

The New U.S. Administration's Korea Policy and Its Impact on the Inter-Korean Relations

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INTRODUCTION

The security environment on the Korean peninsula and in Northeast Asia will likely be reshaped in step with the launch of the new Republican administration in the U.S. led by President George W. Bush. At the dawn of the 21st century, a complex political dynamic is unfolding in the region, with North Korea actively promoting the so-called *Sudpolitik*; Russia and China reacting sensitively to the U.S. National Missile Defense program (NMD); and the U.S. and Japan showing signs that they will reinforce their bilateral alliance.

Furthermore, globalization and the effects of economic factors on international relations, coupled with the domestic politics of countries in the region, are adding to the complexity of regional dynamics. Yet, this complicated picture itself does not appear to be causing cataclysmic change in the regional security environment because policy goals of the countries in the region are occupied with gradual change and prosperity while maintaining the *status quo*.

South Korea, which has consistently pursued an engagement

policy toward North Korea, is endeavoring to reestablish its international standing and to pave the way for future inter-Korean relations, amid a new alignment in the international environment and a possible change in the domestic political situation ahead of the 2002 presidential election. With North Korea, the United States comprises one of the key factors in Seoul's North Korea policy. U.S. policy toward the Korean peninsula and Northeast Asia will inevitably have an impact on the ROK-U.S. relationship and inter-Korean relations, and South Korea's domestic political milieu and subsequent changes in inter-Korean relations will in turn, have a positive or negative effect on Washington's North Korea policy.

Based on the above-mentioned supposition, this paper observes the direction of North Korean policy of the U.S. Bush administration, and assesses how this will affect the security situation on the Korean peninsula and inter-Korean relations. To this end, this paper focuses on Washington's policy toward the Korean peninsula in the broad context of its short-term and mid-to-long term Asia-Pacific strategy, by which we can address what strategy South Korea can take in tackling the new century's security challenge and opportunity.

U.S. PERCEPTIONS TOWARD NORTH KOREA

North Korea in the Context of Regional Security Dynamics

Following the launch of the Bush administration, attention was focused on U.S.-Japan talks. Although only a brief meeting between the U.S. President and the Japanese Foreign Minister, in the wake of Bush's inauguration, it indicated that U.S. policy toward Japan, which was previously characterized by "Japan-bashing" and later "Japan-passing" or "Japan-nothing," would possibly move in a direction where the two countries would maintain a more friendly relationship. This possibility was reinforced by the fact that the administration's key figures in charge of Asia-Pacific affairs, including Mr. Torkel

Patterson, senior director of Asian Affairs in the National Security Council (NSC) of the White House, are mostly pro-Japan.

This does not necessarily imply that the U.S.-Japan axis and the China-Russia axis will polarize the dynamics in Northeast Asia. As for China, during the U.S. presidential election campaign, the Republicans labeled China a strategic competitor, raising tensions between the two countries.¹⁾ Washington and Beijing were, however, well aware that tension and conflict between them would severely undermine the national interests of both countries. In sum, the United States will pay greater attention to Asia in the 21st century,²⁾ and such a policy position adopted by the United States will affect not only the Sino-U.S. relationship, but also the U.S.-North Korea relationship.

Improvements in Sino-U.S. relations have both a direct and an indirect impact on U.S. policy toward North Korea. In fact, with regard to Washington's Asia policy, the two poles are composed of China and North Korea. And yet the two countries do not pose a "serious" threat to the security of the United States, compared to the former Soviet Union. Rather, in many cases, U.S. domestic politics and other pending issues have overshadowed bilateral issues involving the two nations. However, China is a country that could challenge U.S. supremacy in the future,³⁾ while North Korea is one of the rogue states that cause U.S. concern. Moreover, the two countries form a bizarre linkage of "U.S.-China relations and its impact on their North Korea policy." Hard-liners on China in Washington's diplomatic circle are also invariably hawkish toward North Korea. Key members of the so-called "Blue Team" calling for caution regarding China take a tough position toward North Korea, too.

1) Condoleezza Rice, "Campaign 2000: Promoting the National Interest," *Foreign Affairs*, Vol. 79, No. 1 (January/February 2000), pp. 45-78.

2) Kurt M. Campbell, "U.S. Policy Turning Toward Asia," *Far Eastern Economic Review* (January 25, 2001).

3) Jason D. Ellis, and Todd M. Koca, "China Rising: New Challenges to the U.S. Security Posture," *Strategic Forum*, Institute for National Strategic Studies, National Defense University, No. 175 (October 2000).

It is construed that the Sino-U.S. relationship, in which the biggest pending issues include Taiwan and missile problems, may have ripple effects on the interests of the United States and China over the North Korea issue. It is fortunate that, until now, such a correlation has not become a reality. Rather, tension on the Korean peninsula has served as a linchpin that positively connects the United States and China. This is well illustrated by the fact that during the North's nuclear crisis in 1994, China exerted diplomatic pressure on North Korea, providing the basis for the Agreed Framework between the United States and North Korea.⁴⁾ In another instance, China played a significant role in resolving Pyongyang's missile problem in 1999.⁵⁾ On the other hand, when a reconciliatory mood prevailed on the Korean peninsula and there was a very real possibility of peaceful coexistence and tension reduction between the two Koreas, China's insistence on the withdrawal of U.S. troops from South Korea gained strength. This provided a source of possible friction with the United States, which wants to maintain its influence in the region.

