

The Dynamics of the North Korean Threat Is The Erosion of North Korean Military Capabilities Real or Imagined?

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It is an all-too-familiar pattern for military forces. Lacking sufficient funds to finance across-the-board military modernization, the country appears to pursue only selective modernization and some force evolution. The majority of military equipment is therefore allowed to slip into an antiquated state. The same financial constraints limit force readiness, especially reducing the combat training essential for the force should it be suddenly thrust into wartime operations. This reduction is then exacerbated by a diversion of the force into peacetime assignments that bear little resemblance to its wartime missions. Commentators wonder whether these military forces have become hollow, with significantly reduced combat capabilities.

While many military forces today can be described in these terms, the focus of this paper is on the North Korean military. Has the lack of modernization and the degradation in North Korean readiness really eroded the North Korean threat? Or have selected North Korean military developments led to an enhanced threat? What can be expected in the future?

This paper will examine these questions in terms of three measures of North Korean military capabilities:

Absolute Military Capabilities. Absolute capability measures the quantity and quality of North Korean forces across the

various dimensions of military power. It considers the North Korean equipment fielded (its quality, quantity, and sustainability) and the readiness of the North Korean military personnel to use that equipment. It would show, for example, that North Korean armor has changed little over the last decade, and thus while the equipment is the same, it has aged and apparently become less reliable, and the training of armor personnel has declined. Measures of absolute capability are commonly used in the military community.

Relative Military Capabilities. Relative capability measures the ability of North Korea to achieve its conquest objective against the Combined Forces Command (CFC) of the United States and the Republic of Korea (ROK), assessing the implications of the strengths and vulnerabilities of both sides. It would include the issues considered in absolute capabilities, but does so for both sides, and also is concerned with strategy and operational concepts and the ability to execute this strategy. Relative capability is thus a far more useful measure than absolute capability.

The Ability to Cause Damage. North Korea's ability to cause damage is the extent to which North Korea can hurt the military forces of the CFC and society in the ROK.

To determine whether North Korean capabilities have eroded, we will compare North Korean capabilities today in each of these areas with those of approximately a decade ago, before the shift in North Korean development priorities and the end of the cold war.

It is difficult to assess these measures with certainty, because North Korea has been very effective in denying CFC information on many weapon issues. Moreover, the specific scenario of a future war in Korea cannot be predicted. Still, it appears that many North Korean conventional military capabilities have been eroding in absolute terms, and have eroded even further relative to the capabilities of CFC. But during the same period, North Korea has fielded chemical and

biological weapons (CBW) and related delivery systems that could vastly increase the damage to CFC forces and to civilians in the ROK. These CBW constitute an asymmetric threat to CFC, one which targets CFC vulnerabilities using military capabilities that CFC would not use (because of U.S. and ROK participation in the Chemical Weapons Convention and in the Biological and Toxin Weapons Convention). While ROK and U.S. defense efforts have significantly reduced CFC vulnerability to most North Korean conventional threats, CFC has not yet put the same kind of effort into reducing its vulnerability to CBW. The rise in North Korean CBW capabilities leaves CFC defenses vulnerable to this asymmetric threat and out of balance. But CFC efforts to restore balance are ongoing, and will eventually erode even the more fearsome North Korean CBW capabilities.

North Korean Objectives and Strategy

For fifty years, North Korea has had a consistent objective: Reunification of the Korean peninsula on North Korean terms. In the 1950s, North Korea sought to accomplish this objective militarily, and in the 1960s it sought to accomplish this objective both economically and through special force actions it took against South Korea. When the special force actions failed, North Korea apparently returned to a military strategy of conquest in the late 1960s. By the 1980s, North Korea had lost the economic competition with South Korea, and eventually, with the end of the cold war, it lost its political leverage. Thus, only a military strategy remained for North Korea to accomplish its reunification objective.

During this same period, the North Korean regime has weakened, and the possibility of regime failure, frequently referred to as "collapse," has increased. The North Korean regime is thus forced to consider actions it might take to avert regime failure. One of the few options available to the North Korean regime, should the situation become sufficiently perilous, is a military attack on the ROK, with the hope that a fracturing North Korean leadership could be brought back to unified action by a focus on conquering the ROK. Most experts consider such a scenario the most likely condition that could lead to a North Korean attack on the ROK.

In the 1970s, North Korea placed major emphasis on developing military capabilities appropriate for the offensive operations needed to conquer the ROK. The expansion of the North Korean economy at that time and support from North Korea's allies facilitated this growth.¹ The fundamental components of the North Korean military strategy were penetrating and collapsing forward CFC defenses, rapidly advancing through South Korea to secure the country and deny an easy U.S. reentry, and convincing the United States to disengage itself from the conflict.

The Evolution of North Korean Military Capabilities

Until 1997, most experts focused on North Korean conventional capabilities as the basis of the North Korean threat. This section examines how the North Korean conventional capabilities evolved over time relative to CFC defensive capabilities. While a North Korean conventional attack on the ROK faces CFC with some risks and could cause significant damage, CFC should be able to defeat such an attack well short of its objectives of capturing the entire peninsula, and quite likely before the main thrusts even reached Seoul. Recognizing the developing U.S. conventional superiority, North Korea apparently determined in the early 1980s that it needed to turn its attention to developing a facilitating force that would strike CFC vulnerabilities, undermining CFC strengths to the point where North Korea could hope to achieve its objectives. This section also describes the development of this facilitating force.

Historical Evolution of the North Korean Conventional Threat

In 1950, at the start of the Korean War, North Korean forces were able to break through the ROK and U.S. defenses in part by using a small force of T-34 tanks. ROK and U.S. forces were thinly deployed, with outdated equipment and poor readiness.

In the aftermath of the Korean War, ROK forces were gradually developed to provide a sizable, capable defense. Both North Korean and ROK forces depended upon older combat equipment made available by their superpower supporters. For example, North Korean T-54 and T-62 tanks were in many ways comparable to the ROK M-47

and M-48 tanks, while North Korean Fishbed and older aircraft were counterparts of the ROK F-86 and F-5 aircraft. The density of CFC forces in the forward area, coupled with the comparability of much of the ground force equipment, suggested that the CFC defenses would be difficult for the North Koreans to penetrate. However, by the late 1970s, if North Korea had been able to penetrate the forward defenses, its armored forces could have provided the numbers and capabilities necessary to advance rapidly from Seoul to Pusan. The development of this kind and level of military strength reflects North Korea's post-war assessment that the most significant factor in its defeat had been its failure to move rapidly past Seoul and on to Pusan at the beginning of the Korean War. In the early 1980s, North Korea further modified its force structure, organizing much of its armor into mechanized/motorized corps that would specifically have the mission of quickly advancing past Seoul.

In the 1980s and 1990s, North Korea did little to modernize its armor forces,² and did not even fully mechanize its heavy corps. Many military analysts considered the resulting outdated North Korean forces as being no match for CFC, especially as the United States and then the ROK modernized their heavy ground forces and combat aircraft. It was less widely recognized that North Korea had changed its force improvement priorities, seeking to resolve its primary remaining combat difficulty, rapid penetration in the forward area. Instead of building armored personnel carriers (APCs) to fill out its "mechanized" corps, North Korea built self-propelled artillery that could potentially give it the firepower to penetrate the CFC forward defenses. Moreover, lacking the finances to modernize its air forces, North Korea built large numbers of long-range artillery to carry out its deeper battlefield interdiction efforts and Scud missiles to support strikes in the theater rear.

In the late 1980s and 1990s, the power of the ROK economy began to make significant differences on the battlefield. The ROK was able to field new tanks superior to anything in the North Korean inventory and large numbers of armored personnel carriers (APCs) to give its forces greater mobility and protection. The relatively static ROK defense of the 1980s and earlier decades was modernized into a

force of mechanized and motorized units behind the forward divisions to give CFC the mobility and firepower to promptly counter any North Korean tactical breakthrough. ROK artillery was also selectively modernized and expanded, providing a self-propelled component to support such operations and to enhance survival. Advanced munitions were acquired to give both U.S. and ROK artillery a relative tube-for-tube advantage over the quantitatively superior North Korean artillery. Moreover, counterfire radars were acquired and put in place in the forward area to give CFC artillery a qualitative advantage in counterfire battles.

The U.S. development of fighter-delivered precision anti-armor weapons was the single most important enhancement of CFC capabilities. The U.S. and later ROK modernization of combat aircraft through the 1980s and 1990s suggested that CFC would most likely gain air superiority within a day or so in the theater, especially given North Korea's failure to modernize its combat aircraft. Thereafter CFC would be able to deliver precision munitions against the North Korean heavy forces at such a rate that even if North Korea rapidly achieved breakthroughs, the North Korean heavy forces could be destroyed within a week or so, well before they could reach Pusan.

The bottom line is that CFC has come to dominate the conventional forces challenge and response cycles with North Korea. While North Korea has made some significant advances in developing its conventional forces, CFC advances have more than offset the North Korean advances in almost all areas, as suggested in TABLE 1. This assessment becomes even more striking in light of the declines in North Korean training and readiness, which conceivably reduce North Korean capabilities a further 25 to 50 percent relative to CFC forces. Moreover, CFC's continuing military developments give it the initiative in Korea, and will further reduce North Korea's relative conventional military capabilities in the coming years.

Developing the North Korean Facilitating Force

The patterns that lay behind the erosion of North Korea's ability to conquer the ROK were clearly visible in the early 1980s. The United States was experimenting with precision munitions and weapon

systems that would eventually decimate the ground forces in which North Korea had so heavily invested. Moreover, the United States was developing advanced aircraft that would be able to rapidly sweep North Korean air forces from the sky. And North Korean naval forces, which had always been more coastal and limited in capability, could not stand against evolving U.S. naval forces.

