review of the Guidelines for US-Japan Defense Cooperation," September 23, 1997, at http://www.jca.apc.org/~kaymaru/Guideline/guidelines-e.html #anchor3033373.

House, forcing it to cooperate with one or more parties to win passage of legislation. The LDP had to concede security issues to other parties, to some extent, the Social Democratic Party (SDP) and Sakigake, and later Komeito, each of which has a strong anti-military alliance posture. The conservative wing of the LDP may have been frustrated because their party had to agree to a more progressive foreign policy orientation, but the conservatives had no choice but to continue supporting the LDP because no influential conservative political party alternative existed.[18] This resulted in policies that were more independent of US wishes, an anti-military alliance, and pro-multilateral, flexible security, and foreign policies.[19] Japan and the United States established the Japan-US Special Action Committee on Okinawa in November 1995 to deal with consolidation of US bases in Okinawa. The result was an agreement in December 1996 that the United States would return 50 square kilometers (approximately 21 percent of the base area) to Japan. In order to persuade the SDP and the New Party Sakigake to support the new defense guidelines, Prime Minister Hashimoto pledged to continue to press for a reduction of US Marines in Okinawa, to seek the return of Futenma Base, and to press for greater consolidation of US military bases in Japan.[20]

As for relations with North Korea, former LDP Vice Prime Minister Michio Watanabe, JSP President Wataru Kubo, and Sakigake Chairman Yukio Hatoyama led a delegation of Diet members to Pyongyang in March 1995 to resume diplomatic normalization talks. During these talks, Japan's delivery of rice supplies to North Korea was a major issue, while the troublesome issue of abductions of Japanese nationals by North Korean agents was

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[18] Kabashima, *Seiken Kotai*, p. 189.

[19] Yumi Hiwatari, "Seiken Unei" (Operation of political administration), in Nobuhiro Hiwatari and Mari Miura (eds.), *Ryudoki no Nihon Seiji* (Japanese politics in transitional era), (Tokyo: Daigaku Shuppankai, 2002), pp. 119, 125-126.

[20] Yumi Hiwatari, "Seiken Unei," pp. 118-119.

left off the agenda. Following these talks, in June 1995, the Japanese government decided to send 300,000 tons of rice to North Korea, and added 200,000 more tons in October. Yohei Kono, Japan's Foreign Minister, believed that Japan should have a "sunshine policy" toward North Korea. He argued that sending abundant rice supplies would establish favorable conditions for a resumption of diplomatic normalization talks.[21]

Abductions

Around the same time as an aid program based on rice shipments was taking shape, there were prominent news reports about possible abductions of Japanese nationals by North Korean agents in years past. These reports provided further impetus to the rise of nationalism in Japan. In January 1997, Representative Shingo Nishimura submitted to the government "an inquiry letter of intent with respect to Japanese kidnappings and abductions by North Korean secret agents."[22] In February, the *Sankei Newspaper*, *AERA* (a weekly magazine), and TV Asahi revealed that Megumi Yokota, a 13-year-old schoolgirl who had gone missing on her way home from school, was a probable victim of abduction by North Koreans. In the same month, the Budget Committee in the Lower House officially took up the issue of Megumi Yokota as a possible case of abduction. This was followed by the establishment, in March, of the Association of the Families of Victims Kidnapped by North Korea and, in April, the Federation of Diet Members for Rescuing Japanese Nationals Allegedly Abducted by North Korea (FDMA). In May, the Japanese government issued an official announcement that it strongly suspected that North Korean

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[21] *Yomiuri Shimbun*, June 22, 1995 and September 15, 1995.

[22] See online at http://www.n-shingo.com/katudou1/kyushutu.html.

agents were involved in abducting ten people in the course of seven missing-people incidents. The abduction issue struck a very human chord in Japan, aroused feelings of nationalism, and led to unfortunate acts of discrimination against Koreans. The mass media presented to Japan the image of evil North Korean agents sent to Japan to abduct innocent Japanese, including a little girl. However, Japan's Foreign Ministry and certain leading Diet members tried to prevent this issue from derailing Japan's vigorous post-Cold War diplomatic efforts to establish ties with North Korea. Rice producers, the shipping and storage industries, the Ministry of Agriculture, Forestry and Fisheries, and Diet members who had close connections with businesses that stood to profit from Japanese shipments of humanitarian aid supplies to North Korea were also worried by the abduction issue. An emotional and intensely hostile backlash against North Korea became evident, with some politicians and bureaucrats playing a leading role. This caused significant harm to negotiations for better relations between North Korea and Japan.

