The Perils of Progress:
The U.S.-South Korea Alliance
in a Changing Strategic Environment

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No one said managing the U.S.-South Korea alliance would ever be easy, but we seem to be going through a particularly challenging period at present. For much of this year, the focal point of the relationship has been the March 2001 summit between U.S. President George W. Bush and South Korean President Kim Dae-jung, a meeting that seemed to raise as many questions as it answered and did little to ease growing anxieties about the new U.S. administration's evolving Asia policy. Timing may have had something to do with the difficulties. President Bush was inaugurated less than two months before the meeting and he was still assembling his foreign policy team. South Korea's own presidential elections are less than two years away, and President Kim is moving ever closer to lame duck status in the face of mounting doubts about his leadership and policies. The domestic political environment in each country contributed greatly to summit atmospherics; context and content must play equal roles in the final analysis.

The March 7 summit left all involved feeling a little uneasy about the role the U.S. would be willing to play in inter-Korean relations under the new Republican administration. The delay in U.S.-DPRK contacts pending the recently concluded North Korea policy review did nothing to assuage the worriers. Policy makers interested in North-South developments and U.S.-North Korea missile talks worried that President Bush would take a "hard line" approach toward North Korea, slowing the pace of Korean Peninsula rapprochement.

During his first meeting with an Asian head of state, Mr. Bush made his suspicions of North Korean leader Kim Jong-il plain, expressing concern that Mr. Kim could not be trusted to keep his promises. This suspicion garnered the most attention in the assessments of the summit. What was lost in all the criticism was President Bush's endorsement of the South's engagement policy, his support for the 1994 Agreed Framework, and the recognition by both leaders of the importance of the U.S.-South Korea alliance. Nonetheless, the overall tone of the summit, combined with the U.S. reluctance to resume missile talks with the DPRK before completion of its policy review, cast a shadow over inter-Korean talks as well.

As a result, instead of riding home on a triumphant high, President Kim returned to admonitions and doubt. Cynics in South Korea claimed that the summit moved Mr. Kim one step closer toward lame duck status; the media called it a Kim failure. Many feared that the negative summit outcome would produce a fundamental shift in expectations. No longer was reciprocity the issue; rather, the question was whether North Korea would participate in a cross-DMZ dialogue at all.

It is in this context that the Pacific Forum CSIS and the New Asia Research Institute (NARI) convened their fifth annual conference on U.S.-Korea relations on April 17-18, 2001, on the island of Kauai. The timing of this conference proved to be most appropriate as the U.S. searches for its new Asia policy and South Korea watches anxiously to see which avenue the new U.S. administration will choose to take. The conference provided a valuable opportunity for participants from both countries to find avenues of cooperation for the U.S. and South Korea in support of their shared goal of peace and stability on the Peninsula.

Experts and scholars from both South Korea and the U.S. engaged in two days of unofficial, but intense and frank discussions on issues pertinent to the future of the U.S.-ROK alliance. The goal was to exchange ideas and opinions in an attempt to obtain a clearer vision of what U.S.-Korea relations might look like in the near and long-term. What follows is a report on this discussion of U.S.-Korea relations set in the context of the constellation of relationships with three major regional powers: Japan, China, and Russia, as well as those with North Korea. The conference focused on both the U.S. and the ROK's relationships with each power, while linking those relations back to the U.S.-South Korea alliance. This Report has been updated to include significant events that have occurred between the April conference and the Report's publication date.

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The Regional Strategic Environment

Thus far, 2001 has not been an auspicious year for the U.S. in Asia. A series of mishaps and the mishandling of resulting situations have produced widespread disquiet in the Asia Pacific region. Some of the tensions are a natural outgrowth of regional relationships, some have been caused by errors in judgment and the mismanagement of events.

On January 20, the U.S. swore in its 43rd president. On February 9, a U.S. attack submarine surfaced while on training maneuvers in Hawaiian waters, crashing into a Japanese fisheries training vessel; the collision resulted in the loss of nine Japanese lives. On March 7, President Kim Dae-jung and President George W. Bush met for the first time. Mixed signals emanating from this meeting raised anxiety levels on the Korean Peninsula and elsewhere. Then, on April 1, a U.S. reconnaissance aircraft collided with a Chinese fighter jet and was forced to make an emergency landing on the PRC's Hainan Island; the Chinese fighter pilot was lost.

These events occurred within an evolving strategic environment. Managing that evolution and the various bilateral relationships within the region pose stiff challenges for the U.S. and its allies. There will be a premium on creativity and patience. At a time when interconnectedness overrides the prospect of isolation, policy makers must always remember the big picture when examining bilateral relationships.

Dr. Rhee Sang-woo, chairman of NARI, opened the conference with his characterization of the new strategic environment. He noted that, "In East Asia, the principal axis of contention has moved from the U.S.-Soviet Union axis, which prevailed in the Cold War era, to the U.S.-China axis." His remarks were not intended to herald the start of a new Cold War. Rather, they were intended to underscore the fact that two major forces are once again contending for power and supremacy in the region. The U.S. maintains alliances with the ROK and Japan, while China is carefully nurturing its "strategic partnership" with Russia and consults regularly with its long time ally, North Korea. In this context, the regional competition between the U.S. and China is sharpening, and bilateral relationships are the centerpieces of any strategy to maintain a regional and global balance of power.

We must be cautious in our response to this new axis of power, both ideologically and pragmatically. Washington's relationship with Beijing may be the United States' most adversarial in Asia, but it need not keep us up at night. China is still only a rising power. A more appropriate source of concern should be the perception gaps that are increasingly evident in both Washington and Beijing. Politicians in both countries are apt to play up the threat of the other to gather momentum for narrowly configured defense policies. Rhetoric that invokes an enemy capable of threatening the safety of the homeland is powerful and dangerous and needs to be handled carefully if we want to avoid a dangerous cycle of action and reaction.

A contentious relationship need not be a confrontational one. We should not expect that the region would be free from competition and dispute. It is not too much to hope, however, that wisdom and careful management will defuse high-pressure situations as they arise.

