



Integration of the Korean Peninsula:

Transition Strategies and Visions
for the Common Prosperity in Northeast Asia

2011.04.07(Thu)~04.08(Fri)

Venue	Grand Intercontinental Hotel, Seoul, Korea
Co-Hosted by	Hansun Foundation, Chosun Ilbo, Center for International Public Policy Studies (Japan)
Supported by	Ministry of Education, Science and Technology (MEST), Ministry of Unification (MOU)
Sponsored by	Korea Foundation, Korea Development Bank, Export-Import Bank of Korea, Federation of Korean Industries, Korean Air

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Park, Se-II (President, Hansun Foundation)

Congratulatory Address

Hyun, In-Taek (Minister, Ministry of Unification)

Welcoming Remarks

Bang, Sang-Hun (President and CEO, Chosun Ilbo)

Welcoming Remarks

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Park, Se-II (President, Hansun Foundation)

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Presentation

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Choi, Kang (Professor, Institute of Foreign Affairs and National Security)

Ralph A. Cossa (President, Pacific Forum Center for Strategic and International Studies)

Wang Zaibang (Vice President, China Institutes of Contemporary International Relations)

Victor D. Cha (Professor, Georgetown University, Senior Advisor and Korea Chair, CSIS)

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Hong, Seong-Phil (Professor, Yonsei Law School)

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Moderator

Victor D. Cha (Professor, Georgetown University, Senior Advisor and Korea Chair, CSIS)

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Zhao Huji (Professor, Party School of the Central Committee of Communist Party of China)

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Victor L. Larin (Director, FEBRAS)

Choo, Jaewoo (Professor, Kyung-Hee University)

Kim, Jung Ro (Director of Policy Cooperation, Ministry of Unification)

Wang Dong (Professor, Peking University)

Dinner Speech

Chun, Yung-Woo (Senior Secretary to the President for Foreign Affairs and National Security)

Congratulatory Address

Park, Jin (Former Chairman, National Assembly's Foreign Affairs, Trade and Unification Committee)

Roundtable Discussion

Moderator

Hong, Seong-Phil (Professor, Yonsei Law School)

Presentation

Bruce Klingner (Senior Research Fellow, Northeast Asia, The Heritage Foundation)

Xu Chenggang (Professor, School of Economics and Finance, University of Hong Kong)

Kim, Joongho (Senior Research Fellow, Export-Import Bank of Korea)

Discussion

Balbina Y. Hwang (Visiting Professor, Georgetown University)

Hugo Restall (Editorial Page Editor, Wall Street Journal Asia)

Wang Zaibang (Vice President, China Institutes of Contemporary International Relations)

Zhao Huji (Professor, Party School of the Central Committee of Communist Party of China)

Shi Yinhong (Professor, School of International Studies, Renmin University of China)

Alexander Fedorovskiy (Professor and Head of Section for Pacific Studies, IMEMO)

Victor L. Larin (Director, FEBRAS)

Kim, Byung-Yeon (Professor, Seoul National University)

Choo, Jaewoo (Professor, Kyung-Hee University)

Kim, Jung Ro (Director of Policy Cooperation, Ministry of Unification)

INTEGRATION OF THE KOREAN PENINSULA:
TRANSITION STRATEGIES AND
VISIONS FOR THE COMMON PROSPERITY IN NORTHEAST ASIA

CO-HOSTED BY: **HANSUN FOUNDATION, CHOSUN ILBO, CIPPS (JAPAN)**

SUPPORTED BY: **MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY (MEST),
MINISTRY OF UNIFICATION (MOU)**

SPONSORED BY: **KOREA DEVELOPMENT BANK, EXPORT-IMPORT BANK OF KOREA,
KOREA FOUNDATION, FEDERATION OF KOREAN INDUSTRIES, KOREAN AIR**

VENUE: **GRAND INTERCONTINENTAL HOTEL, SEOUL, KOREA**

DATE: **APRIL 7TH~APRIL 8TH, 2011**

VENUE: **2FL. ORCHID ROOM, GRAND INTERCONTINENTAL HOTEL, SEOUL, KOREA**

한반도 통일전략과 동북아 공동번영의 비전

주최: **한반도선진화재단, 조선일보, 국제공공정책연구센터(일본)**

후원: **교육과학기술부, 통일부**

협찬: **국제교류재단, 한국산업은행, 한국수출입은행, 전국경제인연합회, 대한항공**

일시: **2011년 4월 7일(목) ~ 8일(금)**

장소: **서울 그랜드 인터컨티넨탈 호텔 오키드룸(2F)**

SCHEDULE

April 6th

18:30- 20:30

RECEPTION

WELCOMING REMARKS

KIM, JIN-HYUN (ADVISOR, HANSUN FOUNDATION)

April 7th

08:20-09:00

REGISTRATION

09:00-09:25

OPENING REMARKS

PARK, SE-IL (PRESIDENT, HANSUN FOUNDATION)

CONGRATULATORY ADDRESS

HYUN, IN-TAEK (MINISTER, MINISTRY OF UNIFICATION)

WELCOMING REMARKS

BANG, SANG-HOON (PRESIDENT AND CEO, CHOSUN ILBO)

WELCOMING REMARKS

TANAKA, NAOKI (PRESIDENT, CIPPS)

09:25-09:50

KEYNOTE SPEECH

PARK, SE-IL (PRESIDENT, HANSUN FOUNDATION)

09:50-10:00

PHOTO SESSION AND BREAK

10:00-12:30

SESSION 1: INTEGRATION OF THE KOREAN PENINSULA:

INTERNAL INTEGRATION AND TRANSITION STRATEGIES

MODERATOR:

HONG, SEONG-PHIL

(PROFESSOR, YONSEI LAW SCHOOL)

1. *PRESENTATION:* KIM, BYUNG-YEON (KOREA)
2. *PRESENTATION:* CHOI, KANG (KOREA)
3. *PRESENTATION:* RALPH COSSA (US)
4. *PRESENTATION:* WANG ZAIBANG (CHINA)
5. *PRESENTATION:* VICTOR CHA (US)

12:30-14:00 **LUNCH: LUNCHEON SPEECH BY YOON, JEUNG-HYUN (MINISTER, MOSF)**

14:00-16:15 **SESSION 2: INTEGRATION OF THE KOREAN PENINSULA:**
ENVISIONING THE ARCHITECTURE OF COMMON PROSPERITY IN
NORTHEAST ASIA

MODERATOR: CHOI, KANG
(PROFESSOR, IFANS)

1. *PRESENTATION:* TANAKA, NAOKI (JAPAN)
2. *PRESENTATION:* BALBINA HWANG (US)
3. *PRESENTATION:* ALEXANDER FEDOROVSKIY (RUSSIA)
4. *PRESENTATION:* HONG, SEONG-PHIL (KOREA)
5. *PRESENTATION:* HUGO RESTALL (US)
6. *PRESENTATION:* SHI YINHONG (CHINA)

16:15-16:30 **BREAK**

16:30-18:30 **SESSION 3: INTEGRATION OF THE KOREAN PENINSULA:**
REALIZING THE FRAMEWORK OF INTEGRATION

MODERATOR: VICTOR CHA (KOREA CHAIR, CSIS)

1. *PRESENTATION:* ZHAO HUJI (CHINA)
2. *PRESENTATION:* AMAKO, SATOSHI (JAPAN)
3. *PRESENTATION:* VICTOR LARIN (RUSSIA)
4. *PRESENTATION:* CHOO, JAEWOO (KOREA)
5. *PRESENTATION:* KIM, JUNG RO (KOREA)
6. *PRESENTATION:* WANG DONG (CHINA)

18:30 **DINNER: DINNER SPEECH BY CHUN, YUNG-WOO**
(SENIOR SECRETARY TO THE PRESIDENT FOR FOREIGN AFFAIRS AND NATIONAL SECURITY)

April 8th

08:30-09:00 **REGISTRATION**

09:00-09:10 **OPENING AND PHOTO SESSION**

09:10-09:20 **CONGRATULATORY ADDRESS**

PARK, JIN (FORMER CHAIRMAN, NATIONAL ASSEMBLY'S FOREIGN AFFAIRS, TRADE AND UNIFICATION COMMITTEE)

09:20-11:30 **ROUNDTABLE DISCUSSION**

MODERATOR: HONG, SEONG-PHIL
(PROFESSOR, YONSEI LAW SCHOOL)

1. *PRESENTATION:* BRUCE KLINGNER (US)
2. *PRESENTATION:* XU CHENGGANG (CHINA)
3. *PRESENTATION:* KIM, JOONGHO (KOREA)
4. *DISCUSSION:* RALPH COSSA (US)
 BALBINA HWANG (US)
 HUGO RESTALL (US)
 WANG ZAIBANG (CHINA)
 ZHAO HUJI (CHINA)
 SHI YINHONG (CHINA)
 ALEXANDER FEDOROVSKIY (RUSSIA)
 VICTOR LARIN (RUSSIA)
 KIM, BYUNG-YEON (KOREA)
 CHOO, JAEWOO (KOREA)
 KIM, JUNG RO (KOREA)

PARTICIPANTS

CONGRATULATORY ADDRESS AND WELCOMING REMARKS

KIM, JIN-HYUN, ADVISOR, HANSUN FOUNDATION, AND CHAIRMAN, COMMITTEE FOR THE ESTABLISHMENT OF THE NATIONAL MUSEUM OF KOREAN CONTEMPORARY HISTORY

PARK, SE-IL, PRESIDENT, HANSUN FOUNDATION

TANAKA, NAOKI, PRESIDENT, CENTER FOR INTERNATIONAL PUBLIC POLICY STUDIES (CIPPS)

HYUN, IN-TAEK, MINISTER, MINISTRY OF UNIFICATION

BANG, SANG-HUN, PRESIDENT AND CEO, CHOSUN ILBO

YOON, JEUNG-HYUN, MINISTER, MINISTRY OF STRATEGY AND FINANCE

CHUN, YUNG-WOO, SENIOR SECRETARY TO THE PRESIDENT FOR FOREIGN AFFAIRS AND NATIONAL SECURITY

PARK, JIN, FORMER CHAIRMAN, NATIONAL ASSEMBLY'S FOREIGN AFFAIRS, TRADE AND UNIFICATION COMMITTEE

US

BALBINA Y. HWANG, VISITING PROFESSOR, GEORGETOWN UNIVERSITY, AND FORMER SENIOR SPECIAL ADVISOR TO ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

BRUCE KLINGNER, SENIOR RESEARCH FELLOW, NORTHEAST ASIA, THE HERITAGE FOUNDATION

HUGO RESTALL, EDITORIAL PAGE EDITOR, WALL STREET JOURNAL ASIA

RALPH A. COSSA, PRESIDENT, PACIFIC FORUM CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS)

VICTOR D. CHA, PROFESSOR, GEORGETOWN UNIVERSITY, SENIOR ADVISOR AND KOREA CHAIR, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES(CSIS), AND FORMER DIRECTOR FOR ASIAN AFFAIRS (NSC) AND U.S. DEPUTY FOR SIX PARTY TALKS

CHINA

SHI YINHONG, PROFESSOR, SCHOOL OF INTERNATIONAL STUDIES, RENMIN UNIVERSITY OF CHINA

WANG DONG, PROFESSOR, SCHOOL OF INTERNATIONAL STUDIES, PEKING UNIVERSITY

WANG ZAIBANG, VICE PRESIDENT, CHINA INSTITUTES OF CONTEMPORARY INTERNATIONAL RELATIONS (CICIR)

XU CHENGGANG, PROFESSOR, SCHOOL OF ECONOMICS AND FINANCE, UNIVERSITY OF HONG KONG

ZHAO HUJI, PROFESSOR, PARTY SCHOOL OF THE CENTRAL COMMITTEE OF COMMUNIST PARTY OF CHINA

JAPAN

AMAKO, SATOSHI, PROFESSOR, WASEDA UNIVERSITY

TANAKA, NAOKI, PRESIDENT, CENTER FOR INTERNATIONAL PUBLIC POLICY STUDIES (CIPPS)

RUSSIA

ALEXANDER FEDOROVSKIY, PROFESSOR AND HEAD OF SECTION FOR PACIFIC STUDIES, INSTITUTE OF WORLD ECONOMY AND INTERNATIONAL RELATIONS (IMEMO), RUSSIAN ACADEMY OF SCIENCES

VICTOR L. LARIN, DIRECTOR, INSTITUTE OF HISTORY, ARCHEOLOGY AND ETHNOGRAPHY OF THE PEOPLES OF THE FAR EAST, RUSSIAN ACADEMY OF SCIENCES FAR EASTERN BRANCH (FEBRAS), AND EDITOR IN CHIEF OF THE MAGAZINE "РОССИЯ И АТР"

KOREA

BANG, SANG-HUN, PRESIDENT AND CEO, CHOSUN ILBO

CHOI, KANG, PROFESSOR, INSTITUTE OF FOREIGN AFFAIRS AND NATIONAL SECURITY (IFANS)

CHOO, JAEWOO, PROFESSOR, KYUNG-HEE UNIVERSITY

CHUN, YUNG-WOO, SENIOR SECRETARY TO THE PRESIDENT FOR FOREIGN AFFAIRS AND NATIONAL SECURITY

HONG, SEONG-PHIL, PROFESSOR, YONSEI LAW SCHOOL

HYUN, IN-TAEK, MINISTER, MINISTRY OF UNIFICATION

KIM, BYUNG-YEON, PROFESSOR, SEOUL NATIONAL UNIVERSITY

KIM, DOK-JU, PROFESSOR, INSTITUTE OF FOREIGN AFFAIRS AND NATIONAL SECURITY (IFANS)

KIM, JIN-HYUN, ADVISOR, HANSUN FOUNDATION, AND CHAIRMAN, COMMITTEE FOR THE ESTABLISHMENT OF THE NATIONAL MUSEUM OF KOREAN CONTEMPORARY HISTORY

KIM, JOONGHO, SENIOR RESEARCH FELLOW, EXPORT-IMPORT BANK OF KOREA (EXIM)

KIM, JUNG RO, DIRECTOR OF POLICY COOPERATION, MINISTRY OF UNIFICATION (MOU)

PARK, JIN, FORMER CHAIRMAN, NATIONAL ASSEMBLY'S FOREIGN AFFAIRS, TRADE AND UNIFICATION COMMITTEE

PARK, KI SOON, PRESIDENT, KDB RESEARCH INSTITUTE

PARK, SE-IL, PRESIDENT, HANSUN FOUNDATION

SON, KISUP, PROFESSOR, PUSAN UNIVERSITY OF FOREIGN STUDIES

YOON, JEUNG-HYUN, MINISTER, MINISTRY OF STRATEGY AND FINANCE

DIPLOMATIC MISSIONS IN KOREA

JOSEF MÜLLNER, AUSTRIA AMBASSADOR TO THE ROK

RICHARD MANN, NEW ZEALAND AMBASSADOR TO THE ROK

JEEVA K. SAGAR, DEPUTY CHIEF OF MISSION, EMBASSY OF INDIA, SEOUL

일정

4월 6일

18:30- 20:30 리셉션

환영사: 김진현 (한반도선진화재단 고문)

4월 7일

08:20-09:00 등록

09:00-09:25 개회사: 박세일 (한반도선진화재단 이사장)

축사: 현인택 (통일부 장관)

환영사: 방상훈 (조선일보 사장)

환영사: 다나카 나오키 (국제공공정책연구센터 이사장)

09:25-09:50 기조연설

박세일 (한반도선진화재단 이사장)

09:50-10:00 사진촬영과 휴식

10:00-12:30 SESSION 1: INTEGRATION OF THE KOREAN PENINSULA:
INTERNAL INTEGRATION AND TRANSITION STRATEGIES

한반도 통일: 내부통합과 체제전환 전략들

사회: 홍성필 (연세대학교 교수)

1. 발표: 김병연 (서울대학교 교수)
2. 발표: 최강 (외교안보연구원 교수)
3. 발표: 랄프 코사 (CSIS 태평양포럼 소장)
4. 발표: 왕 자이방 (현대국제관계연구원 부원장)
5. 발표: 빅터 차 (전 NSC 보좌관, CSIS 한국실장)

12:30-14:00 오찬 및 오찬연설: **윤증현** (기획재정부 장관)

14:00-16:15 SESSION 2: INTEGRATION OF THE KOREAN PENINSULA:
ENVISIONING THE ARCHITECTURE OF COMMON PROSPERITY IN NORTHEAST ASIA

한반도 통일: 동북아 공동번영의 비전 설정

사회: 최강 (외교안보연구원 교수)

1. 발표: 다나카 나오키 (국제공공정책연구센터 이사장)
2. 발표: 발비나 황 (전 국무부 동아태차관보 정책보좌관)
3. 발표: 알렉산드르 페도로프스키 (IMEMO 센터장)
4. 발표: 홍성필 (연세대학교 교수)
5. 발표: 휴고 레스탈 (월스트리트저널 아시아판 편집인)
6. 발표: 스 인홍 (인민대학교 교수)

16:15-16:30 휴식

16:30-18:30 SESSION 3: INTEGRATION OF THE KOREAN PENINSULA:
REALIZING THE FRAMEWORK OF INTEGRATION

한반도 통일: 통합 모델의 이행

사회: 빅터 차 (전 NSC 보좌관, CSIS 한국실장)

1. 발표: 자오 후지 (중국 공산당 중앙당학교 교수)
2. 발표: 아마코 사토시 (와세다대 교수)
3. 발표: 빅터 라린 (러시아과학아카데미 극동지부 소장)
4. 발표: 주재우 (경희대학교 교수)
5. 발표: 김정노 (통일부 정책협력과장)
6. 발표: 왕 둥 (북경대 교수)

18:30 만찬 및 만찬연설: **천영우** (청와대 외교안보수석)

4월 8일

08:30-09:00 등록

09:00-09:10 개회 및 사진 촬영

09:10-09:20 축사: 박 진 (전 국회 외교통상통일위원회 위원장)

09:20-11:30 라운드테이블 토론

사회: 홍성필 (연세대 교수)

1. 발표: 브루스 클링너 (헤리티지재단 선임연구원)

2. 발표: 쉬 청강 (홍콩대 교수)

3. 발표: 김중호 (한국수출입은행 선임연구원)

4. 집중토론: 랄프 코사 (CSIS 태평양포럼 소장)

발비나 황 (전 국무부 동아태차관보 보좌관)

휴고 레스탈 (WSJ 아시아판 편집인)

왕 자이방 (현대국제관계연구원 부원장)

자오 후지 (공산당 중앙당학교 교수)

스 인홍 (인민대 교수)

알렉산드르 페도로프스키 (IMEMO 센터장)

빅터 라린 (러시아과학아카데미 극동지부 소장)

김병연 (서울대 교수)

주재우 (경희대 교수)

김정노 (통일부 정책협력과장)

참가자

환영사 및 축사

김진현 한반도선진화재단 고문, 대한민국 역사박물관 건립위원회 위원장

박세일 한반도선진화재단 이사장

다나카 나오키 국제공공정책연구센터 이사장

현인택 통일부 장관

방상훈 조선일보 사장

윤증현 기획재정부 장관

천영우 청와대 외교안보수석

박진 국회의원, 前 국회 외교통상통일위원회 위원장

미국

랄프 코사 (RALPH A. COSSA) CSIS(전략국제문제연구소) 태평양포럼 소장

발비나 황 (BALBINA Y. HWANG) 前 미국 국무부 동아태차관보 정책보좌관,

조지타운대학교 초빙교수

브루스 클링너 (BRUCE KLINGNER) 헤리티지재단 아시아연구센터 동북아시아담당

선임연구위원

빅터 차 (VICTOR D CHA) 前 NSC 보좌관, 조지타운대학교 교수, CSIS

(전략국제문제연구소) 한국 실장

휴고 레스탈 (HUGO RESTALL) 월스트리트 저널 아시아판 편집인

중국

쉬 청강 (XU CHENGGANG, 許成綱) 홍콩대 교수

스 인홍 (SHI YINHONG, 時殷弘) 인민대학교 교수

왕 등 (WANG DONG, 王東) 북경대학교 교수

왕 자이방 (WANG ZAIBANG, 王在邦) 중국 현대국제관계연구원(CICIR) 부원장

자오 후지 (ZHAO HUJI, 趙虎吉) 중국 공산당 중앙당학교 교수

일본

다나카 나오키 (TANAKA, NAOKI, 田中直紀) 국제공공정책연구센터 이사장

아마코 사토시 (AMAKO, SATOSHI, 天兒慧) 와세다대 교수

러시아

빅터 라린 (VICTOR L. LARIN) 러시아과학아카데미 극동지부(FEBRAS) 소장

알렉산드르 페도로프스키 (ALEXANDER FEDOROVSKIY) 국제경제 및 국제관계연구소(IMEMO)

아시아-태평양지역문제 센터장

한국

김덕주 외교안보연구원 교수

김병연 서울대학교 교수

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박세일 한반도선진화재단 이사장

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방상훈 조선일보 사장

손기섭 부산외국어대 교수

윤증현 기획재정부 장관

주재우 경희대학교 교수

천영우 청와대 외교안보수석

최강 외교안보연구원 교수

현인택 통일부 장관

홍성필 연세대학교 교수

주한외국공관

요세프 뮐르너 (JOSEF MÜLLNER) 주한 오스트리아 대사

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지바 사가르 (JEEVA K. SAGAR) 주한 인도대사관 공관차석

Integration of the Korean Peninsula

Opening Ceremony & Keynote Speech

APRIL 7TH, 2011

Opening Remarks

PARK, SE-IL (President, Hansun Foundation)

CONGRATULATORY ADDRESS

HYUN, IN-TAEK (Minister, Ministry of Unification)

WELCOMING REMARKS

BANG, SANG-HOON (President and CEO, Chosun Ilbo)

WELCOMING REMARKS

TANAKA, NAOKI (President, Center for International Public Policy Studies)

KEYNOTE SPEECH

PARK, SE-IL (President, Hansun Foundation)



PARK, SE-IL

President, Hansun Foundation

박세일

한반도선진화재단 이사장

Dr. Se-Il Park founded the Hansun Foundation in September 2006 with a vision of formulating and promoting advanced, innovative and practical public policies and recommendations. Since its establishment, Dr. Park has been serving as the president of Hansun Foundation, which is a bi-partisan, non-profit, private think-tank in Korea. Modeled after the Brookings Institution and the Heritage Foundation in the U.S., Hansun Foundation's work is based on independent and high quality research by more than 200 professors and experts.

Under the former President Kim Young Sam's administration (1994-1998), Dr. Park has served as Senior Secretary to the President for Policy Development and Social Welfare, and was also a Senior Fellow at the Korean Development Institute (KDI) from 1980 to 1985.

Before the establishment of Hansun Foundation, Dr. Park has served as the member of the Korean National Assembly, the president of the Yeouido Research Institute (Grand National Party's think-tank) and the chairman of the Policy Committee of the Grand National Party (2004-2005). Prior to holding these posts, he was the chairman of the Committee for Citizens' Political Reform (National Assembly) in 2003. From 2002 to 2004, Dr. Park served as the chairman of the Economic Justice Institute of the Citizens' Coalition for Economic Justice (CCEJ).

Dr. Park received his B.A. in law from Seoul National University (1970), M.A. and Ph.D. in economics at Cornell University (1980). From 1985 to 1994, he taught at Seoul National University as professor of law. In 1987, he won the "Chung-Rahm Award" from the Korean Economic Association. Dr. Park was a distinguished visiting professor at several prestigious research and educational institutions; including Stanford University (2008-2009), the Korean Development Institute (KDI) (2000-2001), the Brookings Institution (1998-1999) and the Law and Economics Research Center of Columbia Law School (1992-93). Currently, Dr. Park is a professor of Law and Economics at the Graduate School of International Studies (GSIS), Seoul National University.

Major Publications:

Korea's Creative Globalization Strategy (2010)

Grand National Strategy for the Republic of Korea (2009)

Communitarian Liberalism (co-authored, 2008)

The Advancement Revolution: This is the Final Chance (co-authored, 2007)

4 Strategies for Advancing the Republic of Korea in the 21st Century
(co-authored, 2007)

Strategies for Advancing the Republic of Korea (2006)

Autonomous and Responsible University Reform (co-authored, 2004)

Conditions for Success of Political Reform (co-authored, 2003)

The Condition for the President's Success: Recommended Responsibility Roles (co-authored, 2002)

Autonomous and Responsible School Reform (co-authored, 2002)

Law and Economics (2000)

"The Labor Market Policy and Social Safety Net in Korea: After the 1997 Crisis," *CNAPS Working Paper*, Brookings Institution (1999)

Opening Remarks

Park, Se-II

President, Hansun Foundation

Ladies and Gentlemen,

It is indeed my great pleasure and honor to inaugurate the conference on "Integration of the Korean Peninsula: Transition Strategies and Visions for the Common Prosperity in Northeast Asia".

We are gathered here today as we perceive a forthcoming formidable challenge on the integration of Korean Peninsula. However, the current challenge is like a double-edged sword. Although it is potentially threatening, but depending on our action today, we can turn this challenge into a great historical opportunity to achieve peaceful and prosperous Northeast Asia.

Our goal for this conference is therefore to identify how to manage the integration process of the Korean peninsula successfully if opportunity comes, and how to relate after integration the unified Korea with the peaceful and prosperous future of Northeast Asia. In other words, we want to frame a unified vision and blueprint for action, hopefully, not only for the integration of Korean Peninsula but also for the integration of the Korean Peninsula with North East Asia in order to attain the peace and prosperity in the region as a whole.

For that purpose, we also want to specify the proper role of the Republic Korea and the responsibilities of regional and international communities as well as the course of actions that must be taken by all.

Reflecting the last year's conference, we consider this gathering as the second meeting of the annual international conference on the issue of Korean integration and the future of Northeast Asia. This year, we attempt to generate more comprehensive discussions by not only broadening the topic but also inviting most respected specialists and leading opinion makers.

Lastly, I express my deep appreciation to Chosun Ilbo and CIPPS for co-hosting this conference; the Ministry of Education, Science and Technology, , the Ministry of Unification for their consistent support; Last but not least, the Korea Foundation, the Korea Development Bank, the Export-Import Bank of Korea, and the Federation of Korean Industries and Korean Air for their sponsorship.

With these remarks, I now pronounce the official opening of the conference.

Thank you very much.

개회사

박세일

한반도선진화재단 이사장

이 자리에 참석해 주신 내외 귀빈 여러분,

오늘 특별히 “한반도 통일전략과 동북아 공동번영의 비전”이라는 주제의 컨퍼런스에 제가 개회를 선언하게 됨을 매우 영광으로 생각합니다.

오늘 이 자리에는 5 개 국가의 최고의 전문가들이 모이셨습니다. 그 이유는 한반도 통일이 우리 모두에게 임박한 큰 도전이기도 하지만 대단히 중요한 역사적 기회라는 인식을 같이 하기 때문입니다. 한반도 통일이 동북아에 예기치 못한 재난을 가져오거나 안보에 위협이 될 수도 있지만, 우리의 노력에 따라서는, 이 지역의 평화와 번영을 위한 역사적 기회가 될 수 있다는 점을 우리 모두 공감하고 있기 때문입니다.

저는 오늘 이 컨퍼런스를 통해 통일을 주도적으로 이끌어내야 할 한국은 과연 성공적 통일을 위하여 무엇을, 어떻게 준비하고, 추진해야 하는지, 그리고 이 지역 관련국들과 국제사회는 한반도 통일국가의 창조를 위해 어떻게 협력하면서 함께 추진해나가야 하는지가 분명하게 드러나기를 바랍니다.

또한 저는 여러분들이 한반도 통일의 문제를 넘어 통일된 한반도와 동북아가 평화와 번영의 신 동북아 시대를 열기 위하여 어떻게 서로 협력하고 노력해야 하는지 그 비전과 전략도 함께 구상해주시길 희망합니다.

이러한 문제의식을 가지고 한반도 통일을 주제로 작년에 이어 두 번째로 열리는 오늘의 국제 컨퍼런스에 관련 분야 최고 전문가와 여론 주도층이 총망라해서 모이셨다는 것은 매우 뜻 깊은 일이라고 봅니다.

끝으로 이 행사에 기꺼이 공동주최로 참여해주신 조선일보사와 일본의 국제공공정책연구센터(CIPPS), 그리고 후원해주신 교육과학기술부와 통일부, 협찬을 맡아주신 국제교류재단, 수출입은행, 산업은행, 전국경제인연합회, 대한항공에 이 자리를 빌어서 감사의 말씀을 드립니다.

그럼 지금부터 컨퍼런스를 시작하도록 하겠습니다.

감사합니다.



HYUN, IN-TAEK

Minister, Ministry of Unification

현인택

통일부 장관

Education

- 1978 B.A., Political Science and International Relations, Korea University
- 1982 M.A., Political Science, Korea University
- 1990 Ph.D., International Politics, University of California at Los Angeles

Experience

- 1990. Aug. ~ 1992. Oct. Research Fellow, Institute of Social Sciences
- 1992. Oct. ~ 1995. Mar. Research Fellow, The Sejong Institute
- 1995. Jan. ~ 1999. Dec. Director, The Korean Association of International Studies
- 1995. Mar. ~ 1997. Feb. Assistant Professor, Department of Political Science and International Relations, Korea University
- 1997. Mar. ~ 2002. Feb. Associate Professor, Department of Political Science and International Relations, Korea University
- 2000. Jul. ~ 2001. Jun. Member, Unification Policy Section of the Policy Advisory Committee, The Ministry of Unification
- 2002. Mar. ~ Present Professor, Department of Political Science and International Relations, Korea University
- 2002. Jun. ~ 2003. Feb. Director, Planning Bureau, Korea University
- 2003. Jul. ~ 2004. Jun. Member, South-North Dialogue Subcommittee of the Policy Advisory Committee, The Ministry of Unification
- 2005. Jan. ~ 2005. Dec. Vice President, The Korean Political Science Association
- 2005. Feb. ~ 2005. Nov. Director, Budget and Planning Bureau, Korea University
- 2006. Jan. ~ 2006. Dec. Chairman, International Information Committee, The Korean Association of International Studies
- 2007. Dec. ~ 2008. Feb. Member, Presidential Transition Committee for the 17th ROK President
- 2008. Apr. ~ 2009. Feb. Member, Unification Policy Subcommittee of the Policy Advisory Committee, The Ministry of Unification
- 2008. May ~ 2009. Feb. Member, Presidential Council for Future and Vision

Congratulatory Remarks

Hyun, In-Taek

Minister, Ministry of Unification

Good morning, ladies and gentlemen. It's my great pleasure to join you this morning.

First, congratulations on the opening of this very wonderful international conference entitled "Integration of the Korean Peninsula: Transition Strategies and Visions for the Common Prosperity in Northeast Asia". I believe the Hansun Foundation, the Chosun Ilbo, and the Center for International Public Policy Studies in Japan have done a splendid job of bringing this event together. I would particularly like to welcome all the international scholars who have traveled from afar. This conference brings together prominent scholars from countries surrounding the Korean peninsula.

In the next few days, you will discuss and debate how Korean integration will help Northeast Asia achieve its visions for common prosperity. This is, indeed, a very meaningful and timely endeavor. In this respect, I applaud the efforts of Dr. Park, Se-il, president of the Hansun Foundation, President Bang, Sang-hoon of the Chosun Ilbo, and Dr. Tanaka, Naoki, president of the CIPPS for making this conference possible. I would also like to thank all the scholars from both home and abroad for taking part in this important discussion.

Friends, colleagues, recently we have witnessed two major events. These two events are very different in nature, but have affected us all deeply. One is massive tides of democratization which have swept across African and Middle East countries. The other is the devastating earthquake in Japan, Korea's closest neighbor.

The so-called "Jasmine Revolutions" showed us that history is beyond human imagination. The earthquake in Japan was a profound reminder of just how small we human beings are. These two events make us think about "what *can* we do or, rather, *cannot do* in dealing with an uncertain future?"

As Minister of Unification, the two events have made me see the harsh reality on the Korean peninsula stemming from the North Korean conundrum more squarely. At the same time, they have led me to envision the future of the Korean peninsula from a broader historical perspective.

As you know very well, cooperation and coalition across borders are the key concepts or major driving forces in the 21st international order. Northeast Asia is not exception at all. Northeast Asia is now overcoming, to a greater or less degree, a history marked by conflict, and creating new foundations for common prosperity in the region, particularly through non-

traditional security cooperation. However, no one can deny that if there is an exception here, that is the North Korean nuclear question, or more broadly, the “North Korean question.”

The last two to three years have revealed an internal instability of North Korea. Last year, North Korea made two major provocations against South Korea: the *Cheonan* attack and the shelling of South Korea’s Yeonpyeong Island. The North’s such internal instability and provocations only remind us that a divided Korean peninsula is inherently unstable. They have significantly deteriorated inter-Korean relations as well as the regional security environment.

The peaceful reunification of Korean and the process towards it, I believe, will not only bring the two Koreas together, but also dismantle the structure of historical and ideological conflicts in Northeast Asia. Korean unification will create a new peace structure of regional stability and prosperity. It will also create a critical moment for the region to achieve a deeper economic integrations as well as a Northeast Asian community.

The ROK government envisions a peaceful reunification on the Korean peninsula. We want an orderly and step-by-step integration process that upholds universal values. We hope to build peace, economic, and national communities between the two Koreas by promoting mutual exchanges and cooperation based on a nuclear-free peninsula.

Yet, North Korea resists. For the past two decades since the end of the Cold War, North Korea has rejected a path of denuclearization and continued to isolate itself from the rest of the world. Its military adventurism has only worsened. North Koreans’ human rights also continue to worsen as the country suffers from chronic economic difficulties. Now the Korean regime has started a kind of “bizarre” experiment: the so called “third-generation hereditary succession,” which is an unprecedented attempt in modern history. Most of all, the North Korean nuclear problem fundamentally erodes not only inter-Korean relations, but also peace and security in Northeast Asia.

As long as the North Korean nuclear conundrum exists, our efforts to achieve national unification of the two Koreas through peace and cooperation will be frustrated. The North’s nuclear weapons inevitably escalate regional tension. They are also a stumbling block for deeper cooperation and interdependence in the region.

I do not believe North Korea can remain an “anomaly” of history forever. It simply cannot continue to isolate itself from the outside world. Ultimately, North Korea has no choice *but* to change. We must put our heads together to make North Korea stop its nuclear development and take a different path. It must open itself and cooperate with the international community.

Friends, colleagues,

As you know, Northeast Asia holds unlimited potential for development and cooperation. I believe peaceful reunification on the Korean peninsula will ignite a process to realize that

potential. Korean unification will create a critical moment for the region to build a Northeast Asian community.

North Korea is, again, facing a critical turning point. This puts the Korean peninsula at an important crossroad in history. Now, more than ever, we need the support and consensus of neighboring countries on unification on the Korean peninsula. The ROK government hopes to build an international consensus on Korean unification through dialogue, and cooperation with the international community.

I hope that this international conference will help build such international consensus as well as produce practical and in-depth discussions on Korean peninsula issues, including national unification. Once again, I would like to thank the Hansun Foundation, the Chosun Ilbo, and the CIPPS for bringing this important event together. I wish you all a great, successful conference. Thank you.

축사

현인택

통일부 장관

1. 환영사

여러분 반갑습니다.

한반도선진화재단과 조선일보, 일본 국제공공정책연구센터가 공동주최한 국제 학술회의 개최를 진심으로 축하드립니다. 서울을 찾아주신 귀한 손님들께도 따뜻한 환영의 인사를 드립니다.

한반도 주변국의 지식인들이 한반도 통일을 중심으로 동북아 미래를 모색하고자 한 자리에 모이셨습니다. 그 의미가 적지 않다고 생각합니다.

이러한 소중한 자리를 마련해 주신 한반도선진화재단 박세일 이사장님과 조선일보 방상훈 사장님, 일본 국제공공정책연구센터 다나카 나오키 이사장님께 경의를 표합니다. 함께해 주신 전문가 여러분들께도 감사의 마음을 전합니다.

2. 한반도 통일과 동북아의 공동번영

내외귀빈 여러분! 최근 우리는 거대한 두 사건에 직면했습니다.

매우 다른 거대한 이 두 사건은 우리 모두에게 깊은 영향을 끼쳤습니다. 하나는 북아프리카. 중동의 민주화 물결이고, 다른 하나는 이웃나라 일본의 대재앙입니다.

북아프리카와 중동의 “재스민 혁명”은 인간의 상상력을 뛰어넘는 정치적 변화를 보여주었습니다. 일본 대지진은 인간의 능력을 초월한 자연재해의 위력을 보여주었습니다. 불확실한 미래를 헤쳐 나가는 인류의 자세를 다시금 생각하게 됩니다.

동시에 통일부 장관으로서 북한문제가 내포한 엄중한 현실을 직시하며, 한반도의 미래를 역사의 거울에 비춰보게 됩니다.

국경을 초월한 협력과 연대는 탈냉전 후 21세기 국제질서를 이끌고 있는 힘입니다. 동북아 지역도 역사적 갈등구조를 넘어 비안보분야의 협력을 통해 공동번영의 토대를 쌓아가고 있습니다.

그러나 여기에 예외가 있다면, 그것은 북한 핵문제 또는 좀 더 넓게 보아 “북한문제”라 하는데 이의를 다는 이는 없을 것입니다.

최근 2~3년간 우리는 북한 내부의 불안정성을 보았습니다. 그리고 작년 북한은 천안함 폭침과 연평도 포격도발을 감행했습니다. 이는 한반도 분단구조가 내포한 불확실성을 그대로 보여주었습니다. 남북관계는 물론 동북아 전체의 안보상황을 크게 악화시켰습니다.

한반도 통일과정은 남북통합뿐 아니라, 동북아의 역사적, 이념적 대결구도를 해체시키고 지역안정과 번영을 위한 새로운 평화구조를 창출할 것입니다.

경제통합과 지역공동체 도약의 획기적 전환점이 될 것입니다.

한국정부는 한반도의 평화적 통일을 원합니다. 인류 보편적 가치가 투영되는 질서 있는 단계적 통합과정을 원합니다. 남과 북이 비핵화된 한반도에서의 교류협력을 통해 평화공동체, 경제공동체, 민족공동체로 통합해 나가길 원합니다.

문제는 북한입니다. 북한은 탈냉전 후 지난 20년간 비핵화를 거부하며 대외고립과 군사적 모험주의를 강화해 왔습니다. 만성적 경제난 속에서 주민들의 인권은 계속 악화되고 있습니다. 이제 현대정치사에 유례없는 3대 세습의 새로운 실험에 들어섰습니다.

무엇보다 북한 핵문제는 남북관계는 물론 역내 안정과 평화를 근본적으로 훼손하는 요인입니다. 핵문제가 존재하는 한 평화와 통일을 행한 남북협력은 계속 좌절될 것입니다. 이는 필연적으로 역내 긴장고조를 야기할 것이며, 주변국간 상호의존과 협력의 확대를 가로막을 것입니다.

북한이 언제까지 세계사의 예외지대로 남아 폐쇄와 고립의 길을 갈 수는 없다고 생각합니다. 북한도 결국 변화를 선택할 수밖에 없을 것입니다.

우리는 북한이 핵무기 개발이 아니라 대외개방과 국제협력으로 방향을 잡도록 지혜를 모아 나가야 할 것입니다.

3. 맺음말

내외귀빈 여러분, 동북아는 무한한 발전 잠재력과 협력이 가능한 공간입니다.

한반도의 통일은 그 가능성을 현실화시키는 기폭제가 될 것입니다.

동북아 공동체로 나아가는 결정적 계기가 될 것입니다.

북한이 또 한 번의 전환기에 있으며, 한반도가 중요한 역사적 분기점에 서 있는 것은 분명해 보입니다. 한반도 통일에 대한 주변국들의 확고한 지지와 동의를 필요한 때입니다.

한국정부는 국제사회와의 폭넓은 대화와 협력을 통해 한반도 통일에 대한 국제사회의 공감대를 넓혀 나갈 것입니다.

아무쪼록 이번 국제 학술회의가 이 모든 문제를 구체적이고 실천적으로 논의하는 심도 있는 자리가 되길 기대합니다. 다시 한 번 학술회의를 준비해주신 한반도선진화재단과 조선일보, 일본 국제공공정책연구센터에 감사 드립니다.

학술회의의 성공적 개최를 기대합니다.

감사합니다.



BANG, SANG-HUN

President and CEO, Chosun Ilbo

방상훈

조선일보 사장

Mr. Sang-Hoon Bang is the President and CEO of The Chosun Ilbo, the largest daily newspaper with 2.3 million circulations. Founded in March 1920, the Chosun Ilbo is the longest running newspaper in Korea.

Mr. Bang started his career as a reporter in the foreign desk of the Chosun Ilbo. Later he served as a Washington correspondent. From the mid-1970s, he moved to the management of the newspaper company. Under his leadership, the newspaper has contributed to the development of democracy in Korea. He firmly believes in and is strongly committed to the basic tenet of journalism that nothing should impair the freedom of the press. For his commitment to the independence in journalism, the International Press Institute honored him with a life-long membership.

The noteworthy change he brought to the newspaper was its coverage of the human rights situation in North Korea. He has encouraged journalists to cover human rights stories that are related to the plight of the North Korean refugees who fled North Korea. The newspaper's coverage on the North Korean refugees resulted in a documentary called "Crossing the Border to Heaven," which earned domestic as well as international acclaim, including the Asian Human Rights Award.

Mr. Bang is also interested in the print media's collaboration with the internet and multi-media technology. In the Chosun Ibo, he has initiated many projects that are intended to link the print media with the IT technology, including broadcasting. The production of the documentary on the North Korean refugees in China is a good example of how such collaboration can be achieved.

Mr. Bang's commitment to independent journalism has led him to serve various posts at home and abroad. At home, he served as the Chairman of Korea Newspapers' Association and the Chairman of the Board of Korea Database Promotion Center. Internationally, he served as the Korean Representative to the World Association of Newspapers (WAN) and a director of Korea Committee of Press Foundation of Asia (PFA). In addition, he had been Co-Chair of the Committee to Promote Neighbor Help, as well as Co-Chair of the Central Consultative Committee to Assist Handicapped People. He is the first foreigner to be invited as advisor by the Peabody Access Museum.

Mr. Bang graduated from the Ohio University. He earned his MA from the Graduate School of Public Administration of Yonsei University in Seoul. He was awarded an Honorary Doctorate in Mass Communications by Ohio University. He has two sons and one daughter, all of whom are now married. He enjoys golf and swimming.



TANAKA, NAOKI

President, Center for International Public Policy Studies
(CIPPS)

다나카 나오키 (田中直紀)

일본 국제공공정책연구센터 이사장

Education

- 1968 B.A.(Law), the University of Tokyo
- 1973 Finished all course works for Ph.D. (Economics) at the University of Tokyo

Career

- 1971 Senior Fellow of Kokumin Keizai Research Institute.
- 1984 Started activities as an Economic analyst.
- 1997.4 - 2007.3 President of the 21st Century Public Policy Institute
- 1998.7 - 2009.2 Member of Financial System Council (Financial Services Agency)
- 2001.1 - 2010.4 Member of Fiscal System Council (Ministry of Finance)
- 2002.1 - Member of Advisory Council on the Court in the Future (Supreme Court of Japan)
- 2005.3 - Discussion Group on the Money Lending Business System (Financial Services Agency)
- 2006.4 - Chairman of Postal Services Privatization Committee
- 2007.4 - President of Center for International Public Policy Studies
- 2009.3 - 2011.1 Chairman of Financial System Council (Financial Services Agency)

Works

- 1990 “Grand Vision of Japan”
- 1992 “Towards the Twenty-first Century – A Vision for the Japanese Economy”
- 1994 “A Vision of Japanese Politics”
- 1996 “A Vision of New Industrial Society
- 1996 “The Age of Asia”
- 1996 “Japanese Economy after the Big Bang”
- 1999 “Super Structure”
- 1999 “The Market and Government”
- 1999 “What is Structural Reform”
- 2003 “A Prelude to Japan’s Rebirth”
- 2004 “New rules in Japan”
- 2004 “How to fight the Enemies in Ourselves”
- 2005 “The birth of year 2005 political system –new Japan begins- ”
- 2005 “Asia that goes beyond 'Anti-Japan' from the view point of Beijing and Seoul”
- 2008 “Being forgotten Country- Japan –Maibotsu suru Kokka-”

Integration of the Korean Peninsula

- 2008 “Money’s seizing up”
2010 “The world and Japan in 2015 : Possible scenarios” (co-written with Center for International Public Policy Studies)

Keynote Speech

Park, Se-II

President, Hansun Foundation

Ladies and Gentlemen,

Thank you for your presence at our conference.

Today, we are gathered here to discuss the future of North East Asia and Asia as a whole.

We are here to create together a prosperous, advanced, and peaceful future for North East Asia and Asia as a whole, and to put an end to the region being a place of confrontation, conflict, and poverty.

The decisions that we will make in the next five to ten years will determine whether the coming century of North East Asia will be remembered as the era of unprecedented peace and prosperity.

North East Asia and the greater Asia is facing a crucial transition period in which the rise of a new international order, unprecedented since the advent of civilization, is now expected. Historically, international relations in North East Asia have adhered to a strict vertical structure. China had been the author of an unrivaled regional hegemony for over 2000 years until the rise of Japan to great power status in the early 1900s. Chinese ethnocentrism and Japanese imperialism were the ideologies that prevailed throughout this period.

This vertical feature of international relations in North East Asia persisted throughout the post-World War II and Cold War era. However, by the end of the Cold War, East Asian countries began seeking new values to fundamentally restructure the international order in East Asia.

I believe that today's international order must reflect the world view of our time – the 21st century era of democracy, globalization and information. In accordance to which, the new international order in East Asia must fully reflect the values of mutual respect and cooperation, and be firmly based upon the equality and independence of sovereign states.

I believe that the idea of multilateralism based upon the equal participation of regional members, and not the unilateralism of sheer power politics, can serve as the key notion in providing proper solutions to the various problems in this region. Furthermore, only when such values are preserved and practiced through mutual respect and cooperation, can democracy, globalization and the free flow of information take root in this region. Only such a regime will enable the creation of the North East Asian Community, and further even an

Asian Community, not only in the area of economic cooperation, but also in the security sphere.

East Asia, at the 21st century juncture, faces two paths of historical development. One path points to economic development and prosperity, eventually leading to peace and harmony in the region. The creation of a true economic community will bring forth development and prosperity which will in turn lead to the establishment of a community of common security. Under this scenario, the future of Asia will be labeled as a time of peace and prosperity.

The other path will lead us toward confrontation and conflict, which will result in poverty and degeneration. The failure to create a community of trust will usher a new era of Cold War, characterized by endless conflict and perpetual confrontation. Under this scenario, poverty and degeneration, instead of development and prosperity, will dictate the future.

At this point, I would like to first note that the unification of the Korean Peninsula is imperative in generating a community of trust. As long as the Korean Peninsula remains divided, the concept of an East Asian Economic and Security Community (EAESC) is simply inconceivable. It should also be remembered that the problem of a divided Korean Peninsula is not merely an issue just concerning the two Koreas, but an issue that concerns the entire East Asia region.

It is quite understandable that China prefers peace and stability to preserve its economy and to secure its historic growth. However, as long the Korean Peninsula remains divided, China may not witness such peace and stability. On the other hand, after the integration of the Korean Peninsula, the entire East Asia region, notably China, will find itself in a peaceful and stable state made possible by the cooperative mechanisms of EAESC in securing peace and stability, and generating growth and prosperity through, for example, the development of Dongbei and Yeonhaeju areas.

Japan is already a mature, developed country. Nevertheless, it is now becoming increasingly effete mainly due to its high structural budget deficit and aging population. To revitalize itself more effectively, Japan would require external momentum from outside the nation's own structure and capacity. I believe that such momentum can be found through Japan's participation in the integration of the Korean Peninsula and in its contributions to the establishment of the East Asian Economic and Security Community.

For the United States, the development of a horizontal international order in East Asia based upon the idea of multilateralism seems to be in its primary interest as it is only through which, the vision of a prosperous and peaceful North-East Asia becomes conceivable. In this sense, the United States will find itself increasingly more at ease when a genuine system of peace and prosperity arises in this region after the unification of the Korean Peninsula.

Russia is a great power whose geographic region stretches across Eurasia. As today's

global economy shifts to Asia, Russia needs to transform its Euro-centric nation planning to one which is more Asia-centric. It also needs to cooperate with EAESC in order to facilitate the advancement of Eastern Russia and further its power substantially.

In this fashion, the integration of the Korean Peninsula, and the rise of EAESC will be beneficial to all member states of the entire Asian Community. It can thus be concluded that establishing a successful East Asia Economic and Security community is necessary for the advancement, prosperity, peace, and stability in the region.

What should we do, in our present time, to achieve the integration of the Korean Peninsula and also to achieve the development of EAESC?

To answer this question, I look to the world renowned scholars from the five participating countries in this Conference. I firmly believe that your wisdom and experience will greatly contribute to answering this question as well as providing insight to our overall initiative.

At the outset, I believe we must first conceive two visions.

First, a vision of peace and security in East Asia. This vision, based on multilateralism, must be something that can be agreed upon by all states in East Asia. Subsequently, we must develop a specific roadmap and effective strategies. We should also build basic frameworks for a collective economic and security community.

Second, a vision for the integration of the Korean Peninsula. This vision must also be based on multilateralism, shared by not only the people of the two Koreas but also by their neighboring countries. A detailed roadmap of this vision must include integration strategies and mechanisms that could manage the overall integration process successfully.

Before sharing our opinions, however, I want to discuss a more detailed agenda on the integration of the Korean Peninsula.

With regard to security:

First, the unified Korea should honor the principle of nuclear non-proliferation. Moreover, countries in East Asia should create a sphere of nuclear non-proliferation in East Asia and Asia as a whole, and also develop and expand a non-nuclear corridor in the region.

Second, the united Korea and the East Asian countries must establish the East Asia Economic and Security Community (EAESC) which will further develop collective security systems for the region.

Third, the United States forces in Korea must remain in the region until the security community of East Asia is firmly established. Their presence will be advantageous for many other East Asian countries as well.

With respect to the integration of the Korean Peninsula:

Our first priority is to ensure the current North Korean regime's cooperation with nuclear non-proliferation, free trade policy and reform. We will support this effort by all means. However, if the current regime fails to take the initiative and faces an inevitable regime change, we hope that a new regime that complies with nuclear non-proliferation, free trade policies and cooperation with South Korea could possibly arise. Once a new regime appears, the two Korean regimes can form a united front which will facilitate the unification process. Moreover, once achieving integration, the United Korea—or Greater Korea—will actively initiate the establishment of a peaceful and prosperous new East Asia in close cooperation with China, Japan, Russia, and the United States.

Second, the two Koreas should maintain separate administrations during the early stage of the integration process. We should establish a special economic and administrative zone in North Korea. Also during this period, the exchange of people, goods and services may be limited. However such regulations—separate administration and limited exchange—are necessary before full-fledged integration for the successful transition of a planned economy into a market economy and also for building a sound base for North Korea's endogenous growth and development.

Third, there must be a detailed blueprint for North Korea's open door policy and reform. In addition, a blueprint for the overall integration process with South Korea is also desirable. I think the integration process will require at least three stages.

The first stage is a preparatory stage for North Korean reform and the implementation of open-door policy. Reform efforts should start with transforming North Korea's communist economic system into one based on the free market economy. It should then be followed by building a sound base for endogenous growth and development in North Korea.

The second stage involves the integration of economic and social structures in South and North Korea. This integration process must begin only after North Korea's successful transition into a free market economy. The integration process must advance systematically from commodity market integration to capital market integration and finally to labor market integration.

The final stage is the integration of political and legal infrastructure in South and North Korea. Efforts should be made to establish one unified political and legal system in the Korean peninsula.

We must develop a concrete blueprint for all three stages of integration as well as for the transition period. Some may question whether such a step-by-step process for integration is feasible when it comes to a time of abrupt change in North Korea. A sudden change may require temporary measures; but the integration process will eventually need all three stages

as chaos subsides. Depending on the situation, integration may proceed in a tight manner, allowing for the compression of some tasks. Or it may even take longer by implementing each step more thoroughly. Regardless, the three-step-process must be implemented as there is no short-cut in achieving the successful unification of the Korean Peninsula.

Lastly, I would like to reemphasize that the issue of unifying Korea is not contained within the borders of the peninsula. It is a historical assignment for all North East Asian countries. This is because a united Korea is the first and foremost step in the path leading to establishing peace and prosperity in East Asia. The integration process requires not only the will and compliance of the two Koreas, but also active participation and cooperation from other North East Asian and East Asian countries.

Even with such a collective approach, however, there is still one problem that consistently hinders the progression of the integration process. That is, the persistence of Cold War ideology or mentality which tenuously grips onto the 20th century perception of the world. A culture of fundamental mistrust in the international community exacerbates the mentality and practice of confrontation. Clearly the Cold War ended two decades ago. The 21st century world we are now living in is a completely different international political milieu. Today's international relations are based on mutual respect, cooperation, and peaceful co-existence. This is why we need a new ideology such as Asian Peace Philosophy or Asian Peace Theory.

I would like to encourage that every scholar in this room endeavor to eradicate Cold War ideology or mentality and lingering mistrust, and to establish a new visionary ideology centering upon the idea of the Asian Peace Philosophy or Asian Peace Theory. It is my sincere hope that every expert in this room may actively share his or her wisdom and experiences so that we together can bring about the integrated Korean Peninsula, and the peaceful and prosperous North East Asia.

Great historical changes always start from humble beginnings. And it all begins with a small idea.

Our vision and the initiative may be beyond the scope of our gathering today. However, this meeting will serve as the very small idea and an event that changes the world.

This is why we are gathered here today, to *create* the future of the 21st century North East Asia and Asia as a whole.

Thank you very much.

[기조연설]

통일한반도를 통해 [아시아 평화의 시대]를 열자

박세일

한반도선진화재단 이사장

오늘 우리는 동북아의 미래 더 나아가 아시아의 미래를 논의하기 위해 이 자리에 모였습니다.

우리는 오늘 [실패의 동북아]가 아니라 [성공의 동북아], 갈등과 대립 그리고 가난의 아시아가 아니라, 발전과 번영 그리고 평화의 아시아를 위하여 이 자리에 모였습니다.