In addition to strong suspicions of abductions of Japanese nationals, Japanese authorities started to pay close attention to the flow of funds from the Korean community in Japan to Pyongyang through Chogin Credit Associations that had been established for pro-Pyongyang Korean residents in Japan by the General Association of Korean Residents in Japan. In December 1993, Foreign Minister Tsutomu Hata stated to the Japan National Press Club that the Cabinet Research Office had discovered that 200 billion yen worth of funds and materials were transmitted to North Korea annually. In May 1994, US Senator John McCain, speaking before the full US Senate, said that he was given information by Prime Minister Hata (during the latter's time as Japan's Foreign Minister) that showed that the amount of money and materials from Korean residents in Japan sent to North Korea amounted to 1.8 billion dollars, out of which 600 to 700 million

dollars was cash, representing more than 40 percent of North Korea's acquisition of foreign currency and over 8 percent of North Korea's GNP.[23] In May 1997, Chogin Osaka Credit Association went bankrupt and it was taken over by the Chogin Kinki Credit Association in November 1997. In May 1998, the Japanese government infused public funds, amounting to over 310 billion yen, into the Chogin Kinki Credit Association. By the end of 2002, the Japanese government infused or had formally decided to infuse approximately 1.4 trillion yen into the failed Chogin Credit Union groups in Japan. The Japanese media reported that the Chogin Credit Union groups were allegedly responsible for sending funds into North Korea. There were reports that the Japanese people were robbed of 1.4 trillion yen, the amount spent by the government to attempt a financial rescue of the Chogin groups, which had been used to maintain the current regime in North Korea.

Some politicians and activists took advantage of the controversy over abductions to become widely known or to advance their political agendas or careers. For example, claiming that the root cause of the abduction problem lay in the lack of proper national defense planning and patriotic spirit among Japanese people, Representative Shingo Nishimura argued that Japan should become much more nationalistic and patriotic and it should upgrade its defense system, including the development of nuclear weapons.[24] On the other hand, Daizaburo Hashizume, a professor at the Tokyo Institute of Technology and a well-known newspaper columnist, argued that the least expensive and most effective method for Japan to defend the country against possible missile attacks from North Korea was to solidify the US-Japan

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[23] Katsumi Sato, *Nihon Gaiko wa Naze Chosen Hanto ni Yowainoka* (Why Japanese diplomacy is weak in the Korean Peninsula?), (Soshisha, 2002), pp. 44-45.

[24] Shingo Nishimura, *Tatakai wa Mada Tsuzuiteiru* (Fighting still continues), (Tendensha, 2003), pp. 5-10.

alliance. The United States could assure retaliation against North Korea if the latter attacked Japan, while Japan could cooperate with the United States to develop a missile defense system to prevent North Korea's long-range missiles from reaching the US mainland. In order to solve the abduction problem, Tsutomu Nishioka, permanent Vice Chairperson of the National Association for the Rescue of Japanese Kidnapped by North Korea, advocated strengthening the Japan-US alliance and introducing a missile defense system and nuclear weapons into Japan. He even argued that "without the destruction of Kim Jong Il's regime, we should not negotiate with North Korea for normalization."[25] Susumu Nishibe, President of Shumei University, a former member of the Society for Composing a New Textbook on History (an ultra-conservative group which promotes a more patriotic interpretation of Japanese history) and an anti-US independent-minded conservative critic, claims that Japan should not worry about such a small power like North Korea. Or Japan should not respond to the North Korean threat by depending solely on the United States, but should autonomously, use all means possible, including nuclear weapons, against not only a weak country like North Korea but also against North Korea's backers, China and Russia.[26] Opinion in favor of Japan imposing severe sanctions on North Korea is getting stronger. Toru Hasuike, Chairman of the Association of Victim Families Kidnapped by North Koreans (AVFKNK), began to suspect that the AVFKNK was being used by these militarist politicians and ambitious activists. Hasuike claimed, "the AVFKNK was originally a group of people who tried to rescue abducted relatives; however, recently, there are some people who advocate 'Overthrow Kim Jong

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[25] Tsutomu Nishioka and Daizaburo Hashizume, "Niccho Kokko Seijoka wa Hitsuyo nai" (There is no need for Japan-North Korea normalization), *Voice*, Vol. 321 (2004), p. 168.