TABLE 1: Key Aspects of a Conventional North Korean Attack

<i>Battle Component</i>	<i>North Korean Initiative</i>	<i>CFC Response</i>
Penetrating forward defenses	Field a large artillery force; SOF directed	More artillery, counterfire radars, better munitions
Exploitation in depth	Heavy corps	Precision anti-armor, especially fighter- and helicopter-delivered
Rear-area battle	Large SOF forces, delivery by submarine, ships, AN-2s; Scuds	Rear area security, naval interdiction, air intercept, attack ops/Patriots

There is apparently no public record available of the North Korean decisionmaking in this period, and thus we must surmise the events from the predicament North Korea faced and from the eventual changes in their force acquisition and posturing. In the early 1980s, North Korea could focus its limited military modernization resources in only one of two possible directions: (1) enhancing its conventional forces (though not enough for full modernization), or (2) developing nuclear, biological, and chemical (NBC) weapons and related delivery systems to attack CFC vulnerabilities and thereby overcome CFC strengths. Without adequate resources for full modernization of its conventional capabilities, North Korea could not realistically have offset the developing CFC capabilities. In fact, this would have been a guaranteed path to the erosion of North Korean capabilities, even though in absolute capability terms North Korea's conventional forces

would have looked relatively stronger than they do today had it chosen conventional modernization. North Korea had examined ballistic missiles, chemical and biological weapons, and other advanced systems well before that time. But in the early 1980s, it apparently decided to focus modernization on NBC weapons and related delivery systems as likely the only available option to arrest overall capability erosion, giving North Korea potential means to attack CFC vulnerabilities and thereby overcome CFC strengths.

North Korean strategy apparently evolved to include three elements. First, the North Korean CBW and delivery systems were developed as a *facilitating force* that could potentially blow holes in the CFC ground forces and suppress the CFC air and naval forces. This facilitating force would be an equalizer, to overcome the anticipated erosion of North Korean conventional force capability to conquer the ROK. Second, North Korea would still need its infantry, artillery, and armor forces to capture the ROK; but these would only be able to survive and operate effectively if the facilitating force overcame the CFC strengths. Third, North Korean nuclear weapons and perhaps some biological weapons (BW) are likely held as a reserve to guarantee North Korean regime survival against either aggressive CFC air operations or as a counter to a CFC counteroffensive (which would seek to capture North Korea and depose the regime).

Absolute Military Capabilities

Many experts look at the North Korean T-34 and T-54 tanks, their MiG-19 aircraft, and their Romeo-class submarines, and conclude that North Korean military forces are hopelessly outdated. The advanced age of this military equipment is significant, in that it suggests both difficulty in operations and maintenance as well as the vulnerability of that equipment to advanced adversary equipment (the latter does not count in absolute capability but is a part of relative capability, discussed below). Other factors such as the quality of the weapons and personnel, organization, and training also matter.

Absolute military capabilities are generally measured in three components: (1) the offensive/ defensive capabilities of the weapon systems fielded, (2) the ability to sustain the weapon systems fielded,

and (3) the organization and readiness of the military personnel to employ the weapon systems. These evaluations must be performed across the multiple dimensions of military capability, addressing the degree of change (and possible erosion) in each. Strategies and concepts of operation do not matter in these essentially static assessments because the comparative capabilities of CFC forces are not considered. (They matter in measuring relative military capabilities, as discussed below.) Indeed, lacking a basis for comparison across the various dimensions of military capabilities makes it somewhat difficult to come to an aggregate assessment of absolute military capabilities.

Overall Force Issues

As CFC thinks about either offensive/defensive capabilities or sustainment, it is important to note that the United States has historically maintained a system of totally replacing aging weapon systems. Most other countries, including North Korea and the ROK, can usually afford to only partially modernize their forces, creating a significant diversity in most classes of equipment. Thus, while the United States has replaced its previous generations of tanks with all M-1 tanks, North Korea still maintains T-62s, T-54s, and even some T-34s in its force; the ROK maintains M-47 and M-48 tanks along with their modernized K-1 tank. North Korea uses new-weapon production to provide equipment to its first-priority units, meanwhile passing the older equipment down to units which previously lacked equipment, had even older equipment, or had had to use some form of substitute for the most appropriate kind of equipment (e.g., using a self-propelled recoilless rifle rather than a tank in reserve "armor" units). While these lower-priority units are thus vulnerable to U.S. forces, they are not as vulnerable to the forces of U.S. allies, and generally not as vulnerable as they would be without this old equipment. It appears that North Korea has eventually discarded extremely old and unusable equipment (like most of its old T-34 tanks). However, the failure to provide even a modest flow of new equipment in many areas raises questions about the ability of North Korea to maintain its force structure without consistently delaying the retirement of old equipment that will increasingly become an operational and maintenance problem.

Weapon system age affects sustainability but also eventually affects personnel readiness by increasing the maintenance burden. As any mechanical device ages, it experiences more failures, and those maintaining it suffer greater difficulties in finding the parts and other equipment for maintenance. Recent news reports have noted similar problems in U.S. forces - for example: "Marines are cannibalizing parts from the Vietnam-era CH-46 helicopter to keep other choppers flying, while mechanics work 14-hour days to maintain aging, saltwater-damaged vehicles."³ The age of most North Korean equipment will preclude the availability of new spare parts, requiring the North Koreans to "cannibalize" some armor and aircraft to have the parts to maintain others.⁴ Thus, whatever the number of older North Korean weapons, some smaller amount will in reality be available at any given time for combat (the remainder being used for spare parts).

In addition, the readiness of most North Korean forces appears to have declined in recent years. North Korea's economic difficulties have reduced the amount of training North Korea can afford, and North Korean troops seem to be increasingly diverted to supporting the economy rather than focusing on preparation for warfare. North Korean troops have also suffered at least some reduction in food over the last decade, weakening them physically. The aging of North Korean equipment has apparently led North Korean authorities to reduce training with their equipment to avoid wear and damage to that equipment. Still, the anticipated fervor of North Korean troops may offset training and other readiness limitations to some extent, though their spirit has likely not grown significantly over the last decade.

Assessing North Korean Forces

TABLE 2 shows the change in absolute capabilities of the North Korean ground forces over the past decade or so, dividing ground forces into four key components: armor, infantry, artillery, and special operations forces (SOF).

Armor. The general perception of North Korean ground force capability erosion results primarily from evaluations of the North Korean armor forces. Still, even these forces have experienced some modest qualitative improvements, primarily enhancements to existing

armor vehicles rather than replacement by newer systems. But the age and related poor sustainability of North Korean armor appears to have clearly caused absolute North Korean capabilities to decline. With this decline and the North Korean economic difficulties, armor training has also decreased. These factors have led to an overall reduction in North Korean armor capabilities.

Infantry. North Korean infantry has changed less, having gained the introduction of a few new weapons (such as improved air defense missiles like SA-16s), but food shortages and the loss of some training has left the absolute capabilities of North Korean infantry with little change.

**TABLE 2: North Korean Ground Force Absolute Capabilities
1988 to 1998**

Issue	Armor	Infantry	Artillery	SOF
Weapon systems				
Quality, no CBW	+	+	++	+
Quality, CBW	+	+	+++	++
Age	--	0	+	+
Quantity	0	0	+	0
Sustainability	--	0	0?	0
Personnel readiness				
People quality	0	-	0	-
Organization	0	0	+	0
Training	-	-	-	0
Overall capability, no CBW	-	0	+	+
Overall capability, CBW	-	0	++	++

Code: "+" is better in 1998, "-" is worse, "0" is about the same, multiple "+" or "-" indicate much better or much worse.

Artillery and SOF. Interestingly, North Korea has done a fair

amount to increase the quality of its artillery and SOF, and also to increase the quantity of its artillery over the last decade. In particular, the North Korean fielding of long-range artillery that ranges 60 to 70 kilometers is of concern because this artillery allows North Korea to attack targets throughout the depth of the forward defense and in Seoul. North Korean SOF have received new air defense weapons (e.g., the SA-16) and other advanced small arms that add to their power. North Korea has significantly enhanced the power of its artillery and SOF by fielding CBW for their use, and North Korea may have also fielded fuel air explosives (FAE), very powerful conventional munitions.⁵ The North Korean artillery capabilities are fundamentally a function of sustainability, especially needing adequate munitions. While it appears that North Korea has produced a considerable quantity of artillery munitions and stored these in underground facilities (UGFs) with its artillery, storage in UGFs tends to degrade munitions relatively quickly, raising questions about the true sustainment of North Korean artillery.

Nevertheless, while most experts view North Korean ground force capabilities as having significantly eroded, in absolute terms this is only clearly true of the North Korean armor. North Korean artillery and SOF appear to have received enhanced capabilities over the last decade and very much advanced capabilities if CBW is included in the evaluation.

TABLE 3 evaluates the changes in North Korean absolute military capabilities over the past decade for forces other than ground forces.

Aircraft. North Korea has fielded few new aircraft in the last decade, though the few advanced aircraft it has obtained (like Russian Fulcrums) could add significantly to its overall air force capabilities. Meanwhile, the age of most of the North Korean Air Force is getting to be a serious problem. Many North Korean aircraft have apparently decayed to the point of being less than reliable; they may break down in a short period of time if pressed to a high operational tempo in war. The training of North Korean Air Force is also a serious problem: Fuel limitations and aircraft age have apparently limited average pilot flying hours to thirty hours per year, only about 15 percent of U.S. pilot flying time.⁶

**TABLE 3: Other North Korean Force Absolute Capabilities
1988 to 1998**

<i>Issue</i>	<i>Air Forces</i>	<i>Surface Ships</i>	<i>Submarines</i>	<i>Ballistic Missiles</i>
Weapon systems				
Quality, no CBW	+	+	+	+
Quality, CBW	++	+	++	+++
Age	--	-	-	0
Quantity	-	0	+	+++
Sustainability	--	-	-	0
Personnel readiness				
People quality	0	0	0	0
Organization	0	0	0	0
Training	-	-	-	0
Overall capability, no CBW	--	-	0	+
Overall capability, CBW	0	-	+	+++

Code: "+" is better in 1998, "-" is worse, "0" is about the same, multiple "+" or "-" indicate much better or much worse.

On the other hand, the North Korean Air Force can also deliver CBW; in particular, the AN-2 aircraft that North Korea plans to use to insert North Korean SOF could also use agricultural sprayers to contaminate targets like airfields and ports with CW. Overall, North Korean Air Force capabilities have eroded significantly unless CBW delivery is considered; CBW use may allow the North Korean Air Force to retain the destructive capabilities of a decade ago.

Surface ships and submarines. The North Korean Navy has added several kinds of ships over the last decade, though most of the navy has not changed over that period. New North Korean hydrofoils and mini-submarines give North Korea enhanced capabilities to insert special forces. However, the aging of the rest of the North Korean

Navy leaves it with minor overall improvement at most over the last decade. Because few ships in the North Korean Navy would deliver CBW directly, CBW would not affect the North Korean naval capabilities much.