The Logic of a Rogue State

The United States previously classified China as a pariah state, until recently, North Korea was deemed a vicious rogue state in a post-Cold War era.⁶⁾ More figuratively, if the Soviet Union was a

4) Chung Ok-nim, *Five Hundred Eight-Eight Days of the North Korean Nuclear Issue* (in Korean) (Seoul: Seoul Press, 1995); James Mann, *About Face: A History of America's Curious Relationship with China from Nixon to Clinton* (New York: Alfred A. Knopf, 1999), p. 332.

5) It is not known what role China played in detail, yet South Korean President Kim Dae-jung hinted at China's role in the North's missile issue.

6) Since the inter-Korean summit, the U.S. State Department has decided to refer to North Korea as one of "states of concern" rather than rogue states. Rogue states sponsoring of terrorism, missile development and attempts to undermine international systems were the biggest concerns of the U.S.

“huge dragon” with which the U.S. had to deal during the Cold War era, North Korea was a “vicious serpent” that had to be destroyed. Meanwhile, U.S. engagement policy toward China, which started when former U.S. State Secretary Kissinger made a secret visit to China in 1971, is quite different from that of North Korea in terms of history and strategies. The political declaration made by President Clinton when he took office in 1992, that the United States would not compromise with dictators in Beijing, was transformed into a comprehensive engagement or constructive strategic partnership. In the same vein, the interests of large businesses, which have supported the Republicans, and the administration’s strategic interest in Asia-Pacific region, supported by the continuity of the Bush security team from the first Bush administration are all positive factors offering a basis for cautious optimism for the Bush administration’s China policy. Despite Beijing’s unpleasant legacy, including the Tiananmen Square massacre, the Taiwan issue, its missile development, and oppression of human rights evidenced by the Falungung incident, China has become a country which draws most attention from the United States in the Asia-Pacific region in terms of potential and power. It is also worth noting that bilateral interaction and personal connections are acting as major linkages between the two countries.

By comparison, there is a long way to go before U.S.-DPRK relations improve. Behind the scenes, the former Bush administration pursued a process of engagement toward North Korea, but ties between the two countries have yet to be improved. From the U.S. perspective, there is lingering suspicion of the North. It is fair to say that the embarrassing incident involving the North Korean delegation, led by the Kim Young-nam, which was subjected to a search by U.S. airline employees in Frankfurt airport in 2000 enroute to the UN Millennium Summit, clearly reflects American’s perceptions of North Korea. The United States finds it outrageous that Pyongyang, the largest beneficiary of U.S. aid to

East Asia, has been developing long-range missiles that can threaten the U.S. continent with U.S. taxpayers' money. Moreover, Pyongyang has been exporting its Rodong missiles to other rogue countries in the Middle East for the last five years. What is more, Americans are enraged that the North Korean leadership has done nothing for its starving people while at the same time it continues to strengthen its military.⁷⁾

Of course, only a small portion of Americans have any interest in North Korea. Since the collapse of the Soviet Union, foreign affairs are no longer eliciting much interest among the American people.⁸⁾ But the views of some figures do count—for example those who can influence the U.S. policy toward North Korea, and U.S. public opinion, Congressmen, and people representing interest groups. North Korea experts can be divided into two groups. One group is experts on the Korean peninsula and the other group is security experts. The former is more flexible and realistic in its opinions on the Korean peninsula while the latter can be called “Cold War warriors” or “generalists” who tend to propose U.S.-centered arguments.⁹⁾

The Kim Jong-il Factor

U.S. policymakers believe that Kim Jong-il has absolute control over North Korea's perception of the U.S. and its strategy toward

7) House Policy Committee, Christopher Cox, Chairman, “Clinton-Gore Aid to North Korea Supports Kim Jong-il's Million-man Army, Enough Plutonium to Build 65 Nuclear Bombs a Year,” July 27, 2000, p.6.

8) An opinion poll conducted around the 2000 U.S. presidential election showed that education was the primary interest of Americans (36%) followed by social security (19%), health care (13%), and tax (11%) with only about 1% interested in foreign affairs.

9) Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton: Princeton University Press, 1998), p. 237.

Washington. When Kim Il-sung died, the U.S. intelligence community thought the power base of Kim Jong-il was fragile. Moreover, it predicted, the junior Kim's lack of his father's charisma would inevitably lead to an internal power struggle in the isolated regime.¹⁰⁾ There was wrangling and bickering between the State Department and the CIA, and even within the CIA itself, about how politically viable Kim Jong-il really was.¹¹⁾ The CIA and the DIA even raised possibility of a coup in the communist state. Yet, none of these dire predictions materialized, revealing limitations in the U.S. ability to collect and analyze information regarding North Korea. A senior official argued, "Time is on our side," and predicted the imminent collapse of North Korea after the conclusion of the Geneva Agreement.

However, the year 1998 was a turning point in Washington's perception of Pyongyang. The Clinton administration realized that the regime could survive far longer than expected. This assessment was based on realities, not on wishful thinking. It has already been estimated that the collapse of North Korea would occur at a huge cost, and thus, the issue of "peace" is being stressed over the issue of "unification." The intelligence community has changed its past perception, and concluding that Kim Jong-il is far more capable of maintaining his regime than was originally thought. This belief is reflected in former President Clinton's plans for a trip to the North, though aborted, to find a solution to North Korean missile issues. A majority of Korean peninsula experts in Washington dissuaded him from visiting Pyongyang because of the Kim Jong-il factor. There was concern that if a lame duck president went to Pyongyang with the anticipation of leaving a personal legacy—or hoping to realize personal a goal, i.e., peace-making aspirations, he might be misled

10) Elaine Sciolino, "Blurred Images of North Korea's Junior," *The New York Times*, July 17, 1994.