[26] Susumu Nishibe, "Kitachosen gotokiwo 'Kyoi' ni Sodatetanowa Dareda" (Who fostered North Korea as 'threat'?), *Shokun* (October 2003), pp. 58-59.

Il's Regime!'… It seems to me that the current AVFKNK has become a political pressure group."[27]

Ordinary citizens do not normally possess adequate knowledge of, have expertise on or even interest in international politics, let alone national security. This allows the foreign policy and national security elite to take the initiative to formulate policy and to lead the public effectively about policy.[28] However, the abduction issue was an exception. Encouraged by a small number of well-connected people skilled at organizing and mobilizing the community, such as Katsumi Sato, Director of the Modern Korea Institute, and Kazuhiro Araki, Secretary General of the National Association for the Rescue of Japanese Kidnapped by North Korea (NARKN), relatives of the alleged abductees and their supporters became very active and vocal. The group has resorted to issuing militant statements and blunt, imprudent demands. For this group, solving the abduction issue is the most important foreign policy issue confronting Japan. It believes that the Japanese government should freely use whatever tools are available in order to pressure North Korea to resolve the abduction issue immediately. Nishioka has made forceful demands that the Japanese government put the abduction problem at the top of the country's list of national priorities.[29] Hasuike has insisted that the government should invoke the right to exercise collective self-defense based on the fact that abduction is state-supported terrorism.[30]

In the face of the pressure generated by the abductees' families

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[27] *FLASH*, April 19, 2005.

[28] Masamori Sase, "Anzen Hosho wo Meguru Nihonjin no Ishiki/Taido" (Japanese consciousness/attitudes concerning national security), *Chian Forum*, Vol. 58 (October 1999), pp. 39-40.

[29] Tsutomu Nishioka, *Rachi Kazoku tono 6nen Senso* (The six-year war with the abductees' families), (Fusosha, 2003), p. 191.

[30] Toru Hasuike, "Henbo shita Otouto ni Hageshiku Sematta Jikkei no Shogeki Shogen" (The elder brother's shocking attestation who made severe efforts to convince his brother), *Seiron*, Vol. 366 (2003), p. 67.

and their supporters, including some high-profile politicians, the Japanese Foreign Ministry realized that it could no longer simply ignore the abduction issue. When Japanese and North Korean officials met in Beijing in August 1997 for informal talks, the Japanese side asked North Korea to help in finding out what happened to those Japanese who had "gone missing," the term used instead of "kidnapped." North Korea agreed to investigate this issue through a joint Japan-North Korean team of Red Cross officials. In June 1998, the North Korean Red Cross notified Japan that none of the "missing" Japanese had been found. Both Japan and North Korea expected that they could put an end to this troublesome issue and move on to normalization talks.[31]

In November 1997, Yoshiro Mori, LDP General Council Chairman, led a group of Diet members of the ruling coalition parties to North Korea. At the last plenary session, Mori said that the abduction issue is "an intractable problem" and strongly demanded that North Korea "try to find a way to solve it." A North Korean representative replied, "please do not mention this issue anymore. This is a complete fabrication that only irritates us." At the plenary session, this same representative also argued that "before taking up the complete fabrication of the abduction issue, Japan should show its response to the issue of wartime comfort women."[32] The abduction has been a tricky hurdle for the Japanese government; it has tried to evade the problem in the hope that it would disappear in time.

In August 1998, North Korea launched a Taepo Dong 1, a long-range missile that flew over Japan and landed in the Pacific Ocean. Caught by surprise, the Japanese government announced mild

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[31] Eric Johnston, "The North Korea Abduction Issue and Its Effect on Japanese Domestic Politics," *JPRI Working Paper*, No. 101 (June 2004), online at http://www.jpri.org/publications/workingpapers/wp101.html.