지금부터 5 년 내지 10 년 안에 우리들이 과연 어떠한 결단을 내리느냐에 따라 동북아와 아시아 100 년의 미래역사가 과연 평화와 번영의 시대가 될 수 있는지 아니면 전쟁과 낙후의 시대가 될 수 있는지 그 여부가 결정된다고 봅니다. 왜냐하면 동북아, 그리고 아시아는 지금 문명사적으로 새로운 국제질서, 새로운 국제적 가치의 등장을 기대하는 과도기에 있기 때문입니다.

주지하다시피 지난 2000 년 간 동아시아의 국제질서는 항상 중앙과 변두리가 위계적으로 관계하는 [수직적 국제질서]였습니다. 오랫동안 중국의 [패권적 중화주의]가 아시아의 중심에 있었고 근세에는 일본의 [침략적 제국주의]가 아시아의 중심에 서려고 했습니다. 그리고 제 2 차 세계대전 이후에는 냉전의 시대로 여전히 아시아의 국제질서는 동과 서라는 두 축(bi-polar)을 중심으로 위계적이고 수직적이었습니다.

이제 냉전이 끝난 이후 세계는 새로운 동북아 질서, 동아시아 질서를, 그리고 그 새로운 질서를 뒷받침할 새로운 국제적 가치관 아시아 평화철학 내지 아시아 평화론을 요구하고 있습니다.

21 세기 세계화 정보화 민주화 시대에 걸 맞는 바람직한 새로운 동아시아질서는 호혜 평등한 주권국가들 간의 상호존중과 협력의 수평적 관계가 되어야 한다고 생각합니다. 그리고 대국에 의한 일방주의(unilateralism)가 아니라 모든 국가들이 평등하게 참여하는 다자주의(multilateralism)에 기초해 이 지역의 각종 문제들을 풀어나가야 한다고

생각합니다. 그래야만 이 지역에서 세계화, 정보화, 민주화가 성공할 수 있으며, 장기적으로는 [동아시아공동체] 더 나아가 [아시아공동체]를 만들어 나갈 수 있다고 생각합니다. 그리고 단순히 [경제 공동체]로만 그치지 않고 [안보 공동체]로 발전할 수 있다고 생각합니다.

21세기 동북아시아, 우리 앞에는 두 개의 길이 놓여 있습니다.

하나는 발전과 번영, 그리고 그 결과로서의 평화와 화목의 길입니다.

동북아와 동아시아에 진정한 [경제 공동체]가 만들어지면 곧 발전과 번영이 오고 이 과정에서 쌓인 신뢰를 바탕으로 [안보 공동체]가 만들어질 것입니다. 그러면 아시아의 미래는 번영과 평화가 될 것입니다.

다른 하나는 갈등과 대립, 그리고 그 결과로서의 빈곤과 낙후의 길입니다.

동북아에 다자주의에 기초한 [경제-안보 공동체]라는 [신뢰공동체]를 만드는 일에 실패하면 동북아에서는 다시 신 냉전(new cold war)이 시작될 것이며, 무한 갈등과 무한 대립의 시대로 돌아갈 것입니다. 그러면 발전과 번영은 기대할 수 없고, 결국은 낙후와 빈곤의 시대로 회귀하게 될 것입니다.

그런데 동북아에 다자주의에 기초한 [경제-안보 공동체]라는 신뢰공동체를 만들어 나가는데 성공하려면 불가결한 한 가지 전제가 있습니다. 그것이 바로 [한반도 통일]입니다. 한반도가 분단되어 있는 한 동북아 공동체는 불가능하며 아시아의 미래는 번영과 평화의 방향으로 나가지 못합니다. 따라서 우리가 잊어서는 안 되는 것은 한반도의 문제는 한민족만의 문제가 아니라 동북아는 물론 동아시아, 나아가 아시아 전체의 미래가 걸린 문제라는 사실입니다.

중국이 자국의 경제 발전을 위해 변방의 안정을 원하는 것은 당연하다고 봅니다. 그러나 진정한 변방의 안정은 한반도 분단이 지속되는 한 올 수 없습니다. 한반도가 통일된 이후 우리 모두가 동북 3 성과 연해주의 개발 등을 통해 [신 동북아 시대]를 열어나가면서 동북아에 [경제-안보 공동체]를 만들어 나가는 일을 성공시켜야만 비로소 중국의 변방은 태평성대가 될 것이고 중국은 화평굴기(peaceful rising)를 계속할 수 있을 것입니다.

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동북아공동체, 아시아공동체 구성을 주도하는 데서 찾아야 한다고 생각합니다. 그런데 한반도 통일이 전제되지 않고는 동북아 공동체, 아시아 공동체는 현실화될 수 없습니다.

러시아는 유럽과 아시아에 걸쳐있는 유라시아의 대국입니다. 지금 세계경제권력의 중심은 빠르게 아시아로 이동하고 있습니다. 우리는 러시아가 21 세기 더욱 발전하려면 지금까지의 [유럽 중심의 러시아]에서 [아시아 중심의 러시아]로 전환해야 한다고 생각합니다. 한반도 통일 이후 동북아공동체가 성공하게 되면 반드시 시베리아개발 그리고 중앙아시아와의 경제협력 등을 통하여 [신 유라시아 시대]를 여는 방향으로 역사발전이 이루어지리라 확신합니다. 그렇게 되면 러시아와 동아시아 모두의 이익이 될 것입니다.

미국의 최대 관심은 동북아, 동아시아에서 새로운 팽창적 패권주의가 등장하지 않고 수평적 국제질서와 다자주의에 기초한 [경제-안보 공동체]가 등장하는 것이라고 생각합니다. 그래야 번영과 평화의 동아시아가 가능하기 때문입니다. 미국은 갈수록 제 1 의 세계의 질서창조자 내지 리자로서의 역할이 점점 힘들어 질 것입니다. 따라서 동아시아에서 자생적 평화와 번영의 질서가 만들어지는 것이 미국에게도 큰 이익이 될 것입니다.

이와 같이 [한반도의 통일]과 그 이후 다자주의에 기초한 동북아 [경제-안보 공동체]의 등장은 모든 나라들에게 큰 이익이 되는 바람직한 미래가 될 것입니다.

그러면 [한반도의 통일]과 [신 동북아 시대]내지 [신 동아시아 시대]를 열기 위해 우리는 지금 무엇을 해야 하는가 하는 문제가 등장합니다. 실은 이 문제를 풀기 위하여 오늘 이 자리에 5 개 국가의 석학들이 모였습니다. 여러분들의 지혜와 경륜이 이 문제를 푸는데 크게 빛이 되고 힘이 되리라 생각합니다.

저는 우선 두 가지를 준비해야 한다고 생각합니다.

하나는 다자주의에 기초한 [동북아, 동아시아의 안보 비전]이 나와야 한다고 생각합니다. 그리고 그 비전은 모든 관련 국가들이 동의할 수 있는 내용이 되어야 할 것입니다. 통일한반도를 포함하여 동북아, 동아시아에 어떠한 집단안보가 가능한가, 집단안보 실현을 위한 비전과 전략은 무엇인가 그리고 실천을 위한 구체적인 로드맵은 무엇이여야 하는가 등이 나와야 할 것 입니다.

다른 하나는 한반도 [통일 이후의 비전]과 [통일과정의 전략]이 나와야 합니다. 남북의 주민들이 수용할 수 있는 합리적 내용, 그리고 이웃나라들이 지지할 수 있는 합리적

내용이 나와야 할 것입니다. 이러한 [통일 이후의 비전]과 [통일과정의 전략] 그리고 그 전 과정을 안정적으로 관리할 수 있는 구체적 로드맵이 나와야 합니다.

이상의 두 가지 문제에 대한 본인의 생각은 다음과 같습니다.

먼저 안보와 관련해서는

첫째, 통일한반도는 비핵화의 원칙을 지켜나가야 합니다. 동북아에 비핵회랑을 만들어 이를 점차 확대시켜 나가야 한다고 생각합니다.

둘째, 통일한반도는 다자주의에 기초한 [동북아의 안보공동체][집단적 평화체제] 구축을 위해 적극 앞장서야 합니다. 군축을 포함하여 [아시아의 영구평화]를 위한 제도적 노력과 신뢰체제 구축에 앞장서야 합니다.

셋째, 주한미군은 [동북아의 안보공동체]가 성공적으로 정착할 때까지 [남한에만] 계속 주둔해야 한다고 생각합니다. 그것이 모든 관계국들에게 이익이 됩니다.

다음 한반도 통일과 관련해서는

첫째, 북한정권이 비핵화와 개혁, 개방의 길을 가는 것을 우리는 무엇보다 희망하고 환영하고 지지합니다. 그러나 북한정권이 개혁, 개방을 못하고 그 결과 체제전환이 불가피해질 때 우리는 북한에 남한과 합작할 수 있는 [비핵, 개혁, 개방정권]이 등장할 것을 희망합니다. 그러면 우리는 분단시대의 [과거 잘못을 묻지 않고] 대동단결하여 남북통합의 길로 나갈 것이고, 그 다음에 중국 일본 러시아 미국 등과 협력하여 발전과 평화의 [신 동북아시아], [신 유라시아 시대]를 열어 나갈 것입니다.

둘째, 북의 [비핵, 개혁, 개방정권]과 남이 힘을 합쳐 남북통합을 성공적으로 이룩하기 위해서는 남과 북은 일정기간 행정적-경제적으로 별도의 관리단위로 운영되어야 합니다. 즉 일정기간 북에 [행정-경제특별구역]을 설치하여 남과는 별도관리로 운영되어야 합니다. 결국 일정기간 일국양제(一國兩制)의 시기가 필요하다고 봅니다. 물론 그 기간 동안 남북 간의 인적 물적 교류는 제한적일 수밖에 없습니다. 이렇게 남과 북이 일정기간 별도관리 되어야 하는 이유는 본격적 남북통합이전에 북한의 계획경제에서 시장경제로의 [체제전환의 기간]이 필요하기 때문입니다.

셋째, 북한의 개혁개방과 남북통합의 각 단계를 성공적으로 이끌 구체적 청사진을 준비해야 합니다. 이와 관련하여 통일은 적어도 3 단계를 거쳐야 하지 않을까 생각합니다.

통일의 제 1 단계는 북한경제의 [체제전환]을 추진하는 단계입니다. 즉, 남한과의 통합과 경제의 대외개방을 준비단계입니다. 북한경제를 지금까지의 계획경제에서 시장경제로 전환시키는 노력과 더불어 본격적 남한경제와의 통합 그리고 앞으로 있을 대외개방을 위해 북한의 새로 도입된 시장경제의 기초를 튼튼히 하는 단계입니다.

제 2 단계는 남과 북의 [경제통합, 사회문화통합]의 단계입니다. 어느 정도 체제전환과 시장경제의 발전기초가 구축된 다음에는 남과 북의 경제통합, 그리고 사회통합의 과정이 진행되어야 합니다. [상품시장통합]과 [자본시장통합] 그리고 [노동시장통합][사회보장통합-이 이루어져야 하며, 동시에 [교육통합] [방송 언론통합] [문화 예술통합] 등의 단계를 밟아 나가야 합니다.

마지막 제 3 단계는 남북한 [정치통합], [법률제도통합]의 단계입니다. 즉, 한반도 전체에 단일 통치기구와 단일 법률체계를 구축하는 노력이 필요합니다.

우리는 위에서 제시한 각 단계의 통합을 추진할 구체적 청사진을 준비하여야 합니다. 혹자는 만일 북한의 변화가 급격히 이루어지면 과연 이상과 같은 단계적 접근이 가능할 것인가 하는 질문을 합니다. 그러나 비록 급격한 변화가 있다 하여도 결국은 일정기간의 혼돈 후에는 질서가 등장하지 않을 수 없고, 우리가 성공적 통합을 목표로 한다면, 그 새로운 질서 속에서, 불가피 단계적 통합을 추구할 수밖에 없습니다. 물론 상황에 따라 3 단계의 통합이 시간적으로 단기간에 압축적으로 이루어 질 수도 있고, 조금 더 시간을 가지고 착실히 진행될 수도 있습니다. 그러나 성공적 통일을 위해선 역사변화에 중간단계의 생략은 어렵습니다.

특히 정치통합을 경제통합 보다 뒤에 두는 이유는 남북통합과정에서 정치인들의 인기영합적 포퓰리즘의 등장을 막기 위해서입니다. 우리는 정치인들의 정파적 단기적 이해관계가 독일의 경험에서와 같이 [통합과정의 왜곡], [통합비용의 증대]를 결과하기 쉽다고 보기 때문입니다.

끝으로 다시 한 번 강조합니다. 한반도의 통일은 한반도만의 문제가 아닙니다. 새로운 동북아와 새로운 번영과 평화의 [21 세기 아시아]를 만드는 역사적 대사업입니다. 남한과 북한주민만이 아니라 이웃나라 국민들이 모두 함께 새로운 동북아, 새로운 아시아의 역사를 창조해나가는 과정이 될 것입니다.

그런데 그러한 방향 - 아시아 평화의 시대 - 으로 새로운 역사를 만들어 나가는데 가장 큰 장애가 있습니다. 그것을 저는 우리 사이에 있는 [20 세기적 냉전적 사고]와 [상호불신의 문화]라고 생각합니다. 이제 우리가 살고 있는 21 세기는 더 이상 냉전의 시대가 아닙니다. 상호협력과 공존공영의 시대입니다. 그런데 우리 동아시아 국가들

사이에 [냉전적 사고]와 [불신의 문화]가 아직 남아 있어 아시아의 역사발전에 큰 장애가 되고 있습니다. 동북아 나아가 아시아에 번영과 평화의 신 질서가 구축되기 위해서는 반드시 새로운 가치관 냉전과 불신을 극복하고 미래지향적인 보편적 아시아적 가치에 기초한 아시아 평화철학 내지 아시아 평화론이 나와야 합니다.

오늘 이 자리에 오신 국내외 석학 여러분들이 이 지역에 남아 있는 [냉전적 사고 - 불신의 문화]를 극복하는데 앞장서 주시길 기대합니다. 그리고 [아시아 평화의 철학 - 아시아 평화론]을 창조하고 확산시키는데 앞장서 주시기 바랍니다. 그리고 [평화의 신 아시아의 시대]를 열기 위한 성공적인 [한반도의 통합]과 성공적인 [동북아시아 내지 동아시아의 통합]을 위해, 여러분들의 지혜와 경험을 함께 나누어 주시길 기대합니다.

역사의 큰 변화는 항상 작은 데서 시작됩니다. 큰 물리적 변화도 작은 생각의 변화에서부터 시작됩니다. 저는 오늘의 이 모임이 비록 큰 모임은 아니지만 21세기 동북아, 나아가 아시아 전체의 역사를 크게 바꾸는데 결정적인 계기를 만들 수 있게 되기를 간절히 기대합니다. 또한 반드시 그렇게 될 수 있다고 확신합니다.

여러분 감사합니다.

Integratin of the Korean Peninsula

Session 1 & Luncheon Speech

APRIL 7TH, 2011

Session 1: Integration of the Korean Peninsula:
Internal Integration and Transition Strategies

MODERATOR

HONG, SEONG-PHIL (Professor, Yonsei Law School)

PRESENTATION

KIM, BYUNG-YEON (Professor, Seoul National University)

CHOI, KANG (Professor, Institute of Foreign Affairs and National Security)

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LUNCHEON SPEECH

YOON, JEUNG-HYUN (Minister, Ministry of Strategy and Finance)



HONG, SEONG-PHIL

Professor, Yonsei Law School

홍성필

연세대학교 법학전문대학원 교수

Seong-Phil Hong had received both Master, and Doctorate Degree in international law from Yale Law School, after writing his Master Thesis, in 1986, at College of Law, Seoul National University in Korea, on "Federalism as a way of Korean Unification".

He had taught international law, international trade, and investment at Ewha Womens' University from 1995 to 2001, after which he served as CEO for some years for a Korean mobile phone maker, Maxon Telecom, whose annual revenue was around USD 0.5 billion.

Since 2005, he belongs to the Faculty of Yonsei Law School teaching on international law, human rights, and international investment law.

He had served as extern legal advisor, on many occasions, to Governmental Departments in Korea, including Ministry of Foreign Affairs and Trade, and Ministry of Unification. From 1996 to 2001, he attended consecutive sessions of both the Human Rights Commission, and its Sub-Commission at the United Nations in Geneva. He had also been a member of the Presidential Committee for National Policy Planning.

Professor Hong has written extensively on many subjects of international law, ranging from Korean unification, return of cultural properties, human rights in North Korea, Asia, and elsewhere, transitional justice, to investment dispute resolution under the Korea-US Free Trade Agreement, international law and investment law, and corporate responsibilities of Multinational Companies. He also serves as conciliator at the International Center for the Settlement of Investment Dispute (ICSID), established under the auspices of the World Bank.



KIM, BYUNG-YEON

Professor, Seoul National University

김병연

서울대학교 교수

Byung-Yeon Kim graduated from Seoul National University (BA and MA) and Oxford University (DPhil), and held teaching positions at Essex University in Britain and Sogang University. His research interests lie in economic transition of former socialist countries and North Korean economy. He has published more than 20 articles in international refereed journals which include Journal of Comparative Economics, Journal of Economic History, British Journal of Political Science, and Economics of Transition. He wrote and edited several books recently. Financial Sector Reform in Transition Economies: Implications for North Korea (co-edited with Cheng-Hoon Lim, SNU Press and IMF, 2009) and Markets and the State in North Korea (co-authored with Moonsoo Yang, SNU Press, 2011) are some examples. In recognition of the excellence of his research, he has been awarded with T. S. Ashton Prize, Chungram Award, and Most Distinguished Researcher of Korea in 2010. He is currently Professor of Economics at Seoul National University and Director of World Class University Team on the economics of transition and catching-up growth.

Economic Transition and Integration of North Korea

Kim, Byung-Yeon

Professor, Seoul National University

1. Introduction

The North Korean economy direly needs changes. Currently, it fails to satisfy the basic needs of its population of 24 million people. North Korea has been undergoing a severe economic crisis for the past fifteen years starting from the mid 1990s. The collapse of the Soviet bock exacerbated by poor climate conditions in the mid 1990s hit hard the already fragile economy, which led to mass starvation that sacrificed at least a few hundreds and thousands of people's lives. Although it appears to have avoided mass starvation afterwards, it was largely due to international aid and the expansion of markets from below.

The impact of North Korea's economic crisis does not remain as an internal problem within the Korean peninsula. Instead of reforming its economy, North Korean authorities appear to have taken a different direction such as extorting aid from other countries by causing military conflicts, launching long-ranged missiles, and developing nuclear weapons. In this way, it threatens international security and increases risk for neighbouring countries. North Korea's leader, Kim Jong Il, may believe that military build-up is the only choice that maintains his power. His choice, however, makes its economy be on the verge of collapse

North Korea's undergoing economic crisis for the extended period implies that structural problems are deep-rooted within its system. Socialism was proven too inefficient even in its best forms, having suffered from chronic shortages of inputs and consumer goods, and lacked political legitimacy. As a result, most socialist countries made a transition toward to a market economy following the collapse of the economy. Compared to socialist economies in Eastern Europe, the North Korean economy is more backward and less efficient. Hence, it is unlikely that it can sustain in its current form for the next decade.

North Korea's economic transition has clear benefits in addition to standard welfare gains from transition. North Korean can enjoy the later-comer's advantage by exploiting valuable lessons from previous experiences of transition in Eastern Europe and Asia. Moreover, the backwardness of the North Korean economy implies that it should learn from effective policies for economic development implemented in various countries. Lastly, well-designed economic integration between South and North Korea can facilitate the speed of North Korea's economic growth.

2. Economic Conditions in North Korea

The North Korean economy experienced a very low productivity level from the late

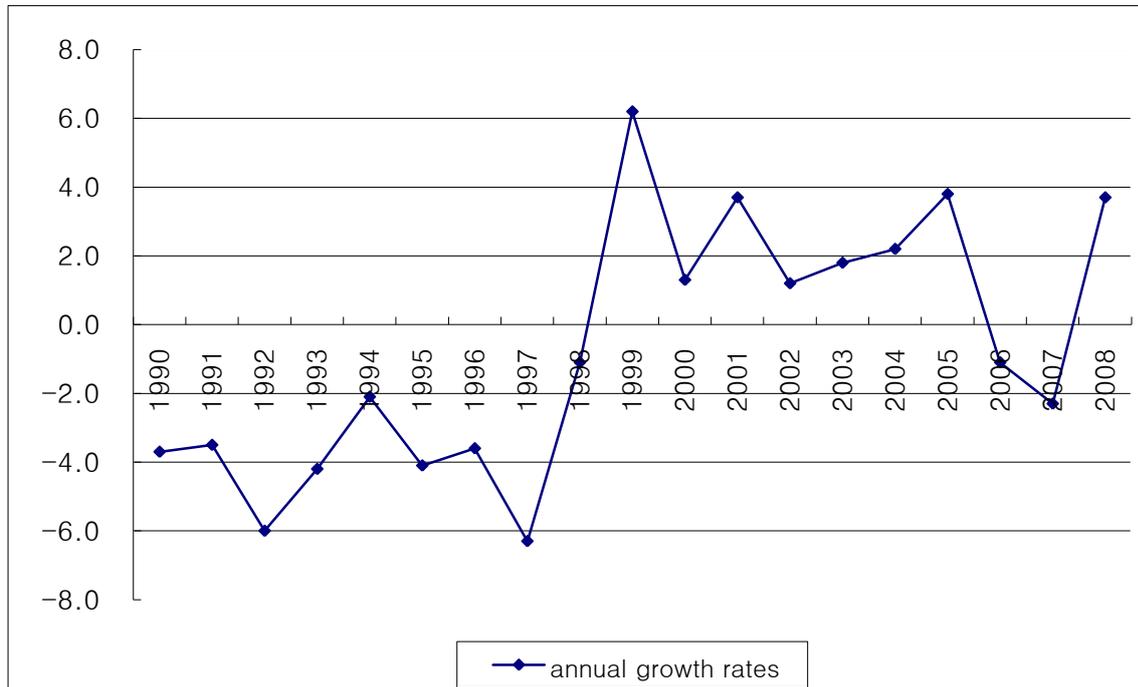
1950s, that is, the start of the socialist economic regime. Kim et al. (2006) estimated that capital productivity recorded -3.2% from 1954 to 1960 although labour productivity reached to 3.5% in the same period. It also suggests that the North Korean economy suffered from a very low efficiency: Controlling the stage of economic development, the North Korean economy was estimated to be less efficient by about 30% compared to that of the Soviet Union.

Using a physical indicator method based on the relations between income per capita and physical indicators such as life expectancy, infant mortality, and energy consumption per capita, Kim and Lee (2007) estimate that North Korean GDP per capita in 2004 amounts to mere 368 US dollars. Assuming that South and North Korean income was equal in 1954 just after the Korean War, Kim (2009) estimates that North Korean GNI per capita in current US dollars and in purchasing power parity are 471 and 1,392 US dollars, respectively.¹

The following graph presents annual growth rates from 1990 to 2008 estimated by the Bank of Korea (various years). According to these estimates, the average growth rate per annum during the above period was -0.7% . It shows the increase of average annual growth rate from -3.8% in 1990-1998 to 2.1% in 1999-2008. However, most of the increase in growth rates is accounted for by international aid effect and an increased volume of trade between North Korea and other countries including China and South Korea. This suggests that North Korean economy has not escaped out of its crisis yet.

¹ Bank of Korea (2009) also provides an estimate of North Korean GNI per capita in 2008, which is 1,065 US dollars. However, Bank of Korea notes that this figure should not be used as income per capita in US dollars because the purpose of such an estimate is to compare North Korean GNI per capita with that of South Korea instead of providing an absolute level of North Korean income per capita.

<Figure 1: Annual Growth Rates of North Korean GDP, 1990-2008>



Sources: Bank of Korea (various years)

The literature on economic performance during the period of transition to a market economy suggests that growth in such a period is affected significantly by initial conditions before the transition.² In other words, poor initial conditions tend to lead to a sharper decline in output especially in the early period of transition. Kim (2008) finds that North Korea's initial conditions are relatively unfavourable, recording 15th out of 26 countries. With the assumption of *ceteris paribus*, such initial conditions cause an output decline amounting to 34-39% of GDP. This conjecture adds a gloomy feature to the future of the North Korean economy. It should be emphasized, however, that appropriate strategies and policies can help the recovery and sustained growth of North Korean economy defying the odds of initial conditions. The remainder of this paper outlines briefly such strategies and policies.

3. The First Pillar of Economic Development: Transition

The transition of North Korean socialist economy to a market one is imperative for it to recover the fragile economy and to make it follow the path of sustained growth. The experience of the Former Soviet Union, Eastern Europe and Asia presents compelling evidence of the necessity for transition. There is no single country that preserved its socialist system but achieved sustained growth path for more than eighty years. In contrast, a number of market economies are successful in maintaining high welfare level for more than a few hundred years. There are unsuccessful market economies as well as successful ones but there

² Initial conditions include the stage of economic development, conditions relative to geography and natural resources, the degree of economic distortions under socialism, and political and institutional capacity.

exist only failed economies among socialist countries. The market mechanism provides opportunities for a country to become rich but the history shows that socialism fails to sustain its mediocre level of welfare let alone attaining a high level of welfare suggested by Karl Marx.

Transition does not necessarily imply that all the features of socialism must be transformed within a short time. The optimal speed of transition depends on political constraints, initial conditions, and intended sequencing of transition policies. For example, the advanced Eastern European countries took less than ten years starting from the late 1980s or the early 1990s in transforming most aspects of socialist economies to market ones. In the case of East Germany, transition was so rapid in that most East German companies were privatized in less than three years after its unification with West Germany. In contrast, China started its transition from 1978 but the pace of transition was slow and gradual. China's strategy called "dual track approach" pursued the coexistence of plan track and market one but replaced the former with the latter step by step. Nevertheless, the Chinese transition is found to be very successful.

What would be most important transition policies North Korea needs to implement at the initial stage of transition? The transition to a market economy requires two fundamental changes in socialist institutions: private property rights and freedom for market transactions. Unless there are binding political constraints, the best policy is to transform property rights from the public one to a private one, and to allow free market transactions between the private entities. However, such approach may be viewed as politically dangerous because it undermines the political system of North Korean regime. In such conditions, a minimal approach can be adopted. Decollectivization, that is, the transformation of collective farms to family farms, must take place in order to increase agricultural output substantially. According to Brauw et al. (2004), the Chinese decollectivization led to an increase in agricultural output by 7% per annum. Allowing freedom for market transactions applied to households is regarded as another policy component of the minimalist approach. Facilitating market transactions can act as an incentive mechanism for production. In addition, North Korean authorities should consider that enterprises are allowed to sell extra output exceeding output target specified by central and local authorities in markets.

Next priorities in transition policies should be on the provision of freedom to create small businesses. Small size household production units, repair shops, restaurants, and self-employed can be included in this category. Small businesses can buffer a shock arising from transition recession by boosting output and absorbing the unemployed. The growth of small enterprises can be led to the emergence of entrepreneurship and contribute to further expansion of large-size businesses.

Other transition policies can be implemented after the three policies outlined as above, namely, decollectivization, freedom for market transactions, and freedom to open small businesses. They include the introduction of institutions supporting the market mechanism such as the two-tier banking system and fiscal system. In addition, price and trade

liberalization should be implemented as well. One should consider large-scale privatization as policy requiring complex institutions and knowledge about financial markets among the population. Hence, the timing of large-scale privatization may be delayed to the final stage of transition unless there are urgent reasons.

In the case that a big-bang approach is feasible or unavoidable in North Korea, several steps described as above can be skipped implementing most transition policies excluding a large-scale privatization in the first several years of transition. This transition strategy is likely to be adopted when transition starts following the collapse of the North Korean regime. Nevertheless, the sequencing of transition policies, which allows North Korean institutions to have some time to be replaced with market ones, is still necessary. The lessons from the German unification should not be forgotten.

4. The Second Pillar of Economic Development: Igniting Growth Potentials

North Korea shares similar features of developing countries. Hence, lessons from the experience of developing countries should be learnt and applied carefully. In addition, strategies of South Korea's catching up growth are worth careful consideration.

Human capital is regarded as a key factor of economic growth. North Korean refugees who settled down in South Korea inform that the share of absentees and drops-out from schools is about 20-30% even in North Korean capital, Pyongyang. The reason is that schools lacking financial support from the government levy costs of running schools on parents, who subsequently withdraw their sons and daughters due to the high burden on the family's budget. Many schools fail to provide their students with textbooks, notebooks, stationary, etc. Hence, a priority should be given to providing education for most of the school-aged children. Malnutrition is faced by poor North Korean families in their everyday life. Support from international organizations and other countries should focus on relieving poverty of North Koreans.

North Korean authorities should develop policies that help informal economy activities be transformed to formal ones. Currently about 70-80% of household income is originated from the informal economy such as trading on markets, selling agricultural products cultivated on private plots, and producing basic consumer goods. These activities need to be formalized in a way to register at relevant authorities and to open bank accounts. The government should consider some incentives for formalizing household economic activities.

The worth of North Korea's mineral resources is estimated to be 140 times the North Korean GDP in 2008 (Kwon, 2009). Exporting natural resources or inviting FDI in extracting such resources can help to overcome capital constraints. However, North Korean authorities should pay sufficient attention to a possible danger of growth based on natural resources. It can increase wages too rapidly, causing other sectors of the economy including manufacturing sectors less competitive in the world market. An optimal policy is to control the amount of export of natural resources and to check foreign investment in natural

resources in a way to be consistent with economic growth strategy based on manufacturing.

In North Korea, competitive manufacturing industry requires low wages. The North Korean authorities should learn lessons from the experience of catching-up growth in South Korea. South Korea adopted export-led growth strategy initially based on low wages, which facilitated the growth of labour intensive industry. This strategy intended to exploit comparative advantages of the South Korean economy. Over time the economy evolved toward the economy based on heavy industry and technological innovations. The amount of export was a key policy target monitored by President Park himself who attended meetings for promoting exports.

5. The Third Pillar of Economic Development: Economic Integration

One of the most favourable economic conditions North Korea possesses is that it is surrounded by very dynamic economies. North Korea can access easily to large markets offered by East Asian region. These economies are complementary to each other in that Japan and South Korea have comparative advantages in technology, Russia natural resources, and China labour. This provides excellent opportunities for North Korea to implement export-oriented growth strategy based on cheap labour. In addition, the strategic importance of North Korea implies that financing capital necessary for building up its economy is not a binding constraint.

Given a large gap between South Korea and North Korea's income per capita, it is not desirable to integrate these economies rapidly. If it is possible, it will be optimal that the integration of the two Koreas takes place in a gradual manner. That is, the process of European integration instead of German unification can be used as a bench mark for two Koreas' integration. In such a process, free labour mobility and monetary union should be implemented at a later stage of integration.

South Korea should remember to abide by one principle, that is, act as a helper but not a planner. In other words, South Korea should encourage North Korea to grow by itself and provide the stepping stone for sustainable growth. Empowering the capacity of institutions and people is a key to sustainable growth. Also South Korea should pay attention to possible distortive effects of South Korean policies on the North Korean economy. For example, a large sum of aid or investment in North Korea might lead to an increase in wages of North Koreans, which will undermine the competitiveness of North Korean industries.

The collapse of North Korean regime can cause mass immigration to South Korea and neighbouring countries. In particular, it is difficult to limit North Koreans' immigration to South Korea legally because the South Korean constitution states that North Korea and its citizens are part of South Korea. However, mass immigration will make it hard to adopt the gradualist strategy of transition and integration, increasing the cost of unification substantially. Policymakers should consider economic incentives to encourage North Koreans to stay in North Korea instead of migrating to South Korea. For example, ownership of land and

housing is given only to North Korean residents and entitlement to such ownership is revoked when they migrate to South Korea. Nevertheless, it is not likely that economic incentives are sufficient to prevent mass immigration and thus some temporary measures such as using work permit and migration visa should be introduced in addition to the provision of economic incentives.

Among the three pillars for North Korea's economic development, essential parts of transition policies should be implemented before the other two pillars, namely, catching-up growth and economic integration with South Korea. Economic integration should be gradual in accordance with the stage of economic development of North Korea. A hasty integration of the two Koreas may turn out to be too costly. At an early stage of integration, South Korea needs to contribute to poverty reduction and technical assistance. Gradually, it should expand the areas of economic cooperation including investment and privatization of North Korean firms. It should be remembered that the full integration between the two Koreas may take more than a few decades.

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최 강

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남북한 군사/안보통합 방안

최강

외교안보연구원 교수

우리에게 있어서 남북한 군비통제 나아가 군사통합은 전혀 새로운 주제가 아니다. 1990년대 초반 남북고위급회담에서 남과 북은 무력불사용과 불가침에 관한 부분에서 신뢰구축을 포함한 군사적 안정화 방안에 합의한 바 있었고, 그 과정에서 한국은 군비통제방안에 대한 연구와 대책을 강구했었다. 그러나 불행히도 이러한 방안들은 핵문제로 인해 실행되지 못하고 사장되었다. 문제는 방안이 부적절하거나 부재해서가 아니라 방안을 실천할 수 있는 여건이 성숙되지 않았기 때문이며, 근본적으로는 북한의 변화가 병행되지 않았기 때문이다.

한국 정부는 지금까지도 지속적으로 군비통제방안을 검토하고 발전시키는 노력을 경주해왔다. 그러나 아직도 ‘쉬운 것부터(군사적 신뢰구축조치) 어려운 것으로(군비제한과 감축)’라는 점진적 접근법이 고수되고 있다는 점에서 과거와 별 다른 차이를 보이지 않고 있다. 지금까지의 경험에 비추어 볼 때, 북한과 군비통제 나아가 군사통합을 실현하기 위해서는 과거와는 다른 접근을 모색하는 것이 필요하다.

지난 김대중 정부와 노무현 정부는 기본적으로 노태우 정부와 김영삼 정부에서 개발한 군비통제접근을 답습하였다고 볼 수 있으나 두 가지 면에서 차이를 보이고 있다. 먼저 기능주의 접근에 근거하여 경제협력을 우선적으로 추진하는 것에 중점을 두었다는 점이다. 이를 통해 충분한 신뢰가 구축되면 군사문제를 다루는 방향에서 접근하였다. 두 번째 특징은 군사적 조치는 경제협력을 지원하는 차원에서 고려했고 부차적인 것으로 간주되었다는 점이다. 이러한 접근은 우리의 안보 현실에 대한 일종의 착시현상을 초래하는 결과를 낳았으며, 지속성을 확보하는데 한계를 가졌다는 점이다.

이와 같은 과거의 경험에 바탕을 두고 우리는 새로운 접근을 모색해야 한다. 먼저 북한으로 하여금 정책적 선택을 변화하는 여건을 만드는 것에 중점을 두어야 한다. 북한이 지금과 같은 선군정치를 유지하고 군사력을 정치적 목적을 위해 사용한다고 할 경우 어떠한 군사통합방안도 고려될 수 없다. 따라서 북한으로 하여금 군비통제를 수용하도록 하는 여건을 만드는 것에 치중하는 것이 우선적 과제이며, 이를 위해서는 신뢰할 수 있는 군사태세를 갖추고 북한의 정책적 선택을 제한하거나 변화하도록 해야 한다.

이와 병행하여 북한문제에 대한 관련국들간의 공감대를 형성·확장하기 위한 외교적 노력을 경주해야 한다. 이를 위해서는 평화적 공존(혹은 평화체제)는 물론 통일을 포함한 한반도의 바람직한 미래상과 이를 달성하는 과정에 대한 비전을 제시하고 이에 대한 관련국들의 이해와 지지를 확보하기 위한 외교적 활동에 적극성을 보여야 할 것이다.

이러한 과정을 통해 군비통제와 군사통합에 관한 협상이 시작된다고 가정할 경우 과거와 달리 우리는 보다 공세적이고 포괄적인 접근을 추구해야 할 것이다. 즉 쉬운 것부터 어려운 것이라는 단계적 접근이 아니라 안보사안별 특성을 고려해서 그룹을 설정하여 동시에 협상을 진행하는 방식을 고려해 볼 필요가 있다. 신뢰구축, 위기관리·예방/운영적 군비통제, 구조적 군비통제, 대량살상무기 등으로 구분하여 각각의 분야에서 동시에 협상을 진행하는 방식을 긍정적으로 검토할 필요가 있다. 또한 협상에서 가장 핵심적인 문제를 거론하는 것도 필요하다. 협상 그 자체가 유지되는 것에 목적을 두고 핵심사항이나 논란이 될 수 있는 사항을 회피하는 것은 매우 부적절한 접근이라고 판단되며, 이러한 접근의 한계는 이미 과거의 경험을 통해 증명되었다.

마지막으로 군사와 안보의 문제를 남북간에만 해결하려 하기 보다는 중층적인 틀을 가지고 접근하는 것이 바람직하며, 이는 이행을 보장하는 역할도 수행할 수 있을 것으로 기대된다. 이와 더불어 과정을 제도화하는 것도 하나의 실천적 목표로 설정할 수 있을 것이다.

평화체제 혹은 평화공동체를 건설하는 것은 쉬운 일이 아니며 단기간에 성취할 수 있는 것도 아니다. 그러나 평화공동체의 형성 없이는 경제협력이나 통합을 이룩할 수 없다는 점에서 가장 중점적으로 실현을 모색해야만 하는 과제이다.

Security/Military Integration of the two Koreas¹

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Introduction

If the Basic Agreement of 1991 and its protocols were sincerely implemented, inter-Korean relations should have changed drastically and fundamentally. And peace and stability on the Korean Peninsula would have taken their roots. But the reality is totally opposite. The security situation on the Korean Peninsula has worsened, maybe fundamentally changed, due to North Korea's die-hard nuclear ambition and aggressive behaviors.

Against all the hopes, unless North Korea gives up the so-called 'military first policy (*seongun jeongchi*),' which is highly unlikely under the current leadership due to the given nature of the regime itself, the prospect for military/security integration and tension reduction between the two Korean remains very skeptical. All these mean that, to achieve military/security integration, instead going directly into very specific and technical issues,² we should work very hard to create an environment under which North Korea has to give up its aggressive/militant policy and implement agreements it has reached with South Korea.

Traditional (Incremental) Approach of the early 1990s

In the early 1990s, more specifically from 1990 to 1992, the two Koreas engaged in various talks and negotiations over a wide range of issues. In December 1991, at the 5th South-North High Level Talks, the two Koreas agreed on the Basic Agreement, which is about the reconciliation, non-aggression, and exchange/cooperation between the two Koreas. Article 9 to 14, especially Article 12,³ or Chapter 2, is about non-aggression. And Protocol on non-aggression, which was signed on September 17, 1992, contains not only declaratory

¹ The views and ideas in this paper are purely those of the author.

² During the early 90s and late 90s, South Korea carried out extensive studies on arms control and tensions reduction. In the early 1990s, it did the study to implement the Basic Agreement. In the late 1990s, it reviewed in preparation for the Four-Party Talks. And it has consistently updated and revised Arms Control Basic Plan, which contains very detailed and technical measures.

³ Article 12 of the Basic Agreement reads as follow: "To implement and guarantee non-aggression, the two sides shall set up a South-North Joint Military Commission within three months of the coming into force of this Agreement. In the said Commission, the two sides shall discuss and carry out steps to build military confidence and realize arms reduction, including the mutual notification and control of major movements of military units and major military exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and attack capabilities, and verifications thereof."

measures but also very specific measures of military confidence-building. Unfortunately, all these agreed measures have never been implemented. But South Korea has continued to review and revise its arms control plan with the hope that someday the plans and capacity⁴ will be used.

The traditional approach, which was highly influenced by the Helsinki process and CSCE model, is a kind of incremental approach toward tension reduction starting with political confidence-building, then military confidence-building, arms limitation, and finally arms reduction. It may include some measures of integration of the two militaries.

The traditional approach, or the Basic Plan, is based on the following three assumptions:

1. Two Koreas agree at least on peaceful co-existence;
2. Two Koreas have a great stake in maintaining the status quo purely from military perspective (stable management of the division—necessity of tension/conflict management); and
3. Initial measures should be targeted toward the stabilization of the situation on the ground and then later arms limitation/reduction could be pursued.

During the early 1990s, the primary focus of this approach was confidence-building measures (CBMs) such as information disclosure/exchange, personnel exchange, notification/limitation of exercises, limited deployment zones, and some means of verification. Of course, additional efforts were sought to devise arms reduction plan.

It is possible to say that these assumptions were drawn from the European experience of 1970s and 80s. But we should ask whether these assumptions were correct since the conditions for co-existence didn't exist on the Korean Peninsula. Anyway, during that period, for the first time, the concept of arms control/arms reduction was introduced and arms control plans were developed in the following years.

Functional Approach during the Kim and Roh administration

The Kim Dae-Jung administration and the Roh Moo-Hyun administration did not change the arms control plan much. Actually they used some of measures, which were primarily developed by the previous administrations. But they seemed to have a quite different perspective on this subject. Two things stand out. First, they approached inter-Korean relations from functionalist perspective: that is, starting with the cooperation in less controversial areas or issues and the transfer of that experience to the difficult, or hard, areas. For them, security/military issues were hard ones, whereas economic exchange and

⁴ During the early 1990s, Ministry of National Defense established two important offices in preparation for inter-Korean arms control: Office of Arms Control and Korean Arms Verification Agency (KAVA). Arms Control Bureau was dismantled in March 2004 and its functions were transferred to Policy Planning Bureau. KAVA is still working but its primary focus is international arms control issues and non-proliferation issues.

cooperation were relatively easy. So the primary focus on the attention and effort was economic cooperation between the two Koreas, while the security/military issues were put aside for the timing being. They believed that someday economic cooperation and exchange would be easily transferred into security area after building a certain level of confidence and trust in each other. Consequently, the ordering among the policy concerns was set as follow: political reconciliation, economic cooperation/exchange, and then tension reduction.

Second, being affected by the first assumption, some CBMs or tension reduction measures⁵ were introduced to support, or promote, economic cooperation and exchange, not for the sake of military security itself. Thus the scope of these measures was relatively limited. And it was not possible to expand the scope of negotiation and to sustain the momentum of negotiation once specific issues were settled. They failed to change, or eliminate, the element of military confrontation, which primarily determines the basic nature of inter-Korean relations. Instead, they brought about a false sense of security to the South Korean public.

An Alternative: Offensive and Comprehensive Approach

Given the situation on the Korean Peninsula, it is very unlikely to see any kind of meaningful progress in the military field in near future. Rather we will see the continuation of military confrontation and stalemate since, against our sincere hope, North Korea will stick to the military first policy and continue to present threats to South Korea from various aspects. Unless North Korea changes its basic policy line, which is very much closely related to the regime character and orientation of North Korea, it is very difficult to achieve meaningful and sustainable tension/arms reduction and, further down the road, security/military integration. Thus we have to try hard to create a situation under which North Korea inevitably makes the strategic choice to give up its aggressive behavior and to adopt a new policy of tension reduction and peaceful co-existence, not confrontational zero-sum security game but cooperative security game.

First of all, it is essential for us to start with defensive denial strategy: that is, we should be able to deny North Korea any kind of attempt of provocation and aggression. As long as North Korea finds the offensive utility of armed forces in achieving its political as well as military objectives, it would never seriously consider the concept of cooperative security and its measures. Thus, we should strengthen our defense posture which denies North Korea any kind of military attempt. It cannot be done by South Korea only. It requires the collaboration between South Korea and the U.S. And trilateral cooperation among South Korea, the U.S. and Japan should be seriously considered. In other words, multilayered denial structure should be sought.

Along with strengthening security cooperation among these three countries directly or

⁵ For example, hot-line between the field commanders at East and West corridor, measures to prevent unintended military conflict at the West Sea, stopping of psychological warfare, including propaganda broadcast, along the DMZ were introduced.

indirectly, to restrain North Korea's aggressive behavior, diplomatic coalition among the concerned parties including China and Russia should also be sought and enhanced. These concerned parties should stand side-by-side in preventing and coping with North Korean challenges. There shouldn't be any split among these countries. For that, there must be a commonly shared vision for unified Korea, or a desirable end state on the Korean Peninsula. This will ensure that these countries will stand together in developing the future of Korea.

Second, along with strengthening defense posture, it is necessary for us to keep the door open for dialogue and negotiation when North Korea makes up its strategic decision. The ball should be in North Korea's court, not in our court. In other words, we should not neglect diplomatic efforts while we are strengthening defense posture of denial. The main theme of diplomatic efforts can or should be peace regime on the Korean Peninsula as an intermediate step towards the final goal of unification/integration. The concerned parties have discussed the issue of a peace regime. But they have rarely touched upon the substantive matters of a peace regime: definition, conditions and components of a peace regime. Rather they have been concerned with the formality of negotiation: that is, who should be involved in the talks and when we can start the talks on a peace regime. Along with the discussion of unification/integration, it is necessary to have the talks of a peace regime in a more substantive way. This will enable us to talk about a broader North Korea, or maybe Korea, question. Consequently, this will also create a favorable external circumstance under which the two Koreas get into serious negotiations over security issues and hopefully make meaningful and irreversible progress.

Third, once we get into the negotiation of security/military issues, it might be better to think of different approach: comprehensive approach, not incremental step-by-step approach. Comprehensive approach means that we pursue several clusters of security/military issues simultaneously. We can think of four or five clusters: CBMs (transparency issues); crisis prevention/management; operational arms control measures;⁶ structural arms control measures; and WMDs. And all of them should be accompanied by reliable verification measures. CBMs can include notification of exercises and maneuvers, peaceful use of DMZ;

personnel exchange; and information disclosure and exchange. Crisis

prevention/management can cover: transparency of deployment of forces in and near DMZ;

demilitarization of DMZ; prevention of dangerous military activities in sensitive areas (limited deployment zone); and crisis management institutions, either bilateral or multilateral. Structural measures involve reduction of weapons systems and troops starting with offensive weapons.

Fourth, instead of going for easy ones, we should raise the core issues and concerns we have vis-à-vis North Korea. Of course, by raising the core issues from the beginning, we might not be able to solve these core issues and we might be met with strong resistance of

⁶ It is possible to combine crisis prevention/management measures and operational arms control measures.

North Korea. But it has a merit in setting up the agenda for future negotiation and it might help us get some results in less sensitive, controversial areas.

Fifth, institutionalization of talks and implementation should be pursued. Previously, we tend to think only of bi-lateral, South-North, mechanism. However, this is not enough to guarantee the implementation and the sustainability. So we should think of multilayered institutional mechanisms depending upon the characteristics of issues or clusters. This might invite some unwanted intervention by the third parties. But on the other hand it has some merit of creating responsibility-sharing mechanisms.

Finally, security/military integration must be backed up by other non-military measures. What this means that we should use non-security integration process and measures to assist the security/military integration, not the other way around. We have to make it clear that without the resolution of security matters there could be no economic cooperation and exchange: that is, peace should come first and then prosperity can be realized on the Korean Peninsula.

Conclusion

We have a long way to go in realizing a peace community and military integration between the two Koreas. To accomplish this, we should try hard in shaping the future of North Korea, or in limiting/constraining the option for North Korea. First we should start with the task in enhancing our defense/security posture which will enable us to deal with North Korea with upper hands. And the same time, we have to make North Korea to realize the alternative future. This is the most difficult, but the most important task in true peace on the Korean Peninsula by changing the nature of the game fundamentally.

This cannot be done by South Korea only. International cooperation, based on the common understanding of the future of Korea, is very essential. The Korea question should become the one which bring all the concerned parties together, not the one which brings about the split and competition. For that purpose, South Korea should provide the vision of Korea which shall be shared and supported by all the concerned parties.



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내적 통합과 이행 전략들: 한반도 통합에 대한 대안 접근 방식들

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남북한의 미래 통합에 분명한 점이 있다면, 통일이 다가오고 있으며, 한국 주도로 이뤄진다는 점이다. 또 평양이 협조하기를 기대하는 것은 비현실적이라는 점도 자명하다. 지난 2009년 6월 이명박 대통령과 버락 오바마 美대통령이 공동 서명한 ‘한미동맹 미래비전’은 양국의 동맹과 역할을 분명히 보여준다. 여기에 3가지 중요한 사항들이 추가되어야 한다고 다음과 같이 제안한다

첫째 통일 후 양국관계에 대한 언급, 둘째 북한의 비핵화 추진과 한반도 평화·안정 과정에서 한·미 양국의 역할 분담, 마지막으로 통일 이전의 중기 목표, 즉 평화·공존 방안에 대한 제안이다.

우선 통일 후 양국관계는, 과거 빌 클린턴 전대통령이 김영삼 대통령과의 정상회담에서 “미국은 한국 국민들이 원한다면 미군은 계속 주둔할 것” 이라고 밝혔듯이 양국은 통일 후 역내 안정을 위해 계속 동맹 관계를 지속해야 하며 이는 북한과의 협상 대상일 수 없다.

남북 통일 이전까지 평화를 위한 최선의 도구는 적절한 미군 병력과 신뢰할 만한 군사 지휘 체계를 갖춘 강력한 한미 동맹을 지속하는 것이다. 또 한미 양국은 북한의 비핵화뿐 아니라 통일과 통일 후 역내 안정을 위해서도 양국 동맹관계를 지속적으로 강화해야 할 것이다.

한편 북한의 비핵화 이행과 한반도 평화 및 안정 추진 과정에서 한미 양국은 긴밀히 협조해야 한다. 과거 미국은 1994년 빌 클린턴 행정부 시절에 북한과 양자 협상을 벌이고 부시 행정부 말기 북한과 막판 핵협상을 이루는 과정에서 한국정부가 배제되고 있다는 느낌을 받게 했다. 현재 비핵화를 미국의 외교 특사 등이 주도하는 상황이라면 한국은 북한과 평화 안착과 경제 협력을 강화하는 일을 주도해야 한다.

마지막으로 양국은 북한을 자극하지 않고, 또 수용할 수 있는 구체적인 평화공존 방안을 협의해서 한반도의 평화 안착을 위한 중기 목표로 제시해야 할 것이다.

Internal Integration and Transition Strategies: Alternative Approaches to Integration on the Korean Peninsula

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No one knows how and when the Korean Peninsula will finally become reunited but a few things already seem clear. First and foremost, when reunification comes, it will and should be under the political, economic, and social systems that prevail in Seoul today. Second, there is no effective blueprint for reunification today that can be willingly and simultaneously embraced by both Seoul and Pyongyang and it is unrealistic to expect that Pyongyang will cooperate in any plan that calls for its marginalization and the ultimate disestablishment of the North Korean state, even though true reunification will require exactly that.

Third, until true unification occurs, the best means of ensuring peace on the Peninsula appears to be through the maintenance of a strong ROK-US Alliance with appropriate levels of US forces and a credible command structure firmly in place. The alliance has stood the test of time and remains the primary vehicle for deterring North Korean aggression, especially in the face of Pyongyang's determination to pursue a nuclear weapons capability. I would further argue that a continuation of the alliance relationship even after reunification provides the greatest assurance of future stability for a unified Korean Peninsula. This will depend, in the final analysis, on the will and desire of the Korean people at that time, but groundwork should be laid for this eventuality now to reassure the Korean people and set the parameters for future negotiations with the North.

Given the above circumstances, the most logical, and hopefully most peaceful, route to eventual reunification will require an initial phase of peaceful coexistence, perhaps embodied in a loose form of federation or confederation that could best be described as a "one nation, two states; one country, two governments" formulation. While previous leaders in both countries have offered various federation or confederation solutions in the past, reaching agreement even on this less threatening (to Pyongyang) formulation appears difficult today, given the level of distrust between the two sides and North Korea's apparent determination to continue to try to marginalize the ROK government while maintaining a confrontational approach toward the Lee Myung-Bak administration.

This paper offers some suggestions on how best to coordinate U.S. and ROK policy to facilitate change in Pyongyang's behavior in a way that helps bring about a nuclear weapons-free Korean Peninsula while preserving the ROK-U.S. alliance relationship and setting the stage for eventual peaceful Korean Peninsula reunification. Please note that the goal is not merely to bring about a denuclearized Korean Peninsula. This, along with the even more urgent task of halting North Korea proliferation activities, must remain the most immediate

goals. But, if we achieve denuclearization at the expense of the alliance relationship, we are likely to cause more long-term instability than we will prevent. And, we must also always keep one eye on the long-term goal, which remains eventual peaceful reunification. It is also important to understand how day-to-day policies affect this eventual outcome and how pursuit of this long-term goal affects the pursuit of our near- and mid-term goals.

Defining Common Objectives

Presidents Lee Myung-bak and Barack Obama, in their June 2009 “Joint Vision for the Alliance of the United States of America and the Republic of Korea” outlined as a common aim and long-term objective “to build a better future for all people on the Korean Peninsula, establishing a durable peace on the Peninsula, and leading to peaceful reunification on the principles of free democracy and a market economy.” This was (wisely) listed immediately before pronouncing their more immediate common goal: “to achieve the complete and verifiable elimination of North Korea's nuclear weapons and existing nuclear programs, as well as ballistic missile programs, and to promote respect for the fundamental human rights of the North Korean people.”

The Joint Vision goes on to list a number of other common goals, including working closely together “to address the global challenges of terrorism, proliferation of weapons of mass destruction, piracy, organized crime and narcotics, climate change, poverty, infringement on human rights, energy security, and epidemic disease,” while enhancing coordination on “peacekeeping, post-conflict stabilization and development assistance, as is being undertaken in Iraq and Afghanistan.” It also promises to “strengthen coordination in multilateral mechanisms aimed at global economic recovery such as the G20,” and commits both sides to “chart a way forward” toward the presumed (but not explicitly stated) goal of enacting the Korea-U.S. (KORUS) Free Trade Agreement.

This is all well and good. But what's more significant are three things that are not listed and thus need to be included in any future “Joint Vision” or joint statement. First, there is no reference in the 2009 Lee-Obama Joint Vision statement to the future role of the alliance post-reunification. Second, there is no reference to division of labor and the respective ROK and U.S. roles when it comes to both denuclearization and the broader issue of Korean Peninsula peace and stability. Finally there is no reference to mid-term goals that would (or at least should) be acceptable to Pyongyang in charting a future path.

The Joint Vision, as currently stated, is likely to reinforce rather than overcome or neutralize Pyongyang's assertions of American and ROK “hostile policy” toward the North and thus makes both denuclearization and reunification more unlikely. There needs to be some pronouncement that the two sides are prepared to deal with the North Korea we have rather than the one we would like to have (or would like to fade peacefully into the sunset) if there is going to be any hope of achieving either our near- or long-term objectives.