Ballistic missiles. The North Korean Scud missiles were initially available somewhat more than a decade ago, but only in limited numbers. North Korea now appears to have enough Scud missiles to cause CFC minor problems if conventional munitions are used, or major problems if CBW are used. In addition, the North Korean NoDong and TaepoDong missiles have further enhanced North Korean capabilities, allowing North Korea to strike targets throughout Japan, a major enhancement in absolute North Korean capabilities. Some would argue that the relative inaccuracy of these longer-range missiles would reduce their impact on Japan. Because of this inaccuracy, North Korea may target these missiles primarily for coercion on Japanese urban areas, against which areas CBW warheads should yield sufficient casualties to cause a significant impact. Moreover, if North Korea fields submunitions for its ballistic missiles, the impact of even the high-explosive warheads would be enhanced.⁷

In conclusion, then, North Korean absolute military capabilities have eroded in some areas and grown in others over the last decade.⁸ When CBW are included in North Korean capabilities, it would appear in the aggregate that North Korean absolute capabilities are stronger today than a decade ago.

Relative Military Capabilities

Relative military capabilities are generally measured in three components: (1) the relative offensive/defensive capabilities of the weapon systems fielded, (2) the offensive strategy and operational concepts developed by the attacker and how well they will likely work against the defensive strategy and operational concepts of the defender, and (3) the relative ability of the attacker to execute its operational concepts. These evaluations must be performed across the multiple dimensions of military capability. But in contrast to absolute military capability, which measures the raw strength of the force elements, these assessments reflect the ability of each force element to achieve

the outcomes needed for North Korea to accomplish its objective of conquering the ROK. Strategies and concepts of operation do matter. The aggregate assessment of relative military capabilities is the likelihood that North Korea could achieve its objective.

Even given that North Korean absolute military capabilities have actually grown over the last decade, most military analysts believe that CFC military capabilities have grown far faster. Thus, most would argue that North Korean relative military capability has eroded seriously over the last decade, leaving North Korea unable to achieve the conquest of the ROK. Considering only conventional force comparisons, it does seem clear that North Korean relative military capabilities have eroded seriously. But the change in relative capabilities is less clear when the North Korean CBW and related delivery systems are added to the evaluation, because they could significantly offset the qualitative advances that CFC has made with conventional forces over the last several decades.

This section first examines overall force issues in making a relative military capabilities assessment. It next assesses the relative capability of North Korean forces if they are limited to conventional force operations and suggests the degree to which North Korean relative conventional capabilities have eroded. It then analyzes the North Korean force capabilities including CBW and shows that, when CBW are added, North Korean relative capabilities do not appear to have eroded.

Overall Force Issues

Countries with outdated military equipment can still win military conflicts if their opponent's equipment and other capabilities are inferior or in other ways vulnerable. For example, in World War II, it was not the relative age, quantity, or quality of military equipment that proved to be the deciding factor early in the conflict. Rather, the German maneuver through the Ardennes, given the French and British vulnerability in that sector, was the primary determinant of the battle for France. In a sense, French and British capabilities had eroded because of the character of their threat assessment and operational concepts, and not because of the character of their equipment.

Thus, when evaluating whether relative North Korean capabilities have eroded, the key questions involve how a future war might be fought and how North Korean equipment and concepts of operation would likely impact campaign outcomes. As argued above, North Korean strategy is not symmetric with CFC strategy. Therefore, an assessment cannot focus simply on comparisons of North Korean tanks to CFC tanks, as was common in the cold war.⁹ Rather, because the United States and its allies typically enjoy substantial conventional superiority, analysts must be prepared to assess the asymmetric strategies that could be used by North Korea to attack CFC vulnerabilities, seeking to undermine CFC strengths. For example, it is not the outcome of a simple tank-on-tank battle, or even the ability of CFC aircraft to interdict North Korean tanks, that may be the key determinant of whether North Korean relative capabilities have eroded. Instead, North Korean capabilities may still be robust if they can significantly attrite CFC ground forces and suppress CFC air forces using CBW.

But North Korea needs more than Scud missiles or SOF teams to achieve a successful combat outcome. If North Korean tanks are so old that they cannot be maintained or sustained in combat, the North Korean forces will ultimately be defeated on the battlefield even if North Korea fields relatively robust CBW and other capabilities. Moreover, to the extent that a North Korean attack on the ROK comes as a desperation move by the North Korean regime to avert regime failure, the North Korean military leadership may not be cohesive in carrying out the attack. Consequently, the attack could either become very ragged in execution, or quite possibly the precipitating event for a military coup or civil war in North Korea.

Assessing North Korean Forces in a Conventional Scenario

Throughout the early and mid-1990s, most experts in the United States and the ROK still felt that North Korea posed a primarily conventional force threat to CFC. It was anticipated that, at some point, North Korea could begin a massive mobilization, and when its forces were ready, launch an artillery-supported infantry assault against the CFC defenses. That assault would seek to create holes in the several

CFC defensive lines (layers) in front of Seoul. Once an operational-level breakthrough developed, North Korea would commit its heavy forces to exploit the breakthrough and move rapidly to Pusan.

In response, CFC would see the North Korean mobilization and quickly begin its own mobilization. Once North Korea attacked, CFC's artillery would seek to suppress North Korean artillery and infantry operations, while CFC infantry would absorb the attacks through multiple lines of defense. CFC armor brigades would be prepared to cut off and deal with any early penetration. As CFC shaped the battlefield, it would seek an opportunity for a counterattack that would cut off and surround the main North Korean attackers, leading to their early defeat.¹⁰ CFC would then build up its forces to perform a counteroffensive that would push the North Korean forces back through North Korea.

No one can be quite certain of the outcome of such a conflict. Not only are combat operations highly uncertain, but there is also much that is unknown or imperfectly known about North Korean plans and capabilities. Many organizations have sought to evaluate a North Korean invasion of the ROK using a single, best-estimate assessment with computer models largely developed to reflect combat on the European Central Front during the cold war. It is impossible to tell whether the results of such evaluations reflect relatively likely outcomes or extreme cases outside the uncertainty bounds, though the latter is more likely because the models used do not reflect the unique character of conflict in Korea.¹¹

Instead, this author has performed extensive sensitivity analyses of potential conventional Korean conflicts in order to determine the patterns of outcomes that could occur across the range of uncertainties.¹² Several basic patterns do emerge from such analyses along with related assessments of the North Korean force trends, assuming North Korea uses only conventional forces:

- North Korean forces can penetrate some defensive lines in main attack sectors, but are unlikely to reach the Han River that flows through Seoul. Over the last decade, the North Korean performance with a conventional attack has apparently declined

somewhat, reflecting an erosion in North Korean conventional military capability. But the decline in performance is not as great as some might expect, for while North Korean aircraft and armor have been aging and losing potency, it has produced an artillery force with significant potential.

- North Korean armor reflects old designs against which CFC forces have developed very capable counters. Tanks such as the T-54 or T-62 can be handled easily by any combination of CFC armor systems, CFC anti-armor systems, and CFC interdiction capability. Indeed, the most modernized aspect of the North Korean armor force is the T-72 tank, the same kind of tank fielded by Iraq and decimated by U.S. forces in the Persian Gulf war eight years ago.

- The artillery battle is key to the conflict outcome. CFC needs to gain the advantage in the artillery duels quickly, and it should be able to do so by focusing ground force counterbattery assets and air sorties against the North Korean artillery. CFC counterfire capabilities have grown significantly over the last decade. Counterfire would require some time to stop the North Korean artillery. During that time, the North Korean artillery could cause considerable damage both to CFC forces and to the civilian infrastructure and population in and around Seoul. Over the last decade or so, the growth in the quantity and quality of North Korean artillery systems has competed with the growth in CFC counterfire capabilities. It is likely that artillery is less susceptible to training and logistics limitations than other parts of the North Korean ground forces, assuming that the ammunition for the North Korean artillery is stored in their forward underground facilities.

- Even if North Korea were able to penetrate the defenses in front of Seoul (which is quite unlikely), CFC air forces should be able to decimate the North Korean heavy forces before they reached Pusan (probably before they reached Taejon). North Korea's relative conventional capabilities have declined in this

area during the last decade, as North Korean armor has aged and CFC has fielded extremely potent weapons to kill North Korean armor.

- Deployed U.S. ground forces, working with surviving ROK ground forces, could contain and defeat the residual North Korean attackers.
- North Korea would have to reduce CFC sorties by 50 percent or more to make it possible for their heavy forces to reach Pusan.¹³ This magnitude of sortie reduction is almost impossible if North Korea uses only conventional means against CFC air forces. North Korean air force capabilities have eroded: The North Korean air forces are truly antiquated and its pilots poorly trained; North Korea will likely lose dozens of aircraft for every CFC aircraft it downs air-to-air. Because of its vulnerability in the air, the North Korean Air Force cannot be expected to do many offensive missions against CFC forces. CFC aircraft are still vulnerable on their airfields to attacks by North Korean special forces. The equipment of the North Korean special forces appears to have enhanced rather than eroded special forces capabilities over the last decade (adding weapons like SA-16s and systems like GPS); CFC counter-SOF capabilities appear to have grown only slightly over this period.
- The North Korean surface navy has eroded to the point where it can be swept from the seas relatively promptly. North Korean major submarines (e.g., Romeos) are also antiquated, though many of its midget submarines appear able to penetrate ROK coastal waters without being detected. Still, their contribution to overall campaign outcomes in a conventional conflict can be expected to be small.
- Weapon systems like the Scud, NoDong, and TaepoDong missiles have been fielded over the last decade but would make little difference to relative military capabilities if used with conventional, unitary warheads because of the small damage area of such warheads coupled with their great inaccuracy.

However, if used with conventional submunitions, these missiles could cause a fair amount of damage to personnel targets and unsheltered aircraft at ROK airfields, especially if the North Korean missiles were made relatively accurate. (There is some debate on Scud accuracy.) In any case, the fielding of these missiles reflects an expansion and not an erosion of North Korean capabilities.

TABLE 4 provides a rough evaluation of the changes in North Korean relative ground force capabilities over the past decade in a conventional scenario. As mentioned above, this table reflects the ability of each ground force element to achieve the outcomes it must for North Korea to accomplish its objective of conquering the ROK.¹⁴ This evaluation suggests that, in a relative sense, North Korean armor capability has greatly eroded over the last decade, with North Korean infantry capabilities eroding somewhat less. North Korean artillery capabilities appear to have actually increased in a relative sense over the last decade, while SOF capabilities have remained about the same.