[32] *Yomiuri Shimbun*, November 12 and 14, 1997.

sanctions in September 1998, including a freeze on the resumption of negotiations concerning diplomatic relations and a halt to food aid. As early as August 30, Chief Cabinet Secretary Hiromu Nonaka announced that if North Korea promised not to launch a second Taepo Dong , Japan would be willing to resume official talks and resume emergency food assistance.[33]

The Japanese government tried hard to bury the abduction issue in order to move forward with what it felt were more constructive and important issues. In October 1998, the Japanese ambassador to China, expressing frustration at the media coverage of suspected abductee Megumi Yokota, said that there was no hard evidence of the kidnapping.[34] In November 1999, Nonaka, then LDP Acting Secretary-General, insisted that progress on the issue of alleged abductions should not become a prerequisite for resumption of official negotiations between Japan and North Korea, arguing: "Indeed, there are many problems … however, if we begin to discuss this matter [the alleged abductions of Japanese], they would say, 'what about Japan's 36-year colonial rule? Japan abducted many human beings [from the Korean Peninsula].' We would be bogged down in an unproductive argument."[35] In December 1999, former Prime Minister Tomiichi Murayama led a group to visit Pyongyang. Family members of alleged abducted Japanese requested that the delegate members not abandon the campaign to unearth information about the alleged abductees for the sake of hastily resuming diplomatic relations. In response, Murayama emphasized the priority the Japanese government placed on the resumption of negotiations: "Because it is a matter concerning Japanese sovereignty, we will discuss it with the Korean Workers'

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[33] *Yomiuri Shimbun*, August 31, 1999.

[34] Johnston, "The North Korea Abduction Issue and Its Effect on Japanese Domestic Politics," at http://www.jpri.org/publications/workingpapers/wp101.html.

[35] *Yomiuri Shimbun*, November 24, 1999.

Party." However, he continued, "it is not a good idea to make the solution of the abduction issue a prerequisite for government-to-government negotiation. In order to solve this problem, it is necessary to provide an opportunity for both governments to have a discussion."[36] To many, Japanese sovereignty had obviously been violated by North Korean agents, and Japan's somewhat meek response badly wounded Japanese pride. This evoked an emotional response that was in favor of revengeful actions by the Japanese government against North Korea.

In April 2001, Prime Minister Junichiro Koizumi came into office. Because Koizumi had a weak power base in his own LDP party, he had to continuously make direct appeals to public opinion to overcome the political forces, even within his own party, that were opposed to him.[37] Much of the public was attracted by Koizumi's unconventional, even maverick image, hoping he had some magical powers to end the country's protracted economic crisis without too much pain. With a 70-80 percent approval rating early in his administration, Koizumi was on record as one of the most popular prime ministers in Japanese history.

After experiencing a decade of miserable economic performance and political instability in the 1990s, Japanese people began to accept that a new consensus in favor of some fundamental political changes was unavoidable. Koizumi was extremely sensitive to this change in the public mood and tried to stay out in front of popular sentiment.[38] The crowd-pleasing political style adopted by Koizumi can be characterized as populism based on catchy and sensational slogans

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[36] *Yomiuri Shimbun*, November 30, 1999.

[37] Tomohito Shinoda, "Koizumi Shusho no Ridashippu to Anzen Hosho Seisaku Katei" (Prime Minister Koizumi's leadership and process of national security policies), *Nihon Seiji Kenkyu*, Vol. 1, No. 2 (July 2004), pp. 62-63.

[38] Gerald L. Curtis, *Nagatacho Seiji no Kobo* (The logic of Japanese politics), (Shinchosha, 2001), p. 9.

such as "Demolish the LDP from within" and "No pain without gain,"[39] which he pledged when he first came to office.

Populism, however, was a double-edged sword. It helped to boost Koizumi's popularity while at the same time it sensationalized the misfortune, outrage, agony, and the indignation of families of the (at the time) alleged abductees. Turning serious news into sensationalized reporting promoted a tendency to view politics and international relations as entertainment, making theater out of politics.[40] The mass media mobilized popular support to take a tough stand against North Korea. Dramatizations presented by the TV gossip shows became popular that provided simple, dichotomous, good-or-evil pictures of politics, politicians, and even of international affairs. Hitoshi Tanaka, Japan's Deputy Foreign Minister, has justifiably complained that issues such as the abductions and the Japan-North Korean relationship should be handled calmly, not made the objects of wild speculations on tabloid TV shows.[41]