The Role of the Alliance Post-Reunification

What is the long-term goal or vision for the alliance? Is it there merely to deal with the North Korean threat or does it have a role in preserving and promoting regional stability that would remain and perhaps even grow in importance if or once the North Korea issue is “resolved”? Citing the important role of the alliance, *both today and post-reunification*, used to be a common element in joint ROK-U.S. statements. President Bill Clinton, in particular, reaffirmed at almost every opportunity during his meetings with President Kim Young-sam in the mid-1990s that “our forces will remain in Korea as long as the Korean people want them there.” Clinton also explained in his 1993 speech to the ROK National Assembly that a continued U.S. presence served both Korea’s and America’s interest and went well beyond merely defense of the Peninsula; U.S. forces were there “to deter regional aggression, perpetuate the region’s robust economic growth, and secure our own maritime and other interests.”

Previous ROK leaders like Nobel Laureate Kim Dae-jung also pointed out that the alliance was a prerequisite for achieving Seoul’s broader regional foreign policy objective of simultaneously having good relations with all four neighboring major powers the U.S., China, Japan, and Russia and that this would remain even after reunification. The U.S., as the “outside balancer” and with no territorial claims or aspirations toward the Peninsula, provided the security blanket which would then allow Seoul as the proverbial “shrimp among whales” to deal with the other three giants without fear of compromise or being engulfed. Without American security assurances, Seoul would likely have to seek accommodation with one of its other neighbors to the alarm and dismay of the two being left out or develop an independent military capability (read: nuclear weapons) which would bring a new source of instability and could very easily result in further nuclear dominos falling. Hence, to Kim Dae-jung and his predecessors, the alliance relationship made sense not only while the Peninsula was divided but even after unification, given the dangerous neighborhood in which the ROK resides.

Unfortunately, such references to the value of the alliance post-reunification ended during the George W. Bush Rho Moo-hyun era, when both near- and long-term visions seemed to drift apart, as did our approaches toward North Korea. The two did talk about the importance of the alliance in terms of defending the ROK today but seemed to have widely differing views has direct relevance to how one deals with North Korea today or approaches eventual reunification or even confederation, since Pyongyang has made no secret of its view that Washington continued alliance with Seoul and the resultant continued presence of U.S. forces in the ROK constitutes “proof” that the U.S. maintains its “hostile policy” toward the North. Removing U.S. forces from the South and closing the U.S. nuclear umbrella have been and remain relatively transparent North Korean goals. The two allies need to constantly remind Pyongyang that the future of the alliance is for the ROK and U.S. alone to decide. It should not become a “bargaining chip” in either U.S. or ROK negotiations with Pyongyang.

Defining Roles and Missions

The second thing missing in the Joint Vision is a “roles and missions” statement or, more specifically, an articulation and validation of Seoul’s determination to take a lead role in determining the Peninsula’s future and America’s commitment to this approach, despite the apparent necessity of Washington serving as a “lead negotiator” when it comes to the specific topic of Korean Peninsula denuclearization or to address more immediate proliferation concerns. There can be no doubt that one of Pyongyang’s long-standing and constantly demonstrated objectives is to marginalize or delegitimize the South. One only needs to go to the Korean Central News Agency (KCNA) web site and see the constant references to “south Korea” (as opposed to strict use of the Democratic Peoples Republic of Korea or DPRK when referring to itself) to underscore Pyongyang’s demeaning attitude toward the “U.S. lackey” government in Seoul.

There is also little doubt that during the closing years of the George W. Bush administration, Seoul (and, for that matter, Tokyo and even Beijing) began to once again feel marginalized as the lead U.S. negotiator, Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill, met more and more frequently with his North Korean interlocutors in settings far removed from (although ostensibly still “in the context of”) six-party deliberations. While this was deemed necessary in order to achieve some “progress” in denuclearization, it increased the sense of ROK alienation, especially after “regime change” in the South brought to power a government much more suspicious of North Korea’s intention than the administration that had endorsed more direct U.S.-DPRK talks.

The frequent complaint heard in Seoul (and even more frequently in Tokyo and increasingly in Beijing) was that the U.S. and North Korea were driving the process with the Six-Party Talks merely functioning as a validating mechanism. The damage in such an approach was readily apparent in December 2008 when a Six-Party Talks meeting was held in Beijing to formalize and multilateralize the alleged U.S.-DPRK verification regime, only to have Pyongyang claim that no such agreement existed. One primary reason for taking the six-party approach in the first place was to prevent Pyongyang’s so-called “salami tactics” where it makes different promises to different interlocutors and then plays one against the other. As a result, the Bush administration initially thought it was “essential” for the ROK, Japan, and Beijing to be in the room together with the U.S. in negotiating with Pyongyang. The wisdom of this earlier approach was demonstrated once it was abandoned in favor of direct negotiations by Assistant Secretary Hill, who managed to create suspicions and anxiety in Seoul, Tokyo, and Beijing regarding his tactics (and even his motives) and still, at the end of the day, have Pyongyang pull the rug out from under him, causing Hill to become so jaundiced that he has since been quoted as saying the Six-Party Talks themselves are “useless.”

In one sense, South Korean suspicions were *deja vu* all over again. During the bilateral U.S.-DPRK deliberations that brought about the 1994 Agreed Framework, ROK officials were literally in the next room and consultations between the allies were close and constant. Nonetheless, to this day, the prevailing view among the general public in South Korea and

even among security specialists and current and former officials (including those who should know better) is that the ROK was cut out of the process, simply because it did not have a seat at the table. Form matters! It was awareness of this attitude that helped persuade Washington to pursue a multilateral approach to dealing with the current crisis when it began in 2002. Concerns about being marginalized are no less deep today than they were in 1994.

One should look at how the Clinton administration corrected its Agreed Framework “mistake” as a guide for future policy prescription. Following an address to a Joint Session of the U.S. Congress in which he expressed the view that “peace on the Korean Peninsula can only take root through dialogue and cooperation between the South and the North, the two parties directly concerned.” President Kim Young-sam held a summit meeting in April 1996 on Cheju Island off South Korea’s southernmost coast with President Clinton to unveil their “Four-Party Talks” proposal to replace the 1953 Armistice with a Peace Treaty between the North and the South, with the backing and support of China and the United States. Most significantly, the joint U.S.-ROK statement announcing this agreement “confirmed the fundamental principle that establishment of a stable, permanent peace on the Korean Peninsula is the task of the Korean people” and that “South and North Korea should take the lead in a renewed search for a permanent peace arrangement.” To underscore the latter point, the two presidents stressed that “separate negotiations between the United States and North Korea on peace-related issues can not be considered.”

This does not negate a direct role for Washington in denuclearization and non-proliferation discussions with Pyongyang. To the contrary it can help put such bilateral talks in the broader context of not just the Six-Party Talks but the future peace and stability of the Korean Peninsula as well. The ROK government -- and the Korean people -- would be less concerned about direct dialogue between Washington and Pyongyang if they were more assured that its focus was limited to non-proliferation and denuclearization issues and that broader issues -- including U.S. force structure or the future of the alliance -- were not on the table. The same holds true for Washington’s view of South-North dialogue. Some mutual reassurance appears in order.

One can see Lee Myung-bak’s “Grand Bargain” -- his September 2009 proposal to Pyongyang offering a comprehensive economic assistance package in return for denuclearization and constructive South-North dialogue -- in this context. The proposal, made before a Council on Foreign Relations audience in New York (and which reportedly caught the Obama administration somewhat by surprise), signaled that for political as well as for security reasons, the ROK government cannot allow itself to be, or even appear to be, marginalized or too far removed from the center of discussions dealing with Korean Peninsula security. This proposal is not that far removed from Lee’s campaign promise to raise North Korea’s per capita income to \$3000 in return for denuclearization, which Pyongyang has thus far rejected. But, at the end of the day, it is more important for Washington and Seoul to take each other’s feelings and concerns into account in order to jointly limit or restrict Pyongyang’s options.

North-South “Peaceful Coexistence” as the Mid-Term Goal

Finally, the Joint Vision statement failed to identify a mid-term goal or approach that would not alienate Pyongyang but lay the groundwork for positive cooperation and eventual denuclearization. It’s one thing to be firm in dealing with North Korea, as previous comments suggest we must. It’s another to leave the North with no option other than capitulation. If you ask 10 North Korea-watchers a question regarding Pyongyang’s motives or tactics, you are likely to get 12 different answers; we seldom agree (even with ourselves). But if you ask what is Pyongyang’s overriding objective, you are likely to get the same answer: regime survival. The efforts underway in North Korea to prepare the way for a second transition of power from father to son underscore this point.

One of Kim Dae-jung’s major contributions to the North-South debate when he visited Pyongyang for the first North-South Summit in June 2000 was his decision, through his “Sunshine Policy,” to set reunification aside in return for an unspecified period of “peaceful coexistence” (though that term itself was seldom if ever used). Through their lifetimes, Kim Dae-jung and North Korean founder and “Great Leader” Kim Il-sung had spoke of a number of different (seldom fully defined) federation or confederation agreements that would allow both Koreas to exist side by side until the point of eventual reunification (which neither side could reject as an ultimate goal but which each knew was impossible to achieve peacefully absent the other side going quietly and willingly into the night).

This de facto “two Koreas” solution is implied in Lee Myung-bak’s “Grand Bargain” but his approach comes across as too condescending and has been soundly rejected by Pyongyang (which eagerly demands and accepts Seoul’s handouts when offered but only when they are called something else). Washington and Seoul need to spell out more explicitly a plan for peaceful coexistence that is premised on the continued existence of the North Korean state, if they are ever to entice North Korea back into any serious negotiations. This would go to the heart of Pyongyang’s central concern about regime survival. The brutality of the North Korean regime makes this a bitter pill for some to swallow, but failing to deal with the North Korea that fate or history has dealt us is not going to move us closer to reaching our near- or long-term objectives.

The point here is not to promote sympathy for the North Korean regime -- they are a product of their own making -- but to come to the obvious but all too frequently disputed conclusion: nuclear weapons are not just a “bargaining chip” or tool for negotiations but an essential element in Pyongyang’s quest for regime survival in the post-Cold War world. The task of containing and then eliminating this threat must take Pyongyang’s paranoia into account.

Getting in Synch: The Need to Establish and Demonstrate a Common Approach

North Korea’s “divide and conquer” or “salami” tactics require a closely coordinated

approach on the part of Washington and Seoul at a minimum and ideally among Tokyo, Beijing, and Moscow as well. Unfortunately, for much of the Bush administration, beginning with what many described as a disastrous initial meeting between Bush and ROK President Kim Dae-jung, Washington and Seoul appeared out of synch. If the Bush-Kim Dae-jung dynamics were bad, things only got worse once the “anti-American” Roh Moo-hyun came to power. Fortunately, under Presidents Lee and Obama, this gap has been closed. The two leaders seem to genuinely like one another and have established a great working relationship. In addition, North Korea’s aggressive actions, beginning with the missile launch that welcomed President Obama to office and continuing with the vicious attacks against the *Cheonan* and Yeonpyeong Island last year, have made it easy, if not essential, for both sides to agree on a tougher approach toward Pyongyang.

At this delicate point, it is even more essential that Washington and Seoul continue to see - and be seen as seeing - eye to eye. President Obama’s Special Representative for North Korea, Ambassador Stephen Bosworth, continues to make the rounds in Seoul, Tokyo, Beijing, and (occasionally) Moscow to build consensus on how best to deal with Pyongyang. *The Lee government should consider identifying a similar seasoned veteran -- former Foreign Minister and Ambassador to the U.S. Han Sung-joo comes immediately to mind -- to be his point person on Six-Party Talks deliberations, and the two should be making rounds to the other capitals together.* This would demonstrate to Pyongyang, and to the South Korean people, that close coordination and cooperation truly exists and is a top priority for both countries. Double-teaming Beijing should also increase the prospect of getting and keeping China on board.

Refining and Embellishing the Joint Vision

A number of other policy recommendations flow logically from the earlier discussion of the shortcomings of the current Lee-Obama Joint Vision statement. But they should be prefaced with general praise directed toward the two leaders for getting the relationship on as positive a track as they have done. The embellishments being recommended here do not require the old statement to be discarded or even formally amended. Any follow-on Joint Statement by the two leaders will serve the desired purpose as long as it first makes reference to the Joint Vision and then specifically note that new pronouncements are aimed at building upon or amplifying the original statement. Many of these recommendations were implied or stated in the earlier discussion but are briefly summarized here.

The Role of the Alliance Post-Reunification

The two leaders need to start inserting the phrase “*both today and post-reunification*” into their statements about the viability of the alliance, both to underscore the long-term nature of the U.S. commitment -- as long as the Korean people want and need us there -- and to serve notice to Pyongyang that the alliance and associated U.S. force presence is not a bargaining chip but an issue for Washington and Seoul alone to determine.

Attempts to broaden and deepen the alliance to assure its post-reunification relevance are already underway and should be continued and reinforced. To its credit, the June 2009 Lee-Obama Joint Vision statement already underscores the alliance's broader role and utility. It begins by noting that "the United States of America and the Republic of Korea are building an Alliance to ensure a peaceful, secure and prosperous future for the Korean Peninsula, the Asia-Pacific region, and the world," while further noting that "together, on this solid foundation, we will build a comprehensive strategic alliance of bilateral, regional and global scope, based on common values and mutual trust." Pointing to the broader regional and even global benefits of the alliance helps provide the rationale for its continued applicability post-reunification. Finally submitting the Korea-US Free Trade Agreement (KORUS FTA) to the U.S. Congress would be another positive step in this direction.

As both countries continue to encourage and endorse closer multilateral security cooperation in the region -- which they should -- they need to continually underscore that this is not an "either-or" choice: U.S. bilateral security alliances with Australia, Japan, the

Philippines, and Thailand, as well as with the ROK, provide the foundation upon which multilateral security cooperation can be built and remain the most logical, capable, and willing vehicle for responding to regional challenges or crises. As a result, the two leaders also need to make sure, when expressing their support for multilateral security cooperation -- and greater mini-lateral cooperation among the U.S., ROK, and Japan (and perhaps with Australia as well) -- that they also add this caveat: *provided such multilateral initiatives and mechanisms build upon and do not seek to replace or diminish our bilateral security relationship.*

Defining Roles and Missions

As argued earlier, there is also a need for both leaders to remind North Korea, its other six-party partners, and their respective publics that, while the U.S. may take the lead in denuclearization and non-proliferation discussions with Pyongyang, in the final analysis, *"peace on the Korean Peninsula can only take root through dialogue and cooperation between the South and the North, the two parties directly concerned."* As Presidents Clinton and Kim Jong-sam pledged before them, Presidents Obama and Lee need to confirm "the fundamental principle that establishment of a stable, permanent peace on the Korean Peninsula is the task of the Korean people" and that "South and North Korea should take the lead in a renewed search for a permanent peace arrangement."

Pyongyang clearly still sees it otherwise, noting in one of its frequent blasts that "a peace accord should be concluded between the DPRK and the U.S. if the nuclear issue on the peninsula is to be settled," and that "the U.S. should roll back its hostile policy toward the DPRK and opt for the conclusion of the peace agreement as it would help clear the Korean Peninsula of the nuclear threat and ensure peace there." The two presidents need to make it clear that this is not going to happen.

One of the important features of the Six-Party Talks were its five working groups aimed at Denuclearization of the Korean Peninsula, Normalization of DPRK-U.S. Relations, Normalization of DPRK-Japan Relations, Economy and Energy Cooperation, and a Northeast Asia Peace and Security Mechanism, respectively. It was no accident that the one dealing with Economy and Energy Cooperation was chaired by Seoul. Should the Six-Party Talks resume, or if some new forum is ultimately established to replace this dialogue mechanism, Seoul's lead role in the Peninsula peace and economic development process must be maintained, and the U.S. must be seen as encouraging and supporting this role.

Reunification remains the long-term goal and here Seoul must remain in the driver's seat. While all would like it to come faster, it is becoming increasingly clear that denuclearization is a mid-term goal and here Washington will likely be required to serve as the lead facilitator, but within the context of the Six-Party Talks or some other broader forum involving the other dialogue partners as well. The most immediate goal is counter-proliferation -- keeping what's in North Korea (nuclear weapons, fissile material, technical know-how) in North Korea, and keeping what's not already there (in terms of missile and nuclear equipment and technology) out -- and this is everybody's responsibility, although the U.S. has already assumed a leading role, through its international efforts to ensure that UNSCR 1874 sanctions are honored and enforced. Recall also that South Korean and Japanese UN representatives played a key role in bringing about this resolution and the earlier Presidential Statement condemning the April 2009 missile launch.

North-South Peaceful Coexistence as the Mid-Term Goal

While all Koreans are history- and duty-bound to pay allegiance to the idea of reunification -- and every American government should be seen as supporting the goal of "peaceful reunification on the principles of free democracy and a market economy" -- few see reunification as a credible near-term goal, absent the quiet collapse of the North Korean regime (which one can always hope for but should not base one's foreign policy upon). What's been missing since the days of Kim Dae-jung's "Sunshine Policy" is a mutually acceptable mid-term goal that can provide the basis for North-South reconciliation and serve as a vehicle for providing the assurance necessary to proceed with denuclearization.

Here, the critical issue is timing. Normalization of relations between Pyongyang and either Washington or Seoul cannot and should not happen with a nuclear weapons-equipped DPRK. Both countries repeatedly assert that "under no circumstance are we going to allow North Korea to possess nuclear weapons," but in practical terms, what does this mean? Since North Korea has already declared and demonstrated at least a rudimentary nuclear weapons capability and no one is marching on Pyongyang, the international community writ large has *de facto* accepted this situation at least as a temporary condition. It might make more sense to state that *North Korea's nuclear status will never be accepted or formally recognized and that normalization of relations and the lifting of sanctions are contingent on denuclearization.*

While President Lee Myung-bak's "Grand Bargain" and earlier "\$3,000 per capita" campaign pledge could be viewed as implicit acceptance of North Korea's continued existence as a separate entity, these appeared aimed more at the gaining acceptance of progressives and middle-of-the-roaders in South Korea than at capturing the hearts and minds of the leadership and people of the North. The "Grand Bargain" can, nonetheless, help form the basis of a joint ROK-U.S. package deal which offers eventual recognition and acceptance within the international community plus economic and developmental assistance in return for denuclearization and the North's willingness to develop and adopt a South-North "peaceful coexistence" framework where both sides may still profess their long-term goal (with different interpretations) of reunification but officially recognize one another's right to exist and independent sovereignty today.

Conclusion

It is essential that Washington and Seoul closely coordinate their foreign policy approaches toward North Korea if they are to stand any hope of bringing about a nuclear weapons-free Korean Peninsula or stemming proliferation. In pursuing these goals, however, equal if not greater attention must also be paid toward preserving and enhancing the ROK-U.S. alliance relationship not just to deal with Pyongyang but to promote regional stability, even while setting the stage for eventual peaceful Korean Peninsula reunification. While there are no guarantees for success, a failure for Seoul and Washington to develop near-, mid-, and long-term common visions and strategies for achieving common goals is likely to guarantee failure.

The good place to start in building this unified approach is through the embellishment and strengthening of the already praiseworthy June 2009 "Joint Vision for the Alliance of the United States of America and the Republic of Korea" signed by Presidents Lee Myung-bak and Barack Obama. This can be done by more clearly identifying and underscoring the important future role of the alliance post-reunification and by more clearly defining the respective ROK and U.S. roles when it comes to both denuclearization/non-proliferation and the broader issue of Korean Peninsula peace and stability. As regards the latter, Seoul (and Pyongyang), not Washington, must take the lead. Most importantly, the U.S. and ROK need to agree upon and then jointly articulate a pre-reunification mid-term goal that is non-threatening to Pyongyang, one that espouses "peaceful coexistence."

Seoul and Washington must be -- and must be seen as being -- in lock-step in dealing with the North. The appointment of a South Korean Special Envoy to work in close consultation with Ambassador Stephen Bosworth and a decision to make future major pronouncements regarding either denuclearization or broader peace and development efforts jointly would send a powerful message in this regard and should help build and sustain an international consensus in dealing with the North's flagrant violations of UNSC resolutions. The two leaders are already saying the right things in this regard; now they must practice what they preach and bring others on board.



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중국의 1980년대 이행에 대한 고찰

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남북한의 통일에는 베트남의 무력 통일, 독일의 흡수통일, 예멘의 조정(coordination) 통일 방식의 세가지 통일 방식이 참고 사례가 된다. 무력에 의한 통일 방식은 세계화 및 지역 통합의 시대에 부합하지 않는다.

흡수 통일을 이루려면 여러 조건이 전제되어야 한다. 북한 지도층 내부에서 한국 주도의 통일을 받아 들일 상황이 벌어지고, 또 한국이 독일처럼 대규모 통일 비용을 지불할 수 있고, 미·중·일·러의 우호적인 환경 등 불확실성 변수가 상존한다.

조정에 의한 통일과 관련해 일단 남북한은 통일국가에 대한 기본 전제에는 동의하고 있다. 북한은 정치적인 접근 방식인 연방제를, 남한은 먼저 경제적인 통합을 통해 통일로 진행하는 연맹제를 선호한다.

경제 협력을 통한 방식은 적은 비용으로 통합을 이룰 수 있는 최선의 선택이다. 이를 위해서는 북한 지도층의 경제 개혁이 이뤄져야 하지만, 북한 지도층은 과거 중국의 덩샤오핑이 확고하게 개혁개방을 주도한 것과 달리 경제 개방에 따른 권력 상실을 우려하고 있다.

북한의 개혁 개방에 대한 우려를 해소하기 위해 그 동안 북한이 원했던 휴전 협정의 평화협정 대체와 북핵 폐기를 한 테이블에서 협상해야 한다. 남한은 미국과의 연례 군사 훈련을 미리 북한에 통보하는 성의를 보여줌으로써 긴장감을 줄일 수도 있다. 물론 남한도 북한의 천안함 사건에 대한 책임이 입증되면 사과를 요구할 수도 있다.

남한 전문가와 미디어의 북한 정권 붕괴 가능성, 김정은에 대한 언급도 주의를 기울여 달라고 제안한다. 서해상의 갈등을 줄이기 위해 남북한 중국 3자간의 군사·안보 대화도 고려해 볼만 하다.

An Overview of China's Transition in early 1980s

A Reference for the management of Process of Korean Peninsula Integration

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The world in post-cold war underwent and is undergoing wide and deep transition. Partly because of the rapid development and overlapping of economic globalization, multi-polarization and information networking process, the logic of politics in term of division and unification became more and more complicated. The trend of division beginning with the independence of nation states in East Europe and Central Asia, as a consequence of the collapse of the Soviet Union, still continues. The latest case is the smoothly completion of referendum in South Sudan. Meanwhile, that with the re-unification of Germany as the start is also underway. Both the integration on Korean Peninsula and the reunification across the Taiwan Straits are so difficult that nobody could predict when and how they would be completed. Theoretically, the globalization and the regional integration require and favor the re-unification of divided nations. Actually, the process of integration in both places is seriously limited by many factors, particularly the power structure in North-East Asia as the final heritage of Cold-War.

Models of reunification

In terms of outcome, Germany, Vietnam and Yemen succeeded in different way. Both China and the Korean Peninsula are still on the way to the goal. Relatively, the Cross-straits relations between Taiwan and mainland have been much improved after the period of tensions when Li Donghui and Chen Shuibian took the office in Taiwan successively. The situation in the Korean Peninsula is somewhat different.

In terms of method, the cases mentioned above can be divided into three categories as follow:

----The first is the military annexation model, as a result of conflict in which one party is defeated by another, as was the case with Vietnam in 1970s after U.S withdrew their military forces from there.

----The second is the absorptive model. The German reunification is the typical in this case. It is the result of East Germany's collapse and that Soviet Union under the leadership of Garbachev gave up their control over East Europe.

----The third is coordinative model. Basically, the reunification of Yemen can be put into this category, although a short and small scale of domestic conflict happened.

Choices for Korean Peninsula integration

---I would like to argue that the military annexation model is no longer in conformity with the trends of globalization, regional integration and the deep interdependence among the nations.

---Concerning the absorptive model, it has some reference for the integration of Korean peninsula. But, this scenario would not only cause a big cost, but also require at least some necessary conditions as follow:

(1) Some changes of domestic situation take place in North Korea so as that North Korea leadership could accept the arrangement made by South Korea, no matter whether they are willing or compelled to do so..

(2) South Korea find itself be able to afford the huge costs. I noticed that most experts in South Korea were surprised at the serious difficulties and huge financial and economic burdens in face of Germany in the early years after the reunification. But recently, South Korean scholars and officials feel more confident. They think so-called burdens or costs in the process of absorptive reunification could be dealt with South Korea new economic power.

(3) A good preparation is made in South Korea for carrying out the reunification in the absorptive way in political, military, social as well as economic dimensions.

(4) A favorable regional strategic environment for the completion of integration in this way. This means neighboring countries such as Japan, Russia, China and most importantly the U.S support this scenario.

The uncertainty or the problem is that if the necessary changes for this model don't emerge in North Korea, it would be a waste of time to make effort in preparing for the absorptive model both on domestic level in South Korea and regional level. As a result, some opportunity for other model would be missed.

---As to the coordinative model, it seems that both parties on Korean Peninsula seek reunification through exchange, consultation and cooperation. The consensus exists between South Korea and North Korea on the reunification of the Peninsula. The difference is on the form of the reunified nation. The South prefers the establishment of a single nation as final form of reunified nation, with some kind of confederation as an interim arrangement. But the North prefers a federation. So far, little progress has been made in this regard since the Summit in 2000.

Two approaches towards the reunification

Since 1990s, the bilateral relations between the two parties on Korean Peninsula have always been on and off, now rise and then fall, bringing about high tensions such as that happened last year. Analyzing this characteristic of the situations, we could found out that a

key obstacle in the process of integration on Korean Peninsula is the contradiction between the positions of the two parties.

----North Korea pays much more attention to the establishment of a confederation in order that both could keep independence and one party could avoid being annexed by the other. So we can call the line followed by the North Korea as “politics first approach”. In an article published by the Korean Central News Agency in February 13th, North Korea advances the conditions for the reunification and opposes to absorptive reunification which would be dominated by the South.

----The South prefers the establishment of a single nation through economic integration. It may be named as “economy first approach”, because the South Korea is much more powerful in economic dimension than the North.

----The politics first approach sought by North Korea faces many insurmountable barriers such as North Korean nuclear issue, the U.S military presence on the Peninsula, and the transfer from cease-fire agreement to peace treaty.

It is understandable South Korea would not enter into the process of any substantial reunification negotiations with a North Korea swinging nuclear weapons in hands. South Korea would not sit at the table in isolation without US-South Korea military alliance and US military presence on the Peninsula as demanded by North Korea.

----There are same complicated issues facing the economy first approach followed by South Korea. Theoretically and practically, economy first approach is more gradual, less sensitive and relatively stable one. The developments and the improvements on the relations across the Taiwan Straits over past years have proven that the economy first approach, with relative lower costs, is a more applicable, and even an optimal choice.

----But, so far, North Korea has been hesitated to carry out substantial economic reform, preventing the bilateral economic links from widening and deepening, leaving little room for the economy first approach towards integration of the Peninsula.

The experience of China’s economic reform

After a brief analysis of the choices for, and the obstacles facing the reunification of Korean peninsula, I’d like to view the key issue that how North Korea could be pushed or persuaded to take a big step on the road of economic reform.

The opening of exchanges across the Taiwan Straits started as the consequences of economic reform on the mainland. It is interesting and useful to draw some lessons from China’s experiences in this regard. Therefore, the latter parts of my paper will focus on the question what factors influenced China’s determinations to make reform.

----Necessity of developing economy. After the establishment of PRC, China’s economic

development was interfered many times by incidents both at home and abroad, such as Korean War, Vietnam War, the Great Leap Forward, Cultural Revolution and the confrontation between China and the Soviet Union. The external challenges made the top leaders very sensitive politically. The class struggle was taken as the key link of the whole political, economic and social life of China. It was called “class struggle first”. As a result, Chinese economy was gradually lagged behind many other countries. During the most difficult period from 1959-1961, many ordinary people died of hunger. Even in early years after the end of Culture Revolution, many people did not have enough food to eat. Each family could only buy daily necessities by allotted notes. Therefore, there existed a strong and wide consensus that the situation could not continue any more. The change must be made as soon as possible.

In face of serious military threat from Soviet Union, Mr. Deng Xiaoping said, “we would get beating if we fall behind”. In response to the concern that economic reform would derail the socialist track, he pointed out: “poverty is not socialism”. “No matter if it is a white cat or a black cat, a cat that can catch rats is a good cat!”, it means “No matter if it is socialist system or capitalist system, a system that can achieve economic development is a good system.”

---A strong leadership with strong determination to reform. Mr. Deng Xiaoping was one of first generation top leaders who understood the economic mechanism and was consequently criticized during the Cultural Revolution. Since he was the youngest one among the Chinese top leaders of the first generation with Mr. Mao Zedong at the core, Mr. Deng became the core of new leadership after the deaths of Mr. Mao Zedong, Premier Zhou Enlai and Mr. Zhu de, the general commander of PLA. So, Mr. Deng Xiaoping was in the position where he could design and push forwards China’s economic reform and openness to the outside. Since China’s economic reform was unprecedented among the socialist countries and there was no existed experience to learn, Mr. Deng advanced a very practical remark, “to cross the river by touching the stones in the water”.

---Confidence in security and peaceful environment. In 1970s, the world was still dominated by the Cold war between two blocs led separately by the U.S and Soviet Union. Although the exchange was already recovered between China and the U.S, there was a very high tension in the bilateral relations between China and Soviet Union. China faced serious military and strategic threats from three fronts, Soviet invasion into Afghanistan, Vietnam’s invasion supported by Soviet Union into the Cambodia and more than one million of military forces disposed along the north borderline of China. But Mr. Deng acutely noticed the complications of nuclear terror balance for the war and peace. He made a very important strategic judgment that the new world war would not break out. Therefore, China could focus on economic development and carry out economic reform.

Just because that he realized the necessity and urgency of economic reform and the impossibility of new world war and the fact that he used to be one of most powerful military leaders during a long period of wars, he could demand that PLA would bear the overall

situation in mind and put the general interest above all else, meaning not to demand too much money from the government.

----Less concerns on the security of political power and system. The leadership of Chinese Communist Party is the choice of Chinese history and Chinese people. It is the outcome of Chinese people victory over the enemies both internal and external during a long period of struggle, led by CCP. Generally, Most Chinese people trust and support the leadership of CCP. Though Mr. Deng predicted the challenges would be brought about by economic reform and openness to the leadership of CCP, and he also stressed “Four basic principles”, that are to adhering to Marx-leninism, Mao Zedong thoughts, the leadership of CCP, the socialism and people’s democratic dictatorship. But generally, the top leaders then did not worry about the possibility of losing power so much as that they hesitated to push domestic economic reform and opening to the outside world. Even after the political unrest in Tiananmen Square in 1989, the determination of reform and openness within the top leaders did not waver. Mr. Deng’s second speech during his visit to Shenzhen, the first Special Economic Zone, pushed the process of reform and openness forwards.

Turning to the other places out of China, we can find some similar factors mentioned above in the process of reform and openness in Vietnam. But situations in Cuba and the North Korea are different.

Assessment on the Conditions for North Korean reform

----The realization of reform. There are signs that the top leadership in North Korea have strong interest in economic reform and development. Over past decade, North Korean top leader Kim Jong Il paid many trips to China and always went to the well-developed areas during the visits. This show he desires to learn something from China’s experience of economic reform. Last year, Kim Jung Eun, generally predicted successor to his father, visited a local area and said that grain is more important than bullet. His words mean there is possibility that North Korea turns from military first to economy first as long as other conditions are favorable.

----A relatively strong leadership. Kim Jong Il is not strong as his father Kim Il Sung. The latter experienced a long period of military struggle against Japanese colonialist rule and accumulated rich political resources. As the beneficiary of family regime, Kim Jong Il would find it much more difficult to deny his father than Mr. Deng Xiaoping denied some policies of Mr. Mao Zedong at some degree. Maybe, he could allow his son, Kim Jung Eun, to do denial when he is still in power. By doing so, he would add some legitimacy to the position of his son as successor. It means the conditions in this regard needs some time to become mature.

----The confidence in security and peace environment. North Korea nuclear issue has become more and more complicated over past years. This fact is strong evidence that they are not confident in the regional security environment. Although the short-range missile of the North along the border forms a serious threat to the South, the North still feels the bigger

threat from U.S-South Korea alliance. The military Imbalance between the North and the South is the key factor that pushes the North to have nuclear weapons and stick to the military first guideline. It needs some special steps and measures on the part of South Korea and the U.S to push the North to change the military first line in favor of economic reform.

We notice that it is also because of less confidence in strategic and security, Cuba has been very prudent of the economic reform. My friends in Cuba told me Cuba is too small to make any mistakes on road of development

---The concerns of losing power. It seems North Korea top leaders worry about the possibility of losing power. Economic reform needs openness to the outside. The political and social openness will be inevitable with the gradual economic reform and openness. Maybe, North Korea top leaders were impressed very deeply with the Tiananmen Square political unrest. Since both Kim Jong II and Kim Jung Eun are not strong as Kim Il Sung, it is understandable for them to be more cautious on a wide and substantial reform, particularly against the background of the South Korea new integration policy followed by Lee Myung-bak government.

In Cuba, both Fidel Alejandro Castro Ruz and Raúl Modesto Castro Ruz are strong top leaders. They are confident in keeping the power. Therefore, Cuba Communist Party could launch a country-wide discussion about economic reform before the sixth congress Cuba communist Part to be held this month.

Creating conditions in favor of North Korea reform

After a brief comparison of conditions for economic reform between China and North Korea, we can imagine what could be done to persuade the latter to take substantial steps toward the economic reform.

---In order to make them have a sense of security enough to do reform, the replacement of cease-fire with peace treaty is necessary. In the negotiations on the North Korea nuclear issue in six-party talk so far, the peace treaty issue was sued as the bait for the give-up of nuclear weapon on the part of the North Korea. In another word, the nuclear-free of the North Korea was regarded as the preconditions of peace treaty. In my opinion, the peace treaty and nuclear issue could be put together on the table of negotiations. As an expression of goodwill, South Korea could consider to reduce the sensitivity and irritation of annual military exercise with the U.S to North Korea, for example, by notifying briefly to the North in advance. Of course, South Korea could demand some kind of apology from North Korea for the Cheonan Incident if it is completely proven that DPRK was responsible.

---In order to make the top leaders of the North less concerns of losing power, I suggest that South Korea official, experts and media are cautious in talk about the possible collapse of the North Korea regime. You might as well take some steps meaning recognition of Kim Jung Eun as possible future leader of North Korea. Normally, the younger the person is, the more

variable he is.

---In order to strengthen the attractive, and reduce the risks of economic reform to the North, some kinds of favorable regional economic environment should be created. For example, much more attentions should be paid to the international economic cooperation and development program of Tumen River. North Korea should be drawn into this cooperative mechanism at a larger scale. South Korea should take a strong leadership within it. It is also considerable whether it is practical to invite the North Korea top leader to attend the North-East Summit (China, Japan, and South Korea) as observer as the first step.

---In order to create a stable security environment at Yellow Sea and prevent further conflicts from happening along the N-S borderline there, it is worthy of consideration that whether a three party military and security dialogue and cooperation mechanism among South Korea, North Korea and China is needed.



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Integration of the Korean Peninsula: Lessons Learned from Other Planning Cases

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A project that CSIS and USC undertook in Los Angeles in 2010 has looked at the issues that one might encounter in unification. We sought to frame a discussion of the long-term tasks involved in Korean unification. Although much work has been done both in the academic and policy worlds on military contingency planning for a collapse, far less work has focused on the longer term but inevitable tasks of knitting the two nations together into one. Governments do not have the time or resources to plan for possibilities that may occur far in the future, even if they are aware that such an eventuality is unavoidable. When we explained the project to both U.S. and ROK (Republic of Korea) government officials, the latter unanimously acknowledged the importance of the topic and requested to be briefed on the findings.

Our work began by framing unification tasks in a wider empirical context. One can only discuss unification intelligently and seriously by first inducing from a wider set of cases the lessons that might be applicable to Korea. Thus, the focus of the first phase of our project was to bring in world-renowned experts on issue areas such as energy, migration, health, environment, and education to explain the lessons learned from other cases of rehabilitating collapsed systems that might be applicable to Korea. The principal investigators for the project, myself and Professor David C. Kang who is a Professor of Government and Director of the Korean Studies Institute at USC) provided written guidelines for papers, asking the functional experts not to focus on Korea per se, but to bring their wealth of knowledge from other cases and practices and induce what might be useful for pathbreaking thinking on Korea. The range of empirical cases presented at the conference was wide, stretching from sub-Saharan Africa to Iraq to Cambodia and even the former Soviet Union. We then paired up these functional experts with top Korea scholars from the United States and the ROK to form “unification teams” that talked with each other in advance of the meeting. The combined functional and regional expertise in each team created synergies that led to innovative thinking about how to conceptualize unification in the Korean context.

The meetings at University of Southern California’s Korean Studies Institute took place over two days—August 20–21, 2010. To maximize the time for innovative discussion, paper writers were given a hard deadline for submitting papers to their team members and to the broader group one week in advance of the conference (all but one made this deadline). Pre-conference discussions were encouraged within each team. When we convened, we did not

waste precious time by having the paper writers present their work as it was assumed that all had read the papers in advance. Instead, each session started with comments by the Korea experts on the functional papers by their team members. This method enabled discussions to move linearly toward how the universe of cases regarding migration (for example) could help us to think about potential patterns of DPRK (Democratic People's Republic of Korea) migration after collapse of the regime in Pyongyang. We found this formula to be very successful and plan to continue to use it in the future phases of the project.

The discussion, which was spirited and insightful, centered on a number of issues during the two-day conference:

- What are the assumptions about regime, state, or political system collapse? What are the conditions that lead to peaceful, gradual, internal collapse, war? Although Kang and Cha had hoped to move discussion beyond these initial issues, it became clear that how unification or collapse occurred would have a major impact on the issues of transition that would arise afterward.
- What is the role of outside patrons (i.e., China) in a regime on the brink of collapse? China will be enormously important in any Korean transition, and discussants were divided on whether outside patrons would intervene.
- What types of planning are possible?
- What have we learned from other cases of migration after regime collapse? Would a large portion of the North Korean population attempt to move to either China or South Korea? Or would they attempt to remain in North Korea? What factors might affect their decision about whether to migrate?
- What have we learned about reconstituting failed health and energy systems?
- What have we learned about conflict resolution and transitional justice in national reconciliations?
- How much attention and interaction with North Korean people themselves is desirable? Can we make plans in the abstract that have any bearing on the reality on the ground in North Korea? Or are these attempts unlikely to be useful when the actual time of unification occurs?
- What have we learned from other cases about education reform and reform of state-owned enterprises? Do the lessons from other post-Soviet states offer any insights into how to manage institutional change?
- What have we learned from past and current cases of state-building and nation-building? Is it better to destroy and remove all existing institutions and begin anew, as

the U.S. attempted in Iraq, or does this create such chaos that the costs outweigh the benefits?

Initial Takeaways

Taking this broad empirical approach unearthed a wealth of interesting data and cases applicable to Korean unification. Again, the purpose in this initial phase was to think about what lessons could be induced from functional experts and the cases they have studied and encountered over time that might be useful for Korean experts and practitioners as they think about the North Korea case. In the initial phase, many of these lessons are drawn from mistakes made in past cases that could be avoided in Korean unification. Such lessons are more useful for policymakers than proactive directives. Directives are almost impossible to prescribe in advance and without context, because the specific contingencies and conditions that emerge in a crisis situation will have much influence on the types of initiatives that are taken. However, cautionary lessons are extremely useful for thinking about unification. The benefit of past experience allows future policymakers to understand what sort of pitfalls to avoid when crisis descends. The following are important initial lessons learned::

- Political Expediency versus Long-term Restructuring:
 - Korean unification will create tremendous pressures for the ROK government to provide immediate benefits to the North Korean people to show kindness, acquire political loyalty, and prevent migration. What have other cases shown us about this?
 - In almost every past case of state-building, those in charge face an immediate political need to provide benefits (e.g., food, clean water) instantaneously to the entire population to show a demonstrable improvement in the living situation (compared with the past regime). The problem, though, is that these efforts almost always come at the expense of investment in longer-term restructuring of the environmental situation or health sanitation infrastructure. For example, political expediency requires that clean water be immediately brought in for the target population, but the dispersion of these resources comes at the expense of building a long-term water purification system in the country. This becomes a vicious circle as those in charge are forced to continue with these handouts in order to retain the loyalty of the people and to prevent mass migration. There are also secondary unintended consequences from following the political expediency strategy. In Iraq, for example, U.S./UN forces worked to provide consumer appliances to all parts of Iraq, especially those provinces that had been neglected by Saddam Hussein. But they did this without improving the overall capacity of the electrical power grids in the country. The surge in power demand blew out portions of the power grid in Baghdad, resulting in blackouts that created disorder and

protests against coalition forces in the capitol. This undercut the original political intention of the handouts.

- Defining the “Tipping Point”
 - Given the trade-offs of political expediency vs. longer-term restructuring, occupying forces must eventually determine where the “tipping point” will be—i.e., at what point do you stop diverting scarce resources to handouts and focus them more on longer-term restructuring that has lower short-term returns? The history of past cases has revealed a large gap between what experts would recommend and what actions are actually taken. Experts will recommend an objective point at which the switchover must be made, but in reality, this tipping point is almost entirely politically determined. And it usually comes when the handouts strategy has led to some unintended negative consequence (such as the one described above). It is only at that point that occupying forces then change strategy.
 - The key lesson for the Korean case, therefore, is to try to determine as early as possible in the process how and when to make the transition from handouts to the North Korean people (to keep them from migrating) to deeper investment in long-term restructuring.
- Capacity-Building for Social Security
 - Unification will exert tremendous burdens on the ROK social security system. How does one deal with these burdens, and how does one map out ways to handle intra-Korean movements to avoid overburdening certain provinces?
 - Past cases of social security have shown that pre-crisis capacity building is critical to address anticipated burdens on the system. It is difficult for governments alone to do this. It requires the help of the private sector. But the private sector needs financial incentives in order to begin stockpiling health vaccines, cold medicines, sanitary supplies, etc., in warehouses or on docks. One remedy for this situation calls for governments to provide tax credits to companies that undertake these preparations.
 - Past cases (including the United States) have shown that large-scale public works projects are almost a requirement to deal both with unemployment and social security problems. There are dangers associated with large-scale projects alone, unless these are accompanied by job-training and complemented by microcredit financing.
 - Intra-territory travel, though a politically sensitive issue, is critical for social security. One solution that might be applicable to the Korean case was the visa system used by Hong Kong and China after reversion. The system, which

placed limits on visa travel, may not be an exact fit for Korea, but is a useful empirical referent.

- Transitional Justice
 - Transitional justice is a politically explosive issue in a unification context. While some may not see it as the main priority in attempting national reconciliation, others see it as critical from a human rights accountability angle.
 - Past cases have shown that it is very difficult to perform transitional justice amidst a fluid political environment. Inevitably, some outside intervention and participation under the auspices of the International Criminal Court, International Court of Justice, or the UN are necessary (e.g., Cambodia).
 - Past cases of transitional justice have also shown the spillover effects of these trials that could complicate foreign policies with other nations. For example, testimonies by defendants can often implicate other countries who might have been complicit with past practices of the regime. This would almost certainly be a major consideration in the case of North Korean defendants who might testify about actions they took in concert with China and with Chinese acquiescence on their territory. This could significantly impact ROK-China relations. This would also make a UN tribunal in the Korean case very difficult to obtain, given likely Chinese opposition.
- Refugees/Migration
 - One of the biggest drivers of change in a unification scenario is projected patterns of mass migration of northerners into South Korea. What do past cases tell us about these patterns?
 - The current pattern of migration by North Koreans out of the country is largely women and children. As past cases of migration show, this portends a higher level of human trafficking.
 - Previous cases show, however, that the model of a current defector from North Korea is no accurate indicator of future migration patterns. The requirements for migration today will be different from migration under unification. If anything, past cases have shown that we may be *overestimating* the levels of refugee flows in unification. Cases in Africa, Iraq, and others show that planners prepared for massive migration that never happened. People ended up clinging to their home existence despite inordinate hardships. One of the most important predictors of migration movement is the individual history of the family. If the family has a relative that has successfully moved to a better existence then there is a greater likelihood that the family will do the same once political controls are lifted.

- Education Reform
 - Education will be one of the largest long-term investments in reconstituting a united Korean peninsula. There are some successful models of education reconstruction and reform, and in our education team, we had one of the leaders of Syracuse University's cooperative endeavors with Kim Chaek University in North Korea.
 - Past cases show that sustained and meaningful education exchanges prior to unification would be helpful. In cases of heavily sanctioned states like North Korea, U.S. export control regulations are a major impediment to providing the schools with necessary equipment to allow for exchanges.
 - One of the most successful cases of education exchange has been in South Korea itself with the Fulbright scholar program, which brought a generation of ROK leaders to the United States for postgraduate study. After unification, expansion of the program to the North would be useful.
 - One of the interesting impediments in past cases of vocational training in post-communist societies is lack of student initiative. Many students had been conditioned to thinking that there was no need for effort because education would be followed by the state's provision of employment. Thus there are some start-up costs to education reform beyond the physical.
- Energy Sector
 - Rehabilitation of energy will be a key priority in unification. What have we learned from other cases and some substantial studies already in existence on North Korea?
 - At the macro-level, planners will contend with the classic trade-off described above in terms of short-term political handouts and relief versus longer-term infrastructure investment. One very useful method for closing this gap in the North Korean case is simple winterization projects. These are cheap relative to other large-scale projects, they can increase energy efficiency by 40–60 percent in homes, and they satisfy both short-term and long-term requirements.
 - In the longer term, the main energy solution for North Korea will not come from within the country but from regional energy networks involving Russia, Korea, China, and Japan. The primary economic benefit to the North will not come from their coal mines but from rents that will be paid to them as a transit way for energy/gas grids that will connect Korea and Russia.
- Environment

- What do we know about the environment picture in North Korea, and what will be the priorities and pathways for environmental cleanup with unification?
- Past cases have shown that we probably underestimate the pollution and degradation situation in North Korea. Communist systems generally pollute badly. Ideology focuses on the human, which allows for nature to be exploited for social benefit. Communist systems generally produce the worst pollution. Ideology, which is human-centric, allows nature to be exploited for social benefit. Communist systems also create production metrics that allow for massive exploitation of the environment to meet those metrics. At the end of the Cold War, Poland's rivers were 95 percent unsuitable for municipal use. In East European countries an average of 40 percent of waste water was untreated.
- Past cases have shown that in North Korea, there will be an actual decline in pollution levels prior to collapse because the downturn in the economic situation reduces all production levels. But once the initial efforts to rebuild the economy using the current infrastructure commence, there will be massive increases in pollution.
- Past cases have also shown that the most useful value-added fixes for the environment are sewage plants. Thus Pyongyang and Nampo sewage plants would be a priority.
- Past cases have also shown that toxic waste sites near municipal areas, though very expensive to clean up, are a high priority. They are likely to be a high priority in the Korean case as well.
- Health
 - What would be the priorities in reconstituting North Korea's health system? What have been the historical precedents? Where would North Korea's health situation rank in the global health movement?
 - Past cases of broken state-run health systems in Africa and Asia have shown that key priorities in reconstitution are targeted revitalization of hospitals and clinics; strategic upgrading of skilled health professionals; detailed survey of existing health assets; and costing exercise with concrete targets for training. In terms of information systems, creating a national data and supply chain system will be critical as well.
 - More than energy or security, health is an important soft power tool in winning hearts and minds in transitioning societies—with priorities on children, pregnant and lactating mothers, the elderly, and orphans.

- Health reconstitution is also a critical driver of migration patterns.
- Health, like energy, is an area where moving from an emergency situation to longer-term sustainability presents a political challenge, especially since health is perceived to be a critical determinant of migration patterns.
- In this regard, creating ownership at the community level is important. Past cases have shown that any external intervention in a health system is more successful if it operates on the assumption that there is already a functioning health and coping system on the ground. It is important to learn what that system is and to make adjustments that will help people but also respects the preexisting indigenous system. Whatever new system that comes into being must use North Korean doctors, nurses, and midwives to be successful.
- The global health movement saw a decade of increased funding—mostly in infectious diseases in Africa and South Asia. We are now in a period of plateau, where funding from public and private sectors has slowed. The movement is primed, in other words, for its next big cause, which will then determine the next phase of growth.
- State Building/Domestic Stabilization
 - What will be the priorities in establishing political order in North Korea? What are the mistakes of the past that we can learn from? What are the potential political fissures that might emerge?
 - Past cases show that it is critical, in the precollapse state, to map a country's internal conflicts as best as one can to gain a sense of actors' motivations, incentives, and capabilities.
 - As controversial as it might seem, past cases also show that stabilization requires consensus. Planners need to include stakeholders and some elements of the preexisting enforcement agencies.
 - Past cases show that centralized training programs at the federal level are hard to maintain. Provincial reconstruction teams, which have proven to be a useful innovation, are civilian in nature and create training and ownership of the stabilization endeavor at the local level.
 - Negotiating debt relief for the country has proven to be an important task as well for stabilization of the new political authorities.
 - Past cases show that a jobs program, though critical, carries potential political externalities. Jobs programs tend to benefit densely populated areas, but those that are not densely populated do not benefit and may even become alienated

and radicalized. Any jobs program must be conscious about compensating potentially excluded areas.

- Past cases show that the sequencing of actions, which is a big part of successful stabilization, not only pertains to the “tipping point” for longer-term restructuring, but also to determining the appropriate time to do transitional justice. Such decisions cannot be made by external planners alone and must include input from North Koreans themselves.

Conclusion

North Korea is a grand plan that failed. As we think about unification, we must be careful not to produce another grand plan that will also fail. There are inherent tensions that exist between a big plan and the reality of what actually works. Any plan or conceptualization of unification efforts must be adaptable and malleable as it learns from the situation on the ground. This process will require wise, in some cases courageous, political decisions by the planners.

With Korean unification, planners will have to address a plethora of immediate needs in health, environment, energy, and education, balancing them with investment in longer-term restructuring beneficial to all of Korea (not just the North). Sequencing of tasks will also be critical as well as use of, and respect for, practices on the ground in the North that work. Some practices may not be the best ones, by rational terms, but if they work for the North and cause no harm, then planners must adapt to these subtleties.

Dealing with a collapsed North Korean regime will be easier if it does not collapse. That is, it is critical that policies are undertaken today to address some of the problems the conference foresaw for the future—from public health and marketization of the economy to academic exchanges and environmental degradation. The cost could be prohibitively high, as is well known. But dealing with these issues today can help to ameliorate some of the problems. Without preparations now, the costs and problems associated with collapse in North Korea may be so high that the South Korean people will grow resentful and perhaps even vicious toward their Northern neighbors. International cooperation will be critically important, yet this topic is very sensitive. Some parallel “six party talks” could be important for setting up ways to communicate. And finally, preparing for things *not to do* is important: we know that any plan will likely be changed, and we know that there will be problems. The question is thus how to avoid the most obvious problems, and how can adjustments be made on the fly?

**YOON, JEUNG-HYUN**

Minister, Ministry of Strategy and Finance

윤증현

기획재정부 장관

Minister Yoon Jeung-Hyun became the Minister of Strategy and Finance on February 10th, 2009. As the Minister of Strategy and Finance, he oversees the direction and coordination of major economic policies, creation of fiscal policies, formulation of the budget, management of the treasury as well as assuming a major role in international finance & international economic cooperation.

Mr. Yoon began his career as a public official at the Ministry of Finance and spent the greater part of his career formulating and implementing the government's tax and fiscal policies. During the 1990s, Mr. Yoon was intimately involved in some of the most significant government economic and financial policies. In 1989, he successfully led the government effort aimed at improving the transparency of financial transactions with the enactment of the Real Name Financial Transaction Law. In 1992, he played a key role in formulating the government plan for capital market liberalization. As Deputy Minister of the MOFE in charge of Tax and Customs policies, Mr. Yoon led numerous tax reform efforts on real estate and financial assets in 1996. He moved to the Financial Policy Bureau, MOFE in 1997 and oversaw the government's major financial policies for the banking, insurance, securities and the foreign currency regimes. From 1999 to 2004, he worked at the Asian Development Bank as an Executive Director responsible for Korea, Papua New Guinea, Vanuatu, and Vietnam. In August 2004, Mr. Yoon became the fifth Chairman/Governor of the FSC/FSS. Serving in this position until August 2007, he oversaw Korea's financial market to ensure the safety and the soundness of financial institutions.

[오찬연설]

아시아 경제통합의 비전과 방향

윤증현,

기획재정부 장관

1. 인사말씀

존경하는 석학, 그리고 신사 숙녀 여러분, 안녕하십니까?

점심식사는 맛있게 하셨는지요?

먼저 오늘 세미나를 위해 멀리서 한국을 방문해 주신 여러분들을 진심으로 환영하며, 오찬사 기회를 마련해 주신 박세일 이사장을 비롯한 관계자들에게 우선 감사를 드립니다.

금번 개최되는 세미나는, 한반도 통일과 이를 바탕으로 한 동북아 공동 번영에 주어져 있습니다. 아시아의 공동번영을 위해서는 정치, 경제, 문화적 측면에서 다양한 노력이 필요하지 않나 생각합니다. 그런 측면에서 오늘 세미나가 아시아의 공동번영을 위한 디딤돌 역할을 하기를 기대합니다.

클라이드 프레스토위츠(Clyde Prestowitz)는 부와권력의 대이동이 아시아로 향하고 있다고 말하면서 아시아의 부상에 대해 설파하였습니다. 그러나 스테픈 로치(Stephen Roach, 2009년)는 금융위기 이후 아시아가 낡은 방식을 버리고 새로운 성장 모델을 찾아야 한다고 경종을 울리고 있습니다.

아시아는 세계경제의 주역으로 떠오르면서 동시에 금융위기 이후 새로운 방향을 모색해야 하는 과제에 직면해 있습니다. 따라서 저는 오늘 아시아가 직면한 새로운 과제 중 경제적 측면에서, 아시아통합의 비전과 방향에 대해 말씀을 나누고 싶습니다.

2. 세계 경제 동향과 역내 경제동향

귀빈 여러분, 우선 먼저 최근의 세계 경제 및 아시아 역내 경제동향에 대해 간략히 말씀 드리는 것으로 시작하겠습니다.