TABLE 5 evaluates the changes in North Korean relative military capabilities over the past decade in a conventional conflict, for forces other than ground forces. Relative air force, most surface naval capabilities, and general-purpose submarine capabilities have fallen significantly, reflecting in particular the dramatic reduction in relative force quality and sustainability. For example, North Korean combat aircraft are largely MiG-21 Fishbeds and older designs which can be rapidly destroyed in the air by CFC air forces, many of which are now several generations more advanced. But the North Korean agent naval infiltration capabilities have increased in terms of surface hovercraft, mini-submarines, and agent infiltration craft.

North Korean ballistic missiles have achieved significant advances in relative capability. Ironically, the North Korean Scud missiles reflect a design from the 1950s and 1960s, yet CFC has not yet fielded a defensive capability adequate to fully defeat the Scuds. While CFC does deploy Patriot missiles capable of intercepting Scuds, it has only enough Patriots to cover a few targets in the ROK,¹⁵ and even at the defended targets at least some Scuds can be expected to leak

through the Patriots' attempted intercepts. The United States is

**TABLE 4: North Korean Ground Force Relative Capabilities
without CBW, 1988 to 1998**

Issue	Armor	Infantry	Artillery	SOF
Weapon systems				
Quality	--	-	+	+
Quantity	-	0	+	0
Operational concepts	-	0	0	0
Execution				
Training	-	-	-	-
C4I	-	-	-	-
Sustainment	-	0	?	0
Overall capability	--	-	+	0

Code: "+" is better in 1998, "-" is worse, "0" is about the same, multiple "+" or "-" indicate much better or much worse.

working on more advanced Patriot missiles and on the THAAD and other forms of defense against ballistic missiles, but it will be several years before more capable defenses will be fielded. Meanwhile, the North Korean NoDong and most recently the TaepoDong missiles significantly enhance North Korean missile capabilities, allowing North Korea to extend coercion to all of Japan and perhaps as far away as Guam and Alaska. Moreover, these newer missiles pose a more demanding reentry challenge that could defeat even the more advanced PAC-3 missiles the United States has yet to field. Still, the apparent inaccuracy of these longer-range missiles limits their potential operational impact when used with high explosives, making it more likely that they would be used primarily for strategic coercion (e.g., against large area targets like cities).

**TABLE 5: Other North Korean Force Relative Capabilities
without CBW, 1988 to 1998**

<i>Issue</i>	<i>Air Forces</i>	<i>Most Naval</i>	<i>Agent Infiltration</i>	<i>Missiles</i>
Weapon systems				
Quality	- -	-	0	+
Quantity	0	0	++	++
Operational concepts		-	-	0
	++			
Execution				
Training	-	-	+	0
C4I	-	-	0	-
Sustainment	- -	- -	0	0
Overall capability	- -	- -	+	++

Code: "+" is better in 1998, "-" is worse, "0" is about the same, multiple "+" or "-" indicate much better or much worse.

Assessing North Korean Forces in a CBW Scenario

North Korean CBW capabilities could have a synergistic effect with the other North Korean military capabilities in an invasion of the ROK. Most of the major North Korean deficits identified for a conventional attack would be redressed at least in part by effective CBW use.¹⁶ The resulting synergisms make comparisons like those in tables 4 and 5 difficult to draw for CBW scenarios. The following analyses present each of the likely North Korean operational objectives first, and then the likely CFC counter in the second paragraph following each bullet. The first paragraphs after each bullet are intended to offer a chain of North Korean logic, without regard to the CFC counters posed in the second paragraphs. Note the gulf between the characterizations of such a conflict, the North Korean logic arguing

that this kind of war would be a vast departure from Korean conflict as traditionally conceived by CFC, and the CFC logic suggesting that CBW and other asymmetric threats would not make a significant difference from the traditional concepts (in part because of enhanced CFC capabilities):

- Even though North Korea would likely attack the ROK as an act of desperation by the regime in power, the regime would maintain total control over its military forces. Its forces know their missions and would execute them without reservation. Because a North Korean attack would likely be an act of desperation, some senior North Korean officers might refuse to execute attack orders, or might execute them reluctantly and without strong effort. Any loss of cohesion in the North Korean attack would start to unravel the chances for success because so many elements of the attack have to work properly and together for North Korea to succeed. The officers might also look for signs of defeat and be prepared to turn on the regime as soon as such signs appeared. The actions of senior officers could even lead to a civil war in North Korea, with the North Korean emphasis shifting from an attack on the ROK to resolving internal conflict.¹⁷

- North Korean artillery would likely start any invasion by attempting to destroy ROK ground forces in the forward area using chemical weapons (CW).¹⁸ North Korean artillery would likely use CW according to the same concepts developed by the Germans in World War I. This strategy would involve using nonpersistent CW like Sarin in sectors where its troops would plan to advance, because the nonpersistent chemicals disperse within an hour or so, while simultaneously using persistent CW like mustard gas in sectors where it does not plan to advance in order to impair the mobility of those defending troops. The impact of these attacks, especially with nonpersistent CW, would be far greater if North Korea achieved surprise and was able to hit ROK ground forces before they could put on individual protective equipment (IPE) like masks and suits. CFC artillery would also be a major North Korean artillery target, hoping to suppress CFC firepower in the forward area using CW. North Korean special forces would likely assist in suppressing key targets (like CFC

artillery), providing both fire direction to the North Korean artillery and a second layer of attack should the North Korean artillery fail to suppress assigned targets.¹⁹

CFC must prevent North Korea from achieving surprise in such an attack using excellent intelligence collection and interpretation. Without surprise, the impact of CW attacks on ground forces would be greatly reduced. CFC also needs to deploy sufficient IPE to protect all of its forces, and train its forces to use this equipment promptly and effectively on warning. CFC must focus its efforts on the counterfire battle to destroy North Korean artillery. CFC has initiatives ongoing in all of these areas.

- North Korean forces would not need to mass after a surprise CW barrage the way they would need to mass against the ROK positions in a conventional attack. Rather, North Korean forces using armed reconnaissance techniques would seek for parts of the defense that had been thoroughly suppressed by the CW barrage, and then penetrate through those sectors to move rapidly to the south and to roll up the defenses laterally. The reduced requirement for massing would also protect North Korean troops from CFC air attacks and artillery barrages.

If the North Korean artillery barrage was not successful in suppressing and attriting the CFC ground forces, then North Korean infantry would have to mass and would face substantial attrition from CFC infantry, artillery, and air power.

- If the artillery barrage is sufficiently effective, the North Korean infantry would seek to rapidly establish penetration corridors down to and across the Han River. The North Korean armor would exploit these corridors, rapidly crossing the Han and moving towards Pusan. At least one military defector has argued that North Korea would seek to cross the Han River in about a day or so, and to reach Pusan in a week.²⁰ This seems overly optimistic, but even a crossing of the Han River in a few days could only be accomplished if North Korean infantry and armor forces faced minimal opposition, and were able to suppress much of that using CW fired by the North Korean self-propelled artillery that would accompany the forces moving south. CFC defenses need to prevent the development of such penetration

corridors.

- North Korea would attack CFC airfields with Scud-delivered CW and conventional munitions, SOF carrying BW and conventional munitions,²¹ and Cruise missiles and aircraft (especially AN-2s) carrying CW to contaminate CFC airfields, thereby disrupting operations and causing substantial casualties. North Korea would likely seek to suppress 80 percent or more of CFC sorties from ROK airfields, hoping to eliminate major threats to its ground forces. North Korea would then actively use its air force against targets like Seoul to draw the residual CFC sorties into air-to-air engagements rather than allowing them to oppose the North Korean ground forces.

Scud-delivered CW may not contaminate airfields as much as would be necessary for success because of the inaccuracy of the Scuds and other factors. Moreover, CFC initiatives to mitigate such contamination are ongoing. CFC is fielding detectors that would give warning of North Korean BW attacks, and is vaccinating U.S. personnel against North Korean use of anthrax. North Korean Cruise missiles and aircraft should be detected and shot down before they could deliver CW to airfields.

- North Korea's longer-range missiles would be used to coerce Japan, in an effort to convince the Japanese government not to allow U.S. operations from Japanese soil. North Korea might even demonstrate its ballistic missile capabilities by striking Kadena air base in Okinawa with CW, seeking to deny CFC the C4I aircraft critical to CFC advantages in the air. North Korean SOF and agents would also operate actively against U.S. air forces flying from Kadena and likely other airfields in Japan, and some SOF and agents would attempt to interdict air operations from Guam.

North Korean missiles fired at Japan (including Okinawa) or Guam would be so inaccurate as to have very little operational impact. U.S. and Japanese forces need to be prepared to defend U.S. facilities in Japan from North Korean SOF and agent attacks. Such North Korean attacks could push Japan into open support of CFC, giving the United States good access to needed resources in Japan.²²

- Facing minimal opposition, the North Korean armor would be able to move south without much worry about its vulnerability. North Korean infantry units would sweep back the CFC ground force anti-armor capabilities, and the reduced CFC air sorties would make attrition manageable. Largely unopposed, North Korean armor should also experience manageable combat and maintenance attrition. These forces should be able to reach Pusan in a couple of weeks.

North Korean armor will not face minimal opposition, and will suffer significant combat and maintenance attrition.

- Because armor attrition would be manageable and CFC opposition would be light, North Korea would require minimal munition and part supply flows. Its major sustainment requirements would be fuel, oil, and food, which could be captured in the ROK.

North Korea would require both munition and part supply flows to sustain its operations, increasing its supply requirements beyond what it could reliably deliver.

- North Korean SOF would carry out some precursor BW attacks, especially against CFC command and control. These attacks would disrupt CFC operations and perhaps impair them. CFC would take time to reconstitute command and control, and the replacement personnel would be less familiar with their new responsibilities and have less experience working together, possibly leading to disagreements between ROK and U.S. personnel. CFC vaccination and other passive defense efforts should help prevent such BW attacks from being successful.

- ROK naval forces would be struck in port by Scud- and SOF-carried CBW, causing significant attrition. North Korean naval forces would then seek to rapidly overwhelm the ROK naval survivors before U.S. naval forces could be deployed. This would be easiest to do when the U.S. carrier normally located in Japan is deployed out of the region, as happened when the U.S.S. *Independence* was sent to the Persian Gulf in early 1998.

CFC should be able to avoid being surprised by the North

Korean attack. If so, ROK naval forces would be at sea and not subject to Scud attack. ROK naval forces unattitred by CW should be more than sufficient to deal with most threats posed by the North Korean navy.