In March 2002, Megumi Yao, the ex-wife of one of the Yodogo hijackers,[42] testified that she had induced a Japanese woman by the name of Keiko Arimoto to come to North Korea for an attractive job, and apologized with tears in her eyes to Arimoto's parents as she explained how Keiko had become a captive of North Korea. Yao's testimony was front-page news in Japan. In 2002, Katsumi Sato published a book in which he revealed that LDP political kingpins

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[39] Takeshi Nakai, *"Jikochu no Kabeno Nakade Kangaeru Chikara" wo Suteta Nihonjin* (The Japanese people that discarded "ability to consider surrounded by the wall of self-centered people"), (Mikasa Shobo, 2004), p. 183; Toshiki Sato, "Shinku to Nekkyo" (Vacuum and enthusiasm), *Daikokai*, Vol. 40 (2001), pp. 30-31.

[40] Ohtake, "Nihon ni okeru Telepolitikus," p. 6.

[41] Hitoshi Tanaka, "Gaiko no Konnichiteki Kadai" (Today's diplomatic challenges), *Gaiko Forum*, Vol. 17, No. 2 (February 2004), p. 50.

[42] Japan Red Army members hijacked the "Yodogo," a Japan Air Line airplane in March 1970, and forced it to fly to Pyongyang, where the members defected to North Korea.

Kanamaru and Tanabe secretly received three billion yen and two billion yen respectively from the pro-Pyongyang General Association of Korean Residents in Japan, about one year after their visit to North Korea in 1990, suggesting that they and other pro-North Korean politicians were bribed to ignore the abduction issue.[43]

Hawkish Diet members, including Katsuei Hirasawa, Shingo Nishimura, and Yuriko Koike, formed a new organization in late March 2002 for the purpose of promoting an uncompromising position on the abduction issue, a full investigation of the Chogin Credit Unions, a moratorium on all cash transfers from Japan to North Korea, and a new legislation that would forbid Korean residents (but not citizens) of Japan from returning to Japan after visiting North Korea.

On September 17, 2002, Japanese Prime Minister Koizumi flew to Pyongyang for a one-day summit with North Korean General Secretary Kim Jong Il. At the conclusion of their talks, the two leaders signed the Pyongyang Declaration, a bilateral agreement that marked a major diplomatic triumph for Japan. Koizumi's visit to North Korea was a welcome attempt to reverse the long-standing, untenable political situation on the peninsula. In addition, the visit signaled that Japan was searching for a way to become more active in international affairs. Thus, the Koizumi trip can be seen as the first step by Japan to change the nature of a half-century of subservience to the United States in its foreign relations.

But the most dramatic news that followed the conclusion of the summit concerned the alleged abductees. North Korea had officially declared that it had information about 13 Japanese nationals whom North Korea agents had kidnapped roughly two decades previously. Of these 13, eight, including Megumi Yokota and Keiko Arimoto,

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[43] Katsumi Sato, *Nihon Gaiko ha Naze Chosen Hanto ni Yowainoka* (Why Japanese diplomacy is weak in the Korean Peninsula?), (Soshisha, 2002).

were said to have died. Five, including two of the three couples who had been initially reported missing by the *Sankei Newspaper* in 1980, were still alive, while Hitomi Soga, who had disappeared with her mother from Sadoshima Island in 1978, was also identified as an abductee still living. All had families, and Megumi Yokota, North Korea said, had left behind a daughter who was now 15 years old. The two governments reached an agreement to allow the five abducted Japanese, but not the rest of their families, to visit Japan. On October 16, 2002, the five living abductees revealed by North Korea − Yasushi Chimura, Fukie Hamamoto, Kaoru Hasuike, Yukiko Okudo, and Hitomi Soga − returned to Japan. With this homecoming, covered extensively by all the major media, Prime Minister Koizumi said he hoped that the abduction issue could be put to rest.