최근의 세계 경제는 금융위기의 성공적 극복이라는 기억을 뒤로 하고, 한마디로 불확실성의 심화에 싸여 있습니다.

세계경제는 신흥·개도국의 견조한 성장세, 선진국의 회복세가 지속될 것으로 예상되나, 아시아 신흥국을 중심으로 인플레이션 압력이 증가하고 있고, 국제유가는 중동·아프리카 정세불안 등으로 배럴당 \$100을 상회하고 있고, 곡물 등 다른 원자재도 수급불안 우려 등으로 상승세를 지속하고 있습니다.

국제금융시장은 대체로 안정세를 나타내고 있으나, 지정학적 불확실성, 유럽의 재정위기 등 변동성 확대요인이 잠재되어 있습니다.

아시아 역내 경제상황은 중국의 경제성장률 목표치 하향조정, 일본의 자연재해 등 불확실성에도 불구하고 수출과 내수에 힘입어 향후 2년간 견조한 성장세를 지속하며 세계경제 성장을 견인할 전망이다.

그러나 과도한 자본유입으로 인한 변동성 확대, 국제원자재 가격 상승으로 인한 물가상승 압력 등 위험요인도 상존하고 있어 적절한 정책조합과 함께 국제공조가 어느 때보다도 필요한 것으로 생각됩니다.

3. 아시아 경제통합의 필요성

존경하는 석학 여러분, 아시아 경제의 중요성은 역내 국가 서로에게뿐만 아니라 세계에서 점점 커져가고 있습니다.

오늘날 아시아의 경제생산은 대략 유럽이나 북미와 비슷한 수준까지 성장했고 2020년에는 구매력 평가 기준으로 유럽이나 북미보다 50%이상 커져 있을 것으로 전망됩니다. 경제통합이 이루어지지 않은 상황에서도 이러한 성과를 거두고 있다면, 왜 아시아의 경제통합이 중요한 과제가 되어야 하는 것일까요?

첫 번째는 시장의 요구가 있기 때문이라고 생각합니다.

아시아개발은행의 보고서(2008)는, 16개 주요 아시아 국가들을 대상으로 조사한 6가지 상호의존성 지표가 1998년 아시아 금융위기 이후 크게 증가했음을 보여주고 있습니다. 아시아 국가들이 상호 무역, 금융, 투자를 통해 하나의 경제단위로 통합되어 가고 있다는 증거입니다.

두 번째 해답은 아시아 지역의 경쟁력을 유지하기 위한 필요성에서 찾을 수 있습니다.

유럽, 북미, 중남미, 아프리카 등 전 세계 모든 대륙이 아시아지역보다 앞선 수준의

경제통합을 이루어 가고 있습니다. 각 대륙이 역내에서 관세를 낮추고 요소의 자유로운 이동을 허용함으로써 역외지역에 대한 경쟁력을 높여가고 있습니다. 그러면 아시아는 어떠한 모습을 띄고 있나요?

아시아의 개별 국가들은 전 세계에서 가장 다이내믹하고 신속한 경제 성장을 이룩하였지만, 지역통합차원에서는 경제통합의 가장 기초 단계인 공동 FTA는 경제규모측면에서 포괄범위가 너무 좁습니다.

셋째의 필요성은 경제외적인 요인에 있습니다.

아시아는 다양성 가운데서도 문화, 역사와 사상의 많은 부분을 공유하고 있어

공통적인 문제에 직면할 가능성이 높아 대응책도 함께 고민해야 하기 때문입니다.

넷째, 글로벌 경제 환경 변화가 아시아 지역 차원의 정책 대응을 요구하고 있기 때문입니다.

미국 국가정보위원회(National Intelligence Council, 2010)는 빠른 Globalization으로 인해 과거 개별 국경선 안에 머물던 위협요인들이 이제는 개별 국가 내에 머물지 않고, 글로벌 안정에 잠재적 위험을 더하고 있다고 지적합니다. 국가 간 spillover 효과가 경제변수에 주는 영향이 증폭되고 있어, 이러한 도전 요인에 대응하기 위해서는 지역 단위, 나아가 글로벌적인 정책 공조의 필요성이 커지고 있습니다.

다섯째, 지역단위의 정책대응은 아시아의 불균형 발전을 피하고 다 함께 성장하기 위해서도 반드시 필요한 접근입니다.

저는 지난 한 해 동안 G20의 의장을 맡으면서 글로벌 불균형을 해소하고 전 세계가 지속가능한 균형 성장을 위해서는 국경을 넘어서는 글로벌한 시각과 공조의식을 갖는 것이 매우 중요함을 깨달았습니다. 보다 넓은 시각에서 국경을 넘어 외부효과(external effect)까지 감안하여 정책을 입안할 때 비로소 지역 전체가 균형 잡힌 성장을 이루어 나갈 수 있다고 믿습니다.

4. 아시아 경제통합의 비전과 방향

신사 숙녀 여러분, 방금 말씀드린 다섯 가지 필요성에도 불구하고, 아시아지역의 경제통합을 이루어 나가는 것은 말처럼 쉬운 일이 아닙니다. 게다가 최근에는 지역 경제통합의 좋은 선례였던 EU가 재정위기로 인해 경제통합 회의론까지 직면하고 있습니다. 하지만, EU의 예는 아시아에게는 오히려 좋은 반면교사가 될 것으로

생각됩니다.

아시아 경제통합을 위해서는 현재 동아시아 지역의 협력의 모멘텀을 유지하면서 한걸음씩 나아가는 것이 필요합니다. 그간 동아시아의 협력은 ASEAN+3의 금융협력을 중심으로 이루어져 왔습니다. 금융협력은 주로, 1997년 외환위기의 원인이었던 통화와 만기의 이중 불일치를 해소하는 데 중점을 두어 왔습니다.

이러한 노력은 역내 금융안전망인 CMIM을 지난해 출범시켰고, 역내 발행 채권에 대한 신용보증을 위해 신용보증투자기구(CGIF)도 출범시키는 성과를 거두었습니다.

조속한 시일 내에 역내 거시경제 감시기구인 AMRO를 원활히 출범시키고, 역내 국경간 증권거래의 인프라인 역내증권결제기구(RSI) 설립을 차질 없이 추진해야 합니다. 이를 통해 외환위기의 극복 및 예방이라는 소극적 측면의 협력이 일단락되면, 역내 경제통합을 위한 적극적 발걸음을 내딛어야 할 것으로 생각합니다.

역내 경제통합은 토끼의 빠른 걸음보다 거북이의 꾸준한 걸음처럼 단계적이고 점진적으로 추진해 나가야 합니다. 급하다고 마차를 말 앞에 놓을 수는 없습니다. 현재처럼 FTA도 이루어지지 않는 상황에서 역내 공동통화도입 논의나 생산요소시장의 개방 논의가 설익게 이루어지는 것을 경계해야 된다고 생각합니다.

역내 경제통합의 첫 단계인 공동 FTA 추진을 위한 노력을 강화해야 합니다. 저 현재 양자 차원에서만 추진되고 있는 FTA를 ASEAN+3 다자 테이블에 올려놓고 논의하기를 희망합니다.

5. 맺음말씀

존경하는 귀빈 여러분, 1498년 5월 20일 포르투갈의 바스코 다 가마(Vasco Da Gama)가 아프리카를 돌아 인도에 다다르는 항로를 개척한 이후 그 뒤 5백년 이상은 서구 부상의 시대였습니다.

그러나 메가트렌드아시아(Megatrends Asia, 1995)와 메가트렌드 차이나(China's Megatrends, 2010)를 저술한 세계적인 미래학자 존나이스비트(John Naisbitt)는 ‘아시아의 부상’을 목격했고, 세계의 중심이 서양에서 동양으로 점차 이동하고 있다고 얘기합니다.

여러분 이솝 이야기의 ‘여우의 신포도’를 기억하시는지요? 여우가 길을 가다가 탐스러운 포도를 발견했는데, 아무리 노력을 해도 먹을 수 없으니까 ‘저 포도는 분명히 시어서 못 먹을 거야!’ 하고 스스로를 위안하고, 조력자를 찾아보지도 않고 쉽게

포기했다고 합니다.

아시아경제통합은 아시아에 꼭 필요한 달콤한 포도송이 같아 보이지만, 결코 쉽게 갈 수 있는 길도 아니며, 혼자 갈 수 있는 길도 아닙니다. 그렇다고 이솝 이야기의 여우처럼 쉽게 포기해서도 안 됩니다.

개도국 처음으로 G20을 성공적으로 치른 한국은 아시아경제통합이 아시아와 글로벌 커뮤니티에 안정과 시장 확대의 이익을 가져다 줄 것으로 믿습니다. 그래서 한국은 부지런한 거북이의 걸음으로 쉬지 않고, 아시아 국가들과 함께 아시아의 평화와 번영을 위한 경제통합의 노력을 지속할 것입니다.

부디 오늘 이 자리가 아시아의 공동 번영과 평화를 위한 다양한 생산적 대안들이 제시되기를 기대합니다.

경청해 주셔서 감사합니다.

[Luncheon Speech]

A Direction and Vision for Asian Economic Integration

Yoon, Jeung-Hyun

Minister, Ministry of Strategy and Finance

1. Introduction

Good afternoon, renowned scholars, honorable participants, ladies and gentlemen. I hope all of you enjoyed your lunch deliciously.

I sincerely appreciate your visit to Korea, traveling a long way to be with us today. I want to say “Thank you” to Dr. Se-Il Park, president of the Hansun Foundation, who gave me an honorable opportunity to stand here to make a luncheon speech.

We will hold meetings for the next two days on the theme of “*Integration of the Korean Peninsula: Transition Strategies and Visions for the Common Prosperity in Northeast Asia.*”

In order to ensure that everyone in the region shares in the prosperity, we need to make concerted efforts in politics, economics and culture; in that respect, I expect that our conference will play a role of a stepping stone for Asia’s common prosperity.

Dr. Clyde Prestowitz in 2005 argued “the great shift of wealth and power to the East is taking place”, while Dr. Stephen Roach in 2009, Morgan Stanley’s Asia Chairman raised the alarm to Asia, saying that “the current global recession is an important wake-up call for Asia - in effect, a challenge to the old way to find a new recipe for Asia’s growth model.”

I believe both arguments point to the right reality and direction for Asia. Now in the wake of the 2008 global financial crisis, Asia is facing its important challenge to map a new course for its growth.

Therefore, in order to help resolve Asia’s challenge, from an economic perspective, I would like to share with you my thoughts on *a Direction and Vision for Asian economic integration.*

2. Global and Regional Economic Developments

Distinguished participants,

First of all, I'd like to begin with a brief comment on the recent developments in both

global and regional economies.

Though the global economy still retains a good memory of successfully overcoming the crisis in recent years, a veil of uncertainty has yet to lift from the global economy with many challenges yet to be dealt with.

In 2011, a solid growth in emerging and developing economies and the pace of recovery in advanced countries are expected to continue while inflationary pressure is rising in emerging markets in Asia.

Meanwhile, oil price remains in excess of USD 100* per barrel due to high demand for heating fuel, combined with speculative capital, and political unrest in the Middle East and North Africa. Prices of crops and other commodities are also on the rise due to concerns of unstable supply conditions.

Recently, the global financial market has mostly calmed, however volatility persists in the market due to geopolitical uncertainties in the Middle East and North Africa, the European sovereign debt issue and other risk factors.

As for the regional economic situation in Asia, despite the prospect of a lower growth in China and the recent disaster in Japan, the regional economy is expected to grow on a solid footing for the following two years according to the latest forecast of ADB, backed by exports and domestic demands.

However, many potential risks such as inflation, overheating and excessive capital inflows and their volatilities still remain. Therefore, I believe that we are in a critical juncture to make a proper policy mix and international coordination to deal with such risks.

3. The need of Asian Economic Integration

Honorable scholars and participants,

Asian economies are becoming more important to each other and to the rest of the world. According to the ADB's forecast, Asia's output today roughly equals that of Europe or North America, and is expected to be 50 percent larger by 2020, in terms of purchasing power parity.

Asia appears to be doing fine even without economic integration, and some people might question the rationale for economic integration in Asia. I have five answers for those skeptics, which I intend to share with you right now.

First, the market calls for integration. ADB's recent study (2008) found that six measures of interdependence for 16 major Asian economies have increased remarkably since the 1998 Asian financial crisis.

As Asia's economies grow larger and more complex, they also become more integrated

and intertwined through trade, financial flows, direct investment, and other forms of economic and social exchange.

Second, economic integration is essential for sustaining the competitiveness of the Asian economy. Other regions, including Europe, North and South America and Africa* are seeing more advanced levels of economic integration than Asia. By lowering the customs barrier and allowing freer movement of production elements, these regions are becoming more competitive.

Now, we are asking ourselves “what is the status of Asian economic integration?” Over the last decade, while Asian economies achieved the most dynamic and rapidly growing economic performances in the world, Asia seems to be lagging behind, as it has not even reached the basic stage of economic integration, as in a regional FTA.

Ten ASEAN nations concluded an FTA, but scope and level of its commitments in the FTA are not as comprehensive and high as other advanced regional agreements.

Third, some of the reasons necessitating an economic integration are outside the economic realm. Though much diversity is found in the region, Asian countries have much in common in terms of culture, history and philosophy. Thus they are likely to encounter problems of a similar nature, and will need to work together for solutions.

Fourth, a changing global economic environment calls for policy responses from Asia on a regional level. According to the report of US National Intelligence Council in September 2010 on *the Global Governance 2025*, quote “with the emergence of rapid globalization, the risks to the international system have grown to the extent that formerly localized threats are no longer locally containable but are now potentially dangerous to global security and stability.”

Spillover effects between countries and economies are amplifying their impacts on economic variables. In order to cope with those challenges and difficulties, the need to coordinate economic policies on a regional and a global level is greatly increasing.

Fifth, efforts for a region-wide policy response are essential to curbing imbalances in the growth of Asian countries and ensuring shared growth.

Ladies and gentlemen,

Last year, as G20 Chair, I came to realize the importance of having a global-level perspective and a spirit of togetherness in order to mitigate global imbalance and achieve sustainable and balanced growth.

Balanced growth on a regional level can be only achieved when policies are designed that are truly transnational, in full consideration of external effects.

4. A vision and Direction of Asian Economic Integration

Distinguished participants,

It is without question that achieving economic integration is a very demanding task. It's easier said than done.

In the past, EU was regarded as an exemplary case of regional economic integration. But, many are currently watching the EU due to an issue of sovereign debt crisis, whose path has not been smooth but shaky, with worried expressions.

However, we should still endeavor to achieve successful economic integration nonetheless, reflecting on the lessons of the EU.

To this end, we will maintain momentum for cooperation in East Asia, and take steps forward one by one. Until now, a key element of cooperation in East Asia has been the financial cooperation among ASEAN+3 countries.

And the regional financial cooperation has focused on resolving the double mismatch of currency and maturity that was the main cause of the financial crisis in 1997.

These efforts led to the establishment of a regional financial safety net, CMIM (Multilateralization of Chiang Mai Initiative), last year, as well as the launching of the CGIF (Credit Guarantee Investment Facility) to strengthen credit guarantees for regional bonds.

Our remaining tasks include timely launching of the AMRO (ASEAN+3 Macroeconomic Research Office), a macroeconomic surveillance unit, and the RSI (Regional Settlement Intermediary), to enhance cross-border security transaction in the region.

With these mechanisms in place, we will no doubt be better-prepared to prevent and overcome a financial crisis. However, it does not obviate the need for a more progressive and future-oriented plans for regional economic integration.

Regional economic integration requires a gradual approach. We should not rush it and make the mistake of putting the cart before the horse.

In other words, we are still in the process of promoting FTAs in the region, and it might be premature to discuss possibilities as to the use of common currency or opening markets for production factors.

Above all, we should redouble our efforts to pursue a common regional FTA as a preliminary step toward economic integration. It is my hope that we would engage in a discussion of a common regional FTA on the ASEAN+3 multilateral table.

5. Conclusion

Honorable participants, ladies and gentlemen,

In May 20th, 1498, Portuguese Vasco Da Gama opened a new horizon of reaching India around Africa by sea. Since then, the history has observed the emergence of the West.

However, John Naisbitt, a world visionary futurist and best-selling author of *Megatrends Asia (1995)* and *China's Megatrends Asia (2010)*, says that he is observing the emergence of the East and the center of the world economy is moving towards the East.

Ladies and gentlemen, do you still remember the story of the Fox and the Grapes in a fable of Aesop?

“One fine spring day, a fox saw some juicy grapes hanging from a vine. He jumped up, tried, and tried again to reach the grapes, but the grapes were just out of reach. In the end, the fox decided to give up, saying to himself: I thought those grapes would be sweet but now I can see that they are quite sour.”

The Fox gave up easily and did not seek helpers who are willing to work together. While Asian economic integration appears to be sweet grapes necessary to benefit Asia, it is neither the way of coming easily, nor the way of proceeding alone.

But that does not mean that we should simply give up our vision of Asian economic integration like the fox in the Aesop's fable.

Korea, the first developing country successfully hosting the G20 Seoul Summit last year, believes that Asian economic integration will bring benefits of stability and expanded markets to the global community as well as Asia.

Make no mistake, Korea will continue to make efforts to move towards Asian economic integration like a tortoise slowly but steadily moving towards the aim without a nap, together with Asian countries for our peace and prosperity.

I hope to see that our discussions today and tomorrow will contribute to making productive ideas and directions for Asia's common prosperity and peace. Thank you for listening.

Integration of the Korean Peninsula

Session 2

April 7th, 2011

**Session 2: Integration of the Korean Peninsula:
Envisioning the Architecture of Common Prosperity in Northeast Asia**

MODERATOR

CHOI, KANG (Professor, Institute of Foreign Affairs and National Security)

PRESENTATION

TANAKA, NAOKI (President, Center for International Public Policy Studies)

BALBINA Y. HWANG (Visiting Professor, Georgetown University)

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외교안보연구원 교수

CHOI, Kang (Ph.D., the Ohio State University) is a professor and Director-General for American Studies at the Institute of Foreign Affairs and National Security, Ministry of Foreign Affairs and Trade. From 1992 to 1998, and from 2002 to 2005, Professor CHOI worked in the Korea Institute for Defense Analyses (KIDA). When at KIDA, Professor CHOI assumed various positions such as Chief Executive Officer, Task Force for Current Defense Issues, Director of International Arms Control Studies, and one of the editors of Korean Journal of Defense Analysis (KJDA). He has done researches on arms control, crisis/consequence management, North Korean military affairs, multilateral security cooperation, and the ROK-US security alliance. From 1998 to 2002, he served in National Security Council Secretariat as Senior Director for Policy Planning and Coordination. He was one of South Korean delegates to the Four-Party Talks.

Professor CHOI has published many articles including “An Approach toward a Common Form of Defense White Paper,” “International Arms Control and Inter-Korean Arms Control,” “Inter-Korean Arms Control and Implications for the USFK,” “Future ROK-US Security Alliance,” “North Korea’s Intentions and Strategies on Nuclear Games,” and “A Prospect for US-North Korean Relations: beyond the BDA issue.”

Professor CHOI holds several advisory board membership including Committee on Foreign Affairs, Trade, and Unification of National Assembly, Ministry of National Defense, Ministry of Unification, and the National Unification Advisory Council.



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Education

1968 B.A.(Law), the University of Tokyo
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Career

1971 Senior Fellow of Kokumin Keizai Research Institute.
1984 Started activities as an Economic analyst.
1997.4 -2007.3 President of the 21st Century Public Policy Institute
1998.7 -2009.2 Member of Financial System Council (Financial Services Agency)
2001.1 -2010.4 Member of Fiscal System Council (Ministry of Finance)
2002.1 - Member of Advisory Council on the Court in the Future (Supreme Court of Japan)
2005.3 - Discussion Group on the Money Lending Business System (Financial Services Agency)
2006.4 - Chairman of Postal Services Privatization Committee
2007.4 - President of Center for International Public Policy Studies
2009.3 - 2011.1 Chairman of Financial System Council (Financial Services Agency)

Works

1990 “Grand Vision of Japan”
1992 “Towards the Twenty-first Century – A Vision for the Japanese Economy”
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2010 “The world and Japan in 2015 : Possible scenarios” (co-written with Center for International Public Policy Studies)

일본 대지진 후 동아시아 경제 공급망관리(SCM)의 부활

다나카 나오키

국제공공정책연구센터 이사장

일본의 대지진과 쓰나미, 원전 사고는 동아시아 국가 간의 관계에 대한 논의에 시사점을 제기한다. 일본의 참사가 발생하자 즉시 한국과 중국의 구조대가 도착한 것에서 볼 수 있듯이, 20세기의 과거사에도 불구하고, 동아시아 국가들은 이제 자연재해에 상호 지원하는 메커니즘을 제도화할 수도 있을 것 같다.

이번 지진으로 가장 주목할 만한 역내 파장은 일본이 생산하는 전자 부품 등의 역내 공급망관리(SCM: Supply Chain Management)의 붕괴로 인한 피해이다. 중국·한국·대만 등과의 부품 수출입이 영향을 받는 것을 물론이고, 일본의 산업수요 감소로 국제 구리 가격과 유가 하락의 요인으로 작용할 것으로 보인다. 동아시아의 SCM이 정상화되도록 일본은 신속히 피해를 복구해야 할 것이다. 또한 이번 지진은 동아시아 국가들의 원전 정책에도 영향을 줄 것이다.

한편 도시 건설과 에너지원 재편, 농업의 재건으로 요약되는 일본의 이번 피해 복구 사업은 한반도 통일 후 북한 재건에도 시사점이 될 것으로 보인다. 북한의 재건이 단순히 시차를 두고 근대화된 남한을 복제하는 것이라면, 우리는 21세기 역사를 만들어나간다고 할 수 없을 것이다.

Revival of SCM in post-quake East Asia first order of business

Tanaka, Naoki

President, Center for International Public Policy Studies (CIPPS)

The massive earthquake that hit northern Japan on March 11, the subsequent devastating tsunami and the Fukushima Daiichi nuclear power plants stricken by these natural disasters dealt an immediate impact on Japan's neighbors in East Asia. The rumor mills that have been humming on harms done by radioactive fallout are one thing. The evident structure of economic inter-dependence between Japan and its neighbors is quite another, because it is certain to have deep implications on their relations. Above all, Tokyo Electric Power Co. (Tepco)'s damaged nuclear power stations should have every possibility of rendering far-reaching effects on how electricity-generation maps should be rewritten in East Asia over the medium- to long-term. Notably, North Korea, amidst the current contingency of the region, once again stands outside the mutually defining framework that governs the region's members. This is a fact that could have an important bearing on our endeavor to attain peaceful reunification of the Korean Peninsula. Indeed, the latest disasters pose us an inevitable question once again as to how Japan should relate to East Asia, a task that is also crucial to Japan's reconstruction from the disasters.

No sooner had the disasters hit Japan than relief teams began arriving in the damaged areas in the Tohoku region from South Korea, China and other countries of East Asia. In only less than two days after the temblor and tsunami, more than 50 countries and regions of the world let their intentions known to offer relief for Japan, and obviously geographical proximity enabled relief teams from neighboring countries to get to Japan earlier than those of other nations. From now on, Japan and other countries of East Asia would do well to institutionalize a mechanism of mutual assistance within the region with regard to escape from danger caused by natural disasters. It is true that on the one hand, hard-to-conquer problems concerning the 20th century history exist even now for Japan's relations with South Korea and China. On the other, there has been marked progress in interdependence, which is bringing to stark relief Japan's new relationships with its neighbors.

What would be the consequences if Japan's exports to the world ground to a halt? Such a hypothesis has not been totally strange to Japan. As a matter of fact, the big quake that hit Kobe in 1995 did deal a direct blow to Japan's supply chain management, conjuring up a thought of possible dire effects on the flow of Japanese goods to the rest of East Asia. But the impact the latest disasters is causing to Japan's neighboring countries is fundamentally different from that of the Kobe quake for the following five reasons:

- 1) The temblor in 1995 essentially hit the areas centering around Kobe. Hence, it caused only limited economic damage to adjoining Osaka. It was for this reason that

Osaka, the major commercial city, was picked immediately as the site for the quake reconstruction center,

2) The latest calamity brought about tsunami-caused destructions along the 500km-long Pacific Ocean coastline of eastern Japan. This is resulting in a degree of confusion for the reconstruction process. Among the heavily damaged were hosts of industrial complexes situated in coastal areas.

3) As its nuclear power plants were damaged by the quake and tsunami, Tepco suffered a more than 20% loss in its power supply capacity. This is hampering the mobilization of concentrated reconstruction efforts.

4) The stricken Tepco nuclear power stations are directly spawning concerns over the spreading of radioactive contamination. And it will take some time before such worries are contained.

5) Since the beginning of the 21st century, supply chain management has made headway in wide areas of East Asia. The extent of SCM's regional permeation is such that any hitches in the delivery processes of export goods from Japan can result in confusion that is far greater than that in 16 years ago, at the time of the Kobe quake. The implication here is that an emergency in Japan can inevitably derail its SCM, sending adverse ripple effects to the rest of East Asia.

Let me look closely at SCM, which I mentioned in Reason No. 5. Many of Japan's exports bound for East Asian destinations are must items for importers; they carry price tags that are never cheap, but importers can ill afford not to purchase them. Those products include equipment necessary for manufacturing operations, electronic parts and parts for automobiles, among other things.

In 2010, Japan's exports to China, South Korea and Taiwan totaled \$176.7 billion, \$64.3 billion and \$51.9 billion, respectively. China-bound exports are largely for installation in assembly plants. Shipments to South Korea have had a tendency to increase as that country ramps up production capacity. Taiwan, meanwhile, has turned to Japan for electronic parts, that include silicon wafer, lithium-ion cells and semiconductor memory. With industries of these three economies tightly incorporated in the SCM structure converging in Japan, they are finding it difficult to find alternative suppliers other than Japan even in emergencies.

In light of such close production linkups that bind manufacturers in East Asia, it will be interesting to watch how global prices of industrial materials will turn out to be. For example, three-month futures prices of copper ingots traded on the London Metal Exchange, an international benchmark, have been increasingly softening since March 11, and a possibility cannot be ruled out that they will go down even further in April and afterward. The reason behind is that some copper users, hit by bottleneck-type supply shortages of parts and equipments, may be forced to curb output of their products. If things come to the point

where signs emerge of impending declines in crude oil prices, it would be safe to determine that more business people are beginning to predict an inevitable output curtailment.

The ongoing Tepco nuclear power plant crisis also is likely to have a major impact on the future of nuclear power generation in Japan and elsewhere in East Asia. In Japan at least, it will become a tough call to project a future composition of electricity generation sources with nuclear power playing the central role. The upshot might very well be a major change to the posture of the international community toward the prevention of global warming. The Intergovernmental Panel on Climate Change has done a fine job of having the world at large to have recognition that global warming is the result of man's activities. This is a laudable achievement. But the IPCC's subsequent countermeasures against climate change took on a physical nature, leading to discussions on the launch of exchanges for trading emissions rights and the introduction of a carbon tax. There also has been steady progress for efforts under the Clean Development Mechanism which enables the developed world to purchase the portion of contributions done by the developing world to curbing greenhouse gases.

However, it was certain that these endeavors to reduce the amounts of emissions were premised on Nuclear Renaissance, which looks to a revival of the nuclear power industry. At least it was so in Japan.

It can be said that the IPCC's activity has been more biased than otherwise toward creating a physical framework for reducing emissions. But the reality in Japan after the March 11 disasters may well make it inevitable for the country to disengage it from the methods espoused by the IPCC. The alternative for the world would be to try to achieve economic growth, increase the number of places of work and create value added through such efforts as curbing natural resources consumption and exploring ways for coexistence with nature. These are not for putting emphasis on physical methods but on addressing economic mechanisms themselves. It appears certain that at least when we discuss reconstruction of eastern Japan, new approaches need to be tried as we once again look into the composition of power generation sources for tomorrow's Japan.

When we think about these new approaches in the perspective of economic interdependence among countries of East Asia, what should Japan's messages to the rest of the region be? Clusters of Japanese companies have tried to have supply chain management they have developed in East Asia serve as the centerpiece of their strategies to increase value added for tomorrow. And it would be safe to say that those companies have already successfully built the targeted foundation. As touched on in the foregoing with respect to Japan's exports to China, South Korea and Taiwan, a "plate for coexistence" has already been assembled.

In reconstructing eastern Japan from the quake and tsunami damage, I would expect that work will begin in a rush to restore supply-side capabilities of Japan's economy by setting sights on SCM in East Asia. Our friends in South Korea and China ought not have doubt on such a course of reconstruction. However, in the wake of the March 11 disasters in Japan,

South Korea and China will be seeing a direction in Japan's economy which is different from what has guided their economic modernization.

Post-modernization (postmodern), in a nutshell, can be defined as establishing differential approximation methods. A range of proposals made thus far such as curbing consumption of resources, establishing resources-recycling methods and seeking ways to coexist with nature have been generally interpreted as something for the inner circles of philosophers and historians and not as food for thought for managers engaged in day-to-day running of businesses. In this sense, emissions-reduction requirements set by the IPCC, although they seemed rigorous for industrialized countries, could be seen methodologically as an extension of the past modernization efforts. Thus, a considerable number of experts at the frontline of business operations were led to believe that Japan should be able to clear the IPCC-set bars, such as launching of emissions rights exchanges and the CDM.

However, in reconstructing eastern Japan's agriculture, fisheries industry and urban structure, it would be neither appropriate to adopt resources-guzzling mechanisms nor would it be possible. To be sure, rebuilding SCM could be achieved within a short period of time because doing so swiftly is in Japan's interest as a member of East Asia. But this is a process that has to be tackled by the efforts of business managers who actually run SCM. Postmodern approaches will inevitably come to the fore in relation to essential activities for harnessing nature and natural resources, such as reconstruction of cities, electric power sources and agricultural management. This means that Japonism will face a crucial test in the 21st century as March 11 leaves its mark as an indelible historic milestone.

What will be the impact the latest disasters in Japan will have on North Korea? Reunification of the Korean Peninsula of course highlights the importance of modernization of North Korea's economy, and that is where people of South Korea are trying hard to write a blueprint. But it could also be that Japan's post-March 11 reconstruction drives in each of urban structure, energy sources and agriculture, for example will serve as reference indicators for North Korea of tomorrow. That is to say, creating a replica of today's South Korea in North Korea, after a certain time lag, cannot be called a history in the making in the 21st century.



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발비나 황

조지타운대학대학교 초빙교수, 前 미국 국무부 동아태차관보 정책보좌관

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Dr. Hwang earned her Ph.D. in Government from Georgetown University; an MIA (Masters of International Affairs) from Columbia University; an MBA from the Darden Business School at the University of Virginia; and a BA in Philosophy and Government from Smith College. She has taught at American University and the University of Maryland.

동북아시아 공영 구도에 대한 구상

발비나 황

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前 미국 국무부 동아태차관보 정책보좌관

한반도 문제는 세계에서 가장 다루기 힘들고 잠재적으로 불안정한 문제 중 하나로 남아있다. 최근 벌어진 동북아시아의 드라마틱한 변화들은 중국의 급부상에서 기인한다. 중국은 경제 성장과 함께 동북아에서도 정치적인 영향력이 커졌지만 북경 당국의 정책 의도가 불분명하기 때문에 불안정성의 요인이 되고 있다.

과거 중국 주변의 소국으로, ‘고래 사이에 낀 새우’와 같은 역사적 경험을 가진 한반도는 미-중 두 강대국의 움직임에 민감하다. 중국은 한국에게 미국보다 큰 무역 파트너이면서 동시에 북한의 경제 생존을 위한 생명줄이기도 하다. 중국의 남북한 관계에 대한 두 갈래 접근방식과 최근 벌어진 천안 함 사건과 연평도 포격, 북한 김정일 위원장의 중국 방문 환대에 드러난 중국의 동북아 패권 강화 움직임은 한국에게 많은 과제를 던지고 있다.

동북아 정세는 이렇게 중국의 외교정책에 대한 불확실성과 북한의 도발이 겹쳐지면서 불안정해지고 있다.

하지만 중국의 목소리가 커지면서 동시에 미국과 일본, 한국의 협력은 전례 없는 수준으로 강화되고 있다. 일본은 민주당 정권 교체 후 미국과 소원한 관계가 되었고, 지난해 중국과 센카쿠, 러시아와 북방섬 영토분쟁을 각각 겪었다. 동북아에서 강대국 지위를 유지하기가 불확실해지고 있는 일본은 미국, 한국 등 우방과의 관계 강화를 피하고 있는 것이다.

“Envisioning the Architecture of Common Prosperity in NE Asia”

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The division of the Korean peninsula remains one of the most intractable and potentially destabilizing problems in the world today. While questions of how and when the two Koreas become integrated are of obvious importance to the Korean people on both sides of the 38th parallel, this process will engender profound consequences for the entire East Asia region and beyond.

Discussions of the future integration on the peninsula tend to fall into two distinct categories: those that focus on inter-peninsular issues or those that analyze the future roles and functions of regional players. What is lacking is a comprehensive examination that takes into consideration the current regional dynamics which are rapidly evolving, and how these factors may dramatically impact the role of key players in any future unification process. The lack of such a focus is perhaps understandable given that the division of the Korean peninsula itself was a function of Cold War dynamics, and this is a condition most deem to be a historical relic rather than of contemporary significance. But it is precisely because the regional environment surrounding the Korean peninsula has so dramatically changed while the differences between the two Koreas remain frozen in place that any realistic discussion of Korean integration within the context of an architecture for common prosperity and stability in Northeast Asia must take into consideration the complex and rapidly changing nature of regional dynamics.

As such, this presentation eschews the traditional focal points of inter Korean relations, or the United States and China as the key players in any future integration. Rather, the argument here is that an overlooked and undervalued dyad, ROK Japan cooperation, may be the key to building a stable basis for stable Korean integration, particularly given such fluidity in the regional environment.¹

A New Regional Environment

Much of the dramatic change in East Asia is attributed to the rise of Chinese power which is accepted almost universally as inevitable and dominant. Almost as dominant is a view of the United States as in a relative state of decline, in Asia if not the world; personally I do not accept this view, but I am willing to acknowledge that this *perception* is pervasive. In part this view was reinforced by the Obama Administration early in its tenure by triumphantly

¹ The discussion that follows is drawn from Balbina Hwang’s Testimony before the U.S.-China Economic & Security Review Commission’s Hearing on: “China’s Active Defense Strategy – Response from Regional Neighbors,” held on January 27, 2011, in Washington, D.C.

declaring that “America has returned to Asia.” While it is understandable why a new Administration would want to establish clear differentiation from its predecessor through policy and tone, the framing of U.S. strategy in Asia as a “return” to the region only served to reinforce unjustified criticism among many Asian nations that the United States had somehow retreated or withdrawn its interests and presence in this critical region. (As someone who had the privilege of working in the Bureau of East Asian Pacific Affairs at the State Department from 2007-2009, I can personally attest to the fact that thousands of diligent public servants continued to dedicate their lives to furthering our presence and interests in Asia throughout the Bush Administration.)

But perhaps even more damaging about this framing of U.S. interests in the region is that it has ceded control of the rhetorical narrative about shifting dynamics to China. Because the world seems to have accepted the inevitability of a rising China, and China has done a remarkable marketing job in categorizing this rise as “peaceful,” uncertainties resulting from changes to the regional status quo are now readily assigned to the “reassertion” of U.S. interests or “American reactions” in the region, rather than as a result of changes wrought by China itself. Note for example a recent editorial in the *Global Times* (an official Chinese publication) expressing Beijing’s reaction to Washington’s recent efforts at closer regional engagement and “interference” in the Yellow Sea: “Since the United States declared its return to Asia, the frequency of clashes in the Korean Peninsula has accelerated. Instead of reflecting on this, South Korea became more obsessed with its military alliance with the United States.”²

The rapid economic growth and development of China alone do not account for the depth of uncertainty and anxiety about the future direction of the region; after all, countries throughout Asia such as Japan, South Korea, and the “Little Dragons” of East Asia have achieved spectacular economic prosperity without engendering commensurate concerns about their wealth being transferred to aggressive military might and ambition. China’s rise seems to be different not just due to its sheer magnitude in size and breadth but more significantly because it has been accompanied by a significant shift in its foreign policy stance. After decades of abiding by Deng Xiaoping’s admonition to restrain Chinese foreign policy in order to advance its peaceful rise, a much more confident Beijing now seems to relish exerting its strength and displaying its achievements. Thus it is not just the increase in Chinese capabilities but rising uncertainty about Beijing’s intentions that is cause for uneasiness. And regardless of disagreements over perceived responsibility for shifting regional dynamics today, changes in the regional and global status of the United States and China as well as their interaction is of great concern to every nation in Asia, and perhaps none more so than to America’s allies, Japan and South Korea (Republic of Korea, ROK).

At the core of Japanese and South Korean anxieties (arguably of North Korea as well) are fears that China is challenging the dominance of a U.S.-centric order in Northeast Asia and that increased capabilities will lead Beijing to re-establish a modern version of the ancient

² David Pilling, “Beijing is Not About to Prune Lips from Teeth,” *Financial Times*, December 2, 2010.

Sino-tributary system. This Sino-centric order is perhaps more sophisticated than cursory Western analyses tend to allow, for under this system hegemonic power is wielded through nominal equality but substantive hierarchy. Historically, China was at the apex of a hierarchical tributary relationship with “lesser” powers that retained their “sovereignty” and territorial integrity within the stratified order. Thus, territorial conquest was never necessary for China, the “Middle Kingdom,” to retain dominance and regional hegemony; it never bothered to conquer the ancient Kingdoms of Koryo (Korea), Annam (Vietnam) and the Ryukyu (Okinawa) which all remained independent and sovereign under Chinese suzerainty. Note that it was the West and Japan – which was the first Asian nation to embrace western notions of sovereignty – that forcibly seized control over these traditionally independent territories. As Christopher Ford (in his book *Mind of Empire*) observes, China “lacks a meaningful concept of so-called equal, legitimate sovereignties,” and as its strength grows, “China may well become much more assertive in insisting on the sort of Sino-centric hierarchy its history teaches it to expect.”³

Note that the Chinese preference for exerting its influence in regional multilateral organizations has the potential to be fraught with danger for the United States *if* we cede our own robust presence and interaction with individual Asian nations in favor of participating in the region solely or primarily through such regional arrangements. Western assumptions of qualitative equality based on sovereignty do not necessarily coincide neatly with Chinese conceptions of the nominal equality but substantive hierarchy mentioned above. A withdrawal of U.S. leadership in favor of such institutional frameworks may achieve superficial cooperation but would lead to a dependence on the dominant exertion of Chinese influence, a dynamic that I believe the region as a whole is neither ready for, nor eager to embrace yet.

Indeed, the increasingly assertive Chinese maritime behavior we are witnessing today may be part of a broader strategy to exercise authority over smaller neighbors in the near term by pushing U.S. forces away from its maritime borders to demonstrate rights over the entire South and East China Seas. Under such Chinese dominance, “lesser” powers will not necessarily have to give up their independence or even have to emulate China ideologically, but they will have to show due respect, and if necessary provide appropriate concessions. One necessary concession in China’s view will be the reduction of U.S. influence in the region.

In an October interview with the *Zhongguo Xinwen She* (China News Service), Senior Colonel Wang Xinjun at the Academy of Military Science presented China’s self-image and how it wants to be perceived by the world: as “the two most important countries in the world,” China is the equal of the United States in international relations, security, economics, science and technology. He also argued that “in the course of promoting bilateral relations, both sides should gradually abandon the old alliance ties that are directed against a third party. It is an outdated tradition in international politics to form strategic alliances against a third party and such a tradition is not in keeping with the realistic trend of global international politics.

³ Christopher A. Ford, *The Mind of Empire* (University Press of Kentucky, Lexington, KY: 2010)

Defining China as a rival will do no good to peace and development in the region or the world at large.”⁴

Labeling Northeast Asian security dynamics which remain firmly anchored within the U.S.-led system of bilateral alliances as a defunct by-product of the Cold War makes for eloquent rhetoric and one that is dismayingly echoed by Western analysts, but they miss the mark in assessing contemporary conditions. It may indeed be true that “the Asia-Pacific region can no longer be understood in simplistic zero-sum calculations in which states threaten one another with military conquest.”⁵ But the notion that “interconnectivity and interdependence now define the region, and economic competition has trumped military competition as the means to power and pre-eminence,”⁶ is premature at best. If anything, increased economic, social and even political interaction in East Asia have worked to reinforce the continued preeminence of traditional measures of hard power even while expanding an additional role for soft power.

This shift is not due to any decline of U.S. power presence in the region, nor a function of China’s military modernization alone, but rather an increase in Chinese confidence borne from its explosive economic growth and expanding global presence. Since the end of the Cold War, Chinese considerations of U.S. supremacy and power were primarily formulated from three American military operations in the 1990s: Desert Storm in 1991; the American response to the Taiwan Strait Crisis in 1996; and the U.S. role in Kosovo in 1998. But recent self-assurance reinforced by its sole recovery from the global economic crisis has contributed to the expansion of Chinese strategic thinking to include the need to defend China’s national interests in maritime, air, space and cyber environments, both near its borders and beyond. While sea and air defense area denial are short-term and tangible goals, the Chinese strategic vision seems to be much more expansive in the long-term.

In the face of such changes, but more important given the *lack* of fundamental changes in the basic security dynamics in the region, there is no question that U.S. bilateral alliances with South Korea and Japan remain the fundamental pillars upon which continued stability rests. Yet, despite the fact that the stark lines of contrasting Cold War security interests remain intact, the blurring of economic interests have served to amplify the twin fears of entrapment and abandonment that have perennially plagued America’s junior allies. The two countries’ worst fear as is the case of many other nations in East Asia is to be caught in the middle of a U.S.-China battle for regional supremacy. As the United States moves forward in refining and articulating its strategy in the region, Washington should remain mindful of the

⁴ *Zhongguo Xinwen She* is a Chinese language and official news journal whose primary target audience is overseas Chinese. Senior Colonel Wang Xinjun is Research Fellow at the Department of War Theory and Strategic Research at China’s Academy of Military Science. (Nightwatch: October 14, 2010; http://www.kforcegov.com/NightWatch/NightWatch_10000266.aspx)

⁵ Abraham Denmark and Brian Burton make this argument in: “The Future of U.S. Alliances in Asia,” *Global Asia* (Vol. 5, No. 4, Winter 2010)

⁶ *Ibid.*

concerns of its allies and acknowledge their crucial contribution in efforts to proactively and peacefully meet the challenges presented by an evolving China.

The ROK's Strategic Shift

When Lee Myung-bak was inaugurated President in early 2008, many expected the national security strategy of the ROK to shift dramatically away from the left-leaning orientation of the two previous administrations under Kim Dae-Jung (1998-2003) and Roh Moo-Hyun (2003-2005). While certain policies – especially towards the United States and the alliance underwent changes in tone and substance in the first two years of his administration, Lee found a South Korea public deeply divided with little appetite even among its skeptics for a return to a more confrontational approach towards the North. Thus, a complete overhaul of South Korea's national security stance did not occur until 2010 in the aftermath of two dramatic North Korean provocations: an international investigation concluded that on March 26, North Korea torpedoed a South Korean warship the Cheonan killing 46 sailors. And on November 23, North Korea shelled South Korea's Yeonpyeong Island in an artillery barrage, killing four and wounding 18.

The history of North Korean provocations is long and spans the six decades since the signing of the Armistice halting the Korean War in 1953, and Pyongyang directly challenged Lee Myung-bak's resolve with two missile launches (April 5 and July 4, 2009) and a nuclear test (May 25, 2009). But the two attacks in 2010 had a heretofore unseen galvanizing effect on the South Korean government and its people. Arguably, this was due not just to the qualitative difference of the attacks – the death of South Korean citizens is far more tangible than the more abstract and less immediate threat posed by missile launches and nuclear tests but China's desultory response, which contributed to a sea-change in South Korean attitudes about its national defense strategy. These are reflected in the recent publication of the nation's Defense White Paper 2010, which designates North Korea the “enemy” of South Korea, a classification not used for six years.⁷ Notably, the document does not revive the designation of the DPRK (Democratic People's Republic of Korea, or North Korea) as the “main enemy” which had been used in the 1990s. While Chang Kwang-Il, the Deputy Defense Minister for Policy explains that this designation is meant to inform the South Korean public of the reality of North Korea and send a strong warning to Pyongyang, what is left un-specified also sends a message: that other enemies and threats to the Republic of Korea exist.

Beyond the symbolic significance of the enemy designation, a more profound shift in South Korean attitudes is undoubtedly taking place. Korea like many other small nations has traditionally prioritized its security concerns around immediate threats which have been Peninsular based; given the unresolved state of war with North Korea this focus is quite

⁷ The 2010 Defense White Paper was published on December 31, 2010, and can be found (in Korean) at: http://www.mnd.go.kr/mndEng_2009/DefensePolicy/Whitepaper/index.jsp. The official English translation is not yet available.

logical. But as a result, regional and global security issues have always ranked much lower if at all in the Korean consciousness; this is in direct contrast to U.S. security concerns, which have always been framed within the global context first and foremost, then the regional, and finally the Korean Peninsula and only then insofar as to its regional implications. This fundamental contrast in orientation of priorities has often been the source of friction between the two allies as they struggled to coordinate essentially overlapping interests. Only recently have the broader strategic concerns of the United States and South Korea seemed to coalesce beyond the Korean Peninsula and it is increasingly focusing on China.

China has undeniably been the foreign nation of the greatest importance to Korea throughout its long history, beginning with a short-lived Chinese conquest of the ancient Chosun kingdom at the end of the fourth century B.C. For more than two thousand years since then, the fate of the two cultures has been inexorably intertwined. Valued more for its strategic than intrinsic value, the Korean Peninsula was the geographical “dagger” pointed at the heart of Japan and served as the natural conduit for access both to and off the Asian mainland. Indeed, the final death knell of the Chinese empire, marked by its ignominious defeat by the upstart Japan in the Sino-Japanese War (1894-1895), was essentially a battle over control and access to the Korean Peninsula (as was the subsequent Russo-Japanese War in 1904). And China’s special relationship akin to “lips and teeth” with North Korea was forged from the very inception of the DRPK in 1947. This long history with the “Middle Kingdom” has meant that both South and North Korea’s relationship with the neighboring giant is profoundly complex. And as the “shrimp among whales,” the smallest of independent countries surrounded by powerful neighbors, Korea – both unified and divided – has been particularly sensitive to the maneuverings of great powers.

The outbreak of the Korean War and the ensuing Cold War was in many ways a period of clarity for both Korea’s position vis-à-vis China. As long as the PRC and the United States stood on opposite sides of the Cold War divide, the two Koreas were secure in their proper places in the shadows of their larger partners. But the Sino-Soviet split in the 1970s, followed by détente between the U.S.-and China, and then finally normalization of relations between Seoul and Beijing, China’s relations with the two Koreas have been a delicate balance of intersecting and often conflicting interests. Today, China has surpassed the United States as the ROK’s largest bilateral trading partner (exceeding \$1.5 billion in trade in 2010), but China is also the lifeline for North Korea’s economic survival. And despite growing international pressure on Beijing to use its economic leverage vis-à-vis Pyongyang to rein in its provocative behavior, a Chinese company instead recently signed a letter of intent to invest \$2 billion in a North Korean industrial zone.⁸ Notably, this agreement - which if realized would be the largest investment in North Korea to date by a foreign country was signed on December 20, 2010, the same day that South Korea conducted a closely watched

⁸ China’s Shangji Guanqun Investment Company signed an agreement on December 20, 2010 in Pyongyang with North Korea’s Investment and Development Group to develop infrastructure in the Rason Special Economic Zone near North Korea’s border with Russia. (Jay Solomon, “Chinese Firm to Invest in North Korea,” *Wall St. Journal*, January 19, 2011.)

artillery test from Yeonpyeong Island after the initial North Korean attack on the island. China's embrace of North Korea, despite its continued recalcitrant behavior in the last eight months, has served to encourage Pyongyang to behave with impunity.

Meanwhile, Beijing's stern opposition to joint U.S.-ROK military exercises designed to strengthen deterrence against North Korea in the wake of the Yeonpyeong shelling, was a strong and disturbing signal to Seoul about China's strategic interests in the region. Chinese attitudes towards South Korea were on full display November 27 during State Councilor Dai Bingguo's visit to Seoul, where he reportedly gave President Lee Myung-bak a condescending history lesson on the relations between Beijing and Seoul and did not mention the North Korean attack on Yeonpyeong, instead telling Seoul to "calm down." Finally, Dai called for resumption of the Six-Party Talks, and when this was rejected by Lee who argued that given North Korean actions, talks would be tantamount to rewarding North Korean bad behavior, Dai ignored Lee's rejection and soon after his return to Beijing, China announced a "bold initiative" calling for an immediate resumption of multilateral talks.⁹

Such a disappointing Chinese stance to North Korea's latest provocation only served to reinforce the negative position taken by Beijing after the earlier North Korean attack on the Cheonan. Despite diligent efforts by the Seoul government to press Beijing to recognize North Korea as the perpetrator of the Cheonan sinking, Chinese leaders have stubbornly refused to endorse the results of an international investigation and its findings, and instead continued to play both Koreas against each other throughout the summer of 2010. Only three days after a summit meeting in Shanghai between Lee Myung-bak and Chinese President Hu Jintao, Hu was in Shenyang feting the arrival of Kim Jong Il and his son and heir apparent, Kim Jong-Eun on a rare trip to China.

Both Koreas have long tolerated China's bifurcated strategies to maintain ties with both sides of the Peninsula even if it has meant playing one against the other. And both are long familiar with China's assertions of superiority and dominance over the Peninsula, as evidenced by the grand controversy that erupted between Beijing and Seoul in 2004 over the origins and historical legacy of the Goguryeo Kingdom (37 B.C. to 668 A.D.). While the bitter recriminations over an ancient and defunct kingdom may seem to be a bemusing historical anomaly to those outside Asia, for Koreans the incident was a profound manifestation of deep and unsettling Chinese strategic ambitions in the region. While Japan has long-served as an easy and superficial target of Korean recriminations against historical injustices suffered by the Korean people, it is the uncertainty about Chinese dominance that has always presented the far greater challenge to Korean interests than any potential resurgence of Japanese power. This dynamic, long buried and until recently grudgingly

⁹ According to South Korean officials, Beijing sent notice only 15 minutes before Dai's departure that he was headed for Seoul and that he wanted to land at a South Korean air force base that is normally reserved for Heads of State. Beijing also informed South Korea that Dai wanted President Lee Myung-bak's schedule cleared for an immediate meeting. The Blue House did not agree and Dai met Lee the next day. (John Pomfret, "U.S. Raises Pressure on China to Rein in North Korea," *Washington Post*, December 6, 2010.)

acknowledged, is becoming more manifest in South Korea's recently articulated defense strategies.

Ironically, it is increasingly bold Chinese assertions that have contributed to South Korea's growing willingness to meet these challenges more openly. Beijing has steadily raised a stream of objections against pro-active defense measures involving the United States in cooperation with the ROK and Japan in recent months. For example, in reaction to the U.S.-ROK naval drills in the Yellow Sea involving the *USS George Washington* on November 28-December 1, the Chinese Foreign Ministry warned that "China opposes any military acts in its exclusive economic zone without permission."¹⁰ China also openly disapproved of U.S.-Japan naval exercises on December 3-5, and ROK drills in the Yellow Sea on December 18-21. On December 2, the PRC Foreign Ministry spokesperson asserted that "military alliances and displays of force cannot solve the issue," expressing hopes that the U.S.-ROK-Japan trilateral in Washington would "ease tensions and promote dialogue."¹¹ And on December 27, China's Xinhua News Agency condemned the announced deployment of the *USS Ronald Reagan* to East Asia in response to North Korea's threat of a "sacred war" on the Korean Peninsula using nuclear weapons. Along with the *USS Vinson* in Guam, "three aircraft carriers in the same region are going to be interpreted as a signal of preparing for war," according to Major General Luo Yuan of the PLA's Academy of Military Sciences. Chinese analysts have accused the United States of increasing the danger of war in the region even though they claim the DPRK has shown restraint amidst a number of ROK drills they deem to be "provocative."¹²

Punctuating the negative reaction in South Korea to increasingly aggressive Chinese rhetoric was a tense incident in late December – eerily reminiscent of a similar incident involving Japan in September – which unleashed an unprecedented level of public demands for strengthening national defenses against perceived Chinese aggression. On December 18, the South Korean Coast Guard detained eight Chinese fishermen after their boat collided with a patrol ship which had approached 50 Chinese fishing boats suspected of fishing illegally in western South Korean waters. One of the Chinese boats capsized after intentionally hitting the patrol ship presumably allowing the other Chinese vessels to escape, and two of the fisherman died in the ensuing melee.¹³ South Korea and China signed an agreement in 2001 authorizing their respective maritime patrols to inspect foreign vessels fishing inside exclusive economic zones and to pursue those that flee to neutral waters. Beijing has demanded compensation from Seoul and in an apparent attempt to limit any further diplomatic fallout; the ROK government freed three of the fisherman in advance of completed investigation into the incident. The apparent bow to Chinese pressure has caused an uproar among the South Korean public and one major paper to declare: "This is a case of

¹⁰ Ian Johnson and Helene Cooper, "Beijing Proposes Emergency Talks on Korean Crisis," *New York Times*, November 29, 2010.

¹¹ "Trilateral Talks Aim at Joint Response," *China Daily*, December 3, 2010.

¹² "New ROK Drills Add to Tension on Peninsula," *China Daily*, December 27, 2010.

¹³ Leslie Hook and Song Jung-A, "Fears For Relations With Beijing as Seoul Holds China Fisherman," *Financial Times*, December 20, 2010.

the offender blaming the victim. Korea's sovereign right to defend its own territory cannot be compromised under any circumstances or by any country. [We] must be ready to make sacrifices and pay the price to defend this right. Only countries armed with firm resolve to defend their sovereign rights can wield any diplomatic clout on the international stage."¹⁴

It is unclear whether such surprisingly strong sentiments reflect a permanent shift in South Korea's national security strategy and a new-found willingness to address challenges emanating from China more openly, or are merely impassioned outcries from a society well-known for its heightened sense of nationalism and volatile public opinions. Regardless, what is clear is that a sea-change has occurred within the Seoul government's reorientation of national security priorities in the aftermath of North Korean provocations and Chinese assertions, and in the public's increased support for this change in focus and strategy, and its impact is likely to be a lasting one. Although tragic losses for the country, the Cheonan and Yeonpyeong attacks served the useful purpose of revealing weaknesses in the ROK national security management system as evidenced by its immediate overhaul in the aftermath of the incident¹⁵ to address immediate North Korean threats. Addressing future challenges from China is in many ways a far more daunting task for South Korea and the Korean Peninsula as a whole.