President George W. Bush came to power vowing to set a new course for the country. He wasted no time making his mark. Immediately upon taking office, the Bush administration expelled 50 Russian diplomats under suspicion of espionage, a move that--shades of the Cold War--was matched by tit-for-tat expulsions by the Moscow government. That incident foreshadowed a potential longer-term clash of interest between the two governments. Russian President Vladimir Putin is making clear his intentions to become a player again in Asia and he has been pursuing an aggressive diplomacy based on high-level contacts. In the past year, Mr. Putin has met with the heads of state of Japan, the ROK, the DPRK, and China. While Russia's actual influence is unclear, there can be no doubt about Mr. Putin's desires.

Meanwhile, a new prime minister has taken the helm in Japan and the prospects for new, more effective leadership in that country appear more likely. It is still to early to tell the direction that Prime Minister Koizumi Junichiro will lead his country, but there are high hopes for the self-styled reformer. While Mr. Koizumi has signaled his willingness to improve Japan-ROK relations, the Japanese Ministry of Education's recent approval of a highly controversial history textbook for middle school children that is seen to "beautify" Japan's actions in the Pacific War has created new tensions in what has long been a

troubled relationship. The textbook has been widely criticized in South Korea and China (and even by some in Japan) as a gross misinterpretation and has stirred up bad blood, which has now spilled over into the security relationship. A working solution has proved to be elusive.

Pyongyang listened attentively to Mr. Bush's comments during his summit with President Kim Dae-jung. Disappointed in what it heard, the DPRK expressed its frustration by canceling at the last minute meetings with South Korean senior officials. KCNA (North Korea's official news agency) responded with almost routine acid criticisms of the new U.S administration, commentary that continues to this day. Critics around the world were quick to blame the U.S. for the seeming breakdown in the inter-Korean dialogue. As we write, those consultations have not resumed.

Sensing opportunity--and concern, no doubt--the European Union has entered the diplomatic fray. On May 2, an EU delegation lead by EU President and Swedish Prime Minister Goran Persson visited North Korea. During the visit, North Korean leader Kim Jong-il pledged to maintain the moratorium on missile tests until 2003, while making it clear that the DPRK would sell technology to the highest bidder. Mr. Kim also made it clear than any progress on this issue would depend on a U.S. willingness to return to the negotiating table. Although this is a well-intended intervention, there are concerns that the growing number of interlocutors on the Korean Peninsula may hinder North-South dialogue more than it helps.

U.S.- South Korea Bilateral Context

From the broad strategic environment, we turn now to the various bilateral relationships. Despite the widespread feeling that the Bush-Kim summit did not go well--a reading that puts more emphasis on spin than substance--reaction shows the depth of support for the inter-Korean dialogue and the difficulties any U.S. administration will have if it backs away from engagement with the DPRK. Pressure will come from Seoul, the South Korean public, significant segments of the U.S. policy community, as well as other concerned governments and citizens.

Cut away the interpretations of summit statements and the bare bones of U.S. policy are encouraging. Mr. Kim received support for his engagement policy. This endorsement was not without nuance, however. Mr. Bush stated, "I do have some skepticism about the leader of North Korea…but that's not going to preclude us from trying to achieve the common objective." Mr. Bush's chief political concern is balancing international and diplomatic reality--the need to support inter-Korean dialogue--with domestic political pressures, namely the need to distinguish his Korean policy from that of his predecessor. That reconciliation process yielded the recently concluded policy review, which to almost no one's surprise, endorses continuing talks with the DPRK.

In retrospect, March 7 was too early to meet, a fact later acknowledged by both governments. Mr. Kim was the first leader to be received by the new administration. At the time of the summit, few Asia policy makers were in place. Moreover, President Kim

had just signed a joint communiqué with Russian President Putin that spoke to the importance of maintaining the 1972 Anti-Ballistic Missile Treaty. That statement was not welcome in Washington and some critics were looking for fireworks. The gap between the rhetoric of the new administration and that of the old one, and the suspension of talks during the policy review, provided the "proof" they needed to herald the arrival of a new "hard line" Korean policy.

That logic overlooks the fact that it is entirely appropriate for a new administration to review its foreign policy. Those in Asia and elsewhere must understand that the U.S. does not have a parliamentary system that puts all actors in place once elections are over. The U.S. has been filling critical positions in its foreign policy team and continues to do so even today. Instead of worrying that the U.S. was reviewing its policy, critics should worry if the U.S. chose *not* to carry out such a reassessment. In the past year, North-South relations have changed drastically; a new administration would be negligent if it did not think things over. Moreover, we are beginning to see practicality slowly overriding rhetoric. There will be more continuity than change in U.S. Asia policy; it'll be a rose by another name, but it will still be a rose.

Domestic Political Context

Domestic politics in South Korea and the U.S. had a heavy influence on the summit. Neither president has a clear mandate from his public. Mr. Kim has courageously, and doggedly, pushed the Sunshine Policy, even though the Korean people have yet to provide him with sufficient consensus to overcome opposition. He is working against time. His presidency expires next year and the upcoming campaign will limit his ability to press North-South dialogue on his terms.

The South Korean people appear to be steadily losing faith in their president. Kim Dae-jung's popularity is waning, and now hovers around 30 percent. Mr. Kim isn't delivering on a lot of issues, economics being one of the most prominent. Doubts about the president cannot but raise questions about the Sunshine Policy itself, but those doubts seem to focus on implementation and not the desirability of engagement with the North.

The chief worry among South Koreans is that they are going too far to accommodate the North. Growing numbers of South Koreans believe that they are giving too much without getting enough in return. The euphoria that was ignited by last summer's summit meeting between the two Korean presidents has given way to skepticism. Hard questions are being asked about what kind of reciprocity should be expected from North Korea.

Mr. Bush became the 43rd president of the U.S. after a hotly contested election that many in the U.S. feel was decided by the courts rather than the people. He is one of the few presidents who did not win the popular vote.

Equally significant was the framing of a Bush presidency in terms of opposition to the Clinton administration. Mr. Bush campaigned on a pledge to restore dignity to the office of the president, an indirect (but not subtle) criticism of Mr. Clinton's numerous scandals

and personal peccadilloes. In keeping with the pledge, Mr. Bush needs to reinvent U.S. policy: there may not be a substantial deviation from previous policies, but there must be at least rhetorical change. Thus, as a U.S. participant noted during our meetings, the Bush administration needs to recreate an engagement policy in its own image.