Instead, Kim's admission that North Korea had in fact abducted Japanese nationals brought out a range of emotions − shock, joy, relief, even white-hot rage − among the abductees' families, their supporters, and the general public. Even though the international community was more interested in developments regarding North Korea's nuclear weapons program, the Japanese media, especially such right-wing magazine publications as *Shukan Bunshu* (a weekly), *Shokun*, *Seiron* and *Bungei Shunju* (three monthlies), and the *Sankei Newspaper* waged a vitriolic anti-North Korean campaign that included severe criticisms of Japan's Foreign Ministry, the Koizumi cabinet, and "pro-North Korean" politicians.[44] The Japanese version of *Newsweek* magazine called this outburst of vitriol "abduction hysteria" and said that it was distorting Japanese foreign policy toward North Korea.[45] The abduction issue became an all-consuming national *idée fixe* that had a substantial effect on other extremely important matters affecting the relationship between Japan and North

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[44] Haruki Wada, "'Rachi sareta' Kokuron wo Dasshite" (Transcending 'abducted' popular opinions), *Sekai* (January 2004), pp. 251, 253.

[45] *Newsweek* (Japanese edition), October 22, 2003.

Korea.[46]

This "hysteria" did not appear spontaneously, but was orchestrated by well-organized groups dealing with the abduction issues. Taking advantage of their close connection with the AVFKNK, the NARKN and FDMA, two groups that were led primarily by Katsumi Sato and Katsuei Hirasawa, skillfully orchestrated Japanese emotional dissatisfaction against the Japan-North Korea summit and the Pyongyang Declaration. These two groups found themselves to be the most powerful interest groups concerning the abduction issue, able to significantly influence debate within the Koizumi Cabinet, the Foreign Ministry, various political parties, and the mass media. Moreover, the Japanese mass media, surprised by both Kim Jong Il's admission that North Korean agents had engaged in kidnapping of Japanese and the news of the death of eight Japanese abductees, apologized for doubting stories about the kidnappings and for only half-heartedly reporting the abduction issue. The attitude of the media took an about turn. For example, both NHK, Japan's public broadcaster, and the commercial national TV stations provided marathon coverage of the first group of five abductees who returned to Japan in October 2002 and the later return of the Korean-born children of some of these abductees. As a whole, the coverage helped foster negative stereotypes and an unflattering image of North Koreans in Japan.[47]

The 2002 return home of the five abductees got emotions racing even faster across the country, resulting in displays of bigoted nationalism by many ordinary Japanese, thus ensuring that the abduction issue would remain at Japan's political center stage. Koizumi's visit to North Korea was clearly a diplomatic achievement

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[46] Tessa Morris-Suzuki, "Politics of Hysteria: America's Iraq and Japan's North Korea," *Sekai* (February 2003), p. 234.

[47] Wada, "'Rachi sareta' Kokuron wo Dasshite," p. 251.

for Japan, but it was overshadowed by the opening of the Pandora's box that was the abductee issue. Whatever activist, realist-oriented foreign policy Prime Minister Koizumi and his supporters in government had in mind for North Korea and for Japan's broader set of relations with other countries had to be put on hold.

Concluding Observations

The Japanese government sought to engage in a more active foreign policy in the post-Cold War era. But it was post-Cold War coalition governments, rather than the dominant LDP that proved to be more able to adopt a more flexible, multilateral foreign policy. However, an unmanageable level of domestic frustration prevented the government from fully adopting a new multilateralist orientation. The source of the Japanese people's frustration was Japan's skewed world status: The country was an economic giant, but at the same time a third-rate power when it came to issues of national security and foreign policy, a condition that was highlighted when the Cold War ended. This long-standing frustration, fueled by despondency over domestic economic conditions in the 1990s and, later, the emotional shock that came from learning that Japanese citizens had been kidnapped by North Korean agents, reached a point where it could not be contained anymore. Prime Minister Junichiro Koizumi made a significant foreign policy decision to visit Pyongyang in 2002 to begin a process of normalizing relations with North Korea. This move was intended to be emblematic of a reorientation of Japan's foreign policy to a new realist, activist course and appropriate for the post-Cold War era. Unfortunately, the national release of emotional stress that was born of domestic frustration impeded the Japanese government from taking this new orientation any further.

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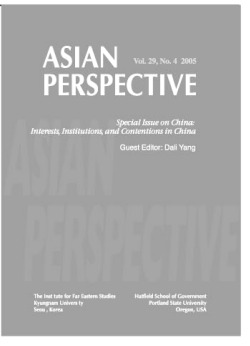

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