Japan's Shifting Security Strategy

Even as the United States and ROK were able to overcome a very difficult period of adjustment in the bilateral relationship in recent years, this same period has notably been marked by drift in alliance relations between the United States and Japan. Largely a function of political and social dynamics similar to those in South Korea in the early 2000s – the election of a progressive and in-experienced government that reflected the public's dissatisfaction with the status quo – Japan's quiet revolution to oust the dominant Liberal Democratic Party (LDP) in favor of the far more ideologically liberal Democratic Party (DPJ) has resulted in a period of tenuous relations between Tokyo and Washington for the last two years. However, nothing has done more to smooth over uneasiness in the bilateral relationship than a "shared disillusionment with China."¹⁶

While U.S.-Japan relations have always been anchored according to official rhetoric on a foundation of the shared values of democracy and open trade, in fact these positive values have been insufficient to resolve ongoing differences in alliance management. Indeed, even without any real resolution of the differences over the Okinawa base issue, the tone and level of strategic coordination between Japan and the United States has markedly improved in recent months.

¹⁴ "Chinese Trawler Incident Sets Bad Precedent," *Chosun Ilbo*, December 27, 2010.

¹⁵ On December 21, 2010, the ROK Blue House (Presidential Office) announced plans to reorganize the existing National Crisis Management Center into an Office headed by the Presidential Secretariat. (Yonhap News Service, "South Korea to Overhaul National Security Management System." December 12, 2010.)

¹⁶ Philip Stephens, "An Assertive China Stirs an Anxious Conversation," *Financial Times*, November 19, 2010.

While it is easy to attribute the improvement in bilateral relations on a more assertive China, it is as much a function of heightened Japanese anxiety over its own perceived decline and increased isolation in the region. Indeed, Japan seems to be bucking the prevailing trends in East Asia. Most economies in the region have recovered from the global economic crisis and are experiencing resurgent growth except Japan which remains sluggish; dynamic intra and inter-regional exchanges and interactions are booming along economic, social and cultural fronts even as Japanese society seems to be moving towards greater insularity. 2010 was a difficult year for Japan: China surpassed it at least statistically as the world's second largest economy; South Korea, Japan's "lesser" neighbor managed to steal the global leadership spotlight by hosting the G20 Summit eclipsing Yokohama as host of the APEC Leaders' Summit only a week later; and Japan's weak security stance was highlighted by a surprisingly aggressive Russia which boldly laid symbolic claim once again to lingering dispute over the Northern Territories¹⁷. As if disagreements with one large power in Northeast Asia were not enough, aggressive maneuvers by Chinese fishing vessels in the Japanese-controlled Senkaku (Diaoyu in Chinese) islands in the East China Seas elevated tensions with China to dangerous levels in September and revealed Japanese economic vulnerability when Beijing responded with a sudden ban on exports to Japan of rare earth minerals. And North Korean provocations throughout the year further punctuated Japan's passive and vulnerable position in the volatile region.

Perhaps it should not be surprising then that for the first time in its modern history since the Meiji Restoration launched a confident, strong and eventually Imperial Japan, the nation is beginning to talk about itself as potentially a "middle power" more akin to South Korea than the great powers of China, the United States, or even Russia. Japanese uncertainty about its future ability to maintain great power status in the region in the face of a more assertive China is surely behind recent efforts by Tokyo to closely cooperate with Seoul and unequivocally support South Korea, although North Korean provocations have also contributed to Japan's proactive stance.

During a two-day visit (January 11-12, 2011) to South Korea, Japanese Defense Minister Toshimi Kitazawa promised to work more closely with Seoul, primarily in the areas of intelligence-sharing and logistics. They agreed to share military information and cooperate in the purchase and exchange of some goods and services. These cooperative measures will be guided by the "Acquisition and Cross-Servicing Agreement" (ACSA) that would allow the two countries to exchange basic non-arms military supplies even during peace-keeping operations and military drills; and the "General Security of Military Information Agreement" (GSOMIA), involving the sharing of military secrets. This is an important area of cooperation as both governments seek to divine clues about Pyongyang's nuclear programs and its succession plans, as well as seek greater transparency of Chinese military strategies and plans. Although the cooperation did not extend as far as had been hoped, it was a significant

¹⁷ On November 1, Russian President Dmitry Medvedev visited the Kurils, one of the disputed islands in Japan's Northern Territories. The first-ever visit by a Russian leader set off a diplomatic and political firestorm in Japan.

development that is helping to move forward the bilateral military relationship which has largely stood on the sidelines of deepening relations between the two societies and economies.

Such close cooperation is all the more remarkable given the tense state of relations just a couple of years ago over the perennial issues of unresolved history. Notably, 2010 marked the 100th anniversary of Japan's formal annexation of Korea, prompting Prime Minister Naoto Kan to apologize and express "deep remorse" over his nation's brutal colonial rule. The apology drew a muted response in South Korea, but South Korean President Lee Myung-bak accepted it as sincere. While South Korea still has reservations in its relationship with Japan, there has undoubtedly been a dramatic change in perceptions of the security environment on the Korean Peninsula so many Koreans have now come to accept the necessity of security cooperation with Japan.¹⁸

Closer Japanese-South Korean cooperation has been met with welcome relief by the United States, which has always pressed its reluctant allies for increased closeness as it allows for a more effective and cohesive regional strategy. In July, Japanese military officers observed a joint U.S.-South Korea military drill for the first time.¹⁹ And during Secretary Gates' visit to Tokyo on January 14 following his visit to Beijing, Defense Minister Kitazawa committed Japan to work in unprecedented ways with the U.S. military, such as providing logistical support for a potential war on the Korean Peninsula or undertaking evacuations of civilians there.²⁰ While strong Japanese support for South Korea in the face of North Korean attacks have been generally well-received in the South, comments made by Prime Minister Naoto Kan implying Japanese deployment to the Peninsula were met with some resistance although notably far less than would have been expected in the past, further indicating an unprecedented alignment of Japanese and South Korean interests.

Even as Japan struggles with an existential crisis centered around its stagnant economy, rapidly aging population, and perceived decline in the face of China's meteoric rise, the leadership has managed to shake off some of its inertia with the release on December 17 of its ten-year defense strategy, the "National Defense Program Guidelines" (NDPG), replacing the previous one adopted in 2004. The most significant aspect of this new strategy is the replacement of its longstanding "Basic Defense Force Concept" which had focused primarily on passive deterrence and defense against a full-scale (presumably Russian) military invasion with a "Dynamic Defense Force," which focuses on active operations and a flexible force structure. This new focus realigns Japan's defense towards the oceans and skies in the south and west of the nation, and features modernization of its self-defense capabilities to reflect the geopolitical changes in recent years, including China's growing naval presence in the northern Pacific and North Korea's aggressive military provocations.²¹

¹⁸ Chico Harlan, "Japan, South Korea Seek to Boost Military Relations," *Washington Post*, January 11, 2011.

¹⁹ Evan Ramstad, "Japanese Military Seeks Ties to Seoul," *Wall St. Journal*, January 12, 2011.

²⁰ John Pomfret, "Regional Risks Make U.S.-Japan Ties Even More Key, Gates Says," *Washington Post*, January 14, 2011.

²¹ Summary of Japan's "National Defense Program Guidelines, FY 2011" (Provisional Translation), December

The Guidelines reaffirm Japan's national security ties with the United States as "indispensable" and calls for "deepening and developing" the bilateral alliance with pledges to maintain financial support for U.S. troops based in Japan at current levels, a notable given the nation's dire fiscal conditions. Security cooperation with other U.S. allies, namely South Korea, Australia, the Association of Southeast Asian Nations (ASEAN), and India are also to be strengthened. Describing China's military expansion as an "issue of concern for the regional and international communities," Japan now plans to boost its maritime and air surveillance capabilities, and shore up the defense of its islands, including Okinawa and the Nansei chain of islands located between Kyushu and Taiwan. The number of submarines is to rise from 16 to 22, while the number of tanks, many of which are based on the northern island of Hokkaido, is to be cut from 830 to just 400. The Ground Self-Defense Force (GSDF), or army, will build permanent stations on some of these islands, while the air force will add more troops to its existing base in Okinawa. As part of its efforts to balance the desire to upgrade its capabilities with the needs to keep defense spending in check due to immense government debts, the number of GSDF troops will be reduced by 1,000 to 154,000 over the next five years, while those in the navy and air force will be kept steady. However, implementing the cuts could prove a challenge given an apparent lack of urgency among GSDF commanders who have yet to achieve the target of 600 tanks established in the 2004 Guidelines.²² Japan's aim is to maintain overall defense-related spending at \$380 billion a year or less over the next five years, which remains below its self-imposed limit of one percent of total GDP.²³

The keenly awaited NDPG signals a historic refocusing of Japan's army and other forces toward securing islands in the southern islands which are seen as the most vulnerable China's rapidly growing military power. Early steps are likely to include new island radar stations, with small army units to guard them. Anti-ship missiles could also be deployed later to support naval forces in the area. However, many analysts believe that Tokyo's efforts may be inadequate to match a sharp increase in China's ability to project power in the waters up to and beyond the lightly populated Nansei archipelago. While Tokyo has already deployed more advanced fighters to the southern island of Okinawa China's deployment of new submarines, Chinese supersonic anti-ship missiles and advanced fighters is seen as a serious challenge to U.S. and Japanese military superiority in an area that includes sea lanes vital to the trade-dependent economy, highlighted by the Japanese coast guards' clash with Chinese fishing vessels in the ²⁴:area. The incident helped generate the political will to overcome institutional resistance to change from within the GDSF, also helped win over members of the left-leaning Democratic Party which had swept into power on a platform that had initially

17, 2010 (http://www.mod.go.jp/e/d_act/d_policy/national.html)

²² Mure Dickie, "Japan Bolsters Southern Defenses Against Resurgent Rival," *Financial Times*, December 18-19, 2010.

²³ Japan's relative defense spending (0.9 percent in 2010 as percentage of GDP) lags behind all others in the region; (US – 4.3 percent; RPK – 2.8 percent; India – 2.6 percent; Taiwan – 2.1 percent; China – 2 percent). Ibid; and Yuka Hayashi and Jeremy Page, "Japan Refocuses Its Defense With an Eye Toward China," *Wall St. Journal*, December 17, 2010.

²⁴ Yuha Hayashi and Julian Barnes, "Gates Leaves Beijing, Will Press Japan to Expand Its Defense Role," *Wall St. Journal*, January 13, 2011.

challenged Japan's close military cooperation with the United States and called for greater closeness to China. Yet even with the public worries about China and about nuclear-armed North Korea, whose recent attack on Yeongpyeong is fueling calls for an expansion of Japan's anti-ballistic missile defenses, Japanese planners still face severe spending constraints. A large fiscal deficit means the Defense Ministry cannot be certain of stemming years of budget cuts.

One additionally important development is the Defense Ministry's position to press for an easing of the nation's ban on arms exports, despite strong political opposition to what is considered a dangerous step away from Japan's pacifist principles. Prime Minister Kan pledged in December to uphold the principles underlying the export curbs after the opposition Social Democratic Party threatened to oppose Diet passage of next year's budget if the laws were weakened. One argument in support of the lifting of the ban is that they undermine the competitiveness of Japan's defense manufacturers by preventing them from taking part in international projects such as the U.S.-led development of the F-35 Joint Strike Fighter.²⁵ This is an important bilateral issue for the United States, which has pressed for Japan's purchase of a new generation of fighter jets including the stealth capability of the F-35s.

Another important project affected by the export ban is the joint U.S.-Japanese development of the antimissile system (SM-3), which is fired from ships to intercept larger ballistic missiles in midflight. Given North Korea's continued proliferation of its missile programs, Washington would like to be able to sell the system to other nations, including South Korea, but that would require Japan to ease its export rules. But since his December pledge, Kan has called for a public debate on revising the restrictions, which is a step that is considered by many to be necessary for closer security cooperation with the United States in responding to China and North Korea.²⁶

Finally, during Secretary Gates' recent trip to Tokyo, the Defense Secretary urged continued work to complete implementation of a hard-won May 2010 agreement in which the two countries finally reached agreement on the relocation of the US Marine Corps Air Station Futenma to a less-populated part of Okinawa by 2014. Based on a previous 2006 bilateral agreement, the Kan had promised to build a new base in Okinawa, but voters and officials on the island including its governor continue to oppose the plan and continued local resistance is making the 2014 time frame increasingly unrealistic. Nevertheless, Secretary Gates stressed that the disputes should not influence talks over a joint vision statement for the bilateral alliance, to be endorsed during Prime Minister Kan's upcoming trip to Washington in the spring, stating: "our alliance is more necessary, more relevant and more important than ever."²⁷

²⁵ Mure Dickie, "Japan to Shift Focus of Defense to China," *Financial Times*, December 14, 2010.

²⁶ Martin Fackler and Elisabeth Bumiller, "Gates Signals U.S. is Flexible on Moving Air Base in Japan," *New York Times*, January 14, 2011.

²⁷ Hayashi and Barnes, "Gates Leaves Beijing, Will Press Japan to Expand Its Defense Role," *Wall St. Journal*, January 13, 2011.

Conclusion

The events of the past year in Northeast Asia have left no doubt that the region will remain one of the most, if not *the* most dynamic in the world for some time to come. While economic vibrancy, rapid modernization, and the explosive growth in human and social interaction in the region promises to provide a powerfully positive global force, the continued isolation of North Korea and its tenacious appetite for provocative behavior, as well as uncertainties about rising Chinese capabilities and the region's reaction are a source of sobering anxiety and profound consternation. After all, wars and conflict traditionally erupt among states not due to power differentials, but when dissatisfaction over the distribution of power prevails. Because of deep uncertainty about China's future intentions - perhaps even within China itself - and the continued destabilizing effect of a recalcitrant North Korea, the region has the potential to devolve into catastrophic conflict. Yet, the challenges presented by China's new-found assertiveness and North Korea's continued provocations have ironically produced unprecedented levels of cooperation and closeness among the United States and its allies which will ultimately play a stabilizing role in the region. Ultimately, despite the unprecedented level of heightened tensions last year, precisely because the region is at the intersection of the strategic interests of the three largest nuclear powers and the world's three largest economies the resident powers will ultimately endeavor to seek cooperation over conflict when possible, and find mutually beneficial ways to reduce threats and address insecurities.



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남북한 통합과 동북아 협력 전망: 러시아의 시각에서

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남북관계와 동북아 지역 협력은 긴밀히 연결돼 있다. 한반도의 통합은 주변국들의 도움이 뒷받침돼야 이뤄질 수 있으며, 남북 관계가 개선돼야 동북아 협력은 더욱 성공을 거둘 수 있다.

현재 동북아 경제는 터닝포인트를 맞고 있다. 북한 경제의 재건과 남한 경제의 혁신적인 현대화는 남북관계에 있어 중요한 요소다. 일본은 대지진 발생으로 국가 경제를 재건해야 하며, 중국은 동북 지역 현대화를 피하고 있다. 러시아 극동 지역 역시 교통 인프라 개선과 에너지 프로젝트에 박차를 가하고 있다.

이런 상황에서 동북아 국가들은 인프라, 교통, 통신, 에너지, 첨단기술 산업 발전 등에 있어 서로 협력할 기회를 갖게 됐다. 동북아는 크게 ▷정치·안보 ▷ 무역·상호투자 ▷ 교통·에너지 ▷인적 교류 부문에서 상호 협력해야 하며 이를 위한 협력체를 만들어야 한다.

러시아는 동북아와의 경제적 협력뿐만 아니라 사회적 협력을 강화하는데도 집중하고 있다. 특히 항구 현대화와 TSR(남북종단철도)-TKR(시베리아횡단철도)는 동북아 경제 발전에 도움을 줄 것이다. 교통뿐만 아니라 석유·가스 탐사 등도 주요 프로젝트로 특히 일본 대지진은 러시아가 동북아 지역 에너지 산업 협력 기회를 늘릴 좋은 기회다. 또 동북아 지역의 주요 관심사인 의료, 교육, 문화, 관광 부문에 있어 상호 교류와 협력도 강화돼야 한다.

Inter-Korean integration and prospects for North-East Asia cooperation: View from Russia

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Inter-Korean relations and regional cooperation in North-East Asia are closely interconnected with each other. It means that Korea integration will be developed successfully if neighbor countries will support this process and Korea as a whole will be integrated in the regional economic cooperation.

On the other hand North East Asian (NEA) countries can cooperate more successfully if situation on the Korean Peninsula will be improving step by step.

Positive trends in inter-Korean relations can be realized in the full scale if regional community is ready: 1) to overcome legacy of cold war confrontation and low level of *political confidence* between countries involved in inter-Korean relations; 2) to take into account *political and security interests* of all NEA countries (as we as USA regional interests); 3) to support strongly *reduction of military tension* on the Korean peninsula.

Under these conditions *political risks* have a good chance to be minimized and *positive climate* for regional economic cooperation will be established.

New trends in economic development of NEA countries are important for prospects of inter-Korean relations.

NEA economy is now at the turning point between the past and the future. All of NEA countries will have to realize their own modernization programs:

-reconstruction of **North Korean** economy and innovative modernization of **South Korean** economy seems to be an important part of inter-Korean integration;

-after the disaster **Japan** will have to modernize national economy (energy, infrastructure, etc);

-modernization of North-East China and development of innovative industries are at the agenda in **the PRC**;

-**the Russian Far East** region has to improve transport infrastructure and to realize energy project as well as to develop innovative industry, social and education system;

-under these conditions there will be a good chance to increase trade and investment exchanges between **USA** and NEA economies.

Under these circumstances NEA countries will have to resolve about the same problems and have real opportunity to increase regional cooperation in infrastructure development, transport and communication, energy, high-tech industry development. At the same time development of traditional industry will be also an element of this process.

Bilateral programs, sub-regional cooperation and regional relations will be instruments of expanding NEA economic exchanges.

Regional economic modernization and development of regional cooperation would be supplemented by humanitarian and cultural exchanges between NEA countries.

So, radical changes in inter-Korean integration may be *a symbol of New Stage* of expanding broad scale regional relations in NEA.

The main task for North East Asian countries is creation of institutional infrastructure and mechanism of cooperation in North East Asia.

1. Political and security infrastructure

Such problems as territorial disputes, lack of confidence and legacy of Cold War stereotypes cannot be solved overnight. The problem is that there is no institute and mechanism of regular political consultations on North East Asia issues with participants of all countries of the region.

Six party political negotiations on the Korean Peninsula issues would be transit to a mechanism of multinational consultation on key regional political issues in North East Asia.

Regular Summits should be supplemented with meetings of representatives of different kind of groups. High ranked officials, members of the parliaments, local authorities, military personal, businessmen and academic experts as well as activists of public organizations should be involved in regular exchanges views on regional issues.

Because regional security in significant scale depends on situation on the Korean Peninsula, security infrastructure and military activity of NEA countries should be adapted adequately to the level of inter-Korea integration. It means that economic exchanges and business infrastructure will be expanding while military maneuvers on the Korean Peninsula and in the near areas as well as military infrastructure will be minimizing and shrinking step by step. At the same time information exchanges between NEA countries on security issues must be improving radically.

2. Trade and investment cooperation

Positive trends in inter-Korean integration will affect on regional trade and investment exchanges at bilateral, sub-regional and regional level.

It will be an urgent need for Russia and other negotiators to support an establishment of regional institutions, adequate to new reality in North East Asia.

In Russia Primorsky krai, Khabarovskiy krai and Sakhalin oblast are among the main contributors to the RFE's foreign trade with NEA countries. Although economic structures of these territories are very different, all of these territories should be characterized by positive business climate and improved energy, transport and logistic infrastructure as necessary conditions for Russia-NEA strategic relations.

Accordingly it will be necessary for Russia to make domestic regional policy more flexible in order to intensify foreign economic relations with neighbour countries.

In accordance with inter-Korean integration Sub-Regional cooperation would be intensified. Economic relations between North East Asian countries have not been yet institutionalized at sub-regional yet. If North-East China areas, Northern Korea and Russian border areas will coordinate their economic policy and infrastructure of economic cooperation will be modernized, trade and investment exchanges between Russia and North East Asia will have a good chance to increase and become more complicated.

Some strategic issues, such as cooperation in R&D and in high-tech industries (IT, aerospace, medical equipment etc) can be discussed by NEA countries at Regional level. Cooperation in realization of innovation programs and development of education infrastructure are among the prominent items of economic relations of NEA countries.

3. Transport and energy infrastructure projects

Inter-Korea integration will create the most prominent conditions for trade and investment cooperation, first of all for realization of lengthy, expansive and multinational projects in energy and transport which are very prominent for Russia cooperation with North East Asia.

Development of transport network in NEA countries, including development of border transport facilities, modernization of ports and TSR-TKR project will improve opportunity for NEA countries to develop economic relations within the region as well as with partners in other parts of the world.

Development of regional economic relations in NEA has a strong energy base. Nevertheless close cooperation and joined huge investment project will be necessary to realize in order to improve regional energy infrastructure.

Development of gas industry, construction of pipeline network and LNG facilities will be among the main points in regional energy development, especially after the Japan disaster. Russia will have a good chance to increase in the near future cooperation in gas industry with NEA countries.

Besides Russia will have an opportunity to be an important exporter of electric power to

NEA countries (including the Korean Peninsula) if regional transit and distributing infrastructure will be constructed.

Development of transport infrastructure and realization of regional energy projects in NEA would be accompanied by joint ecologic programs and by more efficient regional rescue infrastructure.

4. Humanitarian cooperation and social infrastructure

Regional cooperation became not only a mechanism of optimization of foreign economic policy for Russia as well as for North East Asian countries, but a mechanism of realization of efficient humanitarian cooperation within NEA.

At the same time some important reasons made it necessary to improve radically infrastructure of social cooperation between North East Asia.

Medical care

Medical infrastructure should be radically upgraded in many areas of NEA countries in order to improve distribution of medical services. The important task for NEA countries is radical improvement of medical infrastructure in rural areas, in small cities and in regions which is difficult of access. One of the reasons of upgrading the level of international cooperation in medicine is also a real danger of spread of mass diseases across the borders in North East Asia as well as a danger of natural disaster. Development of high tech distance medicine is among the most prominent area of regional cooperation in NEA.

Education

Prospect for Inter-Korean cooperation will depend on the process of upgrading of education systems on the Korean peninsula and on regional educational exchanges. Meanwhile educational cooperation as an important element of modernization of NEA countries and as a part of regional innovative system would be intensified.

Cultural exchanges and cooperation

Russia and North East Asian countries have common strategic purpose at the epoch of globalization. All of them try to save their humanitarian legacy and oppose to negative influence of globalization on national culture. On the other hand, development of national culture in NEA countries needs broad scale cooperation and international cultural exchanges. It means that regional cooperation in cultural exchanges will be an important element of international dialogue in NEA.

Humanitarian exchanges and Tourism

Support of peace and humanitarian activity of Churches and religious communities, NGO organizations and different kind of humanitarian institutions would be necessary to initiate in

NEA step by step and according with national law and political culture in order to improve mutual understanding between NEA nations. Tourist and humanitarian exchanges in North East Asia will develop as far as economic situation in these countries will improving, and growing number of middle-class families prefer to spend their vocations by traveling.

5. Conclusions

Normalization situation on the Korea Peninsula, including stable and dynamic improvement of inter-Korean relations will stimulate greatly the process of development of infrastructure of regional cooperation.

In order to take part in regional cooperation in North East Asia Russia should base its policy towards the region on adequate infrastructure of cooperation with North East Asian neighbours and must be ready to take part in modernization of this infrastructure of regional cooperation in the future.

According to modern long-run trend of domestic and foreign policy Russia prefers now to modify its presents in the region in economic, culture and humanitarian cooperation favor and to use mainly domestic non-military potential for development large scale cooperation with Pacific neighbors.

In order to realize this purpose Russia will focus on economic and social infrastructure of cooperation with NEA neighbours. According to Russian government plans realization of energy and transport projects in the Russian Far East can impulse development of economic relations between Russia and North East Asian countries. Meanwhile realization of these projects will depend on coordination of foreign economic activity between Russian official authorities, private business and NEA partners.

Besides, it is necessary for Russia to make culture, education, science and technologic exchanges a core element of Russia's policy towards North East Asia.

Establishment of adequate social and cultural infrastructure is closely connected with optimizing migration policy. Improving migration infrastructure (as well as tourism and human exchanges) is a factor of successful development of the Russian Far East and improving cooperation with neighbor countries.

Inter-Korean integration may be the first taste for regional community, including Russia for possibility to realize efficient political and security cooperation as necessary element of regional security system and multilateral economic cooperation.

Multination efforts of NEA countries could be concentrated on some limited, but very important areas of cooperation such as restructuring of transport and energy infrastructure, modernization of agriculture, R&D and humanitarian programs.

Reforming banking and financial systems, as well as support of social system are also could be areas of international cooperation (with the assistance of World Bank, International Financial Fund and some other international organizations).



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Seong-Phil Hong had received both Master, and Doctorate Degree in international law from Yale Law School, after writing his Master Thesis, in 1986, at College of Law, Seoul National University in Korea, on "Federalism as a way of Korean Unification".

He had taught international law, international trade, and investment at Ewha Womens' University from 1995 to 2001, after which he served as CEO for some years for a Korean mobile phone maker, Maxon Telecom, whose annual revenue was around USD 0.5 billion.

Since 2005, he belongs to the Faculty of Yonsei Law School teaching on international law, human rights, and international investment law.

He had served as extern legal advisor, on many occasions, to Governmental Departments in Korea, including Ministry of Foreign Affairs and Trade, and Ministry of Unification. From 1996 to 2001, he attended consecutive sessions of both the Human Rights Commission, and its Sub-Commission at the United Nations in Geneva. He had also been a member of the Presidential Committee for National Policy Planning.

Professor Hong has written extensively on many subjects of international law, ranging from Korean unification, return of cultural properties, human rights in North Korea, Asia, and elsewhere, transitional justice, to investment dispute resolution under the Korea-US Free Trade Agreement, international law and investment law, and corporate responsibilities of Multinational Companies. He also serves as conciliator at the International Center for the Settlement of Investment Dispute (ICSID), established under the auspices of the World Bank.

The Korean Integration: A Case for the Solidarity

Hong, Seong-Phil

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I. Act at present resting on *thoughts of future*

We all agree that the Korean peninsula is a region that continuously presents a series of most highly dynamic and fatal events in the world affairs. The future of this place can be rightly posited in the priority list in the world policy for Koreans, and the people in this region and the whole globe. We can also agree that the eventual integration of the Korean Peninsula, ending indications of long-held confrontation and conflict, is desirable, and such turn of event will serve the best interest of the states and the people in this region in the achievement of the collective common prosperity.

Understandably, at least to a South Korean mind, and possibly for all residents in this region, what troubles this place most is the deepening isolation of the North Korea, and its incessant provocations. It is a matter of survival for all that North Korea may burst into a disaster either by deepening isolation, and eventual failure in management, or by a sudden unbearable change in its governance system.

The problem is that quite often times provocative and renegeing actions of North Korea function as a determinant of our respective and regional policy. All in the region tend to base their strategies upon the response of North Korea, i.e., whether it will reform itself, and whether its leadership structure will become stable. Kim Jong-Il's visit to China is greeted with hopeful minds as a sign of reform. Another report of provocation then fails us. Disappointment and resentment arise from the nuclear development in North Korea. Then we all again are, rather deliberately, haunted by another tender offer from North Korea. Yet more problematic is that we suffer from the want of a commonly shared powerful vision for the future that would in turn clearly dictate our collective course of present action.

When objectives and directives for the future are shared in common, changes can be made for the present. Eventual stability, peace, and the resulting prosperity in this region will surely derive from the integration of the Korean peninsula. Such a future vision should be fully embedded in the notion that the continuous historic growth of Chinese economy, another take-off of Korea, and the renaissance of the whole Asia will come from the peaceful and successful integration of the Peninsula.

In the divided Korea at present, families are dispersed for more than 6 decades; South Korea has become a queer ocean state locked in by seclusion from North; transactions

between China, Russia, and Korea are mostly performed by ships; people take flight when they can much more easily move on wheels and by train. In the integrated peninsula, all the things will return to *normal*.

The so-called status quo, the stability and development at present is premised upon such feeble and amorphous bases that somehow conflicts of a terminal nature will not occur; North Korea will not resort to ultimate use of nuclear arms; North Korea will not collapse, and eventually move toward openness and reform. What is characteristically found in this region is the tendency to benignly deny the coming true of a worst scenario, while responsible and capable ones are collectively and woefully kept in the wishful thinking that tomorrow will not be dramatically different from today. Yet the nightmare lingers in dream. And the suffering continues, for there is an idea and the fear that certain prophecies are self-fulfilling, and bad ones are more controlling.

History stays, sometimes and actually many times, beyond our capacity to control. How many of us had predicted the change of the Eastern Europe, the disintegration of the Soviet Union, and the current turn of events in the Middle East and those in the African Continent? The world is at a loss now, either positively, or grudgingly.

Things will occur. The possible cure for all the tragedies is to think forwardly, get prepared, and believe in the future, yet with a perspective and a plan. The most effective deterrent for tenacious provocations of North Korea would be the positive idea and ideal for the future of Asia in the post-integration scenario of the Korean peninsula. Such a vision will be truly powerful and controlling when it is firmly shaped and shared by the regional community so that it may lead North Korea itself inevitably to become part of it. Under this idea that the integration of Korea, and only that will bring forth the unprecedented common good will enable the realization of the integration itself, whether *de facto*, or *de jure*, the ensuing stability and prosperity of the whole region, and the advent of the new era for the area extending to the whole Eurasia.

Powerful and outcome-oriented future vision should dictate the present course of action.

II. Act together, and not in isolation

Not a single country in this region has been able to put North Korea under its policy preference. Not an isolated action of one country could keep North Korea from waging provocations, becoming a nuclear state, and succeeding state power within the family. Even the ruling elites of the North Korea may not have the full capacity to put a halt to such progression.

More effective, though not complete, control over the recalcitrant behavior pattern of North Korea requires the concerted action of the regional community. It is in the interest of all, including even North Korea, to think and act together.

In a culture of distrust and misunderstanding, recollections of the past dictate actions of

the future. In the absence of the strategic trust, let alone affections, past experiences determine decisions of the future. Despite such high level of exchange in trade and people, the players in this region became suddenly aware of “the reality”, and tended so easily to think and act retrogressively, instantly after the Cheonan, and Yeonpyongdo attacks. Only identifiable difference is that not a cold-war-type idea, but a conventional notion of security is at play this time. When distrust prevails, players tend to fall into a zero-sum game, where they urge others to change or abandon already established positions, while they themselves lack the willingness to give up on their own. Common and transcending ideas and perspectives dwindle, while the process of reinforcing unilateral positions multiplies itself. The thought process of searching points of mutual interest, and creative solutions is put to a halt.

All the regional players, including Korea, China, and Japan, stress the significance of either national, or “vital” interest. Yet what can be more vital to all, except for the collective perpetual peace and prosperity, given that none in this region can possibly afford any type of forceful confrontation? The regional peace, stability, and prosperity are at the very heart of the ultimate Korean integration.

Prior to waging any effort to bring changes to North Korea, and its behavioral pattern, the surrounding regional members should change in advance, and band, and act together. Otherwise, North Korea will never depart from its conventional dividing-the-enemy policy with virtually no intention to reform itself.

Of importance is the inter-Korea dialogue, and equally significant are the bilateral talks between, i.e., China-N.K., and U.S.A-N.K. In case, however, when a frame of common strategy in this region is not in place, bilateral talks will only serve limited concerns, and any resulting agreement will be paralyzed within the political culture of distrust in the regional sphere.

After all, for the establishment of the platform of peace and development, what have been the true and genuine contributions of the Kaesong Industrial complex created by the bilateral agreement between two Koreas, and the Chinese effort to put North Korea on the track of reform and openness, given the presence of nuclear threats in this peninsula, and the occurrence of the Cheonan, and the Yeonpyongdo atrocities ?

III. Act and think realistically

In the eventual achievement of the lasting stability in the region, and the Korean integration, two possible scenarios are preferably mentioned and recognized. In one school of thought, North Korea would gradually reform itself into a normalized state thereby presenting the possibility of a de facto integration of the Korean peninsula ultimately leading to the integration per se. Another scenario sees the future turn of events in a more violent format where North Korea would fail in gradual reformation, reach a state of either internal disintegration, or even collapse presenting a disaster probably beyond the managerial

capacity of the member states in the region.

What matters at this point is that either course of development should be subjected to the deliberate strategic choices as fully predicted and agreed upon in advance by the responsible regional players. The worst scenario, in my view, is that such issues are unnervingly left to unsubstantiated expectations, or simplistically in the domain of wishful thinking.

There is an agreement that the reform of North Korea is beneficial to all. In this context, we have been asking repeatedly how North Korea could possibly follow the trail of China in terms of openness, reformation, and historic development. At this time, after the passage of more than 15 years, the question should be reframed as “why North Korea cannot become another China?”. If North Korea had made a policy decision that such a reform is detrimental to the preservation of its ruling mechanism, and instead has chosen to stick to its isolation and provocation scheme, it is simply out of reason waiting in hope to see clues of change, and to find indications of good thing to come. If a volitional change is not a reality, a new frame of thought and action should be formulated in the direction of effectively persuading, and urging North Korea to turn to the path of reformation.

The idea of the six-party talks certainly merits appropriate attention. A focus, however, should be given to the purpose, the process, and the expected ultimate result. In case when the participants simply portray conventional line of confrontation without a commonly agreed scheme of an end result, it would degenerate again into another presentation of a zero-sum game scenario. For any dialogue to be fruitful, a quintessential element is a powerful vision for the positive future, and the willingness to settle differences in the *realistic terms*.

One big challenge for Asians is that we suffer from the lack of precedents, or a model for the regional integration. Asia is different from the Europe in so many respects. The case of German unification, although significant, does not tell much about what will happen in this peninsula.

Creation of a neutral state in Korea in the post-integration scenario is an idea. Yet it would require a revolution in the process of thought and action to accomplish something that has never been witnessed in history in this region. What is required at this point is that we have to come up with a new set of framework, under which the integration of Korea, the regional stability, and the hoped prosperity could possibly be achieved.

It is necessary that we should develop a frame where regional, global, and transcending perspectives could be freely fostered and nurtured. People-oriented, not merely state-centric, ideas and perspectives should be encouraged. Dialogue breeds understanding, compassion, and the spirit of collaboration. Regional players should be given more and ample opportunities to familiarize themselves with each other to have a better idea about other's behavioral patterns, modes of sending diplomatic signals, thereby being able to extend themselves closer to a collective scheme of understanding.

Efforts should be made to identify an agreed set of common values. Economy is a phenomenon, not a value that may serve as a lynchpin for the peace and stability. Germany at the time of World Wars could not have been more intertwined with the economy of the whole Europe. The achievement of the EU did not arise from economic involvement, yet from the common experience of conflicts, and mostly from the commonly cherished ideas of the liberal democracy, and the pluralistic governance.

Adequate light should be also shed upon the every-day life of the people in this region. The idea of human dignity should be respected and restored in every design of political governance, while the lessening of human sufferings should be firmly placed as our responsibility. Planners and makers of peace, integration, and prosperity are the people who are equipped with the capacity to exert innovative thinking, and to make historic compromises *in realistic terms*.



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The problem of reunification and regional integration from an economic standpoint

Hugo Restall

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Given that my colleagues are distinguished international relations experts, I decided to focus my remarks on the problem of reunification and regional integration from an economic standpoint, taking as my starting point the collapse of the North Korean regime and its absorption by South Korea. But my proposals revolve around the role of Korea's neighbors. Seoul will have to secure their cooperation in its model for respecting the wishes of North Koreans and assisting in their development.

Discussion of Korean reunification has unfortunately been framed by two episodes from the 1990s: German reunification and the famine in North Korea from roughly 1995-98. The first established the belief that reunification is disastrously expensive. The second reinforced that idea by showing North Korea to be an economic basket case that will be even more difficult to integrate than East Germany. Both were true to a certain extent, but it's important not to accept them as fixed and unchanging truths and become trapped by them in our thinking about reunification.

In fact, the German process of rebuilding after World War II offers a better model for North Korea's reconstruction and prosperity. And the economic crises that North Korea has suffered and continued to suffer have in some ways prepared the way for such a process.

In this context, President Lee Myung-bak's proposal to levy a special tax to prepare for reunification is important, since it puts the issue on the agenda in a tangible way. However, economically there is no way for South Korea to put aside a part of its wealth for such a significant event. It is inevitable that when the expense of reunification is required, it will have a significant impact on South Korean living standards. There will be requirements for immediate compassionate aid and investment in the North's infrastructure, and these must be funded by deferring consumption in the South one way or another.

However, aid in the form of handouts should be a short-term phenomenon. It's critically important that Seoul begins the process of determining the economic model that it will use for the North's development with the determination that it will be led by North Koreans themselves, and secure the cooperation of its neighbors in following this approach. South Korea has the opportunity to learn from Germany's mistakes.

What do I mean by Germany's mistakes? Not the conventional wisdom. For instance, the conversion of the East German mark at a 1:1 ratio with the Deutsche mark is often cited as a major blunder. But this was not so much a blunder in and of itself. It was a failure because it

came along with much of West Germany's regulations, for instance the minimum wage and other labor laws, which had the effect of pricing East Germans out of the labor market given their low productivity. With the provision of the West's welfare state benefits, this created a culture of dependency and helplessness that persists to this day.

So what would a better model look like? In one sentence: take advantage of and encourage North Koreans' entrepreneurial tendencies.

This might seem like a strange suggestion, given that North Korea is the most autarkic, state directed economy on earth. However, the failure of the state has created some remarkable changes.

When markets were first allowed in the North about a decade ago, it was initially suspected that this was the beginning of an economic reform program. We now know that this was not the case. The tolerance of these markets was a policy of desperation, and whenever it can, the regime continues to crack down on those who start small businesses, whether by periodically closing them down and shipping their owners off to labor camps, extorting their profits, or eliminating their accumulated savings through currency reform.

Nevertheless, the traders have continued to grow their businesses, because there is simply no other alternative. In order to survive, North Koreans must engage in free enterprises, even under the greatest risks. In other words, they have been conditioned to become the ultimate entrepreneurs, because they are so adept at taking risk. The bravest travel across the border to China to source their goods, where they could be arrested by the authorities on both sides of the border.

The extent of this change can be seen most clearly in the shift in the power relationship between the sexes. Because state jobs bring certain benefits such as housing, in many families the husband needs to keep his job at the official work unit. However, these jobs are the ultimate case of "we pretend to work, and you pretend to pay us" – there is no way the family can survive on the husband's salary. Therefore wives have gone into business as traders and small business owners, becoming the main bread-winners in many families. In a highly traditional, male-dominated society, this is significant. It shows that North Koreans are prepared to take the initiative and overcome all cultural and ideological barriers to support themselves. These are not helpless people.

I think we can agree that if the North had collapsed in the mid 1990s, this would not have been the case. North Koreans most likely would have waited for the new government to tell them what to do, to provide aid and jobs. I want to be clear that I am not saying that the suffering of the North Korean people was a good thing. However, it has created conditions analogous to those in China at the beginning of the reform era. Chinese were similarly cynical about political movements and the state-planning model after the disaster of the Cultural Revolution. Once they were given the opportunity to start businesses, they embraced it.

The same is also true of Germany at the end of World War II. The free-market leadership of Konrad Adenauer and Ludwig Erhardt created an economic miracle, the *Wirtschaftswunder*. The key in both cases was allowing citizens to pick the low-hanging fruit of development first, instead of crowding them out with government directed investment. This means accepting that the early years of reunification will be somewhat chaotic, but out of this chaos will emerge strong businesses.

Low hanging fruit includes increasing agricultural productivity – there is no fundamental reason why North Korea cannot feed itself. The famine and continuing hunger is the result of the lack of property rights. Likewise in the cities, the North's population may be among the world's poorest, but it is not like other populations at a similar level of income. North Koreans are highly urbanized and accustomed to holding factory jobs – a transition whose difficulty is easy to underestimate. By upgrading existing factories with new machinery for light manufacturing, North Koreans could quickly create new opportunities for urban workers. Savings could be mobilized for this purpose by quickly creating shares in work units issued to the workers, which they could buy and sell and borrow against.

As others have suggested, the key to this is maintaining a separate legal regime in the North that has minimal regulatory and welfare provisions. However, some have suggested that North Koreans should use a separate currency, and be prevented from moving to the South, or given aid to encourage them to stay in the North.

I believe that this is not feasible or desirable. First, North Koreans will be citizens of a united Korea, and it will be impossible to treat them as second-class citizens. They must have freedom of movement, and when they are in the South, they must have equal rights with South Koreans, just as when South Koreans are in the North, they must have equal rights with North Koreans. That is, the separate legal regime must be territorial, not attached to one's former nationality, essentially a highly differentiated federal system.

On the currency, North Koreans will insist on using the South Korean won, just as East Germans insisted on using the Deutsche mark. Those who have suffered from inflation and had their savings confiscated in the past will accept no substitute for sound money. The transition should be made generally on the basis of a market rate, but erring slightly on the side of giving the North Koreans extra buying power for their savings will help capital formation and should not cause unemployment as in the united Germany, as long as wages are free to adjust.

I am optimistic that something like this will actually happen. Not just because I have faith in the leadership of President Lee Myung-bak or his successor. But also because of the proximity of China and to a lesser extent Russia, and the trade between them and the North that is already taking place. This could create a positive dynamic in which the South competes to take advantage of economic opportunities in the North, and so is incentivized to keep its own economy open to the North.

The North Korean economy will at least initially be more complementary with the Chinese economy, meaning that while some North Koreans will migrate toward the South looking for jobs, many entrepreneurs will continue to do business with the Chinese. This will likely include subcontracting textile production from Chinese firms, which is already happening, whereas South Korean firms have already passed this stage of development. North Korean traders will also import cheap Chinese-made consumer goods, which will be more affordable to North Koreans than South Korean goods.

The initial Chinese response to the North's collapse will likely be to close the border to stop an anticipated rush of refugees. One of Seoul's most important missions in the early days of reunification, along with providing humanitarian aid, will be negotiating the reopening of the border. Seoul should ask China to honor its existing trade deals with the R.O.K., which will then encompass North Korea. Instead of aid, the most valuable assistance China could provide to stabilize the North would be allowing flows of goods and businesspeople to resume quickly. Seoul could use access to the North's mineral wealth as a bargaining chip, as well as other Chinese concerns such as the drawdown of U.S. forces on the peninsula and further opening of South Korean markets.

In conclusion, I'd like to come back to the philosophical underpinning of the development model for the North. One tendency I've noticed in discussions of reunification is the unspoken expectation that North Koreans will be passive actors, taking direction from the South. This is understandable -- since we don't know how they will react, it would be dangerous to make assumptions of what they will want. But we must assume that they will not be passive. In fact they may be angry once they realize fully what happened to them over the last half century. They have the rights to freedom of speech, assembly, and free movement as we do, and the first steps of reunification should not be taking those freedoms away, but rather channeling and facilitating their desires.

That means all plans have to be based on the premise of helping North Koreans to take the initiative. In the early days, this will be modest, probably promoting the formation of new self-governing bodies across the north. Later, it may mean creating tribunals to try the members of the former regime who committed crimes against humanity, if that is what North Koreans want, or alternatively a truth and reconciliation commission. These are questions for North Koreans to answer when they are able to choose representatives.

And these representatives must be given a say in the economic model. They may want a welfare state, in which case the South will have to decide to what extent it is willing to underwrite it. But I strongly suspect that the world will be surprised to what extent they want to minimize the state's role in the economy, given their experiences under the Kim regime. They must be given the ability to make that a reality without the interference of South Korea's labor movement, which will undoubtedly want to protect its own prerogatives and prevent a precedent that might undermine their own hard-won gains in the South, much like the German left did in the 1990s.

Preventing the South Korean left from wrecking the North's reconstruction before it begins requires starting from the principle that North Koreans take the lead in setting their own territorial legal regime, rather than having it imposed from the South. Building their regulations from the ground up, adopting protections as needed, will allow them to replicate Germany's post-war miracle, rather than its flawed reunification.



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중국, 동북아 안보 다자주의의 장애물들: 북한 문제를 중심으로

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중국의 대외정책은 동북아에서 평화적으로 부상하고자 하는 것임에도, 그 동안 중국 지도부는 동북아에서 경제 분야에 중점을 두면서 다자간 안보 체제 구축 문제에 있어서는 소극적이었다. 오히려 해상 영유권 분쟁 등으로 동아시아 국가들간의 갈등과 분쟁이 벌어지고 있는 상황이다.

이와 같은 대외 정책의 가장 큰 요인은 일본과의 경쟁일 것이다. 일본은 중국과 동아시아의 경제, 안보 분야에 걸쳐 갈등을 빚고 있다.

중국과 한국의 관계는 양국의 전략적 의심이 증대되고 있는 점이 걸림돌이다. 중국측이 주의를 충분히 기울이지 않는 것도 요인이다. 이런 이유로 한중 관계는 경제적 인적 교류 관계만 친밀한 기이한 형태로 발전했다.

중국의 전통적인 신중한 외교 방식과 동북아에 대한 전략 부재, 북한의 핵개발이 동북아 다자 안보체제구축을 더욱 어렵게 했다.

중국은 앞서 북한이 두 차례 핵실험을 실시했을 때 유엔안전보장이사회의 대북제재 결의안에 반대하지 않는 입장을 취했다. 하지만 지난 2009년 중국 원자바오 총리가 북한을 방문하면서 “게임 체인지”가 일어났다. 김정일의 건강 악화 등으로 북핵 문제와 **별개로** 북한 체제의 안정을 중시하게 된 것이다.

한편으로는 지난 1월 미중 정상회담에서 양국 공동성명서에 북한의 농축우라늄 프로그램에 대해 간접적인 비난을 했던 사례처럼, 중국의 여전히 미국에게 북한문제에 관련해 양보를 할 수 있는 상황이기는 하다.

이런 실망스런 경험들에도 불구하고 중국은 여전히 이 지역에 다자협력 안보체제를 구축하려고 한다. 역내 안정화를 위해 국제 사회가 이른바 그랜드 전략을 추구한다면, 이를 위해서는 전통적인 양자 외교의 강화, 역내 안보 협력체 창설, 경제 협력 및 인적, 문화적 교류 확대 등의 노력이 강화되어야 한다.

**China and the Obstacles to the Northeast Asian Security Multilateralism:
With Emphasis Put upon the North Korea Problem**

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I

The discussion here concerns a lot the cooperative security and common prosperity in East Asia, especially North East Asia, which so closely connected with the issue of the relationship between China and security multilateralism in the region.

Security multilateralism is both a way to construct the international security regimes for the common security of international community, therefore also national security of the individual member states, and a national strategic or foreign policy instrument for pursuing national interests “traditionally” defined. The purpose and values on the part of China on multilateralism are also in these two fundamental aspects.

Starting from such a perspective, one can conceive a kind of important “platform” very helpful to the Asian international security and China’s peaceful rise. That is various sub-regional multilateral security regimes in Asia, within in which China at least with other most important member states jointly play a kind of leading role, together with sub-regional multilateral regimes for economic and other non-political co-operations in Asia. The primary stage for China’s peaceful rise will always be in Asia, especially East Asia and secondary Central and (in a lesser extent) South Asia. To construct gradually such multilateral regimes in these areas is an imperative in mid- and long-terms for at least mitigating various geopolitical “security dilemmas” China and other related nations have been involved in, and an imperative for creating and exploiting the opportunities for increasing China’s mid- and long-term economic, political, and strategic influences.

At the same time, there have been several difficulties particularly relating to China in the making of multilateral security regimes in East Asia. The Chinese leaders recognize more and more in these years the beneficial functions and effects of international regimes or institutions in general. This, combining with their willingness to develop China’s influences in East Asia, has indeed led them to hope in principle that the East Asian multilateral cooperative regimes could be gradually created and developed. However, what they have seriously considered and practiced up to now are more in the economic sphere, leaving their thinking and practice on mitigating and gradually solving the East Asian security problems through multilateral security regimes not frequent and concrete enough, except about the Six-party Talks on North Korea nuclear problem.

Moreover, statesmen frequently encounter the opposition between idea and reality. They

know in theory the benefits of multilateral security regimes, but things often become not so simple when they encounter concrete international security issues. At the present the concrete issues in this field are first of all the disputes about maritime territories and rights over exclusive economic zones in South and East China Seas, together with fundamental strategic/political problems on Peninsular and Northeast Asian military alliances. In theory, the principle of international cooperation and security regimes are especially fitted to deal with this kind of matter, but in practice the traditional international politics are still the essential rule of the game, and domestic opinions in disputing countries far from quite willing to pursue the untraditional and more hopeful approach of international cooperation.

Prominent in impeding the development of security multilateralism in China's foreign policy are the oft-severe strategic rivalry and other negative elements in the China-Japan political relations, along side with the protracted and increasing strategic suspicion between China and Republic of Korea. Rivalry and even occasional real crisis between China and Japan influence almost the whole range of China's East Asian multilateral cooperation, whether in economic or in security area. For China-ROK relationship, not only the above-referred suspicion has been a major obstacle, but excessive insufficient attention mainly on the Chinese side an equal one. Substantially due to these, China's political relations with ROK have been a kind of bizarre one: bizarre in the sense that they are by no means intimate, as one can largely use this word to characterize the economic and human exchange relations between these two countries.

Perhaps the most important negative situation is the lack of China-U.S. systematic and institutional strategic negotiation between these two great powers which have now nearly all-across-range encounters of strategic interests and increasing potential contests. Hence the lack of system of related norms on the critical bilateral strategic and security problems between them (especially Taiwan, strategic weapon system, oceanic naval activities, Beijing's security relationship with U.S. military presence in East Asia and West Pacific, and that with U.S.-Japan and U.S.-ROK military alliance). It makes the emergence of the East Asia multilateral security regime quite difficult or even impossible.

II

The problem of North Korea and its increasingly developed nuclear armed program have spoiled much more often the prospect of multilateral cooperative security among the Powers in the region than they have led to their cooperation and increasing mutual trust.

China has been in the past decade so often under the international limelight for the North Korea problem, mostly with unpleasant criticism and pressure from the United States and its allies in the region if one observes especially the situation since late 2009. Every Power has its faults for this, including China herself. It might be said that there has been a strategy absence, especially for the years before later 2009, with policy faults mainly in the nature of self-contradiction as a certain result.

As to these, one of the primary causes may be the absence of the relatively conscious and systematic strategic speculation on the future of the Peninsular, or in other words lack of elaborate thinking on the related strategic end, together with the fundamental approach for its pursuance. This is in a substantial part due to the mainstream in the contemporary Chinese strategic culture, which characterized more by prudence, conservatism, and a sort of “bureaucratic-technical approach” than by other things. Also much responsible is the fact that there has been a xenophobia, totalitarian, and military-first DPRK, China’s volatile and hard-to-dealt “ally,” of which the matters are so sensitive within China that the related discussion and policy consultation have been confined to an exceptionally narrow and quite confidential extent. As a result the “input” and transmission of ideas, so often an indispensable condition for the making of strategy, have been greatly limited.

However, though the expectation China has about the future of the Peninsular is ambiguous, undefined, or even fragmentary, but what China primarily disdains in this issue area proves little doubtful: There must be no major military conflict broken out in the Peninsular; DPRK must have minimum domestic stability to avoid damaging severely China’s security and frontier social prosperity through its inner chaos or disruption; Closely connected with all the above, China refuses to think positively of any unification except one realized, as China’s top leaders proclaimed once and again, peacefully and “autonomously” (the latter word probably means through agreement between DPRK and ROK, an unlikely prospect in the predictable future). Besides, or somewhat secondary, there is a rarely stated assumption that the unified Peninsular should not function as a strategic fortress for U.S. vis-à-vis China.

III

The US, ROK, and Japan has recently been experienced that all the above in China’s behavior toward North Korea problem and that of the Peninsular are far from the worst in their perspective. Previously, the absence of strategy and related policy faults had not prevented China endorsed rather quickly or even energetically the two U.N. Security Council sanction resolutions against North Korea after its nuclear tests, condemned with other Powers its longer-range missile test and “intercontinental” rocket launching, and involved in the U.S. unilateral financial sanction against DPRK, all benefiting much the China-US cooperation in security and diplomacy.

However, somewhat dramatically, China’s North Korean “game” has changed since late 2009 when Premier Wen Jiabao visited Pyongyang with full smiles from both sides and a dramatic increase of China’s economic assistance and investment. The core of the change was a sharp separation China determinedly made in the belatedly confirmed context of Kim Jong-il’s unexpected health deterioration and therefore much increased fragility of North Korea’s stability: the separation of the nuclear problem from the maintenance and development of China-DPRK relations, making the latter for the first time since 2003 the clear and undisputed priority in China’s North Korea policy. With Kim Jong Il’s much increased dependence upon China’s support for his succession scheme and economic

maintenance, reflecting in his almost suddenly-coming warm attitude toward China.

Through Kim Jong-il's two visits to China in 2010, especially the second in the autumn of that year, there came between Pyongyang and Beijing a definitely proclaimed new state of relationship: the returned "intimacy" in nature of alliance, renewed alliance as it were. Most importantly, China has committed to give political support for Kim's scheme for "dynastic" succession, with all it implies in economic assistance and diplomatic help. It is totally dictated by China's vital interests in the minimum stability of North Korea, which are understood sufficiently by many foreign experts who have criticized for years China's "appeasement" of North Korea, and China's desire to have an O.K. relationship with a close neighbor, so having nothing to do with ideology or any preference on the way of DPRK governance. The only puzzle is why China has done in this direction somewhat more than required by China's vital interests, with regret that it has not yet increased much the pacifying influence upon Pyongyang, let alone the reformist one.