11) From the interview of Bob Suettinger, the former director of Asian Affairs at the National Security Council, June 2000.

by Kim Jong-il.

Thus the Bush administration understands the significance of the Kim Jong-il factor, and is not rushing its approach to relations with North Korea. Rather, it is taking a measured stance toward the North for it basically does not trust the regime, reckoning that if there is not a verifiable agreement on the missile issue, it would cost the U.S. handsomely. The United States is therefore moving cautiously in allowing international recognition to North Korea. Furthermore, Washington considers that there have so far been no signs of reduction in tension in the military arena on the Korean peninsula.¹²⁾ However, allowing for Kim Jong-il's political astuteness, and the North's aggressive diplomatic overtures toward Europe and Asia, the United States has ruled out the possibility that North Korea would commit erratic acts. A careful approach to the North would, the United States believes, bring about a positive outcome.

U.S. POLICY TOWARD NORTH KOREA IN THE NEW BUSH ADMINISTRATION: REALITY AND PROSPECTS

Assessment of South Korea's Policy toward North Korea

Both before and right after the upcoming ROK-U.S. summit meeting in March, the Council on Foreign Relations (CFR) Task Force on "Managing Change on the Korean peninsula" is expected to put out an executive summary. Members of the task force have been serving as a bridge between the U.S. administration and Congress in terms of the U.S. policy toward North Korea, and they have also worked as behind-the-scenes coordinators for the Perry Process. As many of them are likely to be aboard the Bush Team, their future activities need to be continuously observed.

12) Secretary of Defense, *2000 Report to Congress: The Military Situation on the Korean Peninsula*, September 12, 2000.

By and large, they are worried about the domestic politics and economy of the South. What will unfold in these two areas will, they think, affect Seoul's policy course toward Pyongyang. They are rather skeptical about a substantive implementation of the "June 15 Joint Declaration." While they are in agreement, in principle, with the ROK's engagement policy toward North Korea, they argue that a close look at the policy shows that no specific benefits will result from it. As a consequence, they hold the view that the reunions of separated families and working-level meetings on inter-Korean cooperation are moving at a pace favorable to North Korea, that is limited to a minimalist approach, and there has been no change in the security landscape. In particular, Paul Wolfowitz (appointed as a Deputy Secretary of Defense) and Richard Armitage (identified as his counterpart in the State Department) view South Korea's North Korea policy as proceeding a bit too fast and hinted that they might slow down the process of engagement with North Korea if there is no breakthrough on the North Korean missile issue.¹³⁾

The Republican Party recognizes the significance of the ROK-U.S. alliance. Thus, it is improbable that the Republicans would attempt to put a brake on Seoul's North Korea policy. On the contrary, the focus of attention in the political power circle in Washington will be issues like the slowing U.S. economy and the ongoing Middle East conflict, and the NMD, leaving little extra energy to devote to Korean peninsula issues. The Korean peninsula issues were never highlighted anyway during the 2000 U.S. presidential election.¹⁴⁾ It is perceived that the South-North reconciliation has reduced tension on the

13) From an interview with Bob Gallucci, former Assistant Secretary of State for Political and Military Affairs (current Dean of the School of Foreign Service, Georgetown University), November 2000.

14) Douglas H. Paal, "The Korean peninsula in the 21st Century: Prospects for Stability and Cooperation," presented at a seminar "An Agenda for the New U.S. Administration," SAIS, Johns Hopkins University (September 18-19, 2000).

Korean peninsula—at least in a symbolic sense. Barring any unpredictable provocation on the part of North Korea, much time will probably be needed before the Bush administration outlines its new policy course for the Korean peninsula. Senior officials who will be in charge of these Korean issues have not as yet been confirmed. For this reason, James Kelly, appointed as the Assistant Secretary of State for East Asia, has to work in Washington as an individual. Washington hopes that South Korea will take a more resolute stand in dealing with North Korea on a reciprocal basis. As President Bush is not well versed in security and therefore will delegate full authority to his deputies on this score, it is important for South Korea to keep open diplomatic channels for consultations with the United States at any time.

General Policy Line

U.S. foreign policy will be steered, not by Secretaries Colin Powell, Donald Rumsfeld and National Security Adviser Condoleezza Rice, but by their deputies. Powell and Rice are leading moderate conservatives, while Vice President Cheney and Rumsfeld represent rather hard-line conservatism. The gap between their positions in implementing U.S. foreign policy in general is highly likely to influence their strategy and policy toward Northeast Asia.¹⁵⁾ Notably, Paul Wolfowitz and Richard Armitage have been the members of the CFR Task Force on the Korean peninsula and have a keen interest in Korean issues. This implies that North Korean issues will be handled at a higher level in the new administration. It also seems that Armitage and Kelly will be more active players in U.S. policy toward North Korea than the National Security Council.

Above all, the Republican Party places emphasis on reciprocity and verifiability in its relations with North Korea. The Reagan

15) Elaine Sciolino, and Eric Schmitt, "In Defense Post, Infighter Known for Working the Means to His End," *The New York Times*, January 8, 2001.

administration's policy toward the former Soviet Union, "Trust but verify," has been modified to "Do not trust before you verify," in dealing with the North Korea issue. This shift aims to stress the importance of maintaining an alliance with the South as well as to warn against moral hazard on the part of the North. The fact that the current Republican Party has more Asia-oriented experts than the former Democratic Party makes it more predictable in terms of the U.S. policy toward North Korea.