- CBW attacks on CFC airfields and ports would substantially diminish the flow of U.S. forces onto the peninsula.

Substantial protection is being put in place at key CFC ports and airfields to prevent disruptions.

- The number of Americans killed or seriously injured would be large. The United States has shown a propensity in military engagements to be unwilling to sustain large numbers of casualties. Ideally, the magnitude of casualties would be sufficient to break American will and cause the United States to disengage. As a fallback, the North Korean forces would rapidly capture the peninsula and force the United States to execute a reentry in order to defeat the North Koreans. North Korean forces would position artillery and other weapons near possible beaches and other entry areas, prepared to cause substantial CW and perhaps BW casualties to the U.S. forces who might attempt to reenter Korea, and thereby deter U.S. action.

Alert and prepared U.S. forces will not suffer nearly as many casualties, and an effective noncombatant evacuation operation (NEO) will protect U.S. civilians. CFC forces would successfully defend the peninsula such that a U.S. reentry would not be required.

In all of these North Korean operations and CFC counters, there is a fair degree of uncertainty, because it is difficult to know how effective the North Korean threats will be, whether the CFC defenses will be adequately prepared, and what war outcomes will be. The reality likely lies somewhere in between the two perspectives, potentially causing the war to be quite different from what either side expects. North Korea depends on succeeding in almost all of its operational objectives; failure in even a single area could prevent North Korean conquest of the ROK. But from a CFC perspective, preventing North Korea from reaching Pusan is not a clear victory, especially if the North Korean forces penetrate beyond Seoul and leave massive

destruction in their wake. CFC must do everything it can to enhance its capabilities in each area mentioned above that is needed to counter the North Korean threats, seeking to defeat the North Korean attack as rapidly and as far forward as possible.

Thus, the overall relative capability assessment is that, while CFC can likely prevent North Korea from reaching its objective of capturing the peninsula, CFC faces many risks. There is little question that the ROK today faces a greater risk of damage and defeat from a North Korean CBW threat than it did from the essentially conventional North Korean threat of a decade ago. Consequently, if North Korea is determined to use CBW, its overall relative military capabilities actually have increased rather than eroded.

North Korean Ability to Cause Damage

Even a CFC defeat of a North Korean attack would not prevent a substantial level of damage to CFC forces and civilians in Korea. Analysis of possible military operations in Korea suggests that CBW use would at least increase CFC casualties, and might increase them substantially (to perhaps double or more). In his 1994 testimony to Congress, General Gary Luck, the U.S. commander in Korea at the time, said that casualties in a future conventional Korean war could equal the casualties of the first Korean war, with 36,000 U.S. and 400,000 ROK soldiers dead.²³ The development of North Korean long-range artillery and Scud missiles puts all ROK cities at risk to North Korean attack, likely increasing the civilian damage that would occur.

Consider the North Korean long-range 240 mm MRLs. With each rocket carrying about 8 kilograms of Sarin,²⁴ the launch of a 12-tube MRL would involve almost 100 kilograms of Sarin, and the launch of a 22-tube MRL would involve about 175 kilograms of Sarin. If North Korea has 100 such MRLs, all armed with CW within range of Seoul, a single launch could fire upwards of about 15 tons of Sarin against Seoul. A ton of Sarin can affect between about 0.13 and 13 square kilometers with an incapacitating dose of Sarin, though the range is narrowed to 3.8 to 13 square kilometers on a clear, calm night (optimal for CW use).²⁵ If such an optimal night were used, and the rockets were spread for maximum destruction, an incapacitating

dosage could cover between about 35 and 120 square kilometers in Seoul, even if only 60 percent of the rockets arrived. More likely, North Korea would focus on particular areas, reducing the area of damage by perhaps a factor of two to three. Because some people would be indoors or otherwise protected to some degree, the damage could be reduced by another factor of three to five. Thus, the effective area covered with an incapacitating dose might be 2 to 20 square kilometers. Since the population density of Seoul is roughly 23,000 people per square kilometer,²⁶ the casualties from even a single successful MRL launch could be at least in the tens of thousands.²⁷ North Korean Scuds fired at air bases and ports in or near Pusan, Taegu, Suwon, Kwangju, and other cities would cause further civilian casualties. In the end, casualties in a CBW conflict with North Korea could easily be many times what General Luck estimated.

Even more damage would be done to North Korea, with CFC apparently planning a counteroffensive that would capture and damage much of North Korea.²⁸ Execution of such a counteroffensive could trigger a North Korean regime survival response with nuclear weapons, causing large amounts of damage. North Korean military leaders responsible for NBC weapon use would clearly be war criminals because of the massive civilian damage they would cause, requiring prosecution and punishment.²⁹ CFC attack operations would destroy North Korean CBW production and storage facilities, likely spreading contamination in North Korea and causing further casualties. The subsequent effort to reunify a badly damaged country would be substantial, likely taking many years for the unified Korea to fully recover. Thus, while North Korean military capabilities have eroded in some areas, North Korea's ability to cause damage to the ROK has actually grown with its potential use of NBC weapons.

Conclusion: Have North Korean Military Capabilities Eroded?

United States and South Korean military commanders are completing a new war plan intended not only to repel a North Korean invasion if hostilities erupt but to invade North Korea to demolish its armed forces, capture the capital at Pyongyang, and destroy the North Korean regime.

This paper has examined three measures to determine whether or not North Korean military capabilities have eroded over the past decade. These bases and the author's judgment on erosion in each case are:

Absolute Military Capabilities. North Korea has not modernized its military equipment in many conventional force components. North Korea's aging equipment has undoubtedly gotten less sustainable as it has aged, and North Korean personnel have experienced less training with that equipment. Thus, in these areas, North Korean military capabilities have clearly eroded. But with CBW and related delivery systems, a considerable amount of modernization has occurred, giving North Korea some important capabilities that did not exist at all ten or fifteen years ago. Thus, the assessment of absolute North Korean military capabilities is a "mixed bag," with many categories eroding while CBW-related military capabilities have advanced.

Relative Military Capabilities. This is a more important measure of military capability because it includes a wider range of critical issues. North Korean relative conventional capabilities have substantially eroded because their absolute capabilities have been relatively stagnant while CFC conventional military capabilities have significantly advanced. But once the CBW-related capabilities are included, North Korea seems more capable of achieving conquest of the ROK than it was ten years ago. This suggests that relative North Korean military capabilities have at least been static if they have not increased, despite the substantial increases in overall CFC military capabilities. To the extent that North Korean CBW gives it advantages, the very character of such a war would be quite different from that traditionally expected.

Ability to Cause Damage. Using CBW, North Korean military forces are capable today of causing far more damage to the ROK

than they could have caused ten years ago. This assessment reflects the development of North Korean artillery and CBW able to damage Seoul and to attack CFC ground defenses, and North Korean Scuds and SOF able to attack targets with CBW in the CFC rear area.

Therefore, North Korean military capabilities, when viewed in total, have not been eroding but have rather been increasing as the result of a significant shift in the focus of North Korean efforts. While leaving much of its conventional military forces with eroded but still significant capabilities, North Korea has shifted its force structure to include a facilitating force of North Korean CBW and delivery systems. These pose risks that will trouble CFC for a number of years until enhancements in CFC defenses are complete.

Notes

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1. The North Korean and South Korean economies were of roughly comparable size in the early 1970s, but the South Korean economy grew well beyond the North Korean economy thereafter.

2. North Korea did acquire a small number of T-72 tanks from the Soviet Union and may have hoped that Russian force structure changes would eventually lead to the surplus of T-72s that North Korea would be able to acquire at bargain prices. This situation has not yet developed, though it should be carefully watched and action taken with Russia to preempt such a development.

3. Rowan Scarborough, "Marine, Army Generals Tell Senate Money Direly Needed," *Washington Times*, September 25, 1998, p. 4.

4. North Korea does have some production lines that produce spare parts for their old equipment, giving some equipment a degree of youth despite its years. Thus while most North Korean aircraft are very old, North Korea does produce new engines for those aircraft that give them some "youth."

more times as much energy in an explosion as does an equal weight of high explosives. FAE roughly doubles the range at which lower overpressures occur (compared to TNT). Against people, the principal FAE lethal mechanisms are suffocation (because the oxygen in the air is consumed by the explosion) and thermal radiation, which cause attrition beyond the overpressure lethal range and penetrate many hardened facilities against which blast would not have much effect.

6. International Institute of Strategic Studies, *The Military Balance 1997-1999* (London: Institute of Strategic Studies, 1997), p. 184 for North Korean training; pp. 21-23 for U.S. training. When a North Korean MiG-19 pilot defected with his aircraft on May 23, 1996, the pilot said that he had flown only nine hours in the previous year, and four hundred hours in the previous decade (thus low levels of training have been a problem for over a decade). See Jim Lea, "Defector. NK Gets Russian Spy Data," *Pacific Stars and Stripes*, June 26, 1996, p. 6; Willis Witter, "Pilot Says N. Korea Is Planning Attack," *Washington Times*, May 29, 1996, p. 11. Nevertheless, the pilot said that constant training on Chinese-made simulators had North Korean pilots convinced that they could outmaneuver ROK F-5 and F-4 aircraft, but not F-16s. See Lea, "Defector." Other information at the time noted that the MiG-19 tires were badly decayed and that in other ways the aircraft was in a state of poor maintenance.

7. This possibility is suggested in Defense Intelligence Agency, *The Foundations of Military Strength - Update 1995*, PC-1510-101-96, March 1996, p. 23. A figure on this page shows the potential damage to an airfield from Scud warheads that are unitary TNT, cluster bombs (submunitions), or chemical.

8. "U.S. Army General John Tilelli, commander of the US Forces-Korea, said Thursday that recent developments in the DPRK have raised concern about the DPRK's military capabilities. Tilelli stated . . . , 'From a military standpoint, there have been changes. Their conventional forces essentially stabilized at a stable level of readiness, lower than it was, while their missile technology, their asymmetric technologies have increased.' He said that despite severe economic problems, military forces in the DPRK have been given 'more than their fair share' of food and fuel resources and as a result their war-fighting preparedness has decreased only slightly." Quoted in *Northeast Asia Peace and Security Network Daily Report*, citing Bill Gertz, "U.S. Commander Voices 'Concern' over N. Korea," *Washington Times*, January 29, 1999, p. 4.