North Korea-South Korea

The one-year anniversary of the North-South summit provides a suitable opportunity to reflect on the progress that has been made. The search for signs of real change is a frustrating one. Though positive events have occurred--North-South family reunions, the two Koreas marching under the unification flag at the 2000 summer Olympics, until recently, almost routine North-South consultations--the symbolism seems to outweigh the substance. Aidan Foster-Carter, honorary senior research fellow at Leeds University, in *Comparative Connections* Vol. 3 No. 1 stated, "If one may also record non-events, then no moves were made by either side to take forward political dialogue on such topics as the agreed similarity between their respective unification formulae. Put another way, one missing tranche of dialogue so far is between members of parliament." The gaping hole in inter-Korean engagement is the continuing failure of North Korean President Kim Jong-il to reciprocate Kim Dae-jung's visit. That is viewed by many as the acid test of North Korean intentions and, quite simply, North Korea has failed to deliver.

What North-South relations need now, a Korean participant at our conference argued, is a major military breakthrough, an undeniable signal that North Korea is in this for real. Confidence building measures and discussion of arms control seem to be the next logical steps for the Korean Peninsula, a point that was reinforced by the Bush administration when it announced the completion of its policy review. North Korea needs to commit itself to working toward a viable security environment for the two Koreas or the peace process is sure to falter.

The recent exchange of letters between North and South Korea came with a caveat from the North: don't expect a reply. This has been a major theme throughout the history of North-South relations. Last year, South Korea returned 50 North Korean political prisoners who had been detained for spying, yet no reciprocal gesture was ever made.

That must stop. North Korea must become a partner, and soon; it must actively contribute to the peace process rather than act as demandeur. This will mean taking risks, going to South Korea, and beginning in earnest discussions on military threat reductions.

The failure to do so has made it impossible to build a consensus in South Korea regarding the Sunshine Policy, neither is one likely as the opposition Grand National Party gears up for the presidential elections only a year and a half away. If Mr. Kim is going to secure his legacy, he must move quickly. The clumsy Bush-Kim summit did nothing to forward his cause.

When he returned home from his U.S. visit, Kim Dae-jung adjusted his rhetoric, placing more emphasis on comprehensive reciprocity and more stress on implementing the 1991

Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation between South and North Korea, traditionally referred to as "the Basic Agreement," rather than a new peace treaty. The Basic Agreement was signed in December 1991, during the fifth round of inter-Korean talks. The first official document signed by the governments of the two Koreas, the Agreement provides specific steps for cooperation, including, most importantly, confidence building measures. The return to a focus on this document has two implications. First, it suggests that the Seoul government will be taking a firmer line toward the North. Second, however, the Basic Agreement was signed during the presidency of the other George Bush. By using it as a foundation for inter-Korea dialogue, Mr. Kim makes it easier for the U.S. to come on board.

Managing Public Opinion

Much ire has been directed against the U.S. for appearing to put in place the stumbling block that has all but halted inter-Korean dialogue. But Pyongyang's apparent decision to link the resumption of North-South high-level discussions, which resulted from the North-South summit, to U.S.-DPRK dialogue seems disingenuous. It either represents an attempt to drive a wedge between the U.S. and the ROK (by generating anti-U.S. feelings among Sunshine Policy supporters in the South) or another effort to place Seoul in the secondary position vis-à-vis Peninsula peace talks…or both. Neither Washington nor Seoul should find such an approach acceptable.

Scott Snyder, Korea representative of the Asia Foundation and a workshop participant, argues in *PacNet* 21 that "the DPRK has further complicated prospects for inter-Korean dialogue by linking continuing progress in inter-Korean relations to the policy review of the new Bush administration." The linkage of the U.S. posture toward North Korea and North Korea's cooperation in inter-Korean relations is a voluntary one. The inter-Korean peace process does not live and die with the U.S. *unless North Korea makes it so*.

South Korea must take the lead in North Korean engagement. South Korea cannot be seen as one of many options for North Korea; it must be the DPRK's only option. Pyongyang must not be allowed to use U.S. action, or inaction, as a measure of its own commitment to the inter-Korean reconciliation process. One constant in U.S. policy has been Washington's insistence that North and South Korea must be the primary actors in the peace process. Pyongyang's attempts to bypass Seoul for Washington rightfully have been met with resistance, with the U.S. repeatedly steering the North back to the South. The U.S. has sought a supporting role in the peace process. This is not to say the U.S. can be a non-participant. However, the North and South must jointly play the leading role.

This does not let the U.S. off the hook. While cooperation on the Korean Peninsula should not be contingent on the U.S., U.S. support is essential to its success (as is support from Beijing, Tokyo, and others). Despite the negative post-summit media spin, nothing that the U.S. has done indicates that it will do otherwise.

North Korea's preference for dealing directly with the U.S. should be the catalyst for even closer U.S.-ROK policy coordination. The U.S. must continue to make it clear that it shows up at the table *beside* South Korea or not at all. This is one of the fundamental challenges for the two allies--to ensure that South Korea remains in the driver's seat. The message needs to get clearer.

Meanwhile, the perceived "hard line" taken by the U.S. feeds into two quite popular misconceptions: the U.S. needs the North Korean threat to justify its national missile defense ambitions, and the U.S. opposes the inter-Korean peace process. The former will be discussed later. The latter must be addressed clearly and emphatically. President Bush and his administration need to send clear signals to Seoul and Pyongyang, as well as the entire region, that they support engagement. The announcement of the resumption of talks with North Korea is a good start.

The Agreed Framework
and the Korean Peninsula Economic Development Organization

One area of concern regarding the U.S. Korea policy review is the future of the 1994 Agreed Framework. The Agreed Framework is aimed primarily at the "overall resolution of the nuclear issue." It is not the solution for Korean Peninsula tensions, but it does provide a unique opportunity for North Korean and U.S. cooperation that benefits each party.

The press is full of speculation about U.S. desires to change the terms of the Agreement. But the Bush administration is firmly on record supporting the current agreement as long as Pyongyang also honors its commitments, which it has thus far done. However, the real moment of truth for Pyongyang and for the Agreed Framework in general is the requirement for the North to come in full compliance with the International Atomic Energy Agency (IAEA) prior to the delivery of any sensitive components of the promised light-water reactors (LWRs). This requires detailed inspection to determine past accountability, a process which some speculate could take a year or more. Thus far, Pyongyang has not allowed the IAEA to begin this task and thus will have only itself to blame if additional delays occur in the completion of this project.