Therefore the gap over North Korea between China and the hawkish U.S. with its Northeast Asian allies developed into an enormous one, particularly after the ROK government issued on May 20, 2010 its investigation report on the drastic Cheonan case. The following extraordinary weakness of China's influence upon both sides in the Peninsular confrontation was very remarkable, so as the diplomatic awkwardness, until Beijing in all possibility played a major role in persuading North Korea not taking retaliating action against ROK's artillery drill in Yeongpang Island in December and thereby in preventing the very dangerous situation at the time to deteriorate further. China still could make concession over North Korea problem to the United States, as shown by the indirect criticism against Pyongyang's development of enriched uranium program in China-U.S. Joint Statement issued during President Hu Jintao's state visit to Washington in January 2011, a first public criticism of a North Korean behavior since its second nuclear test in May 2009. But, in a sense what more remarkable is that China made this concession only after extraordinarily strong pressure exerted with major threat by President Obama himself during President Hu's much valued state visit.

Having changed her North Korea "game," China seems to be "emancipated" in a remarkable degree from its persistent policy dilemmas produced by its "competing interests, without achieving any progress in both denuclearization and the reform of North Korea while increasing the weight and perhaps also the effectiveness of a damage-limiting strategy for curtailing the possibilities of a severe North Korean internal crisis. It may be said that at large the decade-long ear of absence of strategy as mentioned above has ended. However, the newly found strategy is just totally opposite to what the U.S. and its Northeast Asian allies had hoped all along.

IV

Anyway, China is still committed in principle to the multilateral cooperative security in the region, in despite of the frustrating experience in dealing with North Korea nuclear

problem and, at least up to now, China-Japan relations. China knows that for both common interests of international society and the particular interests of herself, security multilateralism is required, and what are still left to be desired in this respect are broader vision, more innovative conceptions, increased endeavor, and more appropriate management of the bilateral relations with other main concerned countries. The most critical area is still Northeast Asia. What are especially needed for China are comprehensive long-term strategic thinking and firmer determination in practice over the critical difficulties in these respects, just as those for other major actors.

If we look for a “grand strategy” for international society to strive to stabilize, mitigate, and transform various dangers to regional security and stability, we should do in “grand strategic way” characterized first of all by a holistic approach of political efforts and actions. This means that we should endeavor: 1. To mobilize much more determinedly and effectively traditional or “classical” bilateral diplomacy, which characterized by mutual compromise in accommodating conflicting national interests and reducing excessive mutual suspicion and competition; 2. To create, foster, consolidate, and develop regional and sub-regional multilateral security institutions and regimes, not only to mitigate and solve the concrete and particular major issues, but also to have a general institutional framework within which the dynamics of “power transitions” could be controlled and strategic suspicions reduced as much as possible; 3. To help regional security and stability by the way of promoting further economic interdependence and regional and sub-regional economic integration, the way of achieving political and security “spill-over” of economic cooperation; 4. To promote further human and cultural exchanges between peoples to increase their mutual understanding and even good feelings, including those on historical disputed issues; In this aspect the first and most important thing is to increase very substantially the exchange and intercourse between students, professional peoples, and opinion or policy making “elites” among the countries in this region.

Integration of the Korean Peninsula

Session 3 & Dinner Speech

April 7th, 2011

Session 3: Integration of the Korean Peninsula:
Realizing the Framework of Integration

MODERATOR

VICTOR D. CHA (Professor, Georgetown University, Senior Advisor and Korea Chair, CSIS)

PRESENTATION

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Communist Party of China)

AMAKO, SATOSHI (Professor, Waseda University)

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WANG DONG (Professor, Peking University)

DINNER SPEECH

CHUN, YUNG-WOO (Senior Secretary to the President for
Foreign Affairs and National Security)



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빅터 차

조지타운대학교 교수/CSIS 한국 실장/前 NSC 보좌관

Victor Cha is Senior Adviser and inaugural holder of the newly created Korea Chair at the Center for Strategic and International Studies (CSIS). Previously, he served as director for Asian affairs at the White House National Security Council, where he was responsible for coordinating U.S. policy for Japan, the two Koreas, Australia, New Zealand, and the Pacific Island nations. He also served as U.S. deputy head of delegation to the Six-Party Talks and has acted as a senior consultant on East Asian security issues for different branches of the U.S. government. A recipient of numerous academic awards, including the prestigious Fulbright scholarship (twice) and MacArthur Foundation fellowship, Dr. Cha spent two years as a John M. Olin National Security Fellow at Harvard University and as a postdoctoral fellow at Stanford University's Center for International Security and Cooperation. He also teaches as the D.S. Song professor of government and Asian studies at Georgetown University.

Dr. Cha is the award-winning author or coauthor of numerous books and articles, including *Beyond the Final Score: The Politics of Sport in Asia* (Columbia University Press, 2009), *Nuclear North Korea: A Debate on Engagement Strategies* (Columbia University Press, 2003), and *Alignment Despite Antagonism: The U.S.-Korea-Japan Security Triangle* (Stanford University Press, 1999). He is also a frequent contributor and guest analyst for various media outlets, including Choson Ilbo, Joongang Ilbo, CNN, National Public Radio, New York Times, Washington Post, Time, Newsweek, Asahi Shimbun, and Japan Times. Dr. Cha holds a B.A., an M.I.A., and a Ph.D. from Columbia University, as well as an M.A. Oxford University.



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Monographs

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2002 Comparative politics: A perspective of the underdeveloped countries

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Theses

Comparisons on socialist values between Mao, Zedong and Jin, Richeng

Comparisons on political values between Mao, Zedong and Deng, Xiaoping

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比較政治學——後發展國家視角
現代化與權威主義：韓國現代政治發展研究（1960 – 1990 年代）
中國改革全書—政治改革卷（合著）

論文

毛澤東與金日成社會主義觀比較
毛澤東與鄧小平的政治價值觀比較
韓國發展模式的績效與局限性
後發展國家政治合法性的二元性與政治發展的特徵
論政治制度安排的邏輯起點等

The 3rd Party Congress of North Korean Workers Party and Possibilities of Domestic and Foreign Policies

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On September 28, 2010, North Korean Workers Party held that the 3rd party congress, which greatly rectified the central organizations of the party. Kim Jung Eun formally succeeded at this very moment. The paper intends to discuss 3 problems: How to evaluate the 3rd party congress of North Korea Workers party? Can Kim Jung Eun consolidate his position of the third generation of leaders? Will domestic and foreign policies of North Korea change?

| Results analysis of the 3rd party conference

1. Kim Jong-il era will continue. Since 1980, the central organizations of North Korean Workers Party are incomplete as a result of congress of party representatives has not been held in 30 years. The congress rectified the system of central organizations and increased the number of the appropriate central department heads, in which 3 alternate numbers to be Politburo Standing Committee, 11 alternates to be member of the Political Bureau, 15 to be alternate members of the Central Political Bureau. The number of the party's organization chief changes from 2 to 10. The number of Central Military Committee changes from 6 to 19. The 2nd generation of Anti-Japanese guerrilla is admitted into the system of central organization in order to supplement positions. In this congress, Kim Jong-il takes his second office that the general secretary of the Central Secretariat Committee, member of the Standing Committee of the Political Bureau, chairman of the Central Military Commission. In fact, this congress is a collective appearance of the new ruling elite group under the leadership of Kim Jong-il, which declare Kim Jong-il era will continue.

2. Kim Jung Eun was clearly regarded as a successor. Kim Jung Eun was awarded the people's army general military rank and designated vice-chairman of the Central Military Commission. Kim Jung Eun was seated after Kim Jong-il and Younghotaek (리영호) who is Politburo Standing Committee, Chief of General Staff of the people's army. Kim Jung Eun is a common member of the Central Committee, and no position in the military. The rank clearly indicates two messages: Kim Jung Eun is potentially the second most powerful man and not factually the second most powerful man. The seat of congress pictures and the reviewing platform strengthen this point.

3. It has an organization preparation to cut off personal dictatorship. Kim Jung Eun was born in 1980s. Like other boys, he is obsessed by basketball, Jordon, Jackie Chan's action movies and James bond's movies. He also likes Chinese food and sushi, specially sleeve-fish

and Tuna Sushi. For 27-year-old Kim Jung Eun, it will be at least for several decade until he can factually control the highest authority. Kim Jong-il has to design and arrange organization structure of the highest authority for Kim Jung Eun in the event of his abdication. This congress did a series of organization preparation in order to prevent personal dictatorship. For example, although Chang Sung-taek and Kim Kyong-hui have an important impact on Kim Jung Eun, they were not admitted into the supreme power layer. At the same time, they also control the important organ of power. On the other hand, the supreme power layer is less impact on Kim Jung Eun than Chang Sung-taek and Kim Kyong-hui.

II The Possibility of Succession of Kim Jung Eun

Can Kim Jung Eun carry on the third generation of leaders and consolidate the position? I think, Kim Jong-il's alive or not is the first variables. If Mr. Kim alive and actual control of supreme power, therefore, the process will take smoothly. If Kim Jong-il is not alive, the succession process will be very complicated. At least, we must consider the following several elements.

The first, the core group of internal elite will be division or not. At present, North Korea's core ruler is their offspring of the anti-Japanese guerrilla group of elite. As a special vested, master and enjoying the power, it is a community of interests, and Kim Jung Eun will be their general representative. Support Kim Jung Eun is to safeguard their own interests. In this sense, the ruling elite group will maintain cohesion for its common interests. On the other hand, the ruling elite group, especially within the ruling party and army, will likely appear contradictions and conflicts around the power distribution. In this congress, the Central Military Committee acquires the power center from the Defense committee. Defense committee members, and only 12 five into a member, only four people enter the politburo committee alternate (12 people, alternate 15). This pattern will power center from defense committee gradually transferred to Kim Jung Eun as vice-chairman of the central military commission (Kim Jung Eun defense committee in any position). Advancement of the party may cause the party power struggle between the military and thus lead to conflicts within the ruling elite. If Kim Jong-il still alive, it is possible to control the power structure. If Kim Jong-il is dead, can Chang Sung-taek, Kim Kyong-hui, Younghotaek (리영호), Choeyonghae(최용해) who benefit in the existing system control over the other elites, will be the key variable.

The Second, Kim Jung Eun's political ability level. Kim Jung Eun is only 27 years old in this year. At his father period, if he can have the highest power control ability, will be decisive variables. In addition, in the Politburo Standing Committee, five permanent members' average age is a 76-year-old. 12 Politburo members and 15 alternate committee members of the average age is 74. How to overcome the generation gap will be Kim Jung Eun' the first ordeal.

The third, domestic economy can be improved or not. After the cold-war pattern, North

Korea failed to effectively adapt to the new environment into a series of structural crisis. To overcome the crisis, North Korea has taken "7.1 measures", "political", first army major strategy for nuclear development. However, the "measures", nuclear development and other strategic initiatives such a vicious circle, that north Korea's planning system and distribution system, insufficient paralysis, and 30% improvement enterprises outside the further promote the spread of the economic system. Since 2003, the small free market began to spread throughout the country, but the deal is limited to agricultural species. Since 2004, there was large-scale comprehensive free market, by 2007, more than 300 large-scale comprehensive markets throughout the country, and become the main channel for public access to the necessities of life. In addition, long-term shortage economy caused malignant inflation. In 2009, a dollar can exchange for 3300 Korea Yuan in the black market, and 3000 Korea yuan is ordinary worker's monthly income. Because many enterprises cannot operate properly, the state finances almost exhausted; On the other hand, because of the economy spreading outside the structure of the economy a lot of currency circulates outside at the national financial system. In this case, in November, 2009, Korea implemented a very rapid the monetary reform. At 15 o'clock of the 30th November, 2009, the Korean government conveyed the "new issue currency decision" of the conference of the standing committee to the residents through the internal channels. The government also conveyed the cabinet 423 — 1 decision for "stability and improving people's living standards" and the cabinet 423 — 2 decision for "Rectifying economic management system" and other documents, formally starting the fifth monetary reform. From November 30, the original Korea currency should be out of use and should change for the new currency. Changing currency is from November 30 to December 6, and the exchange rate between the old currency and the new currency is 100: 1, every family can change 100,000 old currencies (later expanded to 300,000). On December 1, the foreign ministry announced the decision to the embassy of the countries in Pyongyang. Meanwhile, the Korean government announced that all the existing integration markets should be replaced by the market of only allowing sales of agricultural by-products, the frequency is once every 10 days.

I think that the monetary reforms have both economic and political purposes. Its chief economic purpose is to recover excess money and relieve inflation; to restore and strengthen the central government's ability to the state finance, the ability to assign and programme planning economic order; Its political aim is to restore and strengthen the base of central government's political control; to balance the huge gap between the rich and the poor by force, which was caused mainly by the economy outside of the economic system, to solidify the governing foundation; to suppress the people's incentive behavior power and pave the way for further strengthening the ideological induce and the controlling ability. The more deep-rooted goal is to make economic and political preparations for the high successor.

North Korea's the currency reform achieved certain effect in certain areas, such as recycling currencies, enriching the treasury and so on. But in the overall ended in failure, even is causing more deep-rooted economic and political crisis. Voluminous facts indicate that the currency reform has caused even more serious inflation. Whether the government can

provide a lot of goods is the key to the success of the currency reform. However, after the currency reform, the government not only failed to increase the amount of goods, instead the supply of goods sharply decreased caused by the closure of markets, which led to a series of economic and political consequences. In the economic meaning, the reform led to a new round of inflation, such as rice price have raised twice times of the pre-reform. Because large number of general market closed, people are extremely lack of varieties of the necessities, which caused public panic, in some parts even appeared violence between the people and the authorities. On February 4, 2010, North Korea government has to allow the opening of the general markets and published the national price of various goods (including light industrial products) .

Now the economic situation has not show improved signs. If this situation continues, Kim Jung Eun's legitimacy will be seriously questioned. This will shake its dominance.

The above three variables, whether or not the ruling elite within group spilt, Kim Jung Eun's political ability himself, governance performance, especially whether the improvement in domestic economic conditions and other variables are determined, but this order of three variables are uncertain. The three different combinations of this variables will cause different changes

According to historical institutionalism, there are four variables to the change of one political system: external pressure; internal conflict; the entry of new ideas; the role of elites. These four variables are determined, but the order of the four variables will be not determined. North Korea will eventually change the current system, but what variables can affect the change needs further observation.

III North Korea's Domestic and foreign policies tendency

The representatives of the Korean Workers Party do not address those domestic and foreign policy agenda. Additional, the formation of the early 90s of the highest authorities of North Korea's basic understanding of the situation at home and abroad and to judge the basic strategy show no signs of change.

After the disintegration of Cold War, North Korea was put into a position of isolation. As a way out of this crisis, North Korea chose the nuclear development. January 1991, The Soviet Union established diplomatic relations with South Korea. In 1992, China and South Korea established diplomatic relations. North Korea regarded North Korea, the Soviet Union and China in the triangular system has changed. North Korea can not rely on allies to protect their existing security. In addition to own some special weapons, no other ways. Since then, North Korean nuclear development had become the primary means of national security. If they do not rule out the threat to national security, the DPRK will not abandon nuclear development.

North Korea's nuclear development in a large-scale is current with the opening up of the

state. After 90s, in order to get rid of the economic crisis, North Korea made some changes to the system, a lot of competition was introduced. North Korea is the most lacking in a lot of technical and financial. After 90s, in particular, North Korea announced its withdrawal from "the NPT", the nuclear development became a bargain with the United States to get more support (direct and indirect).

North Korea's shortage of long-term economy, especially since the 90's most serious economic crisis, political legitimacy is facing serious threat. Within a certain range, take the initiative to create international tensions, national attention has become the an important way to ease the internal crisis.

North Korean nuclear crisis as implementation of the "military-first politics" provide a so-called reasons, and military-first politics is actually the way to overcome the basic crisis of domestic political. "Military-first politics" is an extraordinary period of crisis management system, rather than the basic political system of North Korea claims the period of socialist revolution and socialist construction. In order to gain legitimacy, "Military-first politics" must first have effect. Political stability and comprehensive opening-up is basic political premise to introduce a large number of short-term technical and financial resources . However, the "extreme conflict" is the logical starting point of the "military-centered politics", which means that the reactionary forces and the institutional threats to national security from domestic and foreign are still the principal contradictions. Under the premise of this logic, the North Korea can never be completely open to outside world in the coming future, which aims at introducing capital and technology to improve the economic situation. In addition, the comprehensive opening to the outside world may directly undermine the supremacy of the army, and then shake the "Military-centered politics."

After the early 90s, North Korea has done some partial reforms. However, the reforms have fundamental constraints, that is to say, North Korea's military industry (directly or indirectly) account for the total economy in large proportion. Therefore, North Korea's economic reforms will not be successful, unless the military industry could be transformed into civilian industry felicitously. The civilian use of the military industry grounded in conditions of the national safety. According to the international situations North Korea facing now, the most important constraint to the reform is that there is no way to transform the military industry to civilian use felicitously.

The development of nuclear, also creating an obstacle to opening, directly hinders the introduction of capital and technology. As a result, partial reform measures can not be effectively promoted. On the other hand, once the nuclear development is abandoned, "Military-centered politics" will lose its legitimacy. Because the "Military-centered politics" is based on a certain "tensional relationship" and "external pressure". From the perspective of developing economics, modern technology, financial reform and institutional reform are the most critical factors for the improvement of the under-developing-countries. For modern technology, to develop domestic human resources and to import technologies from abroad are crucial factors. For the capital, to import a lot of money from abroad in the short term is the

crucial factor. And for the institutional change, to form a competitive mechanism of economic operation and to stable macroeconomic situation are critical factors. Political stability and comprehensive opening are the financial basic political premises of the introduction of large amount of capital in short term. However , in North Korea ,the "extreme conflict" is the logical starting point of the "military-centered politics" and the development of the nuclear, which means that the reactionary forces and the institutional threats to national security from the domestic and foreign are still the most important contradictions. Under the premise of this logic, North Korea would not abandon its nuclear program and would not open to outside world. In addition, the opening to outside world, may directly undermine the supremacy of the army, and then shake the "Military-centered politics." "Military-centered politics" and nuclear development, creating obstacles to opening, directly hinder the introduction of capital and technology, leading to the fact that some reform measures can not effectively proceed. On the other hand, once the nuclear development is abandoned, "Military-centered politics" will lose their legitimacy. Because the "Military-centered politics" is based on a certain "tensional relationship" and "external pressure".

I think that, if Kim Jong-il and the ruling elite group carry on the same basic political philosophy, the North Korea's domestic and foreign policies will not change. Of course, the first thing for North Korea's top priority now is to get rid of the economic crisis. Therefore, North Korea may strongly promote the economic cooperation of the Rajin Special Zone´ Sinuiju Special Zone and Northeast China.



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아시아 지역통합의 새로운 축을 모색한다

아마코 사토시

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오늘날 세가지 특징이 눈에 띈다. 그 첫 번째는 국제 시스템의 변화, 두 번째는 세계화(Globalization)의 지역화(regional화) 현상, 세 번째는 중국의 급격한 부상이다.

국가 시스템과 탈(脫)국가의 가치·역할·기능이 병존하며 영향을 주는 상황이 계속되고 있는 것이 21세기의 국제사회 특징이다. 이것을 국민국가(NS)시스템을 대신하는 N-TN시스템' (Nation- Trans Nation System)이라고 표현하고 싶다. 그러나 <N-TN시스템>으로 전환되었음에도 불구하고 NT부분의 제도화가 제대로 이루어져 있지 않아 긴급사태가 발생하면 국가주권의 논리가 모든 것에 우선한다. 이번 센카쿠 제도 문제를 둘러싸고 일본과 중국 간에 발생한 경제·문화교류의 중단은 그 전형적인 예라 할 수 있다.

두 번째 특징은 세계화(Globalization)가 지역적 현상을 강화해 역설적이지만 지역화를 낳고 있다는 사실이다.

이러한 두가지 특징은 아시아에 있어 다양한 협력이나 통합 현상을 낳고 있다. 우선 ①디팩토로 발전하는 초국가적(Transnational)현상이 나타난다는 것이다②디팩토로 발전하는 지역통합이 현저하다. ③세계화(Globalization)에 따른 부정적(negative) 현상이 국경을 초월해 확대되면서, 아시아 각국에서는 전문가 그룹, NGO 등이 국경을 초월해 각각의 다양한 네트워크를 구축, 문제해결을 위한 협력 관계를 쌓아가고 있다. ④ 일상생활에서도 디팩토로서 단일 아이덴티티가 서서히 무너지고 있다. ⑤국경의 벽은 종래에 비해 현저히 낮아지고 있으며 부분적이기는 하지만 국가주권, 국민의식, 국익 등에 대한 개념의 전환이 요구되고 있다

중국과 아시아 지역통합의 관계

중국의 급격한 대두 이후 아시아 지역의 장래를 어떻게 생각해야 할 것인가? 이 문제는 아시아의 미래를 생각하는데 있어서 최대의 과제라고 말해도 과언이 아닐 것이다.

디팩토에서 제도화를 목표로 하는 아시아 지역통합

아시아에는 다양한 가치관, 다양한 생활 수준이 존재하며 경제발전·정치체제 또한 다

르다. 다양한 과제의 해결 또는 공동 이익의 창출을 위해 기능주의적 접근에 의한 전문가 집단, 정부, NGO 등의 네트워크 구축이 현실적이며 효과적이다. 덧붙이고 싶은 것은 생활·문화 아이덴티티 창출을 위한 네트워크 구축이다. 만일 아시아지역 사람들의 생활·문화가 밀접하게 연관, 전통적 사상·문화가 융합되고 공통화돼 아시아적 세계, 아시아 아이덴티티가 창출된다면 그곳에는 중화 의식도 일본인 의식도 아닌 새로운 「우리들 의식」이 생길 가능성이 있다.

아시아 지역연계의 미래=지향해야 할 목표

(1) 경제의 지역연계=일중한(日中韓) FTA의추진으로 동아시아지역 FTA의 구축

일본으로서는 오히려 한국(및 대만)과 연계하고, 일한 협력을 기초로 중국과의 FTA의 교섭을 진척시켜야 할 것이다(이를 위해 일한 FTA의 기본합의에 충실).

(2) 「아시아 비전통적 안전보장기구」의 창설을 추진

비전통적 안전보장에 있어서 상호작용 작업은 아시아의 지속가능한 발전의 길을 찾아 낸다는 점에서도, 신뢰 조성과 「한 배에 탔다는 의식」을 만들어 낸다는 점에서도 모두 중요하다.

(3) 「아시아태평양 안전보장조약기구」의 창설

①현실적 접근에서 시작, 단계적으로 확대 심화해나가는 방법을 취한다. ②상설 「일·미·중 안전보장 대화 포럼」의 창설을 진척시켜야 한다. 포럼을 설치하고 단순한 상호억제를 위해서뿐만 아니라 이 틀을 활용해 일·미 상호간의 적대 감정, 현실적 대립의 감소 등 긍정적인 효과도 노려야 할 것이다.

③ 현재 아시아에는 한반도 비핵화를 둘러싼 「6개국 협의」, 아시아 전체의 대화 포럼인 「샹그릴라(Shangri-la) 다이얼로그」, 확대 ASEAN의 안전보장 대화 포럼인 「ARF」, 그리고 중국이 발기(Initiative)한 「상해 협력기구(SCO)」 등이 존재한다. 그러나 이들을 통괄할 가장 핵심적이고 실질적 협조의 틀로 「일·미·중 안전보장 대화 포럼」이 그 역할을 해주기 바란다. 앞으로는 이것을 축으로 그 외 다른 다국간 안전보장 메커니즘을 만들어나가는 접근해야 할 것이다.

④최종 목표로 「아시아태평양 안전보장조약기구(APSTO)」로 발전시킨다. 그 가운데 일미안전보장조약에 더해 중국을 포함하는 「일·미·중 안전보장조약」을 창설한다. 나아가 한국, 호주, 뉴질랜드, ASEAN 등이 참가하는 형태로 APSTO를 구상한다. ⑤이상과 같은

다양한 시도는 국민국가(NS)시스템을 「N-TN시스템」형 아시아 질서로의 구축으로 인도하게 된다. 각국간의 영토·영해 분쟁 문제에 있어서는 「공동주권론」이 기반이 되겠지만, 더 나아가 TN시스템에 있어서의 다원·다층의 대화 포럼이 조직화·체계화되고 그것을 통해 안정적 국제 통치가 형성되게 된다.

이상과 같이 ASEAN+3에서 시작되는 **아시아 비전통적 안전보장기구**, 일·미·중 안전보장 포럼에서 시작되는 **아시아태평양 안전보장기구**, 더 나아가 **경제 차원에서의 APEC 내실화**가 나란히 진행되어가는 가운데 포괄적 통합의 주체가 구성되어 갈 것이다. 그리고 포괄적인 통합의 제도화가 시작되었을 때 아시아 통합의 형태와 경계는 자연스럽게 정해질 것이다. 최대 열쇠는 비교적 장기에 걸친 기간 동안 아시아 지역 내에서 <공동(共働)·공익·공감>의 **공유구조**가 만들어질 것인지 여부이다.

Exploring a new pillar for Asian regional integration

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Recognition of an Asia Pacific International Structure

Three characteristics stand out today. The first characteristic is change in the international system. The second is Regionalization of Globalization, and the third is the rapid rise of China. Let us look at the first characteristic. The Cold War era is over and the oldest expression used for the international system is the so-called [West-Faria System = Nation State]. Ideas of the Nation- State System include that a nation is deemed as the highest authority of decision making, and the principle of non-interference in the internal affairs of other countries is designed to form an international order through agreements entered into between countries. Until today, the [Nation-State System] is still constantly acknowledged and has secured the critical “actor” position in the international community.

However, mutual cooperation, dependence, and interaction have been advancing recently in all areas centering on economies and information. Multinational companies, direct investment, free trade, and financial cooperation are creating multi-layered public good structures breaking the traditional concepts of a national economy and national economic interest. Just because the nation-state system is slowly breaking down and a transnational movement is gaining momentum does not necessarily mean that the international system has not completely transformed into <the transnational system> from <the nation>.

One of the characteristics of the international community in the 21st century is that the situation continues where the nation and the values, roles, and functions of trans-nationalism coexist and have an impact on each other. I would like to term the status as the Nation-Trans Nation System (N-TN System) which is substituting for the Nation State System. At a time when the N-TN System is becoming the mainstream, cooperative and dependent relations in other arenas than the political sovereignty theory should not be overlooked. The logic and practice of trans-nationalism should also not be subordinate to those of the nation. Despite a transition to the N-TN system, the logic of national sovereignty takes precedence over all other things when any emergency crisis is caused by incompletely institutionalized NT.

The typical case in point is the issue over the Senkaku islands, which caused a discontinuation in economic and cultural exchanges between Japan and China.

The second characteristic is that globalization that reinforces regional phenomena is paradoxically bringing about regionalization. The flow of globalization created a transnational phenomenon where products, people, and money move, which causes varied tasks and problems at a global level rather than at a regional level. This is why regional tasks

and cooperation such as regional cooperation and regional integration are being discussed as an issue of interest.

The force behind economic freedom has rapidly grown since around 1990 and the movement for the abolition of tariff barriers and deregulation has become active. That was the so-called the wave of globalization. The profits of a multinational company are shared by relevant companies in each country and go beyond the concept of a national economy, but the changes were not directly linked to globalization. Global issues are causing massive natural disasters such as degradation of the environment and the spread of infectious diseases and an ever-widening gap between the haves and the have-nots in Asia. Japan engages itself in security assurances for human beings that goes beyond the national level. China is suffering from serious problems including environmental issues, acid rain, carbon dioxide emissions, sulphur dioxide emissions, polluted water and streams, and waste issues. Non-traditional tasks of security assurance that affect not only China but beyond its borders are becoming an issue that should be tackled by the Asian region as a whole.

De facto 「Trans national」 regional cooperation and integration

The two characteristics mentioned above are begetting diverse phenomena of cooperation and integration. First, (1) de facto transnational phenomenon is created. For example, the expansion of a multinational company creates multinational profits and changes in national identity driven by increases in the number of international marriages and long-term emigrants, and the movement of culture and information are largely modifying the aspect of public culture in each country in line with the 「transnational」 trend.

(2) De facto regional integration is prominent. The most globalized method was tariff barrier-free trade, in other words, the philosophy of the World Trade Organization (WTO). However, in practice this situation cannot easily be built in a short term period. That is why a direction is set to pursue plausible matters first, and Free Trade Agreements are spreading through regional or national independent ways. We, however, should not overlook that diverse cooperation efforts and mutual dependency for regional integration such as trade, direct investment, and technology transfer are already in place within the region. Today, bilateral Free Trade Agreements (FTAs), Economic Partnership Agreements (EPAs), Economic Cooperation Framework Agreements (ECFA), and partial regional FTAs are advancing based on the realities.

(3) With negative phenomena driven by globalization expanding beyond borders, there is an active movement to build 「De facto cooperative network in each expert area」. Air pollution caused by carbon dioxide emissions and acid rain, environmental pollution resulting from waste and waste water, infectious diseases that do not respect national borders such as SARS, HIV, AI, and the ever-widening spread between the haves and have-nots are becoming more and more evident in each Asian country. With regard to these issues, experts groups and

NGOs in each Asian country are building cooperative relations to address the issues through different networks.

(4) In our everyday life, de facto single identity is slowly being reduced. National identity is also changing as international marriage and immigrants increase. In particular, this trend has become very prominent in the past 20 years in the Asian region.

(5) The barrier of national borders is being lowered significantly and there are partial requests for a changeover in the concept of national sovereignty, nationalism, and national interest. In other words, the partial collapse of de facto national sovereignty has begun. Of course you cannot deny sovereignty in Asia is still serving as a critical actor in the international community, but the foundation for the nation state system is collapsing, even though only partially. Conversion into the Nation-Trans Nation has begun.

Advent of China as an “ultra” superpower country

China adopted its reform and open policy in 1978 and has celebrated 30 years of its modernization efforts. In 2010, China overtook Japan to become the world’s second largest economy in terms of GDP. With a double digit increase in its defense budget for 20 years, China is described as the second superpower in terms of military force. By successfully hosting both the Beijing Olympics in 2008 and the Shanghai Expo in 2010, China has become an 「ultra」 superpower to become one of the 「G2」 along with the USA. China’s rise still continues today. Direct investment in China from overseas is maintained at a high level even today and China is positioned as a 「global factory」 if you look at the details of Chinese exports to the USA. Since the Lehman shock in 2008, structural recession in the USA is still casting a dark cloud over the economy and shaking the US state as an absorber. Under these circumstances, China, which carried out massive investment in expanding domestic consumption, has not only recovered from the economic slowdown swiftly but has also regained the momentum for high growth of GDP. With its enormous population, continued economic growth, increasing domestic purchasing power, and ample cash-driven domestic consumption policy, China is realizing its potential as a global market in addition to being a global factory.

Though the Chinese leadership clearly stated that China does not seek to be a 「superpower」 or have 「supremacy」, they have started to step up China’s influence in the global market from a softpower perspective while pursuing economic and military superpower status. The symbolic case in point is the 「Confucius institutes」 that are being set up all over the world to spread Chinese and Chinese culture. To rival CNN and BBC, Shinwha has started English TV broadcasting for the first time in China. The softpower strategy employed by China has not necessarily turned out as was originally intended. Instead, it is true that the China Threat」 or 「China heterogeneity」 have been caused. However, expansion of China is not a deniable fact and also undeniable is that China is growing as a

single country strong enough to match the USA even though it has severe internal problems.

Relations between China and Asian regional integration

What do we think of the future of the Asian region after the rapid rise of China? It is not an exaggeration to say that this is the biggest challenge in thinking about the future of Asia. Watanabe Toshio, dean of Takushoku University and who has made contributions to integration of the Asian region since 1990, expressed his position in his paper titled 『New Escape from Asia』 in 2008 out of wariness over the rise of China.

Professor Watanabe argued that when a community is created, borders are lowered and a situation where the superpower that is China dominates other weaker countries could be created. He claimed that an environment where China's hegemony is embraced should not be allowed. The professor also said that Japan could make inroads into East Asia or China in an economically safe way by maintaining a solid alliance between Japan and the USA.

I am not saying that I do not understand the anxiety expressed by Professor Watanabe over China, which is rapidly rising as a new power, but I have fundamental doubts. Whether a functionally sturdy network built on the economy as a foundation could put a hold on any situation by simply saying "This is it!" The network, if there is any, would require the next stage.

Second, Professor Watanabe assumed the concept of "Community = Public house = China's hegemonic dominance structure". Is this formula absolute? The concept of 「Community」 is genuinely ambivalent and a structure of integration formed by repeated functional cooperation is also sometimes called as community. The European Community, the precursor to the European Union, is a case in point. In fact, Asia does not have a system of 「Public house」. It would be an excess jump of logic and prejudice to define the system as the 「House for China's hegemony」. Japan, instead, should aggressively engage itself in building a community that is designed not to create "hegemonic relations".

The third point (and this is the most critical point) is that imbalanced economic development and the survival of the fittest situation would be accelerated by deepening free trade and globalization unless a framework or an institution is pursued actively on top of the functional institutions and network already built. The increasing economic prowess of China is creating an environment where the economies of neighboring countries are engulfed by China within a free trade framework. China's movement towards regional integration including its FTA strategies shows that China is signing FTAs with Southeast Asian countries to increase dramatically mutual trade volumes. China-initiated economic cooperation and infrastructure construction are being pursued rapidly and account for the whole of Indochina with the Greater Mekong Sub-Region Plan (GMS Plan), Tonkin Bay Economic Development Forum, realization of the South-North corridor driven by Chinese capital, and a railway

construction plan that links major cities from Kunming, China to southern Thailand. This could be called as the flow of an ASEAN-China FTA in an area under the influence of China.

In June 2010, the ECFA was entered into between China and Taiwan. Though the ECFA itself is essentially about items for free trade, the fact that the number of Taiwanese items is far more than the number of Chinese items shows the warm consideration extended to Taiwan by China. As a result, Taiwan, which gained a significantly more advantageous position than Japan and Korea in the Chinese market, recorded more than 9% year on year economic growth in 2010. Korea has made efforts to sign an FTA with China and started full-fledged negotiations in 2011. Japan would be at a disadvantage in exporting to China, its biggest trading partner, if Japan lags behind in signing an FTA with China. The more passive Japan is in dealing with an FTA with China, the more severe will be the economic conditions that Japan could face.

Asian regional integration aiming at institutionalization

In Asia, different values exist and standards of living are varied, while the stage of economic development and political framework are also different. Cooperation under these circumstances becomes naturally functional. Building networks of expert groups, governments, and NGOs driven by a functional approach is realistic and effective for addressing diverse issues and creating public good.

Methodologies to build networks include “cooperation for task resolving” and “creation for public good.” The theme for cooperation for tasks is how to continue development while aggressively addressing worsening environmental issues with a focus on sustainability and economic growth. Networks should be built jointly to address issues in non-traditional security assurance arenas such as ① poverty and social issues ② environmental protection ③ energy savings ④ natural disasters, and ⑤ infectious diseases as well as piracy at sea or Sea Lines defense or regional natural disasters.

“Creation for public good” in the economic arena requires FTAs, a common currency system and common market, and the development and application of a Clean Development Mechanism (CDM) in terms of harmony between growth and the environment. From a security assurance perspective, cooperative security assurance and regional cooperation for group security assurance are required, and the creation of common good such as joint development of clean energy and joint energy saving are required in the area of nontraditional security assurance.

Whether it is cooperation for task resolving or creation for public good, major clues and pipelines for forming cooperation mechanisms are pursued by network building. Three main actors in networking are basically governments, NGOs, and expert groups in medical and environmental areas. It is important for each group to organize for forming a network. Organization of tripartite solidarity beyond borders is critical and it naturally brings about

controversy.

What I would like to add is building networks for the creation of life and cultural identity. The odds are that a new “We mindset” is created which is not China-centered or a Japanese mindset once the different lives and cultures of the Asian region are closely related and traditional thinking and cultures have converged to create an Asian world and Asian identity. To this end, actors should partner to work together and a “be in the same boat” mindset should be shared. The direction for Asian regional integration is to deliver diverse results and at the same time reinforce cohesion and realize a harmonized society. While an institution that pursues regional interest and covers the whole of Asia is designed, another institute designed to realize the ideas is built. The “We mindset” is solidified and a “harmonized society” is created through the institute.

To take regional integration to the next stage, a “strategic adjustment approach” and a “bottom up approach” should be advanced. “Strategic adjustment approach” means a way where cooperation for security assurance and joint energy development and saving are pursued strategically and adjusted. “Bottom up approach” refers to NGO activities and cooperation in the area of environmental protection, prevention of infectious diseases, and human safety assurance, which involves poverty reduction and human rights improvement with networks and partnerships of groups of experts and government agencies. An approach that mixes and organizes a “functional approach”, “strategic adjustment approach”, and “bottom up approach” is also required.

The future of Asian regional alignment = target to be pursued.

(1) Regional economic cooperation = aiming at FTAs in the East Asian region with FTAs among Japan, China, and Korea.

① The key points of the NIRA research report “Strengthening Regional Cooperation in East Asia” (Sep. 2010) are (a) Keeping pace with the speed of economic development in East Asia, (b) Learning the lessons of the EU (regional unification stimulated regional trade and investment and enhanced political stability), (c) Taking the opportunity to increase trade dependency, (d) Opportunity to change Japan’s inward focus, (e) Pursuit of multi-faceted regional cooperation, (f) The lessons of the Asian Financial Crisis (from financial cooperation in the region to establishment of the Asian Monetary Fund (AMF)), and (g) Supporting the peaceful and stable growth of China.

② Japan should cooperate with Korea (and Taiwan) and advance negotiations over an FTA with China based on Japan-Korea cooperation. (Japan should be faithful to the basic agreement of a Japan-Korea FTA)

③ Aggressive and fundamental actions are required to deal with agricultural issues. Conversion into competitive agriculture is targeted. Key points in this efforts are (a) transformation of agriculture into an export industry with features of (high value-added agriculture) = infrastructure support and people development support are provided and (b)

rearrangement of Agriculture Cooperation, which is a for-profit group, as the core organization for production, distribution, and people development in each region.

(2) Creation of an “Asian Non-traditional Security Assurance Organization”

① Networks for addressing diverse issues such as the formation as partnered organizations of (a) network for resolving poverty and social issues, (b) network for environmental protection, (c) network for saving energy, (d) network for responding to natural disasters, and (e) network for dealing with infectious diseases. A “Nontraditional Security Assurance Bureau (or Office)” is installed where activities and information of groups of experts in the areas of (a) through (e) and NGO group networks are gathered and a mechanism for cooperating with government agencies is set up.

② Mutual interaction in the area of unconventional security assurance is significantly important in that it explores ways for sustainable development of Asia and it builds up trust and creates a “be in the same boat” mindset, which is a shared identity.

(3) Creation of an “Asia Pacific Security Assurance Treaty Organization”

① Starting from a practical approach, a phased expansion method is taken. Traditional security assurance was a zero sum approach but regional multi-lateral security assurance cooperation is created concretely based on the traditional method. In this case, the rationale behind the organization should be joint action against external or potential enemy threats but the organization works as a mechanism for cross restraint and checks between internal actors. The discussion is not even imaginable without the presence of the USA. That is why a multi-lateral security assurance mechanism that involves the USA should be built.

② Creation of a standing “Japan-US-China Security Dialogue Forum” should be advanced. The Japan-US alliance is inevitable in that the China threat is becoming more difficult to control even by the USA and the alliance presents the biggest threat to China. The forum should be created not only to simply restrain each party but also for the expectation of positive benefits such as reduction of adverse emotions and confrontations between Japan and the USA.

③ There are forums and talks in Asia such as the “Six-party talk” over denuclearization of the Korean peninsula, the “Shangri-la Dialogue”, a dialogue forum for the entire Asia region, the “ASEAN Regional Forum (ARF)”, an expanded ASEAN Security Forum, and the China-initiated “Shanghai Cooperation Organization (SCO)”. I would like to see the “Japan-US-China Security Dialogue Forum” serve as the most critical and practical framework that oversees all talks and forums. Other approaches to create multi-lateral security assurance mechanisms are needed with the “Japan-US-China Security Dialogue Forum” as the main pillar down the road.

④ The final goal is to establish the Asia Pacific Security Treaty Organization (APSTO). In the meantime, the “Japan-US-China Security Assurance Treaty”, which adds China to the Japan-US Security Assurance Treaty, should be created. Furthermore, the APSTO that adds Korea, Australia, New Zealand and ASEAN should also be considered. Though constructing this security assurance framework is not realistically plausible in the short term, I would like

to raise this issue to be discussed as one of our objectives.

⑤ Diverse trials mentioned above would lead us from the Nation State System to construction of the “N-TN System”-style Asian order. Though “joint sovereignty” would be the basis for resolving disputes over territories and territorial waters, stable international governance is created through the TN System where multi-lateral and multi-layer dialogue forums are organized and systemized.

In the midst of hand-in-hand development of an Asian Non-traditional Security Organization deriving from the ASEAN+3, with the Asia Pacific Security Treaty Organization, stemming from the Japan-US-China Security Forum and economically-driven APEC, the main leader for comprehensive integration would be constituted. The type and boundary of Asian cooperation will be naturally defined when comprehensive integration begins to institutionalize. The biggest key to success is whether a shared structure of <joint action, common interest, and consensus> is created in the Asian region over the relatively long term period.



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1974 Far East National University, Faculty for Oriental Studies (Vladivostok), Specialist on East Asian countries (History of China)

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Degrees

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Fellowships

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Special training courses

2009 Symposium on East Asia Security (US State Department and PACOM, Honolulu-Tokyo-Jakarta-Kuala Lumpur-Bangkok)
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Career

1974 – 1991 Lecturer, Assistant Professor, Professor, Far East National University
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- 2002 Present Part-time Chair, Department of foreign politics and international affairs in East Asia, Institute of Oriental Studies, Far East National University

Awards

- 2000 Honorable Professor, Institute of East European, Russian and Central Asia Studies (CASS , PRC)
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Spheres of scientific interests

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Publications

More than 160 including 6 books (2006: In the Shadow of the Dragon Awaken: the Russian-Chinese Relations on the Boundary of the 20th-21st Centuries. Vladivostok: Dal'nauka. - 424 p. (in Russian); 2005: Russia-China Relation in the Regional Dimensions: 1980s – the beginning of 21st century. Moscow: Vostok-Zapad. - 390 p. (in Russian), etc.

한반도 통일과 태평양의 러시아

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한반도 평화는 아시아태평양 지역 안보에 중요한 조건이며, 러시아는 통일된 한반도를 원한다. 한반도에 대한 러시아의 전략적 이해관계는 국제적(지정학적)인 것과 국내적(경제적)인 것이 모두 포함된다. 특히 동북아 지역의 새로운 구조 속에서 한반도는 러시아가 아시아 지역 진출의 발판을 마련하는데 도움을 줄 것이다.

한국은 러시아와 석유·천연가스 탐사, 우주항공산업 부문 등에서 협력하고 있다. 또 러시아와 남북한은 지난 2006년 러시아 하산과 북한 나진항을 잇는 철도 건설에 합의하기도 했다. 러시아는 에너지, 교통 분야 등에서 남한-북한-러시아 3자가 참여하는 프로젝트가 평화통일을 이끄는 수단이 된다는데 관심을 갖고 있다. 러시아와 남북한의 상호 경제 협력은 여전히 불안하지만 장기적으로는 성공할 것이다.

러시아가 한반도 평화에 관심을 갖는 이유는 우선 다른 관련국가들보다 정치·경제·군사적으로 잃을 것이 별로 없기 때문이다. 특히 경제 발전에 매진하고 있는 러시아는 아시아태평양 지역 경제 통합을 위해 한반도의 평화와 비핵화를 바라고 있다. 또한 미국-일본-한국, 중국-북한은 각각 군사적으로 상호 협력하기로 조약을 맺었지만 러시아는 선택에서 보다 자유로운 입장이다.

Korea Unification and Pacific Russia

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The future of Korean peninsula is not indifferent for the residents of the Russia Far East or, as we more often call it now, Pacific Russia. This is due not only to their geographic proximity, though this reason, if large-scale conflict unfortunately breaks out on the peninsula, would be sufficient. An economic factor is equally important. Russia's integration in the Asia-Pacific region, which is a lot of talk lately in Russia and abroad, will be inevitably based on the Far East facilities and, we do hope, Korea involvement. The Korean Diaspora in the Russian Far East (more than 60 thousand people), as well as Korea and Russia Far East common historical past (State of Balhae, the anti-Japanese struggle bases in Primorsky territory) also play a role.

It is a history and the present day. The future, whether good or bad, is also common.

In my report I will try to examine why Pacific Russia is interested to border with united, peaceful and prosperous Korea. For the beginning we start with the perception of Korean issues which the people of the Far East have.

The perceptions

Public opinion polls conducted in the Far East by researchers of Russian academy of sciences for the last ten years persuasively show that local people used to perceive "the Korean problem" primary from the point of their interests and real or potential threats to their security originated from this problem. In this context, they do not explicitly include the issue in the list of main threats to the Russia interests. In 2010 poll the conflict on Korean Peninsula took the last position among nine threats to Russia and the Far East's security in the Pacific suggested in the questionnaire with only 15% of the vote. This figure was more than 3 times less in comparing with "*the rise of China power*", "*growing number of foreign migrants*" and "*Federal government undue regard for the interests of Far East territories*" which hold three first lines in the list. In spite of DPRK nuclear program and missile tests, only 9 percent of respondents believed North Korea threaten Russia; for the other 18 percent such threat "*rather existed*", while as more than 60 percent of people were anxious of the threat of China (37 percent of them said this threat "*existed*" and 27 percent – "*rather existed*"), 48 percent – of the US (for 20 percent is "*existed*" and for 28 percent – "*rather*

existed”), and 40 percent – of Japan (14 and 26 percent correspondingly). South Korea was a threat for 16 percent of respondents only (4 and 12 percent correspondingly).

Summarizing this part of my review I assume that neither Russian government nor Russia Pacific territories consider situation on Korea peninsular as a serious threat to their security.

Thus if Korea is not a challenge for Russia, is it an option for it?

Today the people’s view of Russia relations with two Koreas is very positive. In 2008, only 2 and 7 percent of the people asked in the south part of the Russia Far East said Russia’s relations with South and North Korea were “*bad*”; 32 and 23 percent correspondingly believed these relations were “*good*”. More people – 43 and 35 percent of respondents – supposed Russia-ROK and Russia-DPRK relations would be “*good*” in the future, while only 2 and 4 percent proposed they would be “*bad*”. Meanwhile every fourth respondent had difficulties to choose the answer and could not express his opinion on these issues. The others used to resort to indifferent definition “*satisfactory*”.

Being the third (after China and Japan) main economic partner of the Russian Far East with 26.5 percent of the regional foreign trade in 2010, South Korea is considered as a very important partner in the future also. 28 percent of respondents in the Far East in 2010 marked ROK as a country to develop their territories’s relations with. This is much less than the number of respondents advocated for relations with China and Japan (53 and 52 percent) but more than stood for cooperation with the US (18 percent) and Western Europe (10 percent). From today regional point of view, united Korea may become one of the sources of Pacific Russia economic development.

Russia strategic approach and interests in the Pacific and Korean Peninsular

Actually, for the last decades Moscow was too far from the region and preoccupied with other domestic and foreign problems to put “the Korean issue” among its political priorities although constantly stressed the Russia concern and involvement in its decision. But if the Kremlin's political interest on the Peninsula was rather noetic, then the economic one has acquired quite concrete and tangible content. Since the mid-1980s when Mikhail Gorbachev proclaimed an idea to integrate Soviet Union into the Asia-Pacific region, Korea was seen as an important partner and accomplice of this integration. As Gilbert Rozman wrote, “for Gorbachev, Seoul, not Tokyo, was to serve as a bridge to the Asia-Pacific region”.¹

Today Russia strategic interests objectively have both international (geopolitical) and domestic (economic) basis. Each of them has many reasons to be tested through the prism of Russia Pacific territories.

¹ Rozman Gilbert. Northeast Asia’s Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization. Cambridge: Cambridge University Press, 2004. P. 68.

The first one deals with the new political architecture in Northeast Asia to be under discussion for the last decade and naturally evolving in the region, and Moscow proper place in this architecture. However, unlike Kim Samuel who has supposed the Korean Peninsula was a “likely locate” in which Russia might try “to reenact its identity as a great Eurasian continental power”², I assume that for Russia peaceful and united Korea is not a mean necessary to strengthen the political position in the region but an important condition to provide security for its Pacific territories.

Perhaps remembering that misunderstanding about Russian policy on Korean Peninsula has become one of the reasons for Russo-Japanese war in the early XX century, and fearing to incur the displeasure of Beijing, Tokyo and Washington by accentuating its personal approach to the issue, Moscow is very unpretentious in formulating its interests on the Peninsula. *Russia Foreign policy Doctrine of 2008* diplomatically intents “Russia's active participation in the search for a political solution to the nuclear problem of the Korean Peninsula, maintaining constructive relations with the Democratic People's Republic of Korea and the Republic of Korea, promoting dialogue between Seoul and Pyongyang and strengthening security in the North-East Asia”.³

Nevertheless, the new situation in Northeast Asia requires more active involvement of Russia in the process of Korea unification. The apparent ineffectiveness of the cold-war time military alliances (US-Japan, US-ROK, China-DPRK) in matching neither the ingrained regional and bilateral controversies nor upcoming traditional and non-military threats comes along with China attempts to reshape political architecture in East Asia and the Pacific on the base of multipolarity. United and independent Korea may become a pole in this new architecture endeavoring for sustainability of the region. This new architecture gives a better chance for Russia to get “firm foothold in all of Asian affairs”, as Vladimir Putin has posited in the beginning his presidential career,⁴ and fill more insecure having “a unified Korea as a counterbalance to potential threats from Japan or China”.⁵

Moreover, Japan disaster of May 2011 once again put on the agenda an imminent need to construct some regional security infrastructure and mechanisms to withstand non-military threats common for all countries of the region. Growing instability of natural environment and the risk of large-scale technological catastrophes make the problem more and more urgent.

The second basis for Russia involvement in Korean affaires is the Kremlin intention to strengthen Russia economic presence in the Asia-Pacific region on the base of energy expansion and accelerated economic and social development of the Far East (the blueprint of

² Kim Samuel S. *The Two Koreas and the Great Powers*. N.Y.: Cambridge univ. press., 2007. P. 154.

³ The Foreign Policy Concept of the Russian Federation – <http://www.kremlin.ru/eng/text/docs/2008/07/204750.shtml>.

⁴ Vladimir Putin Speech in the Ministry of Foreign Affairs, January 26, 2001 – http://www.kremlin.ru/appears/2001/01/26/0000_type63378_28464.shtml.

⁵ Kim Samuel S. *The Two Koreas and the Great Powers*... P. 334.

so called “Russia integration in the Asia-Pacific”). The pragmatic interests of the State itself and large natural monopolies which holds that State are of equal importance in this big geo-economic game. In this game Moscow considers the Far East as an important platform for the “integration”. It seems that its position is understood both in the South and the North of the Korean Peninsula.

It is just to remind, that in 2001 Vladimir Putin and Kim Jong Il signed the Moscow Declaration, which reflects the parties' agreement on the establishment of railway transport corridor linking the North and South on the Korean Peninsula with Russia and Europe. During President Roh Moo Hyun visit to Moscow in September 2004, the Russian side presented a draft of the four items featuring Korea to participate in the economic development of the Far East. The draft included the construction of trans-Korean railway, gas pipeline and connection of the Russian and Korean electric networks. To date the interests of Russia and ROK in these fields look to coincide.

Russian-Korean Joint Action Plan on the economical cooperation signed on 19 November 2005 in Busan, involved parties in the fields of energy and natural resources. The plan envisages the preparation of long-term supplies of Russian natural gas in ROK, cooperation in the field of oil and gas extraction in Eastern Siberia and the Far East joint development of electric power industry, including the construction of power lines between Russia, North and South Korea.⁶

In March 2006 in Vladivostok a trilateral meeting of railway men from Russia, South and North Korea resulted in the decision to restore the Trans-Korean railway with the reconstruction of the 54-km section from the Russian border station Hasan to the North Korean port of Rajin and the building of a container terminal in Rajin.⁷ In October 2008 an official ceremony of launching the modernization of the Trans-Korean Railway was held on the Tumen border station in North Korea. According to the managers of the Far Eastern Railway statement, made in January, 2011 the first freight train supposed to go on the upgraded section of a railway in early 2012.⁸

As far as current Seoul administration considers Siberian resources as one of the sources of Korea economic development and sees the tripartite (Russia, ROK and DPRK) economic projects as a tool to "engage" Pyongyang in the process of peaceful reunification of the country, Russia interests in this field match with the interests of South Korea. As President Medvedev noted, “we need to create positive incentives for our partners in North Korea and assist them. This will create the opportunity for settling this situation with this program in full

⁶ Russian-Korean Joint Action Plan on the economical cooperation – <http://www.russian-embassy.org/Press/Plan.htm>

⁷ April 24, 2008 "Russian Railways company" and the Ministry of Railways DPRK signed a cooperation agreement that defines the basic principles of project implementation. The agreement creates a joint venture "RasonKonTrans", in which the share of the Russian side is 70%, North Korea - 30%. Russian side investment in reconstruction of the railway Tumanagan - Rajin and the construction of the terminal would be about 140 million euro.

⁸ <http://www.trud-ost.ru/?p=68437>.

and then being able to settle the general situation.”⁹ One of the first external steps of Lee Myung Bak’s administration was to send (in January 2008) a special representative to Moscow to declare plans to "step up economic cooperation with Russia” and make Eastern Siberia" the axis of the world and regional economy.”¹⁰

In September 2009, during an official visit to Russia, President Lee Myung Bak announced his concept of "three major new Silk roads" – "the iron", "energy" and "green" ones, and every “road” inevitably passes through the Russian Far East.¹¹ In August 2009, a 20-member delegation led by Victor Ishaev, Russia’s presidential representative to the Far Eastern Federal District, visited Seoul. At the talks with President Lee Myung Bak, he discussed “various bilateral issues, including joint energy development projects and cooperation in the areas of information technology and aerospace”¹² and probability of trilateral cooperation between the Russian Federation, Republic of Korea and DPRK in the field of petroleum engineering and development of coal deposits, construction of oil and gas pipelines, railway from Russia via the Korean peninsula.¹³

As the Ambassador of ROK in Russia Li Yong Ho stated, “a project to build a gas pipeline running through North Korea between the Republic of Korea and Russia is more than just gas project, it is a "peace initiative", which will bring stability and peace for the Korean peninsula and Northeast Asia.”¹⁴

All of the above facts show that despite all difficulties, delays and controversies Russia and both Korea mutual economic interests have been slowly but surely constructing still very shaky but real platform for future unification of the country. This is a long, but it seems the most reliable route to success.