9. During the cold war, military analysis and policy were dominated by high-end, relatively symmetric threats (strategic nuclear and NATO Central Front). Most analysts were trained to think in symmetric terms, typically producing "balance assessments" comparing the numbers of tanks or nuclear warheads on each side. Such simplistic comparisons were intuitively attractive, and thus persisted throughout the cold war and even in analysis since then, despite early arguments that counterforce or maneuver capabilities could allow even a smaller force to defeat a larger force under the appropriate conditions. One of the earliest open arguments during the cold war against simple symmetric comparisons was Albert Wohlstetter, "The Delicate Balance of Terror," *Foreign Affairs*, January 1959.

10. ROK forces commonly refer to such a counterattack as a "counterblow."

11. Indeed, one can argue that unless computer models are designed specifically to

capture the Korean environment and force structures, the operational concepts the Korean forces would use in conflict, and the "rules of war" in a Korean environment, the outcomes of an assessment could misrepresent entirely the course of conflict in a future Korean war. This concern is consistent with the Defense Department's strong interest in validating its computer models, where it defines validation as "the process of determining the degree to which a model is an accurate representation of the real world from the perspective of the intended uses of the model." See Department of Defense, *DoD Modeling and Simulation (M&S) Management*, Directive No. 5000.59, January 4, 1994. While analysts may not know the "real world" of a future Korean conflict, it is incumbent on them to represent that real world as closely as possible.

12. The author's group at RAND has examined more than 50,000 cases of potential North Korean attacks, looking at a range of values for uncertain quantitative and qualitative factors.

13. Most of our analysis suggests that North Korea would have to reduce CFC sorties by 80 percent or more for their ground forces to reach Pusan.

14. For example, to conquer the ROK, the North Korean artillery needs to create holes in the CFC ground forces in the main advance sectors, while causing enough damage to CFC ground forces across the peninsula that they would lack coherence to counter the North Korean infantry assaults or armor exploitations.

15. Patriot batteries are deployed at Kunsan, Osan, and Suwon air bases, as reported in Rich Roesler, "Patriot Crews Target Incoming Missiles," *Pacific Stars and Stripes*, August 14, 1997, p. 4.

16. While the North Korean CBW reflect designs which are decades old (e.g., mustard or VX gases, or plague or anthrax), CFC so far lacks an adequate defense against them. This is not to say that CFC is without any form of defense - far from it. Rather, CFC's defense against North Korean CBW is but a partial defense, which in some cases will be very effective and in other cases not so effective. Because CBW weapons are far more powerful than conventional North Korean weapons, the partial CFC defense could still suffer losses.

17. The development of conflict within North Korea after North Korea attacked the ROK would be a challenge for CFC to recognize and exploit. However, given the likely circumstances of a North Korean attack, CFC needs to focus its intelligence on such a possibility and plan for both stimulating such a conflict (to slow or stop the North Korean attack) and dealing with it.

18. While North Korean artillery could use BW, North Korea would likely avoid such use so that shifts in the wind would not contaminate its own troops with BW. Because the health status of North Koreans is much poorer than the health status of ROK or U.S. people, the North Korean forces would more likely be affected by BW and suffer worse results from exposure.

19. Against such targets, North Korean SOF would have to use conventional munitions or CW, since BW would generally act too slowly to impair the CFC capabilities by the time required.

20. Witter, "Pilot Says N. Korea Is Planning Attack."

21. While North Korean SOF could use CW, they cannot carry sufficient CW to affect

- more than a very small target area (less than a hectare, or one-hundredth of a square kilometer). Instead, North Korean SOF using BW could carry sufficient BW to contaminate several square kilometers. If this was done without warning, a North Korean SOF team could cause serious damage to the personnel at a port or airfield.
22. The Japanese reactions to the North Korean TaepoDong missile test in August 1998 should give the North Koreans fair warning of how sensitive the Japanese are about threats to Japan. North Korean missiles fired directly at Japan, even at Okinawa, can be expected to draw only more intense reactions from the Japanese.
23. Kirk Spitzer, "Isles Key in S. Korea Defense," *Honolulu Advertiser*, March 3, 1994, p. 1.
24. "Chemical Weapons: New Information Analyzed," *Jane's Defence Weekly*, February 27, 1998, p. 370.
25. Steve Fetter, "Ballistic Missiles and Weapons of Mass Destruction: What Is the Threat? What Should Be Done?" *International Security*, Summer 1991, p. 21.
26. The 1997 Seoul population was roughly 20.3 million, in 342 square miles (885 square kilometers), according to the 1997 *Information Please Almanac*, p. 132.
27. This number would be reduced if not all rockets contained CW, or if weather conditions were less than optimal for CW use.
28. "United States and South Korean military commanders are completing a new war plan intended not only to repel a North Korean invasion if hostilities erupt but to invade North Korea to demolish its armed forces, capture the capital at Pyongyang, and destroy the North Korean regime." Richard Halloran, "New Warplan Calls for Invasion of North Korea," posted on the Internet, November 14, 1998. This concept was in reality not so new, as suggested by a 1994 report: "South Korean state television said yesterday that Seoul and Washington have a plan to topple the North Korean government if the Stalinist state attacks the South. The Korean Broadcasting System said that rather than simply driving back the North's troops, the plan provides for a counteroffensive to seize Pyongyang and try to topple the government of Kim Il-sung." In "KBS Reports Plan to Topple Kim Il-Sung," *Washington Times*, March 25, 1994, p. 16. "The aim would be initially to contain North Korean forces north of Seoul, and then eventually launch a counterattack to defeat them there and overrun the rest of North Korea." Jim Mann, "Scenarios for a 2nd Korean War Grim for U.S., South," *Los Angeles Times*, February 22, 1994, p. 1.
29. At the discretion of CFC, this prosecution could involve much of the officer corps of North Korea, including both senior military leaders and officers at each level of command responsible for directing NBC weapon use.

Prospects for Northeast Asian Multilateral Security Cooperation

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CSIS Forum

A broad variety of multilateral security dialogue mechanisms has emerged in the Asia-Pacific region in recent years. These efforts at building trust and confidence, both at the official and at the non-governmental or so-called "track two" level, have the potential for enhancing Northeast Asian regional security. All Northeast Asian nations express support for such efforts. The current trend toward multilateralism is also generally consistent with U.S. foreign policy objectives in Asia, albeit as an important complement to America's bilateral security arrangements (which remain the foundation of U.S. security policy in Asia).

An Overview

Foremost among the official mechanisms is the ASEAN Regional Forum (ARF), which brings together the foreign ministers of the Association of South East Asian Nations (Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and of other key regional players (Australia, Cambodia, Canada, China, Japan, Mongolia, Papua New Guinea, Russia, South Korea, New Zealand, the United States, Vietnam, and the European Community) — twenty-two members in all — to discuss regional security issues. This annual ministerial gathering, first held in 1994, provides a clear signal of the growing broader regional commitment to multilateral security dialogue throughout the Asia-Pacific.

At the subregional level, the most prominent official effort is the Four Party Talks, among North and South Korea, China, and the United States, which formally began in early December 1997 in Geneva, some twenty months after being originally proposed by then-South Korean President Kim Young Sam and U.S. President Bill Clinton. The Four Party Talks have the specific aim of replacing the current armistice with a formal Korean peace treaty, ending the state of war that has existed on the peninsula for almost five decades. The talks are also intended to develop and pursue confidence-building measures between North and South Korea.

Another multilateral governmental effort of great significance is the Korean Peninsula Energy Development Organization (KEDO), the multilateral vehicle established by the United States, the Republic of Korea (ROK), and Japan to implement the October 1994 Agreed Framework between the United States of America and the Democratic People's Republic of Korea (DPRK). The Agreed Framework and KEDO are aimed at achieving "an overall resolution of the nuclear issue on the Korean Peninsula." Their broader mutual goal is the promotion of peace and stability and the eventual peaceful reunification of the peninsula.

Other multilateral mechanisms aimed at enhancing Asian-Pacific security also exist at the nongovernmental or track-two level. Most prominent among them are the Council for Security Cooperation in the Asia Pacific (CSCAP) and the Northeast Asia Cooperation Dialogue (NEACD).

CSCAP was established in June 1993 to provide a structured process for regional confidence building and security cooperation among countries and territories in the Asian Pacific region, through the linkage of regional security-oriented institutes. CSCAP, while predating the ARF, is now focusing its efforts on providing direct support to this governmental forum while also pursuing other track-two diplomacy efforts.

The NEACD's aim is to enhance mutual understanding, confidence, and cooperation through meaningful but unofficial dialogue among China, Japan, Russia, the United States, and both South and North Korea. While North Korea has not participated in any

of the eight formal NEACD meetings held since October 1993, the NEACD has been fruitful nonetheless, bringing together senior officials, academicians, and security specialists from the other five countries for discussions on political, security, and economic issues of concern to all parties.

This paper will review the efforts of these five major initiatives from an admittedly American perspective. I will also briefly review selected other efforts either focused on or impacting upon Northeast Asia before discussing the benefits and some limitations to multilateral security dialogue in Northeast Asia. Special attention is paid, where appropriate, to maritime cooperation as a potentially fruitful area of future multilateral security cooperation in Asia.

The successful establishment and generally productive results to date of the ASEAN Regional Forum and KEDO, the promise (as yet unfulfilled) of fruitful engagement of the DPRK in the Four Party Talks, and the willingness of government officials to actively participate (in their private capacities) in such track-two organizations as CSCAP and the NEACD provide ample evidence of both U.S. and broader regional acceptance of, and official governmental support for, multilateral security dialogue.

American policymakers continually stress, however, that U.S. support for increased regionalism is built upon the premise that such multilateral efforts complement or build upon, and are not seen as a substitute for, enduring bilateral relationships. The current U.S. bilateral military alliance structure — including the basing of U.S. forces in Asia as a visible manifestation of America's security commitment to its allies — serves as the "linchpin" and "foundation" for U.S. security strategy in East Asia. The central role of U.S. bilateral alliances in general, and of the United States-Japan security alliance in particular, as the linchpin of America's national security strategy in Asia was reaffirmed in the Pentagon's December 1998 East Asia Strategy Report (EASR).¹

Some U.S. policymakers, especially within the Defense Department, remain concerned that a few regional proponents see multilateralism as an alternative to the American bilateral alliance structure. Chinese officials in particular have questioned the relevance

of these U.S. bilateral alliances — “leftover vestiges of the cold war” — and see multilateralism as the new security paradigm.