In the meantime, the U.S. and the Korean Peninsula Energy Development Organization (KEDO) are honoring their part of the bargain. Construction activity continues on the LWR site (Even though striking North Korean workers had to be replaced with Uzbek laborers) and KEDO continues to provide North Korea with 500,000 tons of fuel oil annually as compensation for shutting down its Yongbyon reactor. These deliveries are scheduled to continue until the first LWR becomes operational, making North Korean demands for compensation if the project is delayed doubly inappropriate--first, because they are already being compensated, and second, because they have been at least as much at fault for delays experienced thus far (which make the 2003 target date unattainable) and will guarantee future delay if they do not start cooperating with the IAEA to come into full compliance.

A New Start for Japan?

After a painful, and at times, sadly comical year and a quarter under former Prime Minister Mori Yoshiro, Japan was eager, if not desperate, for a stronger, more dynamic leader to lift its spirits as well as its economy. Koizumi Junichiro of the Liberal Democratic Party (LDP) became prime minister of Japan on April 26, with high hopes for invigorating the country. Mr. Koizumi's approval rating in his first month is soaring, proof that virtually all of Japan is pleased to put the Mori era, which was characterized by a seemingly endless string of gaffes and errors, in the past.

Prime Minister Koizumi brings to Japanese politics an element that has long been lacking: charisma. The new prime minister does not fit the mold of traditional Japanese politicians. He is divorced and has raised two sons on his own. He favors European-cut suits and no article fails to mention his hair cut or his admiration for several rock and roll bands. Mr. Koizumi has been labeled Japan's first TV prime minister, and posters of him sell like hot cakes from the LDP headquarters. Not surprisingly, his approval ratings are now in the 80s. Despite his rock-star-like status, he has yet to prove himself on substantive issues. If he can capitalize on his popularity, he may be able to establish consensus on three critical reform objectives: the constitution, the economy, and the LDP itself.

History and Histrionics

For all the new prime minister's good intentions, he too is a victim of bad timing, at least when it comes to relations with South Korea. Mr. Koizumi took office just as another incident bubbled up to complicate the frequently tempestuous relationship between Tokyo and Seoul. On April 3, despite vociferous protests from the two Koreas and China, Japan's Education Ministry approved a high school textbook that is said to "beautify" Japan's history and it's role in the Pacific War. The textbook is the work of the Japanese Society for History Textbook Reform, which believes that previous texts have been "masochistic" and unbalanced in their characterization of Japanese behavior before and during World War II.

South Korea, under Kim Dae-jung, has made a real effort to put history in the past. In October 1998, President Kim traveled to Japan to meet with then Prime Minister Obuchi Keizo. The summit provided great hope for the future of Japan-South Korea relations amid pledges to finally put the past to rest. During the summit, the two heads of state released a joint statement, the most notable passage stating:

> "Looking back on the relations between Japan and the Republic of Korea during this century, Prime Minister Obuchi regarded in a spirit of humility the fact of history that Japan caused…tremendous damage and suffering to the people of the Republic of Korea through its colonial rule, and expressed deep remorse and heartfelt apology for this fact. President Kim accepted with sincerity this statement of Prime Minister Obuchi's recognition of history and expressed his appreciation for it. He also expressed his view that the present calls upon both

> countries to overcome their unfortunate history and to build a future-oriented relationship based on reconciliation…"

This apology had been long sought by the ROK, and it bolstered South Korea-Japan ties until the textbook controversy came to the fore. In fact, South Korea's public seemed to be taking steps to forgive and move on. But then it was déjà vu all over again.

South Korea has worked hard at separating the textbook controversy from the overall bilateral relationship. But domestic political pressure and Japan's unwillingness to consider South Korean objections forced President Kim to act. First, he temporarily recalled the South Korean ambassador to Japan. Most recently, the ROK has indefinitely postponed joint military exercises with Japan scheduled for this June as well as all security dialogue until a workable solution for the controversy is worked out.

Several of our Korean conference participants have studied and worked on this issue and understand the nuances of the Japanese bureaucracy. Yet even they were angered at the recent turn of events. They acknowledged that the textbook is only one of eight approved for use by the ministry, that decisions about which text to adopt are made by local school boards, and that the Japanese constitution guarantees freedom of speech that would make outright censorship impossible.

Nevertheless, a Korean participant pointed out that this issue is symbolic of the conflict between the two nations. Korean anger is directed at Japanese insensitivity to intense Korean feelings and that hurt is compounded in the light of the Oct. '98 statement and the efforts South Korea has made to move forward in the relationship. Another Korean participant expressed concern that the textbook is dangerous in two senses. First, it is poisoning relations between Japan and its neighbors now. Second, it could create perception gaps as the generations that read these textbooks come to power.

This issue becomes even more convoluted as Japan endeavors to become a more "normal" nation. Fears of Japanese remilitarization--or any significant upgrading of its military capacity--are rooted in the perception that Japan has yet to come to grips with its past. In a word, the issue is accountability. If the lessons of history are allowed to be forgotten, will history repeat itself? South Korea is making an emphatic plea that Japan remember, and acknowledge, its past and the two countries' shared past.

The controversy also spills over into Japan's domestic politics and Prime Minister Koizumi's agenda. The high-profile protests from South Korea raise hackles in Japan among conservatives who wonder when they will ever have apologized "enough." It invests visits to the Yasukuni Shrine, where Japan inters the spirits of its war dead, with even greater significance, since that site is seen as the historical and political focus of the entire controversy surrounding the nation's past. Mr. Koizumi has said that he intends to visit the shrine this year. His claim that such a visit actually reinforces Japan's commitment not to repeat its aggressive past underscores the competing interpretations of that symbol. The controversy that his visit has aroused is only a warm-up to that which would surround any attempt to amend the constitution and lift restrictions on the use of Japan's Self Defense Forces.

Some participants at the conference expressed a strong desire for Washington to weigh in on the issue and prod Tokyo to make the revisions necessary to assuage the Korean and Chinese people. Another suggestion was to follow the European model on cooperative textbooks. Washington can only take a supporting role in this dispute. It can offer a third voice in consultations between the two countries on how history should be treated in the classrooms. Essentially, however, this should remain an issue between South Korea and Japan.