If Korea experts in the Republican Party embrace engagement with North Korea, it will not be based on their belief in the possibility of change in North Korea, but on a realistic assessment of the security environment. The Republican Party will not have much patience with North Korea's negative activities, and humanitarian assistance to the North will be discontinued if its only purpose is to draw Pyongyang to the negotiating table. Nor will North Korea be put in the driver's seat, allowed to set the agenda and dates, or control the pace of negotiations with the U.S.¹⁶⁾ However, there still is the possibility of more drastic measures that could be taken toward North Korea, some that were seen under the former Democratic administration. For example, the so-called "threat menu" may be presented by the United States to solve all problems pertaining to North Korea in a comprehensive way once and for all, dealing not only with missiles but also chemical, biological and even conventional weapons. According to this concept, North Korea's reaction will determine any reduction in the U.S. forces in the region. In a departure from the Perry Process, some Republicans suggest that the U.S. might pay some "price," if necessary, for the complete resolution of the North's missile threat.¹⁷⁾

The Republican experts on Korea are not fully satisfied with the

16) From an interview with Larry Wortzel, in charge of Asian Affairs at the Heritage Foundation, November 2000.

17) From an interview with Bob Manning, senior research fellow at the Council on Foreign Relations.

trilateral coordination of policy, namely, among the ROK, the U.S. and Japan—based on their observation that the Trilateral Oversight and Coordination Group (TOCG) has not been effective. This assessment has been made based on the inter-Korean summit, the visit to the North by U.S. Secretary Albright, and Japan's massive food assistance to North Korea. Each country has taken a minimalist approach to information sharing, notifying each other of their decisions at the last minute, rather than implementing close policy coordination. As a result, North Korea was given an opportunity to determine the agenda and timing of the negotiations with the countries. This constitutes the rationale behind the call for a strengthening of policy coordination among the three countries.

Meanwhile, it seems that the opponents in Congress will not be able to prevent the Bush administration from executing its policy toward the North, for the Republican Party controls the House. And only a few North Korea issues need a congressional vote. Moreover, as many Korea specialists are expected to fill posts in the Republican administration, Bush's people are not likely to be overwhelmed by Congress, which lacks relative expertise on Korean issues.

NMD, TMD and North Korea

The two pillars of the U.S. security policy are the RMA (Revolution in Military Affairs) and the NMD. The U.S. was supposed to make a decision on the limited missile defense system by March, as it was considering the building of a high-tech radar base on Shemya Island. To proceed with this plan, preliminary work needs to be done from March on, since the spadework for a ground anti-missile base is possible only during the summertime in Alaska. The NMD is an important issue affecting U.S. policy toward China and North Korea, and for the United States, North Korea is the country that justifies U.S. development of the NMD. In fact, however, China is the main target of the NMD. Malfunction of Russian missiles, as well as the persistent pursuit of missile

development by China, has persuaded the U.S. to seek the development of the NMD, despite budgetary and technical problems and opposition from its allies.

It seems that China and Russia have no other options but to discourage North Korea's long-range missile development, in order to prevent the United States from using the North Korean missile threat as an excuse for establishing the NMD system. They will also need to explore ways to respond to America's NMD system when the latter decides to go ahead with its NMD plans.

Even if the North gives up its long-range missile program, the United States would not easily abandon its plan for the system, because domestic politics and the national interest are at stake¹⁸⁾ behind America's rationale to establish a missile defense system to protect its territory from missile threats posed by rogue states. Backing up this theory is the fact that there was bipartisan agreement¹⁹⁾ in the United States on the NMD before financial and technological problems of the NMD scheme surfaced. At this point, the South Korean government does not have to declare its stance on the NMD development, but the question is what effects will conflicting interests of nations surrounding the Korean peninsula have on the South's North Korea policy and on its coordination efforts with neighboring countries. As South Korea needs to maintain

18) Joe Cirincione, "The Political and Strategic Imperatives of National Missile Defense," *The Nautilus Special Report* (January 12, 2001). [www.nautilus.org/nukepolicy/workshops/ISODARCO-00/index.html].

19) However, the Democratic Party has warned that China would make great progress in the area of long-range nuclear weapons if the Bush administration goes ahead with the NMD. It has asserted that, in order to avoid unnecessary confusion, the United States needs to decide at an early date what type of missile defense project it should establish, saying that there are a wide variety of missile defense projects available for the United States such as the NMD, limited missile defense, defense system against erroneous missile launch by other countries, etc., "Pentagon, NMD Test Next Month," *Chosun Ilbo*, February 7, 2001.

close cooperation with China and Russia as well as the United States, a strained relationship among neighboring powers would make South Korea's dealings with each power very difficult.

China argues that America's NMD and TMD schemes threaten its strategy to ensure relative security by maintaining a credible minimum strategic deterrent against other powers. Based on this argument, it is planning to put more resources into reinforcing its strategic weapon system. On the contrary, the U.S. claims that Chinese cutting-edge cruise missiles and short-range ballistic missiles (SRBM) are deployed and aimed at Taiwan. The Americans also argue that by 2015, China would be capable of deploying numerous survivable land- and sea-based mobile missiles loaded with nuclear weapons in a direction targeting the United States,²⁰ and in fact, has accused China of stealing such advanced missile technology from them.

These contrasting views are an apt illustration of the possibility of an escalation of the arms race between Washington and Beijing--possibly due to mutual suspicions and mistrust on the missile issue.