Capabilities of Pacific Russia

Actually, Pacific Russia itself has very limited leverage to influence the course of events on the Korean Peninsula. One should bear in mind that even Far Eastern Federal district is not the economically and politically united territory but rather a conglomerate of independent regions, mostly engaged in relations with the center than with each other. It would really benefit from trilateral large-scale economic projects but virtually unable to influence their formation and implementation. What it has to offer for the parties is a framework for interaction of two Koreas, and its modest resources to engage North Korea into multilateral cooperation in the region. The economic component of these resources is minimal.

⁹ Dmitry Medvedev. An Interview to the Journalists of G-8, July 3, 2008 –

http://www.kremlin.ru/eng/speeches/2008/07/03/1850_type82916_203509.shtml.

¹⁰ S. Korea, Russia discuss joint development of Russian Far East –

http://www.kois.go.kr/news/News/newsView.asp?serial_no=20080124001

¹¹ 2009 Diplomatic White Paper. Seoul: Ministry of Foreign Affairs and Trade, 2010. P. 59.

¹² Korea Seeks to Build Logistic Facilities in Russia Far East – The Korea Times. August, 27, 2009.

¹³ Российский Дальний Восток и Республика Корея выступают за тесное экономическое сотрудничество (Russia Far East and Republic of Korea Stand for Closer Economic Cooperation) –

<http://vostokmedia.ru/n54054.html>.

¹⁴ <http://www.rian.ru/politics/20100428/227801150.html>.

For today, economic and people exchange between North Korea and Pacific Russia is very small. In 2010, the volume of Russia Far East trade with DPRK amounted to 13.5 million US dollar, 0.1 percent of the total foreign trade of the region. Only 164 tourists visited North Korea from Primorsky Krai in 2009; tourist flow in the opposite direction was ludicrous: 6 Koreans only. There is nothing to say about mutual investments with the exception of small North Korean restaurant in Vladivostok. Ten thousand North Korean workers annually involved in the Far East economy is not an option either.

What remains is a humanitarian and psychological component. It is a real instrument to encourage North Korea involvement in human exchange, of course if Pyongyang has its good will to go this way. Some slight signs of this will have appeared recently, when Consul General of the DPRK in Nakhodka proposed to restore academic exchange between two countries in different fields, starting with archaeology. This Consulate growing activity in Primorye in popularization of Korean culture has become the second evidence.

Of course, there are some other channels and means of “public diplomacy”, such as sister cities movement or children and students exchange to be used for North Korea engagement, but the psychological platform for such activities is very narrow. Neither local authorities and business nor ordinary people nor even Korean societies in the Far East set their mind on more close relations with North Korea. Coming back to the last poll of 2010, we see than only 4 percent of respondents in the Far East believe in high priority of their territories’ cooperation with DPRK. We can only regret that none of political leaders and officials of Pacific Russia could follow the example of former Russian President's representative in the Far East Konstantin Pulikovskiy who managed to become a friend of Kim Jong Il. Personal trusting relations may become a good support in the case of deadlock in official line.

Brief resume

I am not the first to say that Russia is objectively the most ardent advocate for Korea unification. First, because it has the least to lose politically, militarily, or economically from the consequences of the process in comparing with other parties involved. Second, because unlike all other participants in the Six Party Talks, Russia has no special interests on the Korean peninsula (except for his peaceful status), as well as personal claims to Pyongyang. Third, the only mercenary interest Russia has on the peninsula is its peace and denuclearized status, which opens an important channel for Russia economic integration in Asia Pacific by means of the economic projects mentioned above. Fourthly, the historical memory does not imply the existence of "pitfalls" and hidden resentments between Russia and Korea also. In their common historical baggage the array of positive moments far outweighs the burden of propagandist wars and some excesses of the Cold War period. The proximity of two states causes them to take care of the relations with their neighbor, no matter what parties the other participants in the big chess game in the vast Asia Pacific region play.

Finally, Russia has some benefits compared to other countries in the region. The USA, Japan, and South Korea opportunity to maneuver on the establishment of multilateral

structures in the region is limited as they are involved in bilateral agreements in military matters, and the PRC has the Treaty on mutual assistance with DPRK. Russia is freer in its choice. Today, Kremlin considers Six Party Talks as the only way to resolve the Korean Peninsula nuclear problem and to establish a mechanism of peace and security in NEA. Tomorrow an “open systems of collective security in North East Asia based on the principles of the UN Charter” which is a today dream of President Medvedev,¹⁵ may become a reality pushed by a common awareness of urgency and priority of global and regional non-military threats. Social instability on the Korean Peninsula may become a more serious threat than the present day Pyongyang’s nuclear and missile programs.

¹⁵ President of Russia Dmitry Medvedev's Speech at the Meeting with Russian Ambassadors and Permanent Representatives to International Organizations, Russian Foreign Ministry, Moscow, July 15, 2008 – http://www.mid.ru/brp_4.nsf/0/8A303CA2F35BAD02C325748800326685.



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한반도 통합의 도전과제: 안보적 관점에서

주재우

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한반도 통합과정에서 가장 심각하게 나타날 수 있는 안보 문제는 통합 후 기존의 권력 구도가 어떻게 개편되고 기존의 세력 균형이 어떻게 대처될지에 대한 문제로 귀결된다고 해도 과언이 아니다. 한반도 통합의 성사는 북한이 개혁적이고 개방적으로 변한다는 것을 전제 조건이 충족되었다는 것을 의미한다. 북한의 개혁 개방의 결정은 한반도를 둘러싼 동북아지역의 안보 구도에 예측 가능한 함의를 내포하고 있는 동시에, 예측 불가능한 안보적 의미를 가지고 있어 이에 대한 대비책 마련이 요구된다. 지금까지 동북아 및 한반도 지역의 평화와 안정은 한-미, 미-일과 북-중 동맹관계의 삼각편대로 지탱되고 유지되어 왔다. 그러나 북한의 개혁개방적인 정권의 출현으로 인해 남북한이 통합될 경우 이런 동맹체제의 유효성 문제부터 남북한 각각이 자국의 동맹관계를 재평가할 수 있는 기회가 될 것이 자명하다. 남북한이 스스로 이 문제를 제기하고 해결하는 것이 소위 말하는 외세의 간섭 없이 한국인이 자주독립적으로 통합을 이룩하는 것이다. 그리고 안보구도를 재편하는 과정에서 미국과 중국의 대응방향에 따라 이들의 한반도 통합/통일 문제에 대한 입장의 진정성과 진실이 밝혀질 수 있다. 문제 해결에 준비가 안 되어 있는 나라는 곧 한반도의 통합/통일을 진심으로 지지하지 않는다고 평가해도 무난할 것이다.

미국과 중국이 한반도 통합으로 인해 재편되어야 할 권력구도를 대처할 능력이나 준비가 부족하다면 결국 남북한이 이 문제를 스스로 해결해야 할 것이다. 이러한 상황이 발생하면, 미국에게는 상당한 난제가 될 수 있다. 만약 개혁개방적인 북한이 출현해서 남북 통합이 실현가능해지면 미국이 이 같은 북한을 어떻게 핸들링 할지에 대해 심각하게 고민해야 할 것이다. 이는 중국의 개혁개방 결정과 상당히 다른 면모의 상황이 연출되기 때문이다. 미국은 중국이 개혁개방을 결정하기 전부터 중국과 전략적 제휴를 한 바 있었고 또한 충분한 시간을 가지고 중국문제를 임할 수 있었다. 그러나 북한의 개혁개방정책이 가능한 것은 북한의 갑작스러운 변화의 결과로서 미국은 사전에 충분한 시간이나 여유를 가지고 대응할 수 없는 상황에 빠질 수밖에 없다. 개혁개방의 길을 결정한 북한과의 통합을 위해 남한이 미군의 주둔 필요성이나 미국과의 동맹관계의 정당성이 더 이상 유효하지 않다고 생각하면 북한에게 중국과의 동맹관계에 대한 재고를 요구할 수도 있기 때문이다. 이런 맥락에서 중국도 남한이 미군 주둔 문제를 스스로 해결할 경우, 북한과의 동맹관계의 수정이나 철회를 고려할 수 있다.

중국의 경우 한반도 정책의 최우선 목표가 평화와 안정 상황을 유지하는 것이다. 그리고 한반도의 평화와 안정은 세력균형에 의해 유지되는 것으로 인식하고 있다. 그러나 최근 중국은 이러한 세력균형이 이미 한국과 한미동맹에게 유리하게 이전된다고 인식한다. 중국은 그래서 이렇게 균형이 이전되고 있는 세력구도가 완전히 한국과 한미동맹에게 넘어가지 않게 하기 위해 북한을 끌어 안을 수밖에 없다. 이런 맥락에서 중국은 천안함 사태 때 보여준 행동을 취할 수밖에 없다. 그래야 북한에 의해 더 이상의 한국과 미국과의 관계 악화나 사태의 악화를 조장할 수 있는 상황을 피할 수 있기 때문이다. 중국이 북한에게 개혁개방을 희망하는 것은 북한의 발전이 이미 불리해진 세력균형을 더욱 유리하게 만들 수 있는 여지가 상당히 많기 때문이라고 볼 수 있다. 더 이상 나빠질 수는 없고 더 좋아질 수밖에 없다는 논리다. 그리고 개혁개방적인 북한이 만약 남한과의 관계 개선과 정상화로 통합을 이뤄내 남한에 주둔하는 미군을 더 이상 위협으로 인식하지 않아 중국에게 북중동맹조약의 폐지나 수정을 요구할 때를 중국은 심각하게 고려해야 할 것이다.

개혁개방의 북한의 최종 모습(end state)이 어떠한지 예상하기는 상당히 어렵다. 그러나 확신할 수 있는 것 중의 하나는 통합된 한반도에 영구적인 평화체제의 구축이 가능해질 것이다. 이런 평화체제가 남북한 스스로가 이뤄낼 수도 있다. 남북한 스스로가 자주적으로 결정해서 북중, 한미 동맹체제를 해결할 수도 있다. 그러나 한반도문제가 이미 국제화되었기 때문에 한반도문제의 효과적이고 효율적인 해결을 위해서는 주변국들과의 협력이 요구된다. 주변국들의 협력이 있어야 원만한 해결이 보장되기 때문이다. 이를 위해서는 다자주의가 제도화되어야 할 것이다. 그리고 한반도 지역에서 다자주의가 제도화되기 위해 충족되어야 할 사안들이 기본적으로 충족되고 있다. 정체성 문제나 공동이익의 문제는 표면적으로나마 큰 문제가 아니다. 그러나 이를 제도화하는 것이 상당한 걸림돌이 되고 있다. 다자주의나 다자협력체를 제도화하는 것은 상당한 인내와 시간을 요한다. 그리고 이를 실현하기 위해서는 지역강국의 리더십도 요구된다. 그러나 지금까지 중국과 미국은 이런 지역 리더십을 발휘하기를 거절해왔다. 미국은 다자주의보다는 양자주의를 아직까지 선호하고 있다. 중국은 국내문제와 능력부족의 이유로 거부하고 있다. 그러나 언젠가는 미중 양국 중 한 나라 또는 두 나라가 함께 이런 리더십을 발휘해야 할 것이다. 그러므로 다자주의의 제도화를 위해 미중 양국이 리더십 발휘 문제를 심각하게 고민해야 할 시간이 도래했다고 해도 과언이 아니다. 그렇지 않을 경우 한반도 통합 이후 한반도의 안보문제는 남북한의 의사에 의해 결정될 수도 있기 때문이다. 이런 의미에서 미중 양국은 이제 한반도 통합/통일 문제에 더 큰 진실성을 가지고

접근하면서 보다 현실적이고 실용적인 대안을 제시해야 할 것이다. 이런 진실성의 결여는 한반도의 통합/통일의 휘방꾼으로 비취질 가능성이 농후하기 때문이다.

Challenging Issues of Integration: From Security Perspective

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Assessment on integration

In what ways can neighboring states of the Korean peninsula contribute if South and North were to integrate and remain not unified? What will be the end state of such integration? It is probably most likely that integration will mean greater openness and accessibility between the two Koreas while they still remain divided as a separate entity in their own respective way. In other words, it will entail an open North Korea. Although it is not clear at this stage to what extent North Korea will make itself open and available to the world, it will be accessible through a limited number of channels. Under the circumstances, what will it take from the neighboring states to further North Korea's openness and prevent it from retreating to isolation?

Granted that the mind set of an integrated North Korean government and its policy orientation is towards open-door policy and reforms, such question may be less worrisome. However, such a North Korea may draw some concerns to the security analysts and policy makers because of the potential changes in power structure and international system in the region surrounding the Korean peninsula. Changes in power structure could be a double-edged sword to many pundits and observers. On the one hand, an open and reforming North Korea will become an asset to peace and stability of the peninsula. It will make permanent peace process possible. With the start of such process, the two Koreas can expect a significant growth in their confidence and trust in one another. Heated debates on ways of materializing permanent peace mechanism and economic disputes await Koreans. On the other hand, it will present a significant challenge to many security specialists and policy makers in the states around the peninsula. Should a permanent peace mechanism be installed in the Korean peninsula, it will first question the validity of the existing alliance structure. Should there be a change to it, what kind of change can we expect? Do we expect an abrupt collapse or a gradual retreatment of alliances? What kind of power (re)distribution can we expect? Do we expect a new configuration of power in the region?

A transformed North Korea and the resultant structural changes in power configuration of the region may present a new set of question: Will the two Koreas have enough confidence and trust to leave their respective alliance? Or will this alliance structure be absorbed into a permanent peace mechanism? Which one will be acceptable to allies, namely the US and China? Or will they be taken into consideration at all when both Koreas agree on the retreatment from alliance by themselves? Implications of all these questions will be manifold, especially to the external stakeholders of the Korean peninsula. There will be many

ramifications from all these fundamental structural changes. A critical question naturally arises: Will we be able to foresee all these changes coming and be ready to ready to handle them all at once? To meet such challenges, I suppose a multilateral security process readily be available before North Korea undergoes a fundamental transformation. Otherwise, conflicts of interest may only intensify, revealing true stance of each and every player involved on the Korean peninsula affairs. In short, suspected opposition to Korea's unification will greet these players with embarrassment.

Challenges for China

China has long conceived that the balance of power has already been in shift for some time in favor of US-Korean alliance as well as US-Japan alliance. Such view is no longer a taboo in Chinese academia and policy circle. Chinese scholars and policy makers have made it publicly known that the shift is against North Korea and its ally, China. Under the circumstances, China's back is already against the wall. China is doing all it can to preserve the alliance with the North and it is out of desperation. China is well aware that the current balance of power in Northeast Asia is sustained by trilateral alliance, an alliance structure that is buttressed by American alliance with South Korea and Japan and Chinese with North Korea. Hence, China cannot afford to see one of these three legs of alliance go especially at its own will. It will have to sustain the alliance even at a minimum cost.

China's main goal of Korea policy is to maintain peace and stability so that they will serve its own causes of economic interests. In other words, China appreciates the current balance of power as much as it is maintained and upheld by the alliance system that it is part of. Conversely, China's interest in the alliance system is in sync with that of the US. As long as China is satisfied with the current status of peace and stability of the peninsula, it does not want to disturb the structure. Although Beijing sees the shift in the balance structure, favoring the US and its allies, it also believes that such shift will not lead to a total upset of equilibrium as long as it keeps its alliance with Pyongyang. As long as it can prove to be loyal with its commitment to the alliance, as demonstrated in the ensuing military discourse in the aftermath of Cheonan incident, North Korea will not act as a source of entrapment. Despite the ongoing shift in the equilibrium, China does not feel its interests on the peninsula are at stake. Instead, it feels that there is only room for greater improvement left in its alliance with the North. It is particularly so if and when North Korea decides to rebuild its economy.

However, there is one loop whole in China's wishful thinking of North Korea's economic development through reforms and opening to the world. When Pyongyang will decide to pursue reform and open-door policy, it means a fundamental change in the leadership. Reform-minded leadership in North Korea will mean a fundamental change in its security outlook, and therefore, have a profound effect on its strategic thinking and behavior. An open North Korea means not only opening to the outside world, but also opening to South Korea. When North Korea opens itself to the South and decides to engage it in a multi-level, multifaceted fashion, it may bring an immediate end to confrontational stance taken by the two Koreas. And what if North Korea does no longer perceives American military presence in

the south of the peninsula as a security threat and yet insists on abrogation of old treaty with China and installment of a new one? Will Beijing be ready to accept this offer by Pyongyang?

America's choice

The end state of an open North Korea is difficult to define. Only by its own definition, an open North Korea means out of isolation and active engagement with the outside world. In displaying such path of behavior, it will have to become a normal state, a state that respects and embraces international norms, rules, and institutions. Should North Korea become an ordinary state, is the US ready to officially recognize it? Or will it still have some reservations as to make sure that the North is serious and sincere with its coming out of isolation? What will be the basis of Washington's judgment? It will be perhaps challenging to ascertain North Korea's commitment to its opening and pursuit of reforms based on its words. It will be natural for Washington to have some observation period before making any kind of judgment because of lack of trust and confidence in Pyongyang.

Of course the underlying assumption here is that there is an abrupt change in North Korea without much discourse on open North Korea. Unlike with Chinese case, there won't be much lead time if the US will have to make decision as to how it will handle an open North Korea. The US had had more than seven years to spare before they were convinced China's decision for reforms and open-door policy was for real. However, there is a strong possibility that the North's decision may be a sudden event. A sudden death of Kim Jong Il and failure to hold power by his son may result in an abrupt change in leadership. What if this new leadership decides to immediately adopt reform and open-door policy as national statement? Will the US be readily available to discuss, if not negotiate yet, lifting sanctions and normalizing ties with the new leadership in Pyongyang? How much lead time will the US need? Does the US have any plan "B"?

One major concern will be that if the US fails to make a timely counteraction against changes in North Korea, it will be undermined of its position and foothold in the Korean peninsula as well as Northeast Asia. North Korea may jump on South Korea in an effort to facilitate its national statement. It will also fall back on China and Russia for the same reason and purpose. A deal on security issues may be reached on their own terms between the two Koreas. Or it could be done by a trilateral negotiation with China in it. Once China decides to abrogate military ties with the North, and the South in return decides to send off American military from its own soil in the hopes for further advancing integration, if not unification, of the peninsula, American interest will be seriously challenged. After all, unification is a long-sought dream by the two Koreas. And if China is earnest in its support towards such cause on the peninsula, it may also be willing to negotiate and come up with a deal with both Koreas on security and military issues. The US may well be snubbed if it is not readily available for such talks.

Integration of the two Koreas is perceived to be an inevitable prelude to unification. Integration cannot be, however, conceived as an extension, and prolonging, of the division. It

will be an absolute requisite to a peaceful, independent and autonomous unification. It stipulates North Korea coming out of isolation. It will result in North Korea's engagement with the world. It will present a new North Korea, North Korea that will make friendly, and not confrontational, overtures. What will be America's choice against an open North Korea?

Integration of Korea and multilateral peace process

For multilateralism to materialize, a substantial amount of time is required. Much of the time is devoted to confidence and trust-building. As evidenced in the Six-party talks, it takes much more patience, time and efforts to build confidence and trust with an adversary state. Without them, multilateralism is difficult to advance and it won't see too much progress. Another key element to the materialization of multilateralism is institutionalizing it. To institutionalize a multilateral process, it takes more than confidence and trust. As emphasized by the liberalists, it will require common identity, interests, and institution. While there is not much problem with identifying the region by the regional players, it is not too difficult to induce common interests. A major obstacle is how these interests can be achieved. To secure these common interests, an institution based on equal distribution of power is in demand. An institution as such will have the capability to put restraints on behavior that can jeopardize the foundation.

An effective institution requires strong leadership. Unfortunately in Northeast Asia, no one seems ready to assume such leadership with respect to multilateralism or multilateral security regimes. The US has had its own chances before to display its leadership and yet has always come up short. Whether it was intentional or not, Washington still prefers bilateralism over multilateralism, at least in East Asia. China proclaims not to be ready to assume such a role, especially for its mounting socio-economic issues and insufficient capacity to become a regional leader. The two supposedly regional powers are not willing to assume the leadership needed for institutionalization of multilateral cooperative process.

A grave concern arises from their unwillingness. What if the integration of the Korean peninsula were to happen without an institutionalized process? Will it be acceptable to other regional players that the integration process be conducted by the two Koreas themselves? If not, what would be the next option?

The Korean peninsula question is an international one. The question can be effectively settled when there is full and sincere cooperation from the regional players. It would otherwise be settled only on Korean terms. Does Korea have the capacity to settle its own score? The answer may be yes in light of a unified Korea. In the world of globalization, the answer may not be a sufficient one. Hence, it is now time for the regional players to render some serious consideration to the question of Korean integration.



KIM, JUNG-RO

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김정노

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Building a Korean Peace Regime and Regional Security Cooperation

Kim, Jung Ro

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1. Foreign and Security Policy of the LMB Administration

The Republic of Korea is poised to become a "Global Korea," a nation that contributes to global peace and development with a broader vision and a more proactive approach to interacting with the international community. Shortly after his inauguration in February 2008, President Lee Myong-bak introduced a national vision of "building a world-class nation through the advancement of the Korean society." The "Global Korea" is a manifestation of the world-class nation in the foreign policy and national security area.

To transform the nation into a global actor, the Lee administration introduced four strategic goals: establishment of mutually beneficial and prosperous inter-Korean relations, expansion of cooperative network diplomacy, pursuit of comprehensive and pragmatic diplomacy, and introduction of a future-oriented, advanced security system. The administration then identified four key agenda under each goal. Mutually beneficial and prosperous inter-Korean relations, for example, are promoted through the establishment of a denuclearization and peace regime on the Korean peninsula. They also require establishment of foundations for an economic and socio-cultural community between the two Koreas. Expansion of inter-Korean cooperation on humanitarian issues is another key agenda in this area.

Expansion of cooperative network diplomacy calls for an enlargement of cooperation with major powers surrounding the Korean peninsula while upgrading the U.S.-ROK alliance to a strategic alliance for the 21st century and making it the pivot of the network. The Republic of Korea strives to develop a mechanism for multilateral cooperation in Northeast Asia and promote global partnership among the nations in the world. The administration's third strategic goal has something to do with pursuing foreign policies that would maximize national interests while contributing to an improvement of the quality of life for all human beings. And the fourth, with reinforcement of the country's defense capabilities through the enhancement of both hard power and soft power.

2. Three-Community Unification Initiatives

In his National Independence Day speech on August 15, 2010, President Lee introduced new initiatives for national unification based on the establishment of three inter-Korean communities-peace, economic, and national. The "community" refers to a form of collective life where members share common values and display a strong sense of identity and internal

cohesion based on emotional solidarity and exchange of mutual benefits among them. The inter-Korean communities are different from the European Coal and Steel Community or the European Community whose members were sovereign states. From the perspective of international law, they are neither a union of states nor a federation or confederation. They are also different from a Korean union prescribed in the National Community Unification Formula because they do not envision any form of joint institutions. In this regard, they are a much looser type of coalition than any other existing. The three-community initiatives thus reflect the Lee administration's gradual approach to national unification.

The peace community calls for denuclearization of the Korean peninsula. The economic community aims at assisting North Korea's economic development and promoting mutually beneficial cooperation between the two Koreas. The national community requires resolution of various humanitarian issues pending between the two Koreas, including those involving POWs, abduction victims and separated families as well as improving the quality of life for North Korean people.

Of these three communities, one that is most closely linked to foreign and security policy is the peace community. As tension rapidly escalates on the Korean peninsula with North Korea's growing nuclear capabilities, building durable peace on the Korean peninsula is more imperative issue than anything else. The most critical task in establishing the peace community is the denuclearization of North Korea. To this end, the ROK government has proposed a Grand Bargain and a set of New Peace Initiatives as ways to make breakthrough in the stalemated Six-Party Talks. None of the three communities may take precedent over the other two. The three communities are to be promoted simultaneously on parallel tracks and should reinforce each other to create synergetic effects. At this moment, however, bringing stability and durable peace to the Korean peninsula through denuclearization of North Korea seems to be a more urgent task than the other two.

3. Establishment of the Peace Community

The establishment of an inter-Korean peace community must be preceded by denuclearization of North Korea because North Korea's nuclear armament substantially undermines the existing military balance on the Korean peninsula and makes all efforts at building peace through other mechanisms such as arms control futile. Even from a procedural perspective, with a process to denuclearize North Korea still in progress, denuclearization should precede building durable peace on the Korean peninsula.

Korean peace building, which would also require signing of a peace treaty between North Korea and the United States, should be discussed in the Six-Party Talks along with denuclearization. Then, in accordance with progress in the Six-Party Talks, the two Korea could make efforts to build mutual confidence between them. At the same time, they would be able to make preparations for the eventual integration of two Korean militaries.

4. Korean Peace Community and Regional Security Cooperation

As described above, the establishment of the Korean peace community requires efforts made on two parallel tracks, the inter-Korean track and the international track. It requires the creation of favorable conditions not only in inter-Korean relations but also in regional security environment. As the denuclearization of North Korea proceeds, normalization of relations between North Korea and the United States and Japan must also proceed. In tandem with progresses at the international level, the two Koreas should embark on military to military dialogue to discuss the formation of a joint military committee as well as bilateral arms control and disarmament.

In essence, the establishment of the Korean peace community would be consummated with the complete integration of two Korean militaries following the replacement of the existing armistice agreement with a peace treaty. However, replacing the 1953 armistice agreement involves all the signatories of the 1953 armistice agreement as well as the United Nations and other relevant nations. The concerns of such non-signatories as Japan, Russia, and the European Union may also be taken into consideration because they could also have significant effects on the outcome. This adds one other reason why the Korean peace community must be pursued in two mutually reinforcing tracks. Accordingly, how to mediate states with varying interests as well as how to coordinate these two tracks of efforts poses difficult challenges.

Another important question on the establishment of the Korean peace community involves the sequencing of creating the Korean peace community and facilitating multilateral security cooperation in Northeast Asia. The sequencing as well as relationship between the two peace regimes must be carefully answered. Many experts argue that the regional security arrangement should be preceded by the Korean peace regime. This also reflects an agreement stated in the September 19 Joint Statement. Nonetheless, the idea that security dialogue or cooperation among regional states may create a favorable environment and facilitate the birth of the Korean regime should not be ignored either.

Historically, there have been several attempts at forging a multilateral security system in Northeast Asia. The debate has continued since the 1990s, but it has made only a little progress. In the early 1990s, for example, the Republic of Korea proposed in vain to create a Northeast Asian Cooperation Dialogue(NEASeD). The Northeast Asian Security Dialogue(NEACD) is an oldest existing 1.5-track conference on regional security regional hosted by the University of California Institute on Global conflict and Confrontation(IGCC) with financial support from the U.S. government.

Finally, the Six-Party Talks have a strong potential to be transformed into a multilateral dialogue when progress is made in the denuclearization of North Korea. In September 19 joint statement, the members of the Six-Party Talks agreed in principle to establish a Northeast Asian peace and security consultation body. Nonetheless, the prospect for its future is uncertain at this point due to North Korea's nuclear armament.

Although the United States and other powers in the region agree in principle to expanding multilateral security cooperation or dialogue, each has approached the issue cautiously weighing the opportunities and constraints such an institution may pose on its national interests. The United States has traditionally preferred a regional security arrangement based on bilateral alliances. The hub-and-spoke system of bilateral alliances has enabled the United States to enjoy overwhelming advantages over its allies. With a rise of China, the United States has started to pay attention to multilateral security dialogue in Asia. Yet, Washington is still reluctant to promote the creation of a new system for regional security cooperation. Japan, too, tend to rely on bilateral alliance with the United States.

Japan's heavy dependency on the United States following the 9/11 led to its isolation from the rest of Asia. Recently, however, Japan has become active in promoting multilateral cooperation through an East Asia Community. Fastening to U.S.-Japan alliance on the one hand and promoting multilateral cooperation on the other hand, Japan is likely to make a two-track approach in the future.

China, on the other hand, has been aggressive in promoting multilateral security dialogue and cooperation since the mid 1990s. Through multilateral cooperation, China has long tried to keep the growing U.S. influence in the region in check. Subsequently, having joined the East Asia Summit, China is likely to be the most active supporter of multilateral security dialogue and cooperation in the region as it tries to take the initiative in them.

Focusing mostly on Europe, Russia has traditionally made only limited engagement in East Asia. Russia has recently expanded strategic cooperation with China in order to balance the United States in the region. Russia's interest in regional cooperation mostly lies in economic and trade rather than security issues. Yet, in the long run, a fast rising China would also affect the future of its strategic partnership with China. A new security dynamics emerging in the region following China's rise may give Russia no choice but to facilitate multilateral as well as bilateral cooperation.

Each state's position on regional security regime is certainly not fixed: it has rather varied as security environment changed. States in Northeast Asia have recently displayed growing interests in multilateral security dialogue and cooperation. Yet, whether increased interest would lead to institutionalization still remains to be seen.

5. Conclusion

Because of its historical and geopolitical complexities, the establishment of a Korean peace regime requires careful cooperation with states in the region. Each state may take its position on the Korean peace regime after carefully evaluating its implications on multilateral security cooperation it may have been promoting.

A particular structure of regional security cooperation preferred by key regional states could either facilitate or undermine efforts to build a Korean peace regime. For a successful

promotion of a Korean peace regime, it is important to study carefully changes in power balance among states in the region as well as progress in regional security cooperation. Internal dynamics in the region could determine whether multilateral security cooperation would facilitate or undermine the Lee administration's efforts to establish a Korean peace regime, particularly in the form of peace community, and to achieve eventually reunification of the Korean peninsula. < EOD >



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Wang Dong is an assistant professor in the School of International Studies at Peking University. Wang Dong received his bachelor in law from Peking University in 1999 and M.A. and Ph.D. in political science from University of California, Los Angeles (UCLA), in 2003 and 2007 respectively. Dr. Wang had taught at York College of Pennsylvania, with a tenure-track appointment, before joining the faculty of Peking University in May 2008. He now also concurrently holds an appointment as a research fellow at the Center for International and Strategic Studies, Peking University.

Using a wide array of recently declassified archives from China and the United States, Dr. Wang's dissertation, entitled "From Enmity to Rapprochement: Grand Strategy, Power Politics, and U.S.-China Relations, 1961-1974," examines why and how China and the United States, long time Cold War rivals, went from enmity to rapprochement. Dr. Wang's scholarly articles and reviews appear in Encyclopedia of the Cold War, Cold War International History Project Working Paper Series, Journal of American Studies, China Information, Journal of East Asian Studies, among other academic as well news outlets. Dr. Wang's current research interests include: international relations theories, the Cold War studies, American Foreign Policy, and Chinese foreign policy.

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Why do we need a “peaceful evolution/development” strategy toward North Korea?

Wang Dong

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On the occasion marking the 60th anniversary of the Korean War, China sent a standing member of the Chinese Communist Party’s Standing Politburo to Pyongyang for an official visit. Many in the West quickly cite the incident as yet another piece of evidence of China’s attempt to continue shielding Democratic People’s Republic of Korea (DPRK) from its crimes of sinking the South Korean frigate Cheonan. Indeed, the perceived Chinese backing up of Pyongyang in the wake of the Cheonan incident seems to have puzzled, if not enraged, many international observers.

Here I would venture to argue that China’s approach toward North Korea, though seemingly puzzling, is by no means irrational or unreasonable. An important assumption behind China’s approach is “peaceful evolution”. The idea is that by persuading the North Korean leaders that economic prosperity can only be achieved through opening up to the outside world, Chinese leaders hope to gradually lessen Pyongyang’s errant and dangerous nuclear ambitions. And once the North Korean leaders see the benefits of opening up to the outside, eventually they would no longer see the necessity of continuing the costly pursuit of nuclear weapons. As a matter of fact, during Kim Jong-Il’s previous visits to China, Beijing had taken the opportunities to showcase and impress him upon China’s successful experiences of achieving prosperity through “reform and opening up”. To be sure, Pyongyang’s vow to build a “Strong and Prosperous Nation” by 2012 might prove to be an empty talk. Nevertheless both Kim Jong-Il and his son and anointed heir Kim Jong Un understand very well that they would have to put an emphasis on economic development and improvement of their subjects’ livelihood if they want to secure the power transition, gain more legitimacy and ensure regime survival. And one of the best ways to do so is to follow the China model of opening up, attracting foreign investments, and economic reform. For the record, the Dear Leader had declared during his August 2010 stealth visit to China’s Northeast that North Korea would like to strengthen cooperation with China’s Northeast and learn China’s experiences and means of economic development.

“Peaceful evolution” might be an infamous term in China because it was first coined by former U.S. Secretary of State John Dulles, targeting the Communist China. However, as a mature great power, China should not shy away from “peaceful evolution” just because it has been used against itself in the Cold War context. To be sure, to make it politically more attractive and appealing, we might label it as a “peaceful development” strategy. Whatever the label, the idea remains the same. It is a proactive strategy that is designed to shape the

preferences of North Korea leaders through persuasion and examples, going beyond coercion and deterrence.

China for long has been criticized by many Western analysts for its unwillingness to put pressure on North Korea and to tighten the screws on sanctions. The reason that China has been doing so, of course, is because it is afraid of a collapse of North Korea. For those in the West who see the collapse scenario as the once-and-for-all elimination of the North Korea nuclear threat, China's position might be utterly unreasonable and unproductive. This is perhaps where much criticism about China comes from. However, I'd argue that Chinese leaders choose a "conservative", status quo policy toward North Korea because it is cheaper, much less costly than what a North Korea collapse or North-South military conflict would bring about, and the consequences are much more predictable. As a matter of fact, China's status quo policy is premised on the assumption of "peaceful revolution/development".

Needless to say, the fallout from the tragic Cheonan Incident as well as North Korea's devastating shelling of the Yanpyeong Island had severely damaged the rapport and strategic trust between Beijing and Seoul. Consequently, South Korea has been drawn closer to its American ally. It is no denying that there is much that Beijing should reflect upon. In hindsight, one might argue that Beijing probably should have handled the incident in a much more nuanced way, being more sensitive to South Korean feelings and sentiments. Yet we should not forget that peace and stability on the Korean Peninsula as well as a nuclear-free peninsula are in the shared interests of China, South Korea, and the United States. Now it's high time to repair the damaged strategic trust between South Korea and China. South Korean leaders might also understand that a military solution to the nuclear issue would be too costly and should better be "off the equilibrium path", to borrow the game theory jargons. And already some Americans have sensed the shift in direction in Pyongyang, prepared to make forays into the North once North Korea's door is open.¹

There are a number of advantages of a "peaceful development" strategy. To begin with, one advantage of clearly framing the "peaceful development" strategy as such is that it would provide a shared focal point for converging the expectations of the South Korea, China, and the United States. And Seoul, Beijing and Washington could better realign their interests and policy goals along the "peaceful evolution/development" strategy. Moreover, a clearly framed-out "peaceful development" strategy would help rationalize and streamline China's strategic thinking, reduce strategic mistrust between China on one side, and the United States and its regional allies on the other, by clarifying China's strategic intentions, and might eventually help transcend the zero-sum logic in the Northeast Asian security dynamics. Thirdly, as soon as North Korea is stepping out of isolation and getting hooked into global economy, China, by virtue of geographic proximity, economic prowess, as well as existing economic links, would emerge as the indispensable, if not most influential player shaping the future direction of DPRK. In other words, a "peaceful development" strategy, once

¹ Author's interview with an American researcher affiliated with the Korea Economic Institute, November 2010, Beijing.

successfully pursued, would redefine the geostrategic dynamics in Northeast Asia by reorienting the region away from geostrategic and security competition, and transforming the regional geostrategic dynamics by eclipsing the logic of zero-sum security competition and enlarging the logic of more inclusive, positive-sum economic cooperation.

It should be reckoned that there is one potential peril in the peaceful evolution/development strategy, that is, North Korea might want “candy” and the nukes at the same time. On this point, I think Chinese leaders should be impressed upon the perilous strategic consequences of a nuclear North Korea. China would be the biggest loser if North Korea is elevated to nuclear status. That North Korea going nuclear would bring severe strategic ramifications to the region. At the minimum, the United States would likely erect up missile defense shields in South Korea and Japan, weakening China’s limited nuclear deterrence capability, and potentially might lead to an arms race in Northeast Asia. A nuclear-armed North Korea would be source of instability in the Northeast Asia and potentially threatening to China’s strategic and security interests.

In a more extreme, though not completely unlikely scenario, China, locked in an increasingly intensified security dilemma with the United States, might one day find North Korea “defecting” to the American side. After all, North Koreans have shamelessly made know their thinly-veiled eagerness to reach out to Washington bypassing Beijing as well as to exploit the growing mutual strategic suspicion between Beijing and Washington. A North Korean-American rapprochement in light of intensified Sino-American security dilemma might be one of the worst strategic scenarios China could imagine.² A “peaceful development” strategy, carefully advocated and pursued by Beijing, in concert with other regional players, might help preempt such a possibility in the long run by narrowing the perception gap between Beijing, Washington, and other major regional players. When Washington and Seoul, and for that matter, Tokyo and Moscow, all come to share the vision and logic of “peaceful development” strategy, it could help gradually transform the growing zero-sum geostrategic competitiveness into shared interests in “peacefully develop” North Korea and Northeast Asia and thus greatly lessening the security dilemma between Beijing and Washington.

How to design a coherent “peaceful evolution/development” strategy that will not only provide incentives for DPRK to open to the outside world and disincentives to continue on the nuclear path, but also help transform and transcend the growing security dilemma in Northeast Asia would be a challenging and much needed task for all concerned strategic

² Out of historical memory and fear of the preponderant Chinese power on its border, Pyongyang might naturally tend to entertain the idea of playing an outside power off against China as hedging if not balancing against Beijing, a tactics it had repeatedly employed during the Cold War (in which the outside power being Moscow). Should a DPRK-US rapprochement occurs, assuming the nuclear issue would be negotiated away (i.e. through normalization plus America’s security guarantee in exchange for North Korea giving away nukes, and/or U.S. “accepting” North Korea’s nuclear power status without formally “recognizing” it), the security dynamics of Northeast Asia would be dramatically reshuffled and the strategic landscape of Northeast Asia greatly reconfigured, in a way much like the Sino-American rapprochement had changed the dynamics of the Beijing-Moscow-Washington triangle.

analysts. It requires strategic vision, imagination, as well as patience. **[Draft: Please do no quote]**



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천영우

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Education

- 1977. 02 Graduated from the Department of French Language and Literature, Pusan National University, Pusan, Korea
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- 1977.09 Passed High Diplomatic Service Examination
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- 1981.02 Second Secretary, Korean Embassy in the French Republic
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- 1991.05 Director, Regional Policy Division, Office of Policy Planning, MOFA
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- 2008.05 Ambassador Extraordinary and Plenipotentiary to the United Kingdom of Great Britain and Northern Ireland
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Situation in North Korea and Future of the Korean Peninsula

Chun, Yungwoo

National Security Adviser to the President of the Republic of Korea

It is a great honor for me to be invited to address such a distinguished audience and I would like to thank the co-hosts for all their hard work. I am delighted to see such an array of eminent participants together at this conference.

I would like to take this valuable opportunity to share some observations on North Korea today and a number of key issues which may be relevant for the future of inter-Korean relations and the Korean Peninsula.

Let me begin with a brief reality check with respect to the situation in North Korea.

Over the past year North Korea has wildly expanded the scope of its misbehavior, resorting to reckless military adventurism, notably the torpedoing of ROKS Cheonan and shelling of Yeonpyeong-do. North Korea draws so much international attention primarily because of its disproportionate capability to disrupt peace and stability in the region.

They tend to define their existence in terms of their capability to do harm rather than good in this neighborhood. The last thing they want is to be taken for granted or ignored. Their mindset is such that they are willing to go out of their ways to demonstrate how violently they can stand up to outside pressure and thus conceal their weaknesses. However, even by North Korea's standards the past year's record of erratic behavior is quite impressive.

But did it pay off for the North Korean leadership? I don't think so.

For us in the South, the attacks came as a wake-up call to the cruel realities of living with the most dangerous and unpredictable regime in the world. They have enabled us to see North Korea as it is, not as we want to see it. By biting the hand that feeds it, North Korea has destroyed the last remaining illusions or romanticism that might have existed about the nature of the North Korean regime.

The ROK has taken advantage of the heightened belligerence on the part of North Korea not only to fill the loopholes and gaps revealed in dealing with the threats posed by North Korea, but also to review and drastically upgrade our overall military readiness.

The North Korean leadership have been successful only in making their life even more difficult in the run-up to their self-proclaimed year of a "strong and prosperous country" in 2012. The plight of their people is deepening as a result of the biting sanctions they have unwittingly invited. Cash flows from the South have dried up. The international community

has become less generous to them and more difficult to fool as they run around the world begging for food needed to celebrate the advent of the “strong and prosperous country” in 2012. Growing donor fatigue makes it more difficult to replenish their food stockpiles.

The hapless North Korean people are paying dearly for their leadership’s misjudgment and nuclear ambition. There is no exit in sight from their multi-dimensional and complex existential crisis. They continue to depend on the international life-support system for bare subsistence. The succession from Kim Jong-il to his third son Jung-un does not appear to represent an ideal solution unless the new North Korean leadership choose a different path.

What can the ROK Government do about North Korea?

Some people argue that regime change in Pyongyang represents the best answer to the ills created by North Korea. I can assure you that the ROK Government is not pursuing the collapse of the Pyongyang regime as a matter of policy.

Wishful thinking cannot be a substitute for a sound and responsible policy. Those who have underestimated the resilience of the North Korean regime in the past have proved wrong. What we try to support and encourage in North Korea is a positive change through openness and reforms as we aim for the ultimate goal of peaceful unification.

Nevertheless, the real question is not whether we should actively promote a regime change. It is whether it is possible to prevent one when North Korea is as stubborn as it is in pursuing active policies which can only reduce the chances of their regime survival. More realistic questions are: how long and to what extent will the North Korean regime be able to sustain the mounting weight of their own failures? Can we stop them from digging their own grave? What will it take to turn an unintended regime change into a new future that the entire Korean people have been craving?

Meanwhile, our more immediate and realistic goal we face is that of how to maintain peace and security on the Korean Peninsula pending unification.

A nuclear-armed North Korea would represent an even greater danger if teetering in the terminal throes of an existential crisis or at a time of power transition. The nuclear programs are also the most daunting obstacle standing on the path to unification. Our options in a time of instability in NK could be severely restricted if North Korea is equipped with an asymmetric capability to inflict mass destruction.

That is why denuclearization is by far the most important and urgent task in achieving sustainable peace and unification. At the heart of the problem in accomplishing this task lies the myth embraced by the North Korean leadership that they can find salvation in nuclear weapons. What nuclear weapons actually give them is a false sense of security, an illusion of security, but not real security or an ultimate insurance policy for survival. North Korea should realize that there is no salvation in their nuclear weapons but only a slippery road to self-destruction.

My government is ready to offer a grand bargain as a substitute for nuclear weapons.

The grand bargain we have in mind is intended to resolve North Korea's security concerns and economic problems in return for their complete denuclearization. Everything is possible and they will live in a different world if they denuclearize. However, if they choose to opt to continue on their current path, they will miss the last chance to turn their fate around.

Before the six parties get down to the business of denuclearization, North Korea should halt and roll back their uranium enrichment program which is in violation of the letter and spirit of the September 19 Joint Statement of 2005 and Security Council Resolutions 1718 and 1874. Furthermore, prior to the resumption of the Six Party Talks North Korea should demonstrate their sincerity with respect to denuclearization. The Six Party Talks should not be used as a means to indemnify misbehavior by North Korea.

Another vital task for the maintenance of peace is that of eradicating military adventurism by North Korea. To this end, North Korea will be made to pay a proper price for any future provocation. The culture of impunity has come to an end and has been replaced by a zero-tolerance policy. In this context, we are upgrading our military posture in order to more effectively enforce a ban on adventurism and military challenges by Pyongyang.

Where are we in inter-Korean relations and how will they unfold?

I would not claim that inter-Korean relations are currently at their best. The MB administration's goal in North Korea policy is not unconditional engagement at any cost or buying peace with economic assistance. We are presiding over a paradigm shift in inter-Korean relations in such a way that strengthens the foundations of peace and is more conducive to unification.

We do not believe that today's peace is sustainable if it comes at the expense of tomorrow's or if it relies on the mercy and goodwill of the North Korean leadership. We are seeking to gain greater control over the terms of peace and inter-Korean relations. Such adjustment could mean higher tensions in the short term. However, short-term tensions should be taken as an investment for longer-term and stronger peace.

We see dialogue as the most civilized means to resolve outstanding issues between South and North Korea. However, in dealing with a unique regime with such a track record as North Korea's we know from experience that sometimes dialogue works better when backed by more forceful alternatives.

The future of inter-Korean relations will depend on two variables. One is whether North Korea can muster the courage and political will to face up to and come to terms with the truth of the Cheonan and Yeonpyeong-do. This is a threshold they have to cross and a testing ground for their sincerity for peaceful co-existence. A meaningful high-level dialogue will be possible once they cross this threshold.

Another is whether they are serious about denuclearization. Their apology for the Cheonan and Yeonpyeong-do could open the door wide to official inter-Korean dialogue. However, any economic package significant enough to change North Korea's future will be available only if they make a strategic decision to abandon their nuclear ambition.

Finally, it would be remiss if I neglect to touch upon the central theme of this conference: integration or unification of the Korean Peninsula. Since I spoke at length on this issue last year, I shall keep my comments brief this time.

The most relevant question we have to ask ourselves in the discourse on unification is who will be better off or worse off under unification. I cannot think of any other losers than the North Korean leadership. None of our neighbors will be worse off and all will be better off with a denuclearized, vibrant, and unified Korea.

They would all benefit from the post-unification economic boom which would be sustained for decades through massive new investments in North Korea. They would also benefit from the strategic stability in Northeast Asia that a unified Korea will foster at a time of a shifting regional balance of power.

For us in Korea, unification is not about economic cost, although in economic terms the benefits will far outweigh the costs. Unification is more about liberating 24 million compatriots from hunger and oppression and allowing them to enjoy human dignity and prosperity. Korea will be born again as a more powerful nation playing a more important role for the peace, stability and prosperity of the region as a whole.

As such, a unified Korea will be in the interest of all concerned and will pose no threat to any of our big neighbors. It will offer a new start for the nation.

Integration of the Korean Peninsula

Roundtable Discussion

April 8th, 2011

CONGRATULATORY ADDRESS

PARK, JIN (Former Chairman, National Assembly's Foreign Affairs, Trade and Unification Committee)

ROUNDTABLE DISCUSSION

MODERATOR

HONG, SEONG-PHIL (Professor, Yonsei Law School)

PRESENTATION

BRUCE KLINGNER (Senior Research Fellow, Northeast Asia, The Heritage Foundation)

XU CHENGGANG (Professor, School of Economics and Finance, University of Hong Kong)

KIM, JOONGHO (Senior Research Fellow, Export-Import Bank of Korea)

DISCUSSION

BALBINA Y. HWANG (Visiting Professor, Georgetown University)

HUGO RESTALL (Editorial Page Editor, Wall Street Journal Asia)

WANG ZAIBANG (Vice President, China Institutes of Contemporary International Relations)

ZHAO HUJI (Professor, Party School of the Central Committee of Communist Party of China)

SHI YINHONG (Professor, School of International Studies, Renmin University of China)

ALEXANDER FEDOROVSKIY (Professor and Head of Section for Pacific Studies IMEMO)

VICTOR L. LARIN (Director, FEBRAS)

KIM, BYUNG-YEON (Professor, Seoul National University)

CHOO, JAEWOO (Professor, Kyung-Hee University)

KIM, JUNG RO (Director of Policy Cooperation, Ministry of Unification)



PARK, JIN

Congressman

Former Chairman, National Assembly's Foreign Affairs,
Trade and Unification Committee

박진

국회의원, 前 국회 외교통상통일위원회 위원장

Park, Jin is a member of the National Assembly of the Republic of Korea, currently serving as a member of the Knowledge Economy Committee. He earned an LL.B. from Seoul National University, an M.A. in Public Administration from JFK School of Government, Harvard University, a D.Phil. in Political Science from the University of Oxford and a J.D. from New York University Law School. Born in Jongno, in the heart of Seoul, Park passed the National High Diplomatic Service Examination while in college and worked as a young civil servant at the Central Government Building. Being fond of life at sea, Park fulfilled his military service as a Korean navy officer. Afterward, he ventured abroad to study international politics and political leadership in the U.S., the U.K. and Japan for 10 years.

Leaving behind his teaching job at a U.K. university, he returned to Korea to serve as a presidential secretary in the Kim Young-Sam administration. He served at the Cheongwadae, the South Korean presidential mansion, for five years, first as presidential press secretary and then as presidential aide for political affairs.

In 2002, Park Jin first won a seat in the National Assembly from Seoul's Jongno district, known as the "Number One District" of Korean politics. He was re-elected to the National Assembly in 2004 and again in 2008, defeating the strong opposition United Democratic Party (UDP) leader.

He helped strengthen the Grand National Party's domain as the chair of its district office for the Seoul Metropolitan area. As vice-chair of the GNP Presidential Primary Management Committee in 2007, he played a major role in the success of the party primary to choose the candidate for the next President of Korea by a clean and fair nomination process. Park Jin unleashed his proactive leadership and uncanny qualities as a politician as chair of the Special Committee on International Relations in the GNP Presidential Election Campaign Committee. He took the initiative, producing policies on unification, foreign affairs and national security for then-GNP presidential candidate Lee Myung-bak. Park Jin stood and ran in the forefront of the election campaign, not only in his own electoral district, Jongno, but also throughout Seoul to help candidate Lee claim his overwhelming victory across the capital area. Furthermore, Park Jin has been involved in drawing up a blueprint

for the Lee Myung-bak administration, as Chair for foreign affairs, unification and national security in the Presidential Transition Committee.

Park Jin has served twice as chair of the GNP International Affairs Committee, leading the party toward becoming an advanced political party. He has worked in the fields of foreign affairs and national security as an active member of the Unification, Foreign Affairs & Trade Committee and the Intelligence Committee of the National Assembly, and then fulfilled the role of Chair of the Committee on Foreign Affairs, Trade & Unification. He is currently serving as President of the Asian Culture and Economy Forum, which was established for the aim of deepening and broadening mutual understanding of diverse cultures and strengthening diplomatic networks with government officials and parliamentary members of Asian countries.

He upholds the banner of “Globalized Korea” to promote clean and advanced reform-oriented politics as well as pragmatic national interests. What is unique about Park Jin is his clean, gentle, yet dynamic image as a politician. He was awarded the Outstanding Member of Parliament Awards by NGOs for five consecutive years, but there is more than that. He is known as a gentleman-parliamentarian who has received uncommon acclaim - being honored with the Baekbong Gentleman Awards no less than five times.

Park Jin has demonstrated his special concern for his marginalized neighbors by helping the needy as president of the Supporters’ Association for the Miral Welfare Foundation. In addition, he has been serving as a director of the Korea Foundation for Children with Leukemia and as president of the Korea Wheelchair Basketball Federation. With the desire to motivate young people who dream of becoming inventors, he is involved as an advisor in the Korea Invention Promotion Association. Park Jin also promotes Korean traditional martial arts as President of the Korea Kyulyun Taekyon Association. Some call him Jin Dolgorae, or ‘Dolphin’, a nickname he earned after losing weight through swimming, marathons and boxing. His tight schedule does not stop him from taking time to lecture at universities to keep in touch with young students.

He considers himself a passionate music lover as he learned to play the cello and played the keyboard for a rock band while in college. He was inaugurated as Chairman of the board of directors of the Seoul Pops Orchestra in October 2010 and is enthusiastic about leading Seoul Pops to become one of the world’s best orchestras. He is married to violinist Cho Yoon-hee with one son and one daughter.



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Bruce Klingner is the Senior Research Fellow for Northeast Asia at The Heritage Foundation. He previously served for 20 years with the Central Intelligence Agency and the Defense Intelligence Agency. As deputy division chief for Korea at CIA he was responsible for analyzing Korean political, military, economic and leadership issues for the President of the United States and other senior policymakers. Prior to that position, he was chief of CIA's Korea Branch, providing analytic reports on military developments during the 1993-94 nuclear crisis.

Before coming to Heritage, Klingner spent several years at the Eurasia Group, a global political risk assessment firm. As the firm's primary Korea analyst, he wrote articles and analyses for most major Asian and American newspapers. He also was a frequent panelist in policy forums around Washington.

Mr. Klingner is the author of numerous articles, including in The New York Times, Los Angeles Times, Wall Street Journal, the Financial Times, Chosun Ilbo, Joongang Ilbo, Korea Herald, Korea Times, Seoul Shinmun, Kukmin Daily, Far Eastern Economic Review, and Nikkei Weekly. His comments and analysis appear frequently in U.S, South Korea, and Japanese media and TV.

Klingner is a distinguished graduate of the National War College, earning a master's degree in national security strategy in 2002. He also earned a master's in strategic intelligence from the Defense Intelligence College and bachelor's degree from Middlebury College. He has attained a third degree black belt in tae kwon do and first degree black belts in hapkido and teuk kong moo sool.

Integration of the Korean Peninsula: April 8th

한반도 통합: 논의를 위한 몇가지 주제

브루스 클링너

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남북한이 통합되려면 북한이 근본적으로 긍정적으로 변화하거나, 북한의 체제가 붕괴되어야 한다.

하지만 북한은 광범위한 보안 병력과 겁에 질린 인민, 김정일과 운명을 같이하는 지도층, 중국의 지원 덕분에 체제붕괴 우려에 놀라운 내성을 보여주고 있다. 그럼에도 평양은 김정은 후계 승계, 경제 상황 악화 등으로 이미 티핑 포인트(변곡점)에 도달했다는 인식이 커지고 있다.

다른 한편 한국의 통일에 대한 열정도 천안함 도발과 연평도 포격 등으로 급랭하고 있다.

한반도의 통합의 방식은 남한의 흡수 통일, 평화적인 북한 정권 붕괴, 북한 주민들의 '김치혁명', 쿠데타 등 연착륙과 경착륙의 다양한 가능성이 있다.

북한은 김정은이 승계하거나 다른 정권이 들어서더라도 김정일만큼 권력을 공고히 하려는 힘들며 따라서 대외적으로 강경노선을 취할 것으로 보인다.