Japan-South Korea Security

History controversies notwithstanding, the Japan-South Korea bilateral agenda is quite full. Kim Tae-hyo, chief of the Foreign Policy and Security Studies Section, NARI, agreed, pointing out that, "the ROK and Japan face a strategic necessity to cooperate with each other in spite of their lingering historical legacy. North Korea is still the most immediate security concern for Japan and this makes it imperative for Japan to cooperate with South Korea." And, of course, South Korea needs to coordinate with Japan as well.

Koreans need to understand that U.S. forces in Japan are vital to the ROK's security. Should North Korea provoke a military confrontation, U.S. forces in Japan would play a critical role in U.S. support to South Korea. Kim Tae-hyo outlined the three major ways Japan would help: "U.S. bases in Japan could serve as an advance offense post … Japan could take a secondary supporting role" providing facilities and logistical support; and Japan could act as a supply base.

The U.S. must do all it can to encourage and facilitate cooperation between the two countries. Indeed, as the two major allies of the U.S. in the Asia Pacific region, Mr. Kim continued, "the U.S. welcomes ROK-Japan cooperation because should the Korean-Japanese military cooperation become more reliable and routine, the ROK-U.S. alliance will bear less of the burden in maintaining stability in Northeast Asia."

Japan-North Korea

For Japan, North Korea is the equivalent of Sisyphus' rock. To date, Tokyo's talks with North Korea have proven to be an exercise in futility. Quite frankly, there is little domestic reason for either side to push for an improvement in relations. From the North Korean perspective, Japan lags behind the U.S. and South Korea in terms of what it can bring to negotiations; in a word, it is money. Moreover, there is the belief that Tokyo would be forced into line if the DPRK strikes deals with Washington and Seoul.

Japan is well aware of that grim truth. In the past, however, the nation's unease about its responsibility for North Korean's plight spurred many Japanese to want to make amends with the DPRK. But the publicity given to allegations that North Korea has abducted Japanese citizens and the awareness of the North Korean threat to Japanese national security, courtesy of the August 1998 launch of the Taepodong missile that flew over Japan, has mitigated, if not eliminated, that sentiment.

Victor Cha, associate professor at Georgetown University, writing in *Comparative Connections* Vol. 3 No. 1, says, “In the context of trilateral policy coordination, what is perhaps most worrying as one looks down the road of Japan-DPRK dialogue is that even best-case scenarios appear somewhat unsettling from a Japanese security perspective.” Even if the U.S. gets North Korea to scrap long-range missiles and agree to non-proliferation, the DPRK would hold on to elements of its arsenal that pose a threat to Japan.

U.S.-Japan

Washington has to be concerned about rising tensions between its two Northeast Asia allies, Japan and South Korea. While the U.S. will do what it can to facilitate dialogue and cooperation between the two countries--the Trilateral Coordination Oversight Group (TCOG) is an excellent example of the proper role--overt intervention is unlikely. Calls for the U.S. to take a side in the textbook controversy will go nowhere on the official level, although track two players could have a role in helping to write a history that satisfies both sides.

Sometimes, the urge to step in is hard to resist. If Mr. Koizumi proceeds with constitutional reform, the impulse will be especially powerful. Mr. Koizumi has made it clear that he would like to review or reinterpret Article 9 of the Japanese constitution, which deals with Japan’s right to collective self-defense. Given Japan’s status as the main U.S. ally in the region and the U.S.-Japan security treaty, Washington cannot but be affected by those debates. But it must always be remembered that this is a matter for Japan--and Japan alone--to decide. Nothing would be more harmful to U.S. interests, and to regional security as a whole, than the perception that the U.S. was trying to influence the outcome of this debate. The U.S. must support Japan, no matter what it ultimately decides to do.

The China Factor

China-Korea

China is another critical player in the North-South dynamic. China’s historical friendship with the DPRK gives the North Korean leadership much needed psychological and material support. The security guarantee that Beijing has provided is an incalculable asset for an embattled and isolated regime. To its credit, China has attempted to nudge Pyongyang toward reform. The most recent evidence of that role is the “secret” tour of Shanghai that Kim Jong-il was given. That trip was touted as “proof” of the seriousness of the DPRK’s reformist inclinations.

South Korea appreciates the importance of the Sino-DPRK link. Seoul understands that China can be a force for positive change in the inter-Korean dialogue. At the same time, however, we should have no illusions about Chinese motives. China has no desire to see a unified Korea that would eliminate an ally and a buffer state on its border. Neither does

China--like every other country in the region--want to see North Korea implode or self-destruct. The ROK government understands well that Beijing wants good relations with South Korea to promote trade and investment and the transfer of technology and other forms of know-how. Recent Chinese attempts to play hard ball with the ROK over various trade disputes were a pointed reminder of the limits of Beijing's good will.

But as is so often the case in Northeast Asia, the U.S. influence overshadows other bilateral relationships. Chung Chong-wook, former ROK ambassador to China and professor at Ajou University, observed that the "PRC's strategic posture toward the Korean Peninsula is defensive, and to a large extent, a function of the U.S.-PRC relationship, especially the strategic one. If U.S.-PRC relations become tense, ROK-PRC relations are bound to be affected…The Chinese know too well that a strategic partnership formed with the ROK cannot substitute for the U.S.-ROK alliance."

U.S.-China

Early in the morning on April 1, a U.S. Navy reconnaissance plane collided with a Chinese fighter jet while surveying China's coast. The U.S. EP3 was forced to make an emergency landing on China's Hainan Island, sparking a crisis between the two governments, the effects of which are still be felt throughout the region. It took 11 days to agree on a formula for the return of the 24 U.S. service men and women. It took several more months for them to conclude a deal for the return of the aircraft.

While cooler heads prevailed in the handling of this incident, it has left bad feelings in both countries. Nationalists and hard liners in the U.S. and China have been given ammunition for the future.

The U.S. is fond of posing questions in black and white--competitor or ally?--and eventually finding comfort in the gray zone. Relations with China are no exception. The moderates have prevailed for the time being, but there is no guarantee that that situation will not change, or that another incident won't upset the current consensus.