In relation to the TMD, the United States predicts that between 2005 and 2007, China might launch a missile attack on Taiwan, dealing a fatal blow to Taiwanese military installations and its economic infrastructure. This time, frame is coincides with the United States predictions for North Korea's successful development of long-range missiles threatening the U.S. continent. Officially, South Korea has maintained that it would not participate in the TMD. Still, it is not entirely free from the TMD issue. Taiwan is poised to join the TMD for political reasons, and the United States and Japan tacitly include the Taiwan issue in their definition of "in

20) Anthony H. Cordesman, and Arleigh A. Burke, "Defending America: Redefining the Conceptual Borders of Homeland defense," (China and the US: National Missile Defenses and Chinese Nuclear modernization) *A Background Paper*, CSIS, September 5, 2000.

the event of a military emergency in the Far East outside Japan or at the time of contingencies in surrounding nations” as set forth in the bilateral defense guideline revised in 1997. Taking this into account, we cannot rule out a possibility that the Korean peninsula is linked to the Taiwan issue. More specifically, if the United States should attempt to utilize its Korean military bases and facilities and mobilize its forces stationed on the peninsula in the event of a crisis in Taiwan, it is yet to be determined what the South Korean government’s position would be. Against this backdrop, the emergence of China as a regional superpower in the 21st century may justify the China threat theory in the theater of the Sino-U.S. relations and, if so, South Korea may face a serious policy dilemma, as it is bound by a defense alliance with the United States.²¹⁾

The USFK and a Peace Regime on the Korean Peninsula

Soon after the inter-Korean summit last year, President Kim Dae-jung announced that National Defense Commission Chairman Kim Jong-il recognized the need for the USFK presence, although North Korea has yet to make any official remarks on this claim. This being the case, however, the North’s recognition reveals that a major difference exists between North Korea and China in their understanding the role of the U.S. Forces in Korea. On the part of the U.S. administration, the U.S. military presence in Korea is not an issue that is negotiable, although there is room for possible discussion on the structure of U.S. forces during the final stages of the conclusion of a peace treaty. It follows from this, on the issue of withdrawal of U.S. forces from the peninsula, except for a few conservative and liberal extremists at both ends of the political spectrum, the majority of moderate Korean experts stress the need for the American presence.²²⁾ And this U.S. stance is unlikely to be changed within the foreseeable future.

21) Jong Jae-ho, “China’s Emergence, the U.S.’ Check, South Korea’s Dilemma,” *Shin Dong-a*, Dong-a Ilbosa (October 2000).

Nevertheless, there is the possibility that the United States may consider reduction of its forces, regardless of its national strategic interests, should North and South Korea declare a permanent end to war through a "peace declaration." This possibility is strengthened by the fact that the United States would prefer voluntary reduction of forces rather than withdrawing its forces under pressure from domestic public opinion in South Korea. Since Secretary of State Colin Powell's remarks on the redeployment of American forces, some have cautiously raised the possibility of cutting down the number of American soldiers stationed in South Korea. Already, following the Pyongyang summit, Jesse Helms, Chairman of the Senate Foreign Relations Committee, has mentioned a possible reduction of American forces, and Paul Wolfowitz has emphasized the need to reduce conventional military capabilities in prospective negotiations with North Korea. Also, Richard Armitage hinted that there might be a change in the 100,000 troop American presence in the Asia-Pacific region, the figure initiated by Joe Nye and maintained by the Clinton Administration since 1995.

However, Republicans still harbor strong suspicions of North Korea's ulterior motives, warning that North Korea's missile threat has not decreased, despite its symbolic gestures toward reconciliation, i.e., participating in inter-Korean dialogue. Yet, they have kept open the possibility of changing the Korean peninsula policy on the condition that military confidence-building should produce tangible results on a gradual basis. In fact, the legitimacy of forward deployment of the USFK has been based on the premise that there are military tensions and thus, a strong need to prepare for the worst scenario. Therefore, when the threat posed by North Korea disappears, the need for an American presence in South Korea is highly likely to be brought into question. However, it seems most likely that a pullout of the American forces from the peninsula would

22) Larry M. Wortzel, "Planning for the Future: The Role of U.S. Forces in Northeast Asian Security," *The Heritage Foundation Backgrounder*, No. 1388 (July 26, 2000).

also weaken justification of the presence of American forces in Japan. In such an event, it would be detrimental to U.S. national interests, best served by maintaining military supremacy in the region. This is the reason why the U.S. administration is trying hard to come up with a more realistic alternative. In the meantime, the question of the USFK is connected with the issue of establishing a peace regime on the Korean peninsula. As the USFK acts also as the UN forces, it is inevitable that questions will be raised over the presence and function of the American forces in the process of replacing the current armistice with a peace treaty. Against this backdrop, there have already been unofficial discussions of transforming the function of the American forces into a peace force or a stabilizing force for the Asia Pacific region. However, this issue will be dealt with in the larger context of a security environment on the Korean peninsula.

Washington basically endorses the “two plus two formula”²³⁾ proposed by Seoul as a means of establishing a peace regime on the peninsula in which the two Koreas sign the peace agreement, with the endorsement by Beijing and Washington. Yet, it is doubtful whether such an approach will actually work. The United States is also very pessimistic about the effectiveness and of the role of four-party talks, expressing the view that the four-way talks have been pursued only for the sake of dialogue, but that they have failed to produce tangible results. It warns that merely declaring peace on the peninsula does not remove the threat of war and, instead, may lead to lax security alertness by prompting South Korea to let down its guard against the North's military threat. Consequently, the United States suggests that arms reduction be discussed through trilateral consultations between the two Koreas and the United States,²⁴⁾ which South Korea cannot accept due to its fear of being edged out of a major role.

It is very interesting to note that some Republicans are paying

23) *The Korea Herald*, September 10, 2000.