통일 비용은 한국정부 추산 2조1400만 달러로, 한국 경제규모(GDP)의 배에 달한다. 통일 전 동서독에 비해 남북한 경제 격차가 더 크다.

중국은 동북아 완충지대와 영향력 감소와 또 남한의 對中 투자가 줄어들 것 등을 우려해 한반도 현상유지를 원한다. 북한에서 위기가 발생하면 중국은 외국의 개입을 차단하기 위한 봉쇄와 중국군의 컨트롤 지역 설정 등을 통해 북한을 유지하려 들 것으로 보인다.

향후 한국의 북한 통합 전망도 걸림돌이 촉매제보다 많고, 통합을 반기는 주변 나라도 존재하는지 의문스럽다. 남북한 서로에 대한 태도, 남한의 통일 능력 등에서 여전히 과제가 많다. 또 통합을 이뤄내도 독일의 통일 사례에서 보듯, 경제·정치·사회 통합을 이뤄내야 하는 궁극적인 난제가 놓여있다.

Integration of the Korean Peninsula: April 8th

Korean Integration: Topics for Discussion

Bruce Klingner

Senior Research Fellow, Northeast Asia, The Heritage Foundation

Korean integration would require either fundamental positive changes in the North Korean system or its collapse. As for the former, there are no indications the current or future leaders will change policies. Over the years, hope that fledgling economic changes would lead to more systemic North Korean economic reforms were always dashed by the state subsequently reasserting its authority.

As for the latter, the North Korean regime has shown remarkable resilience, belying repeated predictions of imminent demise from domestic and international threats. Due to:

- Pervasiveness of North Korean security services;
- Cowed, docile populace;
- Elites see their fate linked to Kim Jong-II;
- Lack of viable opposition;
- State's monopoly on information sources;
- China works against instability by increasing deliveries of food and fuel to improve internal conditions and opposing international efforts to ratchet up pressure on Pyongyang

However, once again there is a growing sense that a combination of stresses is pushing Pyongyang closer to the tipping point. Most notably, the planned leadership succession from the ailing Kim Jong-il to Kim Jong-eun faces many challenges and may not be successful. Because the young son lacks the gravitas of his father, there is the potential for a power struggle among challengers within the senior party and military leadership.

The issue of succession is especially worrisome in view of indications that deteriorating economic conditions, exacerbated by the tightening noose of international sanctions, and the potential for civil unrest could undermine regime stability.

Greater Potential for Change...But Less Advocacy for Integration

South Korean enthusiasm for unification has faded from its heyday of the 1980s and early 1990s. North Korea's brutal attacks on the Cheonan and Yeonpyeong-do raise serious doubts in South Korea over even engaging with Pyongyang.

Even before last year's acts of war last year, Pyongyang had undermined enthusiasm for diplomatic initiatives when it implemented a series of provocations in early 2009 at a time

when the Obama Administration was attempting to reach out to North Korea. Pyongyang's behavior ran counter to misperceptions that North Korea would moderate its behavior once U.S. leadership transitioned from President Bush to Barack Obama.

The result is that there is much greater pessimism that engagement can induce North Korea to implement economic and political reform, moderate its behavior, and lower tension and animosity on the Korean Peninsula, all prerequisites for conditions favoring integration.

- A recent poll showed 70% of South Korean respondents felt threatened by North Korea's nuclear weapons and 90% were pessimistic that Pyongyang would give up these weapons.

The lack of a South Korean consensus toward integration is caused not only by differing political and ideological viewpoints, but also generational differences.

- The older generation (60+) feel a greater affinity to reunite the Koreas, seeing them as two separated halves of a single country. Yet this cohort also is the most distrustful of Pyongyang and the least inclined to offer significant benefits.
- The "386 generation" – which pressed for South Korean democratization -- has a more trusting view of North Korea, even to the point of dismissing evidence of North Korean transgressions and transferring blame for Pyongyang's actions onto the United States or South Korea.
- The younger generation ("Generation Z" or "1929 generation") are more conservative than 386ers, though not necessarily ideological supporters of the GNP. They are more entrepreneurial and often determine their stance on an issue based on how it would impact South Korea's – and their personal – financial condition. As such, they tend to see North Korea as a separate country and are less inclined to favor reunification due to the expected impact on the South Korean economy.

How Would Korean Integration Take Place

Soft landing, hard landing, forced landing, no landing

- Peaceful reconciliation between two Koreas:
 - Change of policy by North Korean regime;
 - Confederation or federation of intertwined Koreas (two countries, two systems; one country, two systems);
 - North Korean acquiescence to absorption;
 - Peaceful regime collapse (soft landing);
- More violent scenarios

- Jasmine/kimchee revolution from below
- Coup, power struggle, regime change
- Violent regime collapse
- Outside intervention during a crisis

It is easy to get bogged down in endless debate over the countless scenarios that could trigger integration. Alternatively, one can blissfully (and some would argue naively) jump over the scenarios and focus instead solely on how to implement integration, thus ignoring the impact that preceding events would have on integration.

New Leader, Old Policies

There appears to be little hope for a more benign North Korea. The next North Korean leader – either Kim Jong-eun or other successor -- is likely to maintain the same policies. The next leader would have less of a power base than Kim Jong-il and therefore would be more reliant on support from senior party and military leaders who are overwhelmingly nationalist and resistant to change.

There is no evidence that Kim Jong-eun will pursue more reformist economic/political policies or more moderate foreign policy. Jong-eun would have to base his own legitimacy on maintaining the legacy of Kim Il-sung and Kim Jong-il by continuing the nationalist and military-based policies. The new leader would attempt to reassure the senior leadership that his policies do not pose a risk to regime stability and, by extension, their livelihoods and lives.

The next leader may well pursue a policy that is even more hard-line than Kim Jong-il's. To secure his hold on power, the successor may have to instigate a crisis in order to generate a “rally around the flag effect.” Propaganda would highlight the need for increased vigilance against attempts by outside powers to take advantage of North Korea's weakness during a leadership transition.

North Korea under the current configuration is unlikely to implement political and economic reform, moderate its behavior, adopt the norms of international behavior, or open itself to outside influence. Since policy change within the existing system is unlikely, Korean integration would require the system itself to change.

President Lee Myung-bak's Vision for Reunification

During his August 2010 Liberation Day speech, President Lee Myung-bak outlined a three-stage plan:

1. A peace community that “that assures security and peace on the peninsula. What is most important in this connection is the denuclearization of the peninsula;”

2. Creation of an economic community “in which the two will work for economic integration...[this is done through] comprehensive inter-Korean exchanges and cooperation with a view to developing the North’s economy dramatically;”
3. Peaceful unification.

Lee emphasized that, “Reunification will happen. It is therefore our duty to start thinking about real and substantive ways to prepare for unification, such as adoption of a unification tax.”

But the South Korean population is less receptive to integration

- Low support for unification tax
 - 51% of Koreans surveyed believed a fund should be established for unification. But only 11% believed that unification cost should be funded by taxpayers. Others believed in using existing income and corporate taxes.
 - 90% were pessimistic about South Korea’s preparedness for unification
 - The business sector is more supportive of unification than the general public. 72% believe it is necessary. Yet, only 41% were positive about doing business in North Korea after unification.¹
- Declining support for unification.
 - Even during the Roh administration, an October 2005 survey showed 78% believed the Koreas were two separate countries rather than two halves of the same nation.
 - Only 17% felt unification was a top national priority, down from 30% in 1996.
 - In 2002 only 34 % expected reunification to occur within ten years, down from 60 % in 1994.²

Fear of Unification Cost

Cost estimates vary greatly and are dependent on the scope, pace, and method of reconstruction. The (South Korean) Presidential Council for Future and Vision estimated the cost of Korean unification would be \$2.14 trillion – more than double South Korea’s GDP -- if North Korea collapsed suddenly. But if the Koreas were unified after gradual North Korean opening and reform, the cost could be only \$300 billion.³ In 2001, the World Bank predicted \$2-3 trillion.

¹ Christine Kim, “Paying for unification: Only 10.8% want taxes, *Joongang Ilbo*, March 4, 2011.

² International Crisis Group, “Korea Backgrounder: How the South views Its Brother From Another Planet,” December 14, 2004, [http://www.crisisgroup.org/~media/Files/asia/north-east-asia/north-korea/089_korea_backgrounder_south_views_its_brother.ashx](http://www.crisisgroup.org/~/media/Files/asia/north-east-asia/north-korea/089_korea_backgrounder_south_views_its_brother.ashx).

³ Chosun Ilbo, “Sudden Reunification Would Cost \$21. Trillion,” August 16, 2010.

What are the lessons of German reunification and how applicable to Korea?

- There was a long period of robust East-West exchanges prior to German unification.
- Greater East German exposure to the west than North Korea has to the South or globally.
- German reunification was a peaceful revolution with regime acquiescence to its destruction.
- West German leader Helmut Kohl pushed the envelope on rapid unification.
- The Germanies had not fight a brutal civil war.

South/North Korea economic comparisons are less favorable than West/East German comparisons (size, population, economic strengths)

	FRG (1989)	GDR (1989)	Percentage Share (east of west)
Population (millions)	62.4	16.4	26.3 %
Area size (km ²)	248,689	108,333	43.6 %
GDP (billions DM)	2,237	353	15.8 %
GDP per capita (DM)	36,300	21,500	59.2 %
Foreign Trade Volume (billions DM)	1,148	286	24.9 %
	ROK (2007)	DPRK (2007)	Percentage Share (north of south)
Population (millions)	48.5	23.2	48 %
Area size (km ²)	99,173	122,762	123.8 %
GNI (billions US\$)	971.3	26.7	2.7 %
GNI per capita (US\$)	20,045	1,152	8.1 %
Foreign Trade Volume (billions US\$)	728.3	2.9	0.4 % ⁴

China Prefers the Status Quo

China has consistently valued stability-- defined as maintenance of the North Korean state-- over the inherent unpredictable risks of alternative scenarios, a case of “the devil you know is better than the devil you don't.” Although developments in modern military warfare have reduced the importance of a buffer state to some degree, Beijing would still prefer a troublesome North Korean buffer to losing strategic defenses on its border.

Potential downsides to China of Korean integration:

- Loss of buffer

⁴ Sources: Statistisches Bundesamt, Wiesbaden 1990; Statistisches Jahrbuch der DDR, Berlin 1990; Ministry of Unification, Seoul, <http://www.unikorea.go.kr/eng/default> as quoted in Hanns Gunther Hilpert, “A Comparison of German and Korean Division,” in International Journal of Korean Unification Studies, KINU, Volume 19, No. 1, 2010.

- Loss of influence in northeast Asia
- Greater instability in northeast Chinese provinces due to influx of Koreans and the permeating influence of a democratic, free market country on its border.
- Reduced South Korean investment in northeast China if Seoul focused instead on rebuilding North Korea
- Uncertainty of the status of post-unification Korean alliance with U.S.
 - US troops north of DMZ?
- Concerns that a unified Korea would be more threatening to Chinese interests

Korean Suspicion of Chinese Intentions. In 2002, China inflamed suspicions in both Koreas when it claimed the ancient Korean kingdom of Koguryo as historically Chinese. Beijing may have been acting defensively to lay the legal groundwork to prevent a reunified Korea from claiming the ethnically Korean portion of northeast China as part of a “greater Korea.” Koreans, conversely, feared that China had an offensive strategy to justify seizing North Korea after the collapse of the Kim regime.

Lack of Chinese Transparency. China has rebuffed repeated U.S. and South Korean entreaties to engage in crisis preparation. U.S., Korean, and Japanese scholars report that Chinese academics have been equally reticent to discuss the topic even on a Track 2 level. China is concerned that:

Any open discussion of contingency planning would undermine the authority of the current [North Korean] leadership and possibly spark a crisis of confidence, perhaps amongst key constituencies such as the Korea People's Army, resulting in the regime-changing crisis that [Beijing is] actively seeking to avoid.⁵

Beijing's strategic objectives toward North Korea have been “protecting China's military-strategic environment; maintaining security and stability along [its border]; and sustaining economic development and political stability in the three northeastern provinces that border North Korea.”⁶ As a result, China would resist any perceived international efforts to precipitate a crisis or bring about regime change in North Korea.

How Might China React During a Korean Crisis? During the early stages of a North Korean leadership crisis, China would try to contain the situation by prolonging the status quo and opposing any foreign intervention, including through its position on the U.N. Security Council. Beijing would take steps to ameliorate a humanitarian crisis in North Korea in order to reduce the likelihood of refugee flow, preventing any spillover effect into China's northeast provinces.

⁵ Henry Shinn, "Contingency Plans Needed for N.K. Upheaval," The Korea Herald, August 13, 2009, at http://www.koreaherald.co.kr/NEWKHSITE/data/html_dir/2009/08/13/200908130073.asp.

⁶ Bonnie Glaser, Scott Snyder, and John Park, "Keeping an Eye on an Unruly Neighbor," Joint Report by the Center for Strategic and International Studies and U.S. Institute of Peace, January 3, 2008, p. 3.

Beijing would prefer that any humanitarian assistance be provided to refugees while they remain in North Korea. The Chinese military could establish a control zone, either in China or, potentially, even in North Korea. The latter would provoke strong criticism from the U.S. and South Korea and, counter to Chinese interests, provide a pretext for U.S. and South Korean intervention.

Beijing's calculation of factors that would precipitate its own intervention remains a mystery. China understands that the North Korean government and populace would not welcome Chinese intervention, given historical animosities. Beijing would therefore have to balance its intervention in order to secure an unstable country on its border with the realization that a Chinese military presence could not be permanent.

However, Beijing would intervene directly if it deemed the situation to be out of control and saw itself forced to restore stability and political order. Beijing might prefer that any Chinese military intervention be done with U.N. authorization, but it is not known whether it would provide troops to a multilateral peacekeeping operation or demand sole authority over a zone of responsibility along its border with North Korea. South Korea would fear the latter option as legitimizing Chinese sovereignty over part of North Korea and hindering eventual Korean unification.

How Should South Korea Engage North Korea?

President Kim Dae-jung defined inducing economic and political change in North Korea and moderating regime behavior as a principal tenet of his sunshine policy of engagement. Kim postulated that if South Korea provided economic benefits and acted non-confrontationally, North Korea would perceive a reduced threat and reciprocate.

President Roh Moo-hyun, however, abandoned any pretense of reform. During a May 2006 trip to Mongolia, Roh declared that he was willing to make “many concessions,” including providing unconditional aid, in return for an inter-Korean summit. These comments were an abandonment of previous vows to condition a summit on North Korean return to and progress in the Six Party Talks.

Roh returned from the 2007 inter-Korean summit declaring, “We very naively thought reforms were a good thing, and that we could reform the North with Kaesong. We were wrong.... We should try to avoid making such misunderstanding by not going on and on with “reform” and “opening up” to North Koreans.” He directed the Ministry of Unification to remove any reference to “reform” on its website or in any South Korean policy statements.

During a 2008 interview, Roh underscored the one-sided nature of his engagement policy, “At the six-party talks we supported the North Korean position as much as we could. At international conferences, when remarks critical of North Korea arose, we argued for North Korea with as much logic as we could.”

Roh also commented, “We avoided as much as we could statements provoking North Korea. Sometimes, we had to endure even if our pride was hurt. We did this all to secure trust [with North Korea]. Of course, North Korea did not pay us back quickly. But by doing so, North-South relations expanded greatly.”

Changing the Korean Engagement Paradigm. Upon entering office, President Lee Myung-bak declared that his policy toward North Korea would be markedly different from those of his predecessors. Lee vowed to maintain South Korea's engagement policy but condition economic, humanitarian, and political benefits with concrete progress toward denuclearization and implementation of political and economic reforms. Specifically, Lee offered to:

- Boost North Korean per capita income to \$3,000 in 10 years.
- Establish five free trade areas.
- Establish 100 manufacturing companies that could each export over \$3 million annually.
- Educate and train 300,000 North Korean workers.
- Create a \$40 billion international fund to develop the North Korean economy.

At the same time, however, Seoul would condition expansion of the Kaesong Industrial Complex on North Korean denuclearization and reassess all projects agreed to during the October 2007 inter-Korean summit. Predictably, North Korea responded harshly to Lee's policy changes.

Significant Challenges to Integration

- There are more impediments than catalysts to integration
- Does any nation perceive it would benefit from Korean integration?
 - How to change these national attitudes?
- Try to induce changes/reforms leading to integration or passively wait for changes to occur?
 - Is a long, slow, soft landing possible?
- Improve South Korean attitude and willingness toward integration by:
 - Reducing North Korean military threat (nuclear, missile, conventional)
 - Reducing military tension level through CBMs
 - Having North Korea act less belligerently and abide by agreements
 - Have inter-Korean agreements that are reciprocal rather than one-sided
- Improve Korean ability to integrate
 - Economic reform in North Korea
 - Increase South Korean economic capacity

Significant Challenges of Integration

Even beyond the range of issues of how to *get* to integration, there are a plethora of difficult challenges on how to *do* integration.

Economic

- Reconstruction and development. To what degree of South Korean equivalency should the North Korean economy be raised to? How quickly?
- Humanitarian disaster and need for food aid
- Who would pay the cost of unification?
 - South Korea only? North Korea's neighbors?
 - IFIs, NGOs, UN?
 - Contributions by other countries? Donations only or investments? Do only Korean companies get to invest in northern Korea?
- Financial/economic reform – how to implement free market principles at the macro level

Political assimilation

- Post-integration Korea should be a democratic, free market country. Should any vestiges of North Korean government remain?
- North Korean officials allowed in positions of power or a “de-nazification of North Korea”
- Tribunals or amnesty for senior North Korea officials
- North Koreans allowed to vote in Korean elections?

Security

- Would a reunited Korea remain allied with the United States? Or would it pursue a more independent course?
- Status and level of US military forces after integration
- Disband or integrate North Korean military and security services for defense, law enforcement, and humanitarian response?
- Does China have a role in northern Korea? Will Beijing acquiesce to integration/unification?

Societal

- Allow unlimited North Korean migration to the South, impose limits, or maintain de facto border?
- Health concerns – immediate and long-term recovery
- Education reform. Common education standards?
- Land reform – privatizing state-owned land and contested pre-war property ownership

Integration of the Korean Peninsula: April 8th

Overcoming societal differences (the German “east-west mental divide”)



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Chenggang Xu joined SEF, HKU since 2009. Before that he has taught at the London School of Economics after obtaining a PhD from Harvard in 1991 (tenured in 1997 and became a reader in 2006 at LSE). He is a research fellow at HIID, CID of Harvard and CEPR. He is a Special-Term Visiting Professor at Tsinghua and World-Class University Visiting Professor at Seoul National University, and has also visited HKUST etc. He is the current President of the Asian Law and Economics Association (AsLEA).

His research interests involve China's institution and development, the "soft budget constraint," law and economics, finance and growth, financial regulation, and political economy. He has dozens of publications in major refereed journals, such as JEL, JPE, AER, RES, EER, etc.; chapters in more than a dozen books, and has published a book. His contributions in analyzing China's institution and economic development make him a leading "China expert" in the world. Joined with his coauthors, he is among the first who pointed out the so called "China Puzzle" and a set of his papers provide a solution to this "Puzzle." His forthcoming JEL paper on China's development is the first comprehensive China paper published in this AEA official journal since 1986. Moreover, he is a leading economist in the area of the "soft budget constraint," which is widely recognized as a key factor causing the most important problems in all centrally planned economies and their reforms. He has played a vital role in expanding this theory to other areas in economics, such as in economic development and growth, in financial crisis, and in R&D. Furthermore, he has made important contributions to the literature of law-and-economics. The concept of "incomplete law" developed by he and his coauthor is a breakthrough in the literature and the impact is growing. He is a co-editor for three major international/national refereed journals, such as Journal of Asian Law and Economics (the official journal of the AsLEA), and China Journal of Economics etc.; and a member of editorial/advisory board for more than a dozen major international/national refereed journals. He has been a referee for major academic journals, publishers, and research foundations, such as AER, JPE, QJE, REStud, REStat, Rand, MIT Press, Cambridge University Press, Oxford University Press, the World Bank, ESRC, and the RGC etc.

He has involved in Chinese reform policy debates since the early 1980s when he worked at the Chinese Academy of Social Sciences. He has involved policy discussions and offered

policy advises to the State Council, Peoples Bank of China, the CSRC, the CBRC, and the World Bank etc.

He has presented “invited papers” in major international professional conferences, such as the Econometric Society Congress; the International Economic Association Round Tables; the American Economic Association Annual Meetings; the European Economic Association Annual Meetings; the 5th Nobel Symposium etc. He has given keynotes or public lectures in international summits or policy conferences, such as the Global Think Tank Summit (Beijing), the China-Europe Summit (Shanghai), the Caixin Summit (Beijing), the CICC Forum (Beijing), the Central European Initiative Summit Economic Forum (Slovenia), and in high profiled international conferences organized by the UNDP, the United Nation University – WIDER and the EBRD, etc.

He has been frequently interviewed by leading national and international mass media such as CCTV; Dragon TV; Phoenix Satellite TV; Caixin; Sina; DowJones Market Watch; China Business News; Economic Observer; the BBC; the Financial Times; German Public Radio and the VOA, etc.

Lessons from China and Other Transition Economies for Re-unification of Korea

Xu Chenggang

Professor, University of Hong Kong

The core issue of economic transition is to change the institution

- The 20+ years transition from centrally planned economy to market economy is one of the greatest events in human history
 - FSU, CEE and China are all changed fundamentally
 - Although North Korea is a major outlier, it will join inevitably
 - Learn lessons from other transition economies is most valuable for preparing the future of North Korea
- The ultimate goal of the transition is for the political and economic freedom of citizens
- The core issue of the transition is to change the system, change the institutions
 - From domination of public ownership to the domination of private ownership, which is the base for citizens' freedom
 - From an authoritarian political system to democracy; from a government with unlimited power to a government confined by the constitution

A necessary condition for a successful transition is economic growth

- Growth is not the goal of transition
 - Measuring transition by growth is wrong
 - Soviet Union growth rate: 15% (1935); 13% (1964)
 - Nazi Germany: 9.1% (1934, 1939)
- But without growth transition will fail

The common features of all transition economies

- Central planning is replaced by markets in all the transition countries

- By abandoning central planning and by creating markets
- Private ownership becomes dominant in all of these economies, state sector has diminished
 - By privatization and by entry of private firms

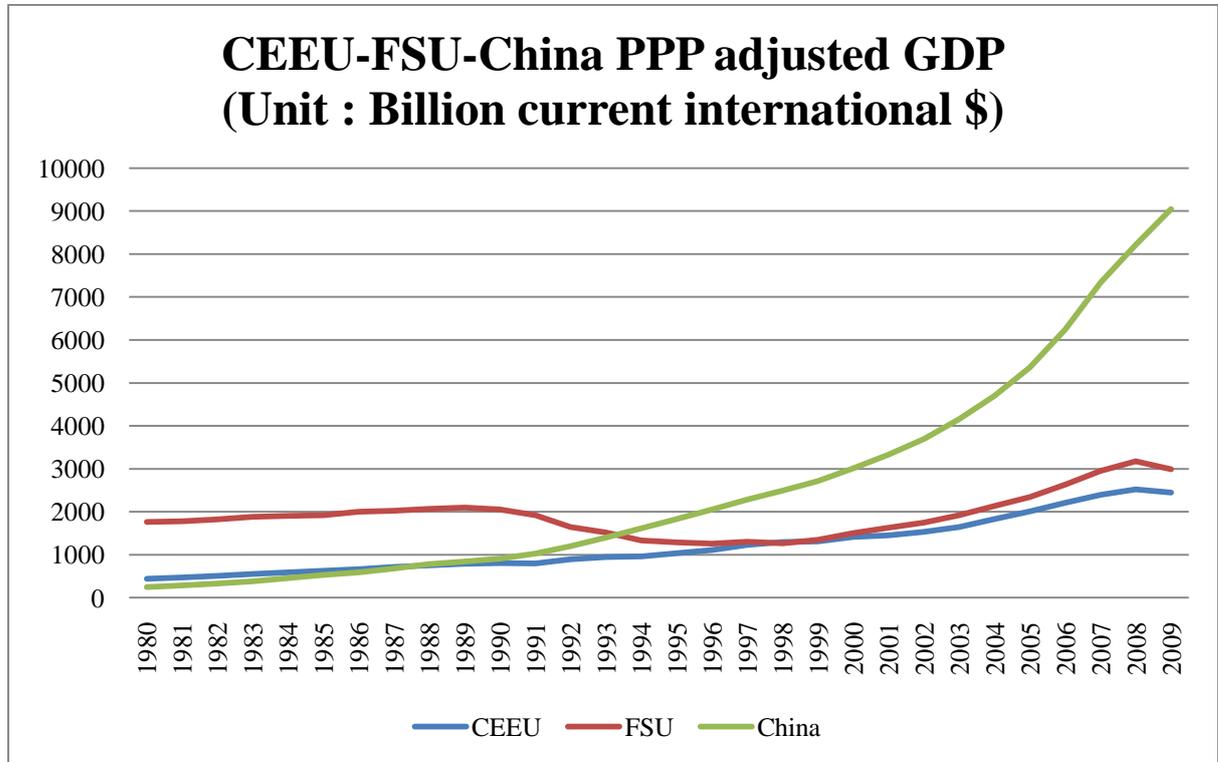
Different transition paths: FSU-CEE vs. China

- FSU-CEE: transition started from the collapse of political regime
 - Changing political system and economic system is the target of the transition
 - Short term or mid term recessions associated with the collapse of the system
 - Great performances among some: Poland, Hungary, Slovenia
- China: transition initiated by the CCP after the “Cultural Revolution” without a clearly defined target
 - Political and ideological changes caused by the Cultural Revolution paved the road to reform
 - Although great growth performance, face grave challenges due to the remaining unreformed institutions, which are eroding the steam of the reform

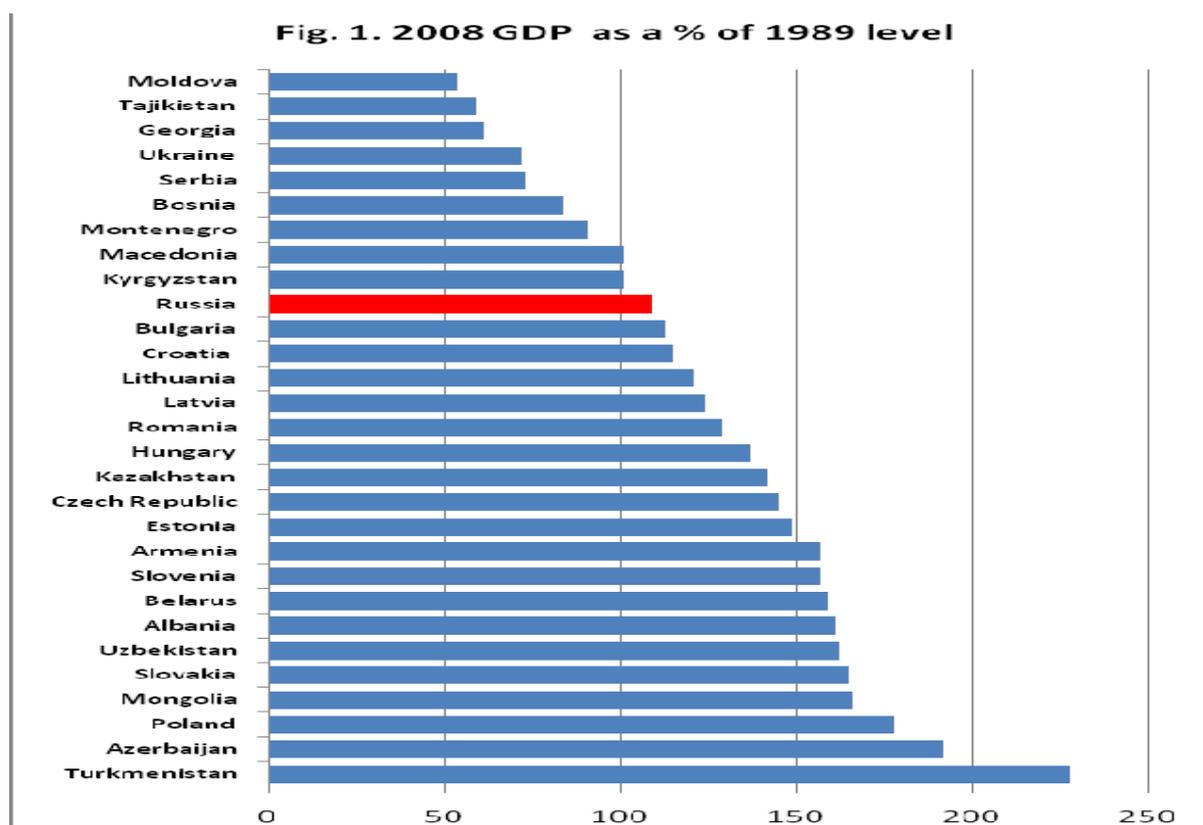
A reform without a reform mind: a quiet trial-and-error process

- The Chinese reform has paradoxically avoided hard core institutional reform issues in the 30 years reform
 - Try to find compromising ways to reform without touching the existing fundamental institution
 - Regional experimentation is the key for muddling through
- Looking at growth alone, seems Chinese reform performs better than other transition economies

CEE-China-FSU Economic Growth, 80-09 (adjusted PPP)
 CEEU-FSU-China PPP adjusted GDP
 (Unit : Billion current international \$)



FSU-CEE Transition Performance: 2008 vs. 1989
 Sources: Popov (2009)



The engine of China's growth: Private Sector

Year	Gross Industrial Output (%)		
	Domestic private firms	Domestic private firms plus foreign firms	The non-state sector
1998	3.07	27.81	50.37
1999	4.46	30.53	51.08
2000	6.09	33.48	52.66
2001	9.18	37.70	55.57
2002	11.69	40.99	59.22
2003	14.75	45.92	62.46
2004	17.42	50.14	65.19
2005	18.99	50.73	66.72
2006	21.24	52.85	68.76
2007	23.21	54.71	70.46
2008	26.87	56.39	71.63

The engine of China's growth: Private Sector

Year	Annual Average Employment (%)		
	Domestic private firms	Domestic private firms plus foreign firms	The non-state sector
<i>1998</i>	2.60	15.11	39.51
<i>1999</i>	3.95	17.59	41.52
<i>2000</i>	6.23	21.57	46.12
<i>2001</i>	9.95	27.21	50.84
<i>2002</i>	13.28	32.37	56.10
<i>2003</i>	17.88	39.77	62.38
<i>2004</i>	22.88	49.39	70.20
<i>2005</i>	24.54	52.08	72.81
<i>2006</i>	26.79	55.57	75.48
<i>2007</i>	28.61	58.49	77.87
<i>2008</i>	32.50	61.68	79.70

How far a reform can go without a reform target

- When growth is no longer the most important target of the government, China's existing regime fails to resolve local government incentive problems
 - Regional tournament competition over GDP growth rate provides effective high powered incentives to local governments
 - Regional tournament competition would not work for solving social stability problem
- Without changing its remaining unreformed institutions, China's reform is reaching its limit: uncertain future
 - Privatization is reaching its limit when citizens do not have constitutional rights on some basic properties (e.g. by constitution Chinese individuals do not have property rights over land)
 - Conflict interests between the government and the citizens; and unconstrained power of the government make it more and more difficult to find compromising solutions

What are useful lessons for the North Korea?

- The best model of transition maybe those of Poland and Hungary
 - Entry and expansion of de novo private sector is the key for the economic

transition

- Support and encourage private entrepreneurship institutionally, financially and ideologically
 - Establish and expansion of truly independent non government organization is the key for political/social stability and for political transition
- e.g. the church and unions etc.

The optimal mechanism to solve incentive/coordination problems can be different for countries with different historical paths

- Evolutionary approach fits better with path-dependent nature
- Successful Chinese reform policies were evolved not designed (may failed designs)
 - The key element of China's institutional evolution is regional decentralization
 - Most incentive problems, coordination problems, political problems were resolved piece by piece through local experiments

Negative lessons from China

- The apparent stagnation of Chinese reform in recent years is rooted from anti political liberalization of the Chinese government
- When the nature of reform involves less social conflicts compromising and evolving solutions can be found through negotiations
 - Makes successful early stage reforms
 - E.g. land reform before 1984
- Persisted with the trial-and-error strategy the Chinese reform missed important opportunities to build the foundation for further reform
 - E.g. no major legal reform follow up the early land reform
 - Many peasants are now losing the partial ownership of the land that they obtained earlier
 - Built-in strong interests have blocked and would block all potential reforms

Decentralized Reforms

- All major Chinese reforms were initiated and carried out by Chinese sub-national governments
 - In addition to incentives, they also have the resources to proceed

- e.g. HRS, SEZ, and privatization
 - This explains why “China is the only country [in the world] where the local governments have played a leading role in increasing rates of growth” (Bardhan and Mookherjee, 2006).
- The importance of decentralization is due to heterogeneous local incentive problems and local institutional arrangements which can be handled more properly locally
 - Most China’s reforms were locally initiated responses to local problems
 - They evolved within the existing institutional framework
 - They are more likely to be incentive compatible locally and fit better with local conditions than following orders from the central government or international organizations

Regional competition is essential in pushing market reform forward

- How to motivate government officials in reforming the institution in which they have nested interests determines the fate of the reform
- Tournament-like regional competition provided powerful incentives to sub-national governments in early reforms
 - High powered incentives to take risks in experimenting reform policies locally
 - High powered incentives to implement tested experiment results
- Regional competition is a *de facto* selection mechanism in regional experiments to contain negative impacts of conservative ideology
 - Some local experiments are not in market reform directions, but what matters in regional competition is performance
 - Among all experiments being tried, outcomes of market reform experiments often dominated others in regional competitions

Regional experiment is essential in pushing market reform forward

- China’s reform is proceeded by region-based experiments
- Without regional experiments market reform would not be started
 - Market reform is controversial (ideology and nested interests)
 - Under the “consensus based collective decision rule” every top leader can “veto” a market reform initiative
- Experiment approach weakens political resistance to reforms

- When a reform is tried only as regional experiments
- When a new reform is an option: the dual track approach
- Regional experiments lower risk of reforms
 - A failed experiment would not impact the national economy
- Invite thousands of local officials to involve institutional innovations
 - Need locally invented new institutional arrangements to deal with intricate political/incentive problems => new institutions
- Locally initiated experiments have paved the road of national reforms
 - Land reform, special zones, TVEs (1980s); privatization, ...

Decentralization and Incentive compatible reform

- Why decentralization is crucial?
- Incentive issue makes engineering approach (or central planning approach) of reform unfruitful
- Reforming an institution affects and is affected by interests of stakeholders of this institution
 - Reforms ignoring interests of majority stakeholders of the existing institution will fail
- Local incentive problems and local institutional arrangements varies greatly over the nation
 - Local history determines local stakeholders interests
 - A decentralized evolutionary approach is more likely to be incentive compatible and to fit with local conditions
 - Decentralized institutional innovations are essential in dealing with local problems
 - Most successful reform policies were evolved in the process of resolving local incentive and coordination problems

Why decentralization functioned in China

- “China is the only country [in the world] where the local governments have played a leading role in increasing rates of growth” (Bardhan and Mookherjee, 2006)
- What institution of China contributes this?

- The national government is determined to reform/growth and is strong
 - To keep political and economic stability
 - To keep macro control
- Subnational governments are **enabled**: they have controls over sufficient amount of resources in wide ranges
 - A condition for regional competition/experiment
 - Particularly important when many markets are to be developed
- Subnational governments are **empowered**: they are authorized to take reform initiatives or development-enhancing initiatives

Enablement of subnational governments

- Enablement is a necessary condition for commitment and institutionalization of decentralization
 - Not enabled subnational governments would not be able to take policy actions and decentralization would not work even when they are empowered legally
- The high degree of enablement of subnational governments is a powerful double-edged sword: it is also a key factor of most serious problems in today's China
 - Enabled to intervene judicial process: local courts are *de facto* (historically had been *de jure*) subordinates of local governments
 - Enabled to appropriate land: as *de facto* landlords
- What does this powerful double-edged sword do depends on the nature of regional competition/experiment
 - It can be highly destructive as well

Path-dependent in decentralization

- Enablement does not come out automatically with empowerment
 - In many decentralized developing economies, sub-national governments are not enabled
- Under-funding of required expenditures on local infrastructure or social services has been common in most decentralized developing countries (Bardhan and Mookherjee, 2006)
- History determines what interests stakeholders have nested into the existing

institution and how those affects change the institutions.

- History determines to what extent subnational governments are enabled.
 - This implies that except for general principles, standard policy recipe may not work even within a country.
 - This is another reason to support decentralization.
- Policy recipes without considering history will not work

Concluding Remarks

- China's reform is evolved based on China's existing institution, and the evolution gives reformers chances to find ways to solve incentives of stakeholders
- Reforming institutions is endogenous with incentives of stakeholders of the existing institutions
 - There is no universal policy recipe
 - Any effective policy recipe must take into account interests of stakeholders of the existing institution, which varies from country to country and from context to context
 - Institutional reforms are qualitatively different from technological change
- For outside policy advisers a thorough understanding of details of existing institution is critically important
 - Together with reform programs, the existing institutions co-determines incentives of stakeholders of a reform
- The most important design of a reform is not on details of reform policies, but the directions of a reform and the strategy of using existing institution to implement the reform
 - Evolutionary approach based on existing institution is a general lesson from China's reforms
- Decentralized evolution process can better solves incentives of stakeholders
- Decentralized region-based reform experiment is a key to push forward when there are strong political resistances
- With a decentralized approach the following reform measures may be useful first steps for North Korea
 - Land reform; rural industrial firms; special economic zones

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한국수출입은행 선임연구원

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Integration of the Korean Peninsula: April 8th

한반도에서의 남북 및 국제 경제협력

김중호

수출입은행 선임연구원

동북아 지역은 ‘비정상 국가’ 들의 대내외 관계가 미국의 국제전략이익에 의해 영향을 받아온 독특한 지역이다. 지난 60여년 동안 한국과 중국은 각기 분단의 고통을 안고 있으며, 중국과 북한은 미국의 견제를 받아왔고, 일본은 국가주권을 제대로 행사하지 못하고 있으며, 식민통치시기의 유산으로 인해 일본은 지역국가들과 계속해서 마찰을 빚고 있다. 러시아는 이중적인 정체성으로 인해 지역국가들과 뭉치지 못하고 있다. 또한 한국과 일본은 미국에 의존하여 안보 및 경제 이익을 추구해왔다.

미국의 영향력에 의해 형성된 동북아 구조는 현재 동북아국가들의 성장과 변화로 인해 새로운 틀로 교체될 것을 요구받고 있다. 그러므로 ‘정상국가화’ 를 추구하는 동북아국가들의 움직임이 가져올 위험부담을 최소화하고 공유할 수 있는 혜택을 극대화하기 위한 방안이 모색되어야 한다.

남북관계를 향상시키기 위한 노력이 다각도로 시도되어왔으나 어느 것도 기대에 부응하지 못했다. 과거에서 현재까지의 경험으로부터 얻는 교훈은 남북간 경제협력을 진전시키기 위해 보편성과 특수성, 인내심과 유연성을 동시에 고려해야 한다는 것이다.

오늘날 국제관계의 핵심은 미중관계이다. 양 대국의 갈등이 가져오는 파급효과는 막대하다. 특히 경제갈등은 경제협력을 통해 거리를 좁히려는 노력을 좌절시킬 수도 있기 때문에 특별한 관리가 필요하다.

강성해지는 중국과 강성하고 싶어하는 북한이 동북아지역 질서 재편에 장애물이 되지 않게 하려면 이들 국가들의 국제편입을 유도할 수 있도록 국제협력의 기회들을 만들어야 한다. 남북이 협력하고 국제사회가 참여하는 북한개발 프로그램이 현재로서는 효과적인 해법이 될 수 있을 것이다.

Integration of the Korean Peninsula: April 8th

Coordination of Economic Interests on the Korean Peninsula At the Intra-national and Inter-national Levels

Kim, Joongho

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1. Old Wineskins and New Wine

The Northeast Asian region consists of all ‘handicapped’ actors whose internal and external relations are defined - directly and indirectly - by the expanded capabilities and interests of the U.S., belonging to the Western hemisphere. For more than six decades, China and Korea have been divided respectively; China and North Korea have been contained by the U.S.; Japan’s sovereignty has been restricted by the U.S.; Japan has been haunted by its colonial legacy, resulting in continued conflict with its neighbors. Russia with half commitment to the development of the Far East has been distanced by the regional members. Japan and South Korea have been dependent on the U.S. for addressing their economic and security concerns. The ‘hub-and-spoke’ system of bilateral alliances developed by the U.S. has served as the unique architecture in the region. By the way, as the elements of an object begin to shake and interact actively when heated, so do the member states of this region when stimulated. Stirring up within a structure may end up changing the structure itself.

What is currently causing the transformation of the conventional architecture? It is the desire by each of those ‘handicapped’ states to turn itself to a ‘normal state.’ Besides the old wish for the national reunification, China may want to make its status as global as the Middle Kingdom. Japan may dream a dream of becoming a ‘normal state’ equipped with its national army. The two Korean regimes respectively aspire to reunify the Korean nation in their own terms so that their self-assurance of the regime legitimacy becomes secured. The regional actors’ dream of a normal state is all of human nature.

Particularly, the on-going rise of China has brought tension (generally to the world and) specifically to this region where the U.S. hegemonic status has been well established. North Korea, declaring itself as the eighth nuclear power, has served to rehabilitate the old model of international relations: ROK-U.S.-Japan versus DPRK-China-Russia. With increased economic abilities of the regional actors to finance their military capabilities, the so-called arms race seems to have already passed the starting line.

Contrary to the European states that have been co-working in relinquishing their sovereignty to their regional institution, Northeast Asian states have been pursuing every means to consolidate their sovereignty by withdrawing from any regional institution-building efforts. Stepping forward in the past toward a ‘normal state’ based on the modern concept

of sovereignty unfortunately helped the peoples of Europe experience two world wars within a half century. Considering the European lessons, the ‘handicapped’ actors of the Northeast Asian region need to pursue proper solutions to the risks of ‘growth.’ Here proposed is a new model of peace-building whose three prongs are democratic peace, market economy peace, and nuclear-free peace. This paper is to explore the market economy peace-building with a focus on the ways to change North Korea.

2. Intra-national Relations and Economic Interests

For a decade, non-security-centered North Korea policy willing to avoid instability at nearly any cost, espoused by South Korean administrations under presidents Kim Dae Jung and Roh Moo Hyun, failed to change the behavioral pattern of the North Korean regime.¹ In the view of the conservative, the progressive’s policy of economic engagement rewarded and encouraged extortion, proliferation and destabilizing North Korean tantrums.²

However, the inauguration of South Korean President Lee Myung-bak in 2008 marked a shift. The new administration’s security-centered North Korea policy redirected conventional ways of interacting with the North. Every payment by the South to the North is now restricted in order to facilitate North Korea’s actions for denuclearization and non-proliferation.³ Thus, hard currency is getting harder to come by into the North. As long as the Pyongyang regime’s nuclear ambition continues, South Korea, backed by the U.S. and Japan mainly, will keep its ‘principle-oriented’ stance against the North. Security-centered North Korea policy seems to have also failed to change the behavioral pattern of the North Korean regime.

If the coexistence-oriented approach by the past leaderships addressed the importance of lowering the tension level on the Korean peninsula, the unification-oriented approach by the incumbent focuses on upgrading intra-national relations with the rules of game. The former lacked in the strategic minds and the latter does flexibility.

As the table-1 shows, North Korea’s trade with the South and China altogether has been increasing, which means the increase of North Korea’s dependency on China in trade. There is a speculation that the North’s acquirement of hard currency from the South could be supportive of its trade with China. However, since the *Cheonan* incident occurred in March

¹ Viewed from a conservative perspective, the Pyongyang regime, with hunger for hard currency that dried up during the late 1990s, was graciously given the access to the well of dollars through two historic inter-Korean summits at the threshold of the twenty-first century. When the North’s financial drought got miraculously showered with the rain of hard currency in the forms of trade, investment and humanitarian assistance, the Pyongyang regime became able to project its national vision that ‘*Gangseongdaeguk* (militarily strong and economically prosperous state)’ be realized by the year 2012.

² A cynical approach would argue that “North Korea’s periodic missile and nuclear tests and military provocations served as reminders to keep the checks coming.” Michael Gerson, “The Best Weapon against North Korea’s Lies: Information,” *Washington Post*, June 16, 2010.

³ The Lee administration aims its North Korea policy at the denuclearization of the North. With different names of the same kind of proposal such as ‘Denuclearization, Opening and \$3,000 GDP per capita Initiative’ and ‘Grand Bargaining,’ the South has promised large-scale payments only if North Korea abandons its nuclear program.

2010, intra-national economic cooperation has been halted, while North Korean trade with China has continued to increase.

Table-1. Comparison of the Two Koreas' Trade (2005~2009)

(Unit: \$ million, %)

	2005	2006	2007	2008	2009
S. Korea's Trade					
Total Amount	545,657	634,848	728,335	857,282	686,617
With N.Korea	1,055 (0.19)	1,350 (0.21)	1,798 (0.25)	1,820 (0.21)	1,679 (0.24)
With U.S.	71,929 (13.2)	76,838 (12.1)	82,985 (11.4)	84,741 (9.9)	66,689 (9.7)
With China	100,563 (18.4)	118,016 (18.6)	145,013 (19.9)	168,319 (19.6)	140,949 (20.5)
N. Korea's Trade					
Total Amount	4,057	4,346	4,627	5,636	5,093
With S.Korea	1,055 (26.0)	1,350 (31.1)	1,798 (38.9)	1,820 (32.3)	1,679 (33)
With U.S.	5 (0.14)	0.003 (0.001)	1.7 (0.04)	52.2 (0.93)	0.9 (0.02)
With China	1,580 (38.9)	1,700 (39.1)	1,974 (42.7)	2,787 (49.5)	2,681 (53)

Source: Korea Trade Association (KOTRA)

※ The number in the parenthesis means the ratio of bilateral trade to the country's total trade.

3. International Relations and Economic Interests

With the augmentation of bilateral and multilateral sanctions on North Korea in 2009-2010, North Korean illegal activities are closely watched. Under the Executive Order 13382 combined with UN Security Council resolutions 1718 & 1874, the U.S. government has blocked individuals or firms engaging in activities or transactions that would contribute to the delivery and proliferation of weapons of mass destruction (WMD). As non-WMD related activities such as conventional arms trade, narcotics, counterfeiting currency, drug trafficking, and luxury goods are banned in several dispersed different legislations, the U.S. government prepared to consolidate all these illicit activities under a unified Executive Order in the summer of 2010. It is widely known that the North Korean government, diplomats and other individuals were involved in crime-for-profit activities in order to earn foreign currency to support its lifestyle and to purchase military hardware.⁴

Finance is now a strategically useful tool for the punishment of defying regimes such as North Korea and Iran. In an era of tightly woven network over the world, sanctioning may as well affect not only the target economy but also the executor's economy. Recent U.S. request for South Korean active role in sanctioning Iran financially made it clear that alliance requires active participation and participation does sacrifice. As recently warned by Iran government, South Korea's joining of U.S. financial sanctions on Iran may result in the

⁴ Along with arms trade, earnings from criminal activities such as narcotics trafficking and counterfeiting are major sources of hard currency. According to the U.S. military estimates, North Korea's annual drug exports were at least \$500 million in 2003. See Hyun-kyung Kang, "US Targets NK's Criminal Earnings," *Korea Times*. August 4, 2010.

unexpected loss of business costing more than \$10 billion. The effect of sanctioning would reduce if a major actor is not cooperative. China still supplies most of North Korea's needs including oil and food.

Noteworthy is that for the past decade China's influence over regional and global issues has been increasing to the degree that the China factor might have caused the relative weakening of U.S. global leadership. In response to the *Cheonan* incident, China is playing the staunch guardian role for North Korea, which is against U.S. strategic interests.⁵ In sanctioning the North, China's opposition caused the revision of U.S. policy actions including condemning the North through the Presidential statement of the U.N. Security Council and the U.S.-ROK joint naval drills in the West Sea with the deployment of US craft carrier George Washington. Most diplomatic and military measures the U.S. and South Korea strived to take for giving a hard lesson to North Korea could not be effective without China's support.

After the *Cheonan* incident, the relational structure looks to have shifted: from the 'five-to-one' structure featuring the pressure on North Korea from concerted five members of the Six Party Talks toward the 'three-versus-three' structure where one team of the U.S., South Korea and Japan confronts the other of China, North Korea and Russia. China is now blamed as an irresponsible superpower for its shielding of North Korea from the outrage over the *Cheonan* incident.⁶ How to deal with the increasingly assertive and domineering superpower of China is a global problem today.

Despite the declaration of the strategic partnership between Seoul and Beijing, China explicitly demonstrates its bigger respect for the alliance with the DPRK. As a matter of fact, China is South Korea's largest trade partner, reaching \$141 billion of bilateral trade in 2009 that is 20.5% of South Korea's total trade; compared with North Korea's trade with China as \$2.7 billion in 2009 that is 53% of North Korea's total trade, as shown in the table-1. South Korea is nominally more influential over China in terms of trade, but North Korea still weighs more as an ally in China's strategic calculation.

Regarding the development of the bilateral economic relationship, the South Korean media carried a hope that China would stand on the side of the South to punish the North for the *Cheonan* incident. However, in the end, South Koreans became indignant by the red capitalist Chinese confirming their friendship with the communist Koreans. Indeed, South Korea's misplaced hope on China has stemmed from its domestic need for image making of China as well as its lack of understanding of China's core interest. As the China factor becomes more influential across various fields of decision making, the strategic calculation of approaching China would be more complicated.

⁵ Since last year, China has reportedly agreed with the North on new bilateral development cooperation projects combined with China's domestic development planning in three Northeast provinces, in the midst of international sanctions on North Korea.

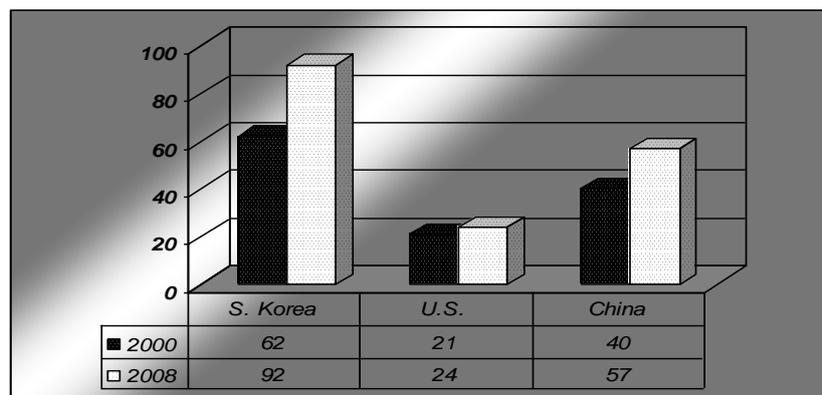
⁶ Sunny Lee, "Post-*Cheonan* Dilemma: How to Deal with China," *Korea Times*, July 29, 2010.

4. Going Global with Local Partners

The value of Korean reunification is largely attributed to provision and sharing of regional economic infrastructure and public goods (e.g., logistics conveniences, tourism, maintenance of peace and order, etc.) and the community in general, rather than resulting from any action or contribution by the unified Korea. Thus, the process of Korean reunification and regional peace-building should be a process with progress in identifying and increasing mutual interests.

The Korean government of the nineteenth century was not prepared to face the wave of globalization driven by imperialistic powers; in the twenty-first century, it is not only prepared but also able to take an initiative to reshape the world. Korea of the nineteenth century was challenged by foreign proposals of trading with no protection.⁷ However, Korea at the threshold of the twenty-first century is just at the front row of the globalization trend. South Korea is one of heavily trade-dependent economies. As of 2008, South Korea's ratio of trade to GDP is 92%, while U.S. dependency on trade in GDP is 24%, and China's 57%, as the following graph shows.

Graph-1. Ratio of Trade to GDP (%)



Source: Bank of Korea

However, on the other hand, North Korean leadership inherited the late Chosun dynasty's idea that opening the market to foreign forces would lead to a higher degree of foreign interruption and influence over Korean decision making. The North has chosen to remain intact while the South has kept on going global. GDP per capita of North Korea in 2008 is \$1,000, that is only 5.5% of that of South Korea. The gap between the two Koreas is tremendous if it is compared to the gap between East and West Germany since the former's GDP per capita on the brink of unification was one third of the latter's.

In facilitating Korean globalization, more influential is the political economic

⁷ The General Sherman incident in 1866 was the first officially recorded encounter of Korea with foreign business. Koreans of the nineteenth century, at both governmental and non-governmental levels, strongly resisted foreign proposals for open trade.

confrontation between the U.S. and China. As the old Korean proverb says, “when two whales fight, it is the shrimps whose backs are crushed,” mounting trade disputes between the U.S. and China are putting Korea in a difficult position. As China is Korea’s largest trading partner and the United States its second largest, trade friction and disputes between the two carry significant impact on Korea’s overall trade interest.

In its way to go global, the South would face challenges and opportunities at the same time. Most of all, the rising power of China is both threatening and encouraging the South in the senses that China’s economic centrifugal force will deepen Korean dependency on the China market and that China’s further integration with international economic regime will facilitate multilateral economic cooperation in the Northeast Asian region.⁸ Regarding the matter of reunification, the South needs to create an environment in which the North’s soft landing can be made possible.

Rising China and failing North Korea should not be regarded as a stumbling block for the construction of a cooperative mechanism in the Northeast Asian region. The hope to coordinate economic interests on the Korean peninsula at the intra-national and international levels can be realized by the concerted efforts of the concerned parties to help the DPRK escape from the severed ties with its neighbors as well as China harmonize its voice with others’.

⁸ The concept of ‘Northeast Asian regional cooperation’ was conceived along with increased interests in economic development in the region where the U.S.-USSR confrontation was declining in the late 1980s. The logic of the idea is that the combination of regional state’s abundant natural resources and developed economies’ technology and capital would facilitate intra-regional development. However, the memory of historical calamities occurred in the East Asian region, all the proposals for economic integration in the region have been doubted. See Lee-Jay Cho and Choong Nam Kim. eds., *A Changing Korea in Regional and Global Contexts*, (Honolulu: East-West Center, 2004); Peter Duus, “The Greater East Asian Co-prosperity Sphere: Dream and Reality,” *Journal of Northeast Asian History*, Vol. 5, No.1, (June 2008).