The EP3 controversy goes to the heart of the U.S.-China relationship. In simple terms, it is about the desire for mutual respect. At times it seemed that the tension was not over the incident, but over the consideration and deference afforded to the other. For China, the incident was also a commentary on the belief "that the U.S. conduct of reconnaissance flights right on China's doorstep is illegitimate." Bonnie Glaser, consultant on Asian affairs, continued saying, "Beijing seized on the opportunity by possession of the crew to make its point with the new administration that China's territorial integrity, dignity, and nationalist sensitivities must be respected."

U.S. Assistant Secretary of State for East Asia James Kelly offered the U.S. rejoinder: "We're not going to conduct business as usual after our servicemen and women were detained for 11 days in China. Beijing needs to understand that."

The incident's implications extend well beyond the U.S.-China relationship. No nation in East Asia wants to see tensions between Washington and Beijing; being forced to choose between the two would keep regional politicians awake at night. The EP3 took off from Kadena Air Force Base in Okinawa, and the Japanese public was forced to acknowledge that its Peace Constitution notwithstanding, they were perilously close to the front lines of conflict. To their credit, Japanese politicians have not wavered in their support of the alliance, even though the prospect of a standoff between the United States and China is Tokyo's worst nightmare. One participant wondered what would have happened if the plane had taken off from a Korean base. In any case, most participants agreed that the incident pointed to the need for a better understanding of the significance of the U.S.-Japan security relationship for Korea's national security.

An Opportunity for U.S.-China Cooperation

Tensions in the U.S.-China relationship are felt in the process of inter-Korean engagement. As suspicions rise, it is important that both governments make clear their security concerns and objectives. In *Comparative Connections* Vol. 3, No. 1, Korea watcher Scott Snyder observed that "The rapid pace [of U.S.-DPRK relations] raised the possibility that the United States might shape a Korean Peninsula reconciliation that would redound to the disadvantage of Chinese security interests by removing the North Korean 'security buffer' created by Korea's division and replacing it with a Korea that had been unified on U.S. terms…With the incoming Bush administration's 'time out' … China has returned to its traditional position of urging the United States to improve relations with Pyongyang." China's comfort level with the pace of developments on the Peninsula appears to correspond to the favors North Korea bestows upon the U.S. and vice versa.

Yet, Bonnie Glaser argued that "Chinese analysts and officials are increasingly suspicious of U.S. objectives on the Korean Peninsula. There is general agreement that Washington feels threatened by the rapid pace of reconciliation between the two Koreas and fears that it may lose control and face an erosion of the U.S. position on the Peninsula."

Given U.S. support for inter-Korean reconciliation, this "projection" of Chinese fears onto the U.S. is revealing. North-South rapprochement is worrying for Beijing. Those worries must be addressed by the two Koreas, and the United States. While it is natural for both the U.S. and China to consider the consequences of inter-Korean reconciliation on their national interests, both must be conscious of how their security objectives play out in Korean affairs and be careful not to allow the Peninsula to become a battleground for their own relationship.

Washington and Beijing must also ensure that they do not create a zero-sum situation for other governments in the region. South Korea cannot afford for relations with the U.S. and China to be an either-or proposition. A unified Korea would share a land border with China. While it would not want the PRC to be a guarantor of security for the Peninsula, neither could it afford to have a contentious relationship with its larger neighbor.

These differences in perception should not be allowed to overshadow the greater opportunity. Despite the differences in the U.S.-China relationship, both governments agree that North-South engagement is a good thing. The Four-Party Talks (U.S., China, South Korea, and North Korea) are a suitable vehicle to ensure that all four key players keep moving forward together.

The Russian Piece of the Puzzle

Russian President Vladimir Putin is doing his best to reassert his country's influence on Korean Peninsula affairs. During the Cold War the Soviet Union was a key player in the region, but its dissolution, the inclination of post-Soviet leaders to cooperate with the West, and Russia's economic straits have marginalized the Russia presence in Northeast Asia. Since taking office, Mr. Putin has made clear his desire to become a player again. He first made a splash with his visit to North Korea just before last year's G-8 summit in Okinawa; upon arriving in Japan, he announced that Kim Jong-il was ready to bargain away his ballistic missile program. (The offer has since been qualified and virtually dismissed.) In recent months, Russia and the DPRK have signed an accord on defense industry cooperation and arms sales to North Korea, including fighter jets and intelligence-gathering systems, which total $50 million.

Russia poses peculiar problems for U.S. policy. The difficulty is remembering to pay attention. When the U.S. thinks about Russia, it is usually within a European context. Rarely does Russia figure into strategic calculations in the Pacific region. Yet Russia remains a Pacific presence, and must be factored into the Northeast Asian puzzle.

Russia could figure into Northeast Asian diplomacy as a "spoiler," but there is another good reason to pay attention: Russia could provide North Korea with the means to create weapons of mass destruction. As Joseph Ferguson, a researcher at Johns Hopkins University, noted in his article in *Comparative Connections* Vol. 3 No. 1, "Russia's danger to the United States lies less in its active policies than in its weaknesses. If nuclear material from Russia is acquired by a 'rogue' state, then it is likely to come via an unauthorized transfer…and Russian arms sales to China, India, and Iran are directly linked to economic needs." We can add to that list North Korea.

To maximize Russian influence, Mr. Putin has called for six-party talks (U.S., China, North Korea, South Korea, Russia, and Japan). In theory, that is a good idea; in practice, it is difficult to envision, at least in the near term. The initial focus of Korean negotiations needs to be on the inter-Korean dialogue; then the Four-Party Talks should be a priority. Only after those initial issues are worked out is the negotiating table likely to be expanded to include Russia and Japan. Moscow's ambitions could be met elsewhere; the Northeast Asia diplomatic agenda is crowded enough as is, and North Korea continues to reject the six-party formulation.

Still, Russia should not be excluded. Kim Woo-sang, associate professor at Yonsei University, noted that Mr. Putin has made it clear that "the Korean Peninsula has always

been in the sphere of Russia's national interests and therefore Russia intends to continue its active and positive involvement in a peaceful resolution…" The failure to give Moscow the status it thinks it is due will push Russia closer to China; Moscow's road to Northeast Asia should not travel through Beijing.