24) In an interview with Robert Manning, a senior fellow of the Council on Foreign Relations, January 2001.

attention to the South's move toward a six-party regime based on sub-regional multilateralism for the establishment of peace on the Korean peninsula. The Republicans emphasize that a functional approach should be adopted during the transitional process and that the direct pursuit of a six-party "security-only" regime should be avoided. The functional approach means pursuing multilateralism, first in the areas of energy and economic cooperation and then eventually with the aim to create spillover effects on politics and diplomacy. These gradual changes in U.S. attitudes are encouraging signs, considering that South Korea wants to be the main player in seeking a resolution with North Korea²⁵⁾ to the Korean peninsula questions, while pursuing a six-party regime in due course.

Provision of the Light Water Reactor²⁶⁾

Just as the U.S. Republicans are critical of the Agreed Framework, they are also very skeptical about providing North Korea with the light water reactor (LWR) as part of implementation efforts of the Agreed Framework. Their assertion is that there is a danger of nuclear proliferation since sufficient quantities of weapons-grade plutonium can be produced from the LWR. Although South Korea supports the project, and is funding 70 percent of it, the United States prefers conventional power plants to the LWR. And some American experts maintain that North Korea should opt for construction of one LWR and additional coal-fired power plants instead of two LWRs, as originally agreed upon by the U.S. and North Korea, considering the dire and imminent energy shortages. Moreover, Washington argues that

25) Ok-nim Chung, "Solving the Security Puzzle in Northeast Asia: A Multilateral Security Regime," The Brookings Institution (2000). [www/brook.edu/fp/cnaps/papers/2000.chung.htm]; *Korean and World Affairs*, Vol. XXIV, No. 3 (Fall 2000), pp. 393-410.

26) Interview with Dr. B. K. Kim, Director of the Korean Atomic Energy Research Institute (KAERI), February 2001.

the idea of building a coal power plant in the North could not be realized because of opposition from Korea Electric Power Corporation (KEPCO) and nuclear establishments in South Korea. However, replacement of the LWR with a coal power plant will not be an easy decision for the South. The purity of plutonium from the LWR is around 50-80 percent, far from weapons-grade plutonium whose purity is over 93 percent. A LWR is able to generate 300 kg of plutonium per year from spent fuels. So, mathematically it is possible for the North to produce dozens of nuclear weapons each year because about 8 kg of plutonium is required for the production of a nuclear weapon. After construction of the LWR, however, it will be impossible for North Korea to use it solely for the purpose of producing nuclear weapons unless it totally sacrifices power generation. Moreover, under the IAEA inspection, the moment that nuclear fuels are transported, an automatic sensor instantaneously activates and inspectors are dispatched immediately to the scene. Under such circumstances, there is a slim possibility of North Korea isolating itself from the outside world and daring to confront the international community in order to produce nuclear weapons from the LWR.

While construction of a LWR is more costly compared to a coal power plant, the cost of conventional fuels needed for operation is so much higher than uranium fuel that the unit cost of power generation during a 30-year period will be almost the same. In addition, 85 percent of the construction costs of nuclear power have been already localized. And if the LWR is constructed, the two Koreas will gain the advantage of technological compatibility even after unification. If South Korea abandons the LWR project, South Korean nuclear establishments would have to bear an enormous cost. Since the LWR construction project has already gone into effect, and contracts worth about 70% of the amount of the total construction cost (\$4.6 billion) have already been signed, the cancellation costs in

the planning and manufacturing sectors would be too huge to bear. If the United States adamantly insists on building a coal-fired power plant, diplomatic tension may arise between the United States and South Korea. Therefore, the time has come for the South Korean government to take a clear stand on the LWR project by carefully looking into the long-term cost effectiveness of the project.

PROSPECTS AND IMPLICATIONS OF INTER-KOREAN RELATIONS

The historic South-North summit in 2000 paved the way for co-existence between the two Koreas and with the advent of the new century, the two Koreas should solidify exchanges, cooperation and reconciliation on the Korean peninsula, especially with Kim Jong-il's reciprocal visit to Seoul. Forging interdependence between the two Koreas through institutionalizing economic cooperation would be relatively easier than devising military confidence-building measures. Given that the military threat itself and military support are underpinning and maintaining the North Korean regime, the North would find it almost impossible to drastically change its stance on the military confidence building issue in such a manner that would ensure transparency and verification.²⁷⁾ Meanwhile, on the part of Seoul, it is also difficult to define the identity of North Korea since the North is still regarded as its "main enemy."

As for U.S.-North Korea relations, Pyongyang judges that its relationship with Washington will not improve in the near future because the new U.S. administration has made it clear that it intends

27) Some experts say that if Defense Ministers talks are held on a regular basis after Kim Jong-il's visit to Seoul, a substantive military exchange will be activated through opening of hot lines and forming of subcommittees or working-level groups on tension reduction and confidence-building measures.

to adopt strict reciprocity on the missile issue and adjust the pace of improvement in U.S.-North relations. However, the North needs to revive its strapped economy and actively develop its relations with other countries in order to celebrate the junior Kim's 60th and the senior Kim's 90th birthday in 2002, and to consolidate Kim Jong-il's grip on political power. To do so, North Korea must realize that its prime partner is South Korea.

There were mixed responses to Kim Jong-il's visit to Shanghai. South Korea optimistically perceived it as a signal of North Korea's reform and opening. On the other hand, the United States reserved judgment based on its long-held distrust of Kim Jong-il. The Shanghai visit has three political implications. First, Kim intended to head off the possibility that the Bush administration might opt for hard-line policies. Second, he wanted to establish a new buffer zone by actively implementing an opening-up policy toward the West. Third, by reinforcing the triangular structure composed of North Korea, Russia and China, Pyongyang wished to dilute the alliance between South Korea, U.S. and Japan.²⁸⁾ What is notable is that a new regional security order is being shaped with each leader of the Northeast Asian nations holding summit meetings with their counterparts in the region. As North Korea has pursued *Südpolitik*, a change for a new regional order among the six Northeast Asian countries has already taken place. All these changes have provided South Korea with a new challenge to further inter-Korean relations for the establishment of a new structure of order of co-existence.