From a U.S. perspective, however, bilateralism and multilateralism are not mutually exclusive but mutually supportive. This is not, and should not be seen as, an “either-or” proposition. Without solid bilateral relationships, few states would have the confidence to deal with one another in the broader context. Conversely, some problems can best, and perhaps only, be solved bilaterally. It was with this one caveat firmly in mind and clearly articulated that the United States became engaged in multilateral security dialogue in earnest with the advent of the ARF.

ASEAN Regional Forum

The chairman’s statement issued at the end of the inaugural ARF meeting in Bangkok in July 1994 underscored the participant nations’ commitment “to foster the habit of constructive dialogue and consultation on political and security issues of common interest and concern” in order to make “significant efforts toward confidence-building and security cooperation in the Asia-Pacific region.”² It was further agreed to make the ARF an annual event. Of particular note was the ARF’s willingness to look beyond the immediate ASEAN neighborhood and address broader regional concerns. The second ARF meeting, held in Brunei in August 1995, was a full-day session aimed both at defining organizational principles concerning the ARF (including goals and expectations) and at determining how best (and how fast) to implement proposals and ideas.³ It was also agreed that the ARF would “move at a pace comfortable to all participants.” This was further defined in the 1995 ARF Concept Paper as being an “evolutionary” approach, beginning with a focus on the promotion of confidence-building measures. With time, ASEAN members saw the forum becoming more proactive, with preventive diplomacy as a mid-term objective. Conflict resolution or the “elaboration of approaches to conflict” was identified in the concept paper as the ARF’s eventual goal. The potential importance of track-two activities was also fully recognized, and cooperation between official and nongovernmental efforts was encouraged.

ARF meetings since that time have been widely publicized full-day affairs. They have included reports from the various Intersessional Support Groups (ISGs) and ARF-sponsored track-two meetings, all with the aim of promoting greater confidence and mutual understanding in the region. ISGs have been created to study multilateral search-and-rescue cooperation (significant in that it brought uniformed military officers into the process in a meaningful way) and to examine the development of regional confidence-building measures (CBMs), to include maritime CBMs. ARF-sponsored non-official (track two) meetings have looked at non-proliferation, preventive diplomacy, and the establishment of regional principles of cooperation. ARF's potential future role as a preventive diplomacy mechanism has also been examined and, at least in principle, endorsed.

ARF Maritime Specialist Officials Meeting. ARF has also begun to focus on maritime security issues as part of its broader confidence-building efforts. In November 1998, a Maritime Specialists Officials (MSO) Meeting was held in conjunction with the ISG/CBM Meeting in Honolulu (co-chaired by the United States and Thailand). The stated purpose of the meeting was "to consider and suggest ways and means for ARF to add value to existing activities in the areas of maritime safety, law and order at sea, and protection and preservation of the marine environment."⁴

As part of the MSO effort, participants prepared matrices outlining their respective participation in maritime activities. In addition, existing areas of maritime cooperation were identified and examined. These efforts were aimed, in part, at avoiding ARF duplication of effort, while contributing to the ARF's effort to serve as an umbrella forum through which countries could be kept informed on regional and international efforts. MSO meeting participants also praised and supported CSCAP's work to promote regional maritime cooperation.⁵

General Observations. The ARF seems particularly well suited to serve as the consolidating and validating instrument behind many security initiatives proposed by governments and NGO gatherings in

recent years, including efforts at the official and nongovernmental levels to develop innovative new measures for dealing with potentially sensitive regional security issues, both in Northeast Asia and in the Asia Pacific region as a whole. Nevertheless, the ARF has its limits, especially when it comes to Northeast Asian security issues. While the ARF has taken a position on the need for increased dialogue between South and North Korea, for instance, only the ROK is a member at present.⁶

There are also few illusions regarding the speed with which the ARF will move. The agreement to "move at a pace comfortable to all participants" was aimed at tempering the desire of more Western-oriented members for immediate results in favor of the "evolutionary" approach favored by the ASEAN states, who see the process as being as important as its eventual substantive products. The time-honored Asian principle of non-interference in one another's internal affairs also places some important topics essentially off limits. All parties appear to agree, for example, that one of the most potentially explosive Northeast Asian security issues — namely, China-Taiwan — is an internal Chinese matter.⁷ The Chinese have also been reluctant to address conflicting claims in the South China Sea at the ARF, insisting instead on talks with ASEAN or with the other claimants on an individual basis.

Meanwhile, the need for consensus ensures that the ARF will move ahead only as fast as its most cautious members desire or permit. The evolution of the ARF from a confidence-building measures "talk shop" to a true preventive diplomacy mechanism (as called for in its concept paper) will thus be a long, difficult one, since several members (China and India, in particular) fear that moving ahead with preventive diplomacy will somehow open the door for ARF interference in the internal affairs of its members.⁸ It also underscores the utility of track-two mechanisms that can tackle the more difficult or more sensitive problems while focusing on mid- to long-range solutions.

Four Party Talks

During their April 1996 summit meeting on Cheju Island in the ROK, then-ROK President Kim Young-Sam and U.S. President Bill

Clinton proposed four-party talks among South and North Korea, the United States, and China. The express purpose of the talks was "to initiate a process aimed at achieving a permanent peace agreement," thus replacing the current armistice with a formal Korean peace treaty, ending the state of war that has existed on the peninsula for almost five decades.

The Four Party Talks proposal was a direct response to Pyongyang's continuing demand for direct bilateral peace talks with the United States. The joint presidential declaration flatly stated that the current armistice should be maintained until it was succeeded by a permanent North-South peace treaty and that "separate negotiations between the United States and North Korea on peace-related issues cannot be considered."

The Four Party Talks proposal put the ball back in North Korea's court by the presidents' refusing to accept its unilateral declaration regarding the armistice and by flatly ruling out any hope of a separate peace agreement with the United States alone. The aim was to use the multilateral process, in the first instance, as a substitute for bilateral United States-DPRK talks that would isolate and alienate South Korea, while at the same time using this four-party process to facilitate eventual bilateral North-South direct dialogue.

After more than a year of tedious negotiations, all four parties finally agreed to enter into formal peace talks. The first meeting, chaired by the United States, took place in December 1997 in Geneva but was more ceremonial than substantive. Working-level preparatory talks for the second meeting were to begin in February 1998, but North Korea opted (for reasons known only to them) to skip this phase. The second official session, this time chaired by China, took place in March 1998. On the positive side, all parties did agree that, once underway, the talks could include discussion about potential North-South confidence-building measures as well as the establishment of a peace treaty. However, as they had in many of the earlier preparatory sessions, the North Koreans once again insisted that the subject of U.S. troop withdrawals also be put on the table. The United States and ROK just as consistently refused to allow this, and the meeting made no substantive progress toward establishing a Korean peace treaty.

After months of hesitation, Pyongyang agreed to resume the Four Party Talks, and the third formal session, chaired by the ROK, took place in October 1998 in Geneva. The North stuck to its demand that U.S. troop withdrawals be discussed and also persisted in its efforts to reach a separate treaty with the United States, excluding the ROK. On the positive side, the North did agree with a South Korean proposal to establish two subcommittees, one to pursue a peace treaty and the other to investigate confidence-building measures. All four parties also adopted a "Memorandum on the Establishment and Operation of the Subcommittees."

The fourth meeting, chaired this time by the DPRK, occurred in late January 1999, also in Geneva. All sides agreed upon procedures for the two working groups, an event seen as "highly significant" by the United States and similarly praised by the PRC. However, one of the DPRK participants, Deputy Foreign Minister Kim Gye-gwan, stated, "I don't think I can find any visible progress out of the current talks," adding that the talks would remain "empty" until DPRK demands regarding the withdrawal of U.S. troops from the ROK were met. Ideas for tension reduction on the Korean peninsula, including the establishment of a humanitarian corridor and a new communications channel, apparently were raised (but not agreed upon); and a senior U.S. official acknowledged that "measurable progress" on replacing the armistice agreement was unlikely anytime soon.⁹ All sides agreed to meet again in mid-April 1999.

While little attempt has been made to date to further identify the types of CBMs that will be addressed, one would hope that maritime CBMs would be high on the list, in order to reduce the prospects of potentially dangerous incidents at sea. The recent series of suspected DPRK seaborne infiltration attempts employing spy submarines and "mother ships" (which launch the mini-subs and other infiltration craft) underscores the need for maritime CBMs, as do periodic incidents involving each side's fishing boats and other commercial or military surface craft.

Obviously, the mere holding of the Four Party Talks does not ensure their success. Difficult negotiations lie ahead, and it is impossible to predict either the outcome of the talks or the terms of any

eventual peace treaty. Events on the periphery of the talks, such as North Korean compliance with the Agreed Framework — including the most recent controversy, over the planned use of suspicious (possibly nuclear-related) facilities being constructed underground near the currently frozen nuclear research reactor — the continuation of missile testing and attempted satellite launches (especially if again involving flight over Japan), and continued North Korean submarine espionage missions, all help sour the environment, as does the increasingly partisan nature of the Korean debate (and of foreign policy in general) in Washington.

In the final analysis, much depends on a North Korean decision to proceed in good faith. In my own discussions with North Korean officials, I notice a most welcome change in tone and attitude since Kim Dae Jung's election. For example, at United Nations-sponsored meetings in Jakarta and Kathmandu in February 1998, and again both at the CSCAP Confidence and Security Building Measures (CSBM) Working Group meeting in Washington in May and at the CSCAP North Pacific Working Group meeting in Beijing in November, the North Korean presentations were generally balanced and polite.

However, the positions put forth after Kim Dae Jung's December 1997 election have not varied significantly from earlier DPRK pronouncements; namely, that the Four Party Talks should not discuss inter-Korean affairs but only a United States-DPRK peace treaty and U.S. troop withdrawal from the peninsula. Pyongyang still sees a co-equal confederation which respects both sides' different systems as the near-term "solution" to the problem and discounts the need for ROK formal participation in the peace treaty. In short, North Korea appears no less committed to its old positions. Nonetheless, the mere fact that the talks are proceeding is encouraging.

Korean Peninsula Energy Development Organization

KEDO was established by the United States and its security partners to implement the U.S.-DPRK Agreed Framework. As a Pacific Forum CSIS study documents, the success of the Agreed Framework thus far is closely linked to KEDO's success in achieving its two primary objectives: arranging for fuel oil deliveries and (by negotiating

the supply agreement and necessary support contracts) arranging for the construction of two nuclear light water reactors (LWRs) to replace the North's more proliferation-prone graphite nuclear research reactors.¹⁰ The August 1997 ground-breaking in North Korea to prepare the construction site of the first LWR was a major milestone that many critics had predicted would never be reached. So too was the canning of the spent fuel from North Korea's original (now shut-down) nuclear reactor, which remains under the watchful eye of the International Atomic Energy Agency (IAEA).