Mr. Putin's diplomatic ambitions have created problems for South Korea as well. Seoul's eagerness to find allies as it tries to bring Pyongyang to the negotiating table has encouraged President Kim Dae-jung to deal with Russia. He has history on his side: the willingness of Soviet leader Mikhail Gorbachev to talk with then South Korean President Roh Tae-woo broke the diplomatic log jam on the Peninsula and made inter-Korean rapprochement possible. Unfortunately for President Kim Dae-jung, a *modus vivendi* is not risk free. At a Russia-South Korea last year, President Kim signed a joint communiqué that included language supporting the Anti-Ballistic Missile Treaty (ABM) that provoked the new U.S. administration. President Kim was later forced to disavow that language and sack his foreign minister to make amends.

The Missile Defense Morass

Perhaps no issue reveals--and exacerbates--the tensions in Northeast Asia as does missile defense. Both national interests and basic immutable facts, like geography, have created fundamental differences in perspective regarding this question. Any successful deployment of a missile defense program (MD)--and here we mean success in the technical, military, and political senses--will have to take those diverging perspectives into account.

U.S. security planners now worry about the threat of a "rogue" nation or the accidental launch of a nuclear weapon. The poster boy for the first type of threat has been North Korea, prompting the observation that missile defense proponents have welcomed--and played up--DPRK belligerence to justify their plans. True or not, no politician can afford to say no to a program that offers protection to U.S. service personnel overseas.

Thus, for better or for worse, the United States has decided to go ahead with some form of missile defense program. (The distinction between national and theater missile defense, while important in technical terms, is of less relevance, now that the new administration no longer frames the discussion in those terms.) Some governments in the region do not share the United States' preoccupation with the missile proliferation threat or optimism about the effectiveness of a missile defense program. They worry that MD will create more insecurity than security. They are also concerned that Victor Cha is correct when he argues that this administration will use MD as a litmus test for its friends and allies.

For South Korea the dilemma is particularly acute, as the contretemps with Russia over their joint communiqué made clear. In the statement, Presidents Putin and Kim vowed to "preserve and strengthen" the 1972 Anti-Ballistic Missile Treaty (ABM). South Korea attempted to use language similar to previous statements by the U.S., hoping that the communiqué would encourage cooperation between the ROK and Russia. But the

language reflected the sentiment of the previous U.S. administration, and was dangerously outdated, as President Kim quickly discovered. Mr. Kim recanted the statement in speeches during his U.S. visit.

The U.S. views the ABM as a dangerous anachronism, an obstacle to its missile defense plans and therefore it needs to be amended or discarded as the world moves to a post-Cold War security framework that stresses deterrence, counter-proliferation, and defense. Yet for a country like China, with a limited nuclear arsenal, the ABM Treaty is an essential element of its defense framework. A missile shield threatens to nullify its deterrent. More dangerous still is the threat of deployment of a theater missile system (TMD) in Taiwan, which would provide the island with the means to deflect Chinese pressure for eventual reunification. Beijing fears TMD is the shield that would permit Taiwanese independence and therefore has to be resisted at all costs.

For the ROK, which values China's cooperation in getting the DPRK to negotiate, MD forces Seoul to take sides. The dilemma is doubly acute since MD, no matter what form it takes, offers South Korea little extra security: it is ineffective against the bulk of the North Korean threat. The ROK has claimed that it does not have the financial resources to devote to system development. But, as Victor Cha points out, money has never been a concern when it comes to the ROK's defense. Mr. Cha says that "there's something else going on here, and that something else is China."

Japan's dilemma is similar. It too shares doubts about the effectiveness of any missile defense and worries that deployment will ratchet up regional tension and could set off a arms race. But Tokyo is also constrained by its alliance with the U.S. As a result, Japan has announced that it "understands" the U.S. program and has continued with funding for research and development. While that statement has disappointed some MD proponents in the U.S., the administration understands that Japan can go no further at this point.

The U.S. has made it clear that while it plans to proceed with the MD program, it is also serious about consulting with allies and other governments before going ahead with deployment. After announcing his commitment to missile defense in his May 1 speech to the National Defense University, President Bush sent emissaries around the globe to consult with allies and others. Concerned governments should take this opportunity. Rejecting MD point blank, or an all-or-nothing approach, will only deny them a voice in planning and development. Russia, which originally voiced opposition to missile defense plans, seems to have understood this and has signaled its willingness to enter into discussions with Washington. China would do well to do the same.

Economics

The importance of looking at the region as a whole is most evident when Northeast Asia is examined from an economic perspective. Although statistical indictors suggest that East Asian economies have recovered from the worst of the 1997 financial crisis, the sense of vulnerability lingers. For South Korea, 1997 and its aftermath was a reminder that economic security is an ongoing process: businesses, government, and citizens must

continually adapt to changing world conditions. Just as important was the security dimension of the crisis: new economic realities drove home unpleasant truths about the relations with North Korea. In short, South Korea's troubles ended any hope of a painless reunification process.

Today, the Republic of Korea has recouped most of its losses, but that has prompted a new set of concerns. First, there is the fear that the recovery is tenuous. Another downturn among the ROK's chief trading partners and competitors could once again spill over the country's borders. There are good reasons to be worried. Japan's continuing economic woes are problematic for the ROK. As long as Japan stays in the doldrums, South Korea is deprived of a market. In addition, Japanese exports compete with those of the ROK in many markets. A weak yen is a particular threat to ROK businesses. (Governments throughout the region remember that yen depreciation was a key factor in the events leading up to the 1997 crisis.) More sobering still is the fact that this time the United States is experiencing its own economic downturn. Unlike 1997, now there is no consumer of last resort. The world cannot afford to have both of its leading economies in trouble simultaneously.

Ironically, there is also concern that the recovery in South Korea has allowed the government and business to put off much-needed reform. Fear is a powerful motivator. In its absence, old habits have reasserted themselves. Class divisions are re-emerging as labor and management each attempt to profit at the other's expense. Businesses and government appear to be assuming their old relationships, and are cooperating behind the scenes. Painful reforms are being put off and moral hazard is reasserting itself. As a result, many ask whether South Korea is again vulnerable to a shift in the international economic environment.