The possibility of the North's reform and opening cannot be ascertained simply from an economic perspective. Rather, Kim Jong-il's political motivation and external policy directions would

28) Lee Jung-min, "Prospect of the Situation on the Korean Peninsula and Inter-Korean Cooperation After Kim Jong-il's Visit to China," (in Korean) presented at a seminar, "Korean Peninsula and Neighboring Countries Korean Peninsula Strategies Following the Inter-Korean Summit," by Advisory Council on Democratic and Peaceful Unification Secretariat, February 5, 2001.

be a more important element in predicting North Korea's future. In this light, it does not matter much which model the North decides to adopt—the Chinese model or the 1960's South Korean authoritarian development model. In North Korea's unique situation, it cannot follow either of them. As a traditionally agricultural society, China had a vast domestic market and the capital of ethnic Chinese residing abroad, which served as driving forces of its reforms. Besides, China did not need to worry about a possible absorption by Taiwan even if it opened its door to the outside world. Likewise, there are few similarities in the situations between the two Koreas. And moreover, South Korea was in a far better situation in 1960 than North Korea is in now. South Korea did not have to be concerned about the so-called "contamination of capitalism" when attracting foreign capital into the nation. Even though Kim Jong-il has expressed keen interest in the *Saemaul* (New Community) Movement and export-oriented industrialization, championed by the late South Korean President Park Chung-hee, he cannot rule out the possibility of disintegration of the social structure and ideology. This would, in turn, threaten his regime with absorption by South Korea as a result of an inflow of capitalism. So he cannot overlook the dangerous forces that could be released if he introduces South Korean-style reform.

All these points imply that the only viable option for the North is to boost its productivity internally and induce foreign investment externally. Its plan to transform the Rajin-Sonbong area into an international trade center ended in failure. So the North will try to revitalize its economy by establishing bases for export and processing trade in other cities such as Kaesong, Shinuiju, Pyongyang, Nampo or Wonsan. Among them, Pyongyang, Nampo and Shinuiju are the most likely candidates in that they have ports and industrial bases necessary for the plan. Not only that, they have abundant labor forces and complement with one another in terms of proximity to neighboring countries.²⁹⁾ However, chances of success are slim. There are few incentives for foreign investors given the

lack of infrastructure, internationally acceptable legal frameworks and confidence, not to mention the limited domestic markets, also a disadvantage for investors. On top of that, the backwardness of related industries will boost production costs. When considering these points, North Korea will realize that South Korea is the only likely investor and will facilitate the South's active investment in the North.

North Korea's hopes to gain assistance from the IMF seem to have been dashed with the launch of the Bush administration. In order to get financial assistance from such international organizations as the IMF or the World Bank, it must be removed from the U.S.-made list of countries sponsoring terrorism. Unless the North shows a drastic attitude change in the issue of international terrorism, it will find it impossible to get funding from the international community. It should also brace itself for a possible shift in U.S. policy to a more hard-line direction or to so-called benign neglect, when Washington takes issue with security matters. If that is the case, Pyongyang will have to indirectly induce the United States to maintain close consultations with South Korea while seemingly pursuing the process of establishing peace on the Korean peninsula by enhancing inter-Korean relations.³⁰⁾

South Korea's economic and political situation should also be taken into account. The Kim Dae-jung government provided \$119.25 million worth of assistance to the North. Even though the scale of assistance to the North is smaller than that of the previous Kim

29) Kim Jong-ung, "Companies' Strategies on North Korea Investment: Prospective Investment Destination," (in Korean) A Report of the Hyundai Economic Research Institute, *Munwha Ilbo*, January 15, 2001.

30) To this end, the North should seek an early resolution of the following issues: 1) establishment of inter-Korean economic commission; 2) North Korean economic team's visit to South Korea; 3) agreement on investment guarantees, avoidance of double taxation, settlement of commercial dispute, account clearance; 4) coordination on detailed plan of the Kyongui Railway project; 5) joint fishing in part of North Korea's East Sea fishing grounds; 6) building of industrial complexes

Young-sam government,³¹⁾ the current government has been criticized for offering too much. Obviously the North's unilateral demands and the lingering concerns over security among South Koreans have stirred such criticism. The South Korean administration is obliged to inform the National Assembly of large-scale inter-Korean projects including the restoration of the Kyongui Railway with its expected investment of 100 billion won, the reconnection of adjacent roads, family reunion expenses and other forms of humanitarian assistance.³²⁾ The disapproval of inter-Korean projects stemmed, to some degree, from South Korea's difficult economic situation as well as public distrust over domestic politics.³³⁾

The United States predicts that South Korea's presidential election, to be held in 2002, will bring about some changes in South Korea's sunshine policy. In this vein, Kim Jong-il is likely to ask for maximum concessions from the South before he visits Seoul this year for the second inter-Korean summit. With South Korea's presidential election two years away, the North is expected to maintain its changed attitude in an attempt to prevent a shift in Seoul's engagement policy by a new government which will be inaugurated in 2003. Aware of North Korea's situation, the Bush administration will not make hasty decisions on its North Korea policy. It will take a wait-and-see attitude until it decides whether the South's sunshine policy is sustainable.

in Kaesong and Mt. Kumgang; 7) Working-level discussion on prevention of floods on the Imjin River; 8) South's electricity supply.