The High Price of Peace

The security dimension of the economic crisis has become painfully evident. DPRK economic woes were always a source of concern to the ROK. Although the fear that the regime in the North would implode has diminished, it was very real a few years ago. That event could have sent waves of refugees into the South and throughout the region. Although the DPRK government now seems destined to hang on and--despite the heartfelt desire for reunification felt by most South Koreans--that is probably a good thing. The German experience has been a sobering one for the ROK and the lesson is clear: the ROK cannot afford unification.

Even less ambitious North-South projects are feeling the pinch. The trophy project--the Mount Kumgang tourist venture that Hyundai was running--has come under severe strain. Financial difficulties have reportedly forced the company to cut its payments to Pyongyang in half as losses have mounted. Despite initial promises that any such projects would be strictly private ventures, the government in Seoul now seems poised to intervene. Across the board domestic economic difficulties have diminished the ability of South Korean companies, no matter how powerful or well-intended, to finance less than economically rational projects in the North.

At the same time, the DPRK's failure to create a more hospitable environment for investment, which includes infrastructure in the big sense (a legal code, a transparent bureaucratic structure) and small (roads, electricity, telecommunications), has deterred foreign investors. There are signs that the Pyongyang government has recognized its shortcomings: Kim Jong-il's much publicized "secret" visit to China earlier this year to take in the wonders of Shanghai's capitalism and the increasing numbers of North Koreans now found in graduate programs in the Western world studying the requirements of a modern economy.

Economic woes will have an impact on the Korean diplomatic dynamic. First, and most obviously, it deprives the ROK of a carrot when dealing with the North. As Scott Snyder pointed out in *PacNet* 21, "The most significant obstacles to further progress in inter-Korean relations are economic." Over and above the desire for an entente on the Peninsula, the bottom line drove North Korea to the table with the South. Almost immediately after the summit, the North got what it wanted--money. If this steady flow of income North slows or stops altogether, one of the primary reasons for North-South consultations on the DPRK side ceases to exist.

Second, the DPRK's capitalist impulses--such as they are--are most evident in its steadfast commitment to ballistic missile sales to earn hard currency. That project also wins Pyongyang international condemnation; the Bush administration is particularly incensed by its export program and has shown little inclination to "buy it out," no matter how good an investment that might be. Washington views any such exchange as little more than blackmail. Yet, Pyongyang has made it clear that it will not give up one of its few hard currency earners for the prospect of good relations with the U.S. Some form of deal must be worked out.

The problem for the DPRK regime is that it knows reform is dangerous. Real economic reform--at least a form of liberalization worthy of the name and capable of winning foreign investment--would involve a loosening of the government's grip on the economy and society that could prove threatening to its survival. What is most need for the DPRK to jump start its economy is exactly what it has tried to insulate itself from. In this light, handouts are preferable to significant change, but all the evidence points to a growing reluctance--if not inability--of donors to be generous.

Our discussants agreed that security must trump purely economic considerations. Framing the problem in humanitarian, rather than purely political terms, is one possible solution. Unfortunately, the willingness of the DPRK government to fund its military and indulge in mass spectacles while substantial portions of the population starve undercuts international willingness to help. As a result, domestic consensus is hard to come by for governments that might otherwise be willing to lend a helping hand.

One way to support the DPRK and encourage economic growth is for multilateral institutions to take the lead. In addition to the constraints individual publics put on their governments, bilateral initiatives may raise DPRK suspicions that negotiations are a zero-

sum process. Multilateral initiatives could pacify the DPRK and diminish fears that any one country's systems or values are being thrust upon it in exchange for regime survival.

There are only a few organizations that could play this role: the World Bank and the Asian Development Bank top the list. Neither organization can get involved until Japan and the U.S. give the green light, however. Both need to see that a multilateral presence is an essential part of any engagement process with the DPRK.

This will be a slow process. Building infrastructure always is. North Korea needs help immediately and there is always the possibility of another national disaster. There is no time, nor is there much room for error. Bilateral and trilateral approaches--as difficult as they are--must proceed in tandem with multilateral overtures.

The Outlook

Amid the interplay of the various issues and the widely divergent perspectives that the different players bring to negotiations, it is easy to lose sight of the chief objective: reducing tensions on the Korean Peninsula. Every country has clearly stated that peace on the Peninsula is the ultimate end. The hard part is getting there. And the challenges are made even more daunting by the competing visions of what a "peaceful" Peninsula would look like.

Short-term

The immediate question concerns North Korean intentions. Is the Pyongyang regime truly interested in dialogue and reconciliation with its partner in the South, or is it merely looking for handouts? The only way to answer that question is continued dialogue in a variety of fora. Conference participants agreed that the world will have to live with some ambiguity on North Korea's part to understand its real intentions. Engagement with the DPRK is not only for peace, which is the ultimate goal, but also for understanding. Realism must be the coin of the realm. North Korea has been and will continue to be a difficult negotiator, determined to play the game with its own rules and to its own advantage. Patience is required, as is an understanding that the DPRK faces fundamental and difficult choices and will make them at its own pace and in its own way.

At the same time, as we have stressed, the U.S. must make it clear that the DPRK's primary dialogue must be with the ROK. Seoul must lead. The premium, as always, is on coordination among the principle players and the various fora. Discussions between the U.S. and North Korea must complement North-South negotiations, as should talks between KEDO and the DPRK.

Long-term

The chief long-term question concerns the U.S. presence on the Peninsula after unification. At our conference, perceptions were divided: U.S. participants worried that Koreans would not support a U.S. troop presence in a unified Korea; Korean participants

expressed concern that the U.S. could not be counted on to stay. If the rhetoric is correct, and the U.S. presence contributes to regional peace, security, and prosperity, then a continued U.S. presence is desirable. We believe that to be more than just rhetoric. A forward deployment is an essential part of the U.S. commitment to Asia and should be continued even after reunification. In addition, as our Korean participants pointed out, U.S. forces allow South Korea to maintain an amicable relationship with the PRC; the need for a shield against untoward Chinese influence would not diminish after reunification.

The task is preparing for that future. Governments in the U.S., South Korea, and Japan need to convince their citizens of the continuing importance of developments on the Korean Peninsula, the significance of their relationships with each and their impact on their security and well-being. It promises to be a frustrating and long-term process, with little time to waste. But as our discussions made abundantly clear, with a shared purpose and firm commitment to the ultimate goal of peace, the daunting tasks are not insurmountable.