31) *JoongAng Ilbo*, November 7, 2000.

32) "Obligation to Notify the National Assembly of the Scale of the Inter-Korean Cooperation Fund," *JoongAng Ilbo*, December 7, 2000.

33) A survey showed that 72.8% of South Koreans think that the government should seek the public's consent before providing assistance to the North and over 90% say that inter-Korean cooperation should be promoted based on economic feasibility. The approval rate on inter-Korean cooperation dropped from 84.6% in August 2000 to 60.9% in January 2001. "Public Sentiment over Unification: Economic cooperation," *JoongAng Ilbo*, January 3, 2001.

From the U.S. perspective, inter-Korean economic cooperation and reconciliation are just marginal issues. Their prime interest is to take the lead in creating a stable security environment in Northeast Asia by using America's military deterrence against the North. Its North Korea policy is focused on reducing the North's weapons of mass destruction, including nuclear weapons and missiles as well as conventional weaponry. It is concerned that the cash payment from the Mt. Kumgang project and electricity supply by the South will be converted for military purposes. The closed working-level negotiations between Washington and Pyongyang on the missile issue continue in New York, and the Bush administration may take bolder approach than the Clinton administration in offering carrots only if North Korea clearly complies with demands from the United States on security issues. While sharing the view that it is imperative for South Korea and the United States to forge stability and peace on the Korean peninsula each place a different emphasis in terms of improving their relations with North Korea. Such differences in their positions could result in discord in coordinating their North Korea policies. In this regard, it is reassuring that the two countries decided to maintain regular senior level talks for policy consultations on their North Korea policy.³⁴⁾

CONCLUSION

Prospects are slim that the Bush administration will make dramatic policy shifts in dealing with North Korea unless Pyongyang takes unexpected actions. It is likely that the United States will take a wait-and-see attitude for a considerable period of time, calling on the North to respect the principle of reciprocity. And

34) U.S. Department of State, Office of the Spokesman, "Joint Statement by Secretary of State Colin L. Powell and Republic of Korea Minister of Foreign Affairs and Trade Lee Joung-binn," February 7, 2001.

it will set the pace of North Korea policy according to in step with improvement in inter-Korean relations and South Korea's political situation. Washington suspects that North Korea intends to buy time, and to seek a way out at a lower cost, rather than to seriously pursue reform and opening.³⁵⁾ Therefore, South Korea needs to push for improvement in its relations with the North, while at the same time striving to merge its interests. To this end, not only government officials but also civilian experts should forge even closer ties with their U.S. counterparts.

It is expected that with the inauguration of the Bush administration, a series of summits will be held in the region, notably between North Korea and China; South Korea and Russia; South Korea and the United States; and North Korea and Russia. Undoubtedly, the flurry of summits will culminate with the second inter-Korean summit to be held in Seoul, barring any unforeseen events. Against this backdrop, South Korea will have to continue consultations with the United States, especially on Kim Jong-il's expected visit to Seoul. It should also guard against any possibility that its capability to collect and analyze information on North Korea would become a political issue.³⁶⁾ Most of all, it is essential for South Korea's major intelligence services and intellectual elites to formulate North Korea policy based on objective information, distinguishing the real from the ideal.

South Korea should take the lead in honoring the principle of reciprocity since the United States may shift toward a rigid policy on North Korea. The importance of pursuing "flexible and substantive reciprocity" cannot be overemphasized if the South is to garner international cooperation and a clear public support for its North Korea policy. In addition, ensuring transparency and explicit explanation on assistance toward the North, such as the scale and nature of the assistance, will also help produce positive results in the

35) Douglas Paal, *op. cit.*

36) Lee Jung-min, *op. cit.*

long term and forge public consensus on the assistance. Some have criticized the current South Korean government for making unilateral concessions without taking anything from the North and therefore, playing into the hands of North Korea. Therefore, the government should dispel the public mistrust and criticism generated by the lack of publicity of information on government initiative.

With concerns over the South Korean economy looming both at home and abroad, it is very important for the government to obtain domestic as well as international support for its assistance to, and economic cooperation with the North. Particularly in pursuing inter-Korean economic cooperation, the government should encourage private companies to invest in the North by establishing an institutional framework, rather than by forcing them to invest for political reasons. What matters in inter-Korean economic cooperation is how to do it rather than how fast to do it.³⁷⁾ And the South should discourage the North from making unacceptable demands or doing anything that would disrupt the peace process.

Inter-Korean relations and the security system in Northeast Asia will be reshaped in the 21st century. And South Korea should take far-sighted steps in formulating its policies on North Korea and neighboring countries. The relations between the two Koreas, the United States and North Korea, and South Korea and the United States are too closely intertwined to be dealt with separately. The challenge facing South Korea in the 21st century is to devise a more practical North Korea policy by reviewing improvements made in inter-Korean relations. With its U.S. partner, the South will have to persuade the United States not to formulate policies without taking into account the situation on the Korean peninsula. To this end, the

37) Cho Dong-ho, "Prospect of the Korean Peninsula Situation and the South's North Korea Policy Lines Following Kim Jong-il's Visit to China," (in Korean) Summary of the Discussion on Democratic and Peaceful Unification, February 5, 2001.

South needs to broaden mutual understanding by facilitating dialogue channels and clearly conveying its position to the United States, rather than just worrying that U.S. emphasis on reciprocity might be an obstacle to improving inter-Korean relations. The key to the establishment of peace on the Korean peninsula is domestic support for the South Korean government's North Korea policy and a close ROK-U.S. alliance.