Of equal importance, the establishment of KEDO has provided a creative and meaningful way for the ROK to be directly involved in the Agreed Framework process. From KEDO's inception, the ROK has been a member of its Executive Board and has had a direct role in its decision-making process. ROK officials have been involved in all KEDO meetings with the DPRK. As a result, KEDO has become an important vehicle for direct North-South contact.

As the LWR project progresses, thousands of South Koreans will be traveling to the North, coming into direct contact with the 10,000 or more North Korean workers who will be involved in construction activity (largely under South Korean supervision). While such interaction is kept low-key and may not technically qualify as direct dialogue, it is a most important confidence-building mechanism.

In short, one of the unsung successes of KEDO is that it has transformed the bilateral U.S.-DPRK Agreed Framework process into a multilateral dialogue in which the Republic of Korea now plays a leading role. This has also helped restore South Korean confidence in the United States - confidence that was shaken during the negotiating process leading up to the Agreed Framework.

KEDO has also successfully brought Japan into the Agreed Framework process. Japan is one of the three co-founders of KEDO and also sits on its Executive Board. In addition to the most obvious benefit — Japanese financial contributions — this direct participation has helped to ensure a coordinated approach toward North Korea among the United States, South Korea, and Japan. Japan's involvement is particularly important since it does not participate in the Four Party Talks and would otherwise feel cut out of peninsula decisionmaking,

which affects Japan's national security interests.

To fulfill its obligations over the next decade, KEDO will have to raise an estimated US\$5 to \$6 billion. South Korea and Japan are expected to provide the bulk of the money, but the future U.S. contribution is still expected to be in the tens of millions of dollars. Should any of KEDO's three primary partners fail to fully fund its acknowledged share, the prospects for peace and stability on a non-nuclear Korean peninsula will be severely set back. America's failure to live up to its share of the bargain — the Clinton administration seems increasingly unable to come up with the funds necessary to pay for its obligated fuel oil deliveries — will also place strains on both the United States-Japan and United States-ROK alliances.

Last fall's agreement by the U.S. Congress to fund initial fiscal year (1999) KEDO fuel oil shipments was helpful, although it comes with several long strings attached, including an insistence that "progress is being made on the implementation of the North-South dialogue." The House-Senate Conference Report on HR4328 (Omnibus Appropriations Bill) also calls for the appointment of a "North Korea Policy Coordinator" and for progress on the implementation of the Joint Declaration on the Denuclearization of the Korean Peninsula.¹¹ While the president retains the ability to waive certain restrictions on national security grounds, the legislation limits his flexibility and political room for maneuver and adds to the politicization of decisionmaking regarding Korean security.

Council for Security Cooperation in the Asia Pacific

Among the most promising mechanisms at the track-two level is the Council for Security Cooperation in the Asia Pacific, which links regional security-oriented institutes and, through them, broad-based member committees comprising academicians, security specialists, and former and current foreign ministry and defense officials.¹²

CSCAP member committees have been established in Australia, Canada, China, the European Union, Indonesia, Japan, South and North Korea, Malaysia, Mongolia, New Zealand, the Philippines, Russia, Singapore, Thailand, the United States, and Vietnam.¹³ An Indian institute has joined as an associate member, and several United Nations

organizations enjoy affiliate or observer status. In addition, individual Taiwan scholars and security specialists participate in working-group meetings in their private capacities.

CSCAP continues to focus its efforts on providing direct support to the ARF. Several CSCAP issue-oriented working groups are already focusing on specific topics outlined in the various ARF communiqués.¹⁴ These include international working groups on confidence- and security-building measures (CSBMs), comprehensive and cooperative security, transnational crime, and maritime security cooperation, along with a North Pacific Working Group (NPWG) focused on the establishment of frameworks for Northeast Asian security cooperation. One of CSCAP's current strengths is that it is one of the few multilateral organizations which can boast of DPRK membership.

Many of the organizing institutes composing the CSCAP Steering Committee have direct or close links to their respective foreign ministries, and there is heavy representation from the ranks of former foreign ministry and defense officials at the various working-group meetings, along with government representatives (again, in their private capacities). CSCAP has maintained close links with the ARF, the ASEAN members of CSCAP being instrumental in creating the ARF concept paper that guides its efforts.

Maritime Cooperation Working Group. The CSCAP Maritime Cooperation Working Group has put forward a proposed set of Guidelines for Regional Maritime Cooperation — fundamental, non-binding principles for regional maritime cooperation and for ensuring a common understanding and approach to maritime issues in the region. The CSCAP proposed guidelines adopted a comprehensive approach to regional security, covering maritime confidence- and security-building and preventive diplomacy measures identified by the ARF and reflecting the strong support in the region for the 1982 UN Convention on the Law of the Sea (UNCLOS).

As outlined in the introductory portion of CSCAP Memorandum Number 4, the Guidelines serve several purposes:

First, they constitute an important regional confidence-building measure, laying down general principles for regional maritime cooperation in line with the ARF's long term objective of becoming a mechanism for conflict resolution. They should serve to dampen down tensions, particularly in areas of enclosed or semi-enclosed seas with disputed or overlapping maritime jurisdiction.

Secondly, they serve as a step in the process of building an oceans' governance regime for the Asia Pacific region based on UNCLOS and the inter-related nature of oceans' issues, and devoted to the notion of integrated management of such issues.

Thirdly, the Guidelines should help promote a stable maritime regime in the region with the free and uninterrupted flow of seaborne trade, and nations able to pursue their maritime interests and manage their marine resources in an ecologically sustainable manner in accordance with agreed principles of international law.

Fourthly, the Guidelines apply the concept of comprehensive security in the Asia Pacific region. They should provide a link between the various concepts and processes of comprehensive security and the various forums which are concerned with elements of comprehensive security.

Lastly, the proposed Guidelines encapsulate the progress achieved in the Maritime Cooperation Working Group meetings and pave the way for further work within each of the maritime security issue areas covered by the broad principles for co-operation laid down in the Guidelines.¹⁵

The proposed guidelines are non-binding in nature. They set down broad principles of cooperative behavior in the maritime sector and do not create legally binding obligations between states. Topics covered include maritime cooperation, sea lines of communication,

humanitarian assistance, maritime search and rescue (SAR), maritime safety, law and order at sea, naval cooperation, maritime surveillance, protection and preservation of the marine environment, marine living resources, marine scientific research, technical cooperation and capacity-building, and training and education.

The previously referenced draft report from the November 1998 ARF MSO Meeting "took note of the good work done by CSCAP" and encouraged the CSCAP Working Group to "continue its useful work, and to share its ideas with the ARF as well as with other international fora." In addition, the next meeting of the ARF's ISG on Confidence Building Measures, held in Bangkok in March 1999, was set to address CSCAP's proposed maritime guidelines and study their applicability as an ARF-sponsored maritime confidence-building measure.

CSCAP North Pacific Working Group. While all CSCAP Working Groups touch on Northeast Asian security as part of their broader deliberations, the North Pacific Working Group has Northeast Asia as its sole or primary focus. The NPWG's first meeting was held in Tokyo in April 1995. While the meeting was successful in setting an agenda for future study, it suffered from the lack of PRC and DPRK participation. The China Centre for International Studies (then a candidate CSCAP member) preferred to wait until China had officially become a full member of CSCAP before participating.

While the DPRK's Institute of Disarmament and Peace had earlier joined CSCAP, it also chose not to participate in its first meeting. No formal reason was given, but informally DPRK officials expressed discomfort with attending multilateral meetings in which the Korean peninsula was the sole or primary focus of attention or study.¹⁶

The second meeting, in January of 1997 in Vancouver, focused more broadly on generalized frameworks for Northeast Asian security and was attended by representatives from all the Northeast Asian states (including the PRC and DPRK). At its third meeting, in Tokyo in December 1997, the NPWG examined Northeast Asian economic cooperation, emerging institutions, and confidence-building efforts, while also exploring the ARF's potential role in Northeast Asian security affairs. A North Korean representative gave a presentation on

regional confidence building that focused on peninsular security issues.

A fourth meeting was held in Beijing in November 1998, where discussions focused on the security implications of the Asian financial crisis and on bilateral and multilateral developments and approaches. Once again, CSCAP-North Korea sent two representatives, who were fully engaged in the discussions. While the atmosphere remains cordial, North Korean positions continue essentially unchanged and unyielding.

Northeast Asia Cooperation Dialogue

There have been many proposals in recent years for the creation of a six-party or "four plus two" dialogue mechanism among the United States, China, Japan, Russia, and the two Koreas.¹⁷ To date, none has been established at the formal, governmental level, despite the personal efforts of several regional leaders. Specifically, then-ROK Foreign Minister Han Sung-joo proposed the creation of a Northeast Asia Security Forum at the second ARF meeting, and most recently ROK President Kim Dae-Jung has been proposing a Northeast Asia Regional Security Forum. Japan has made similar proposals for six-party talks, as has Russia, which is eager not to be left out of the Northeast Asian security process. The United States has been generally (but not enthusiastically) supportive of these initiatives, the Chinese much less so. China claims that it is "premature" to hold official six-party talks and cites North Korean reluctance as a reason. One also suspects that China is less than eager to involve Japan more intimately in regional security affairs. For its part, North Korea has to date rejected all six-party proposals (governmental and nongovernmental) out of hand.

The most prominent and partially successful attempt to establish a four-plus-two mechanism at the track-two level has been the Northeast Asia Cooperation Dialogue (NEACD), sponsored by the University of California's Institute on Global Conflict and Cooperation. Its purpose is to enhance mutual understanding, confidence, and cooperation through meaningful dialogue in an unofficial setting.¹⁸ The NEACD has enjoyed strong U.S. government backing since its inception. At his confirmation hearings to become President Clinton's first assistant secretary of state for East Asia, Winston Lord had laid

out a U.S. commitment to multilateral dialogue.¹⁹ The NEACD was a direct manifestation of the U.S. commitment to this approach.

The NEACD was established to bring together two government officials (normally one each from the foreign and defense ministries) and two private individuals (normally noted academicians or security policy specialists) each from the United States, China, Russia, Japan, and the two Koreas for dialogue on political, security, and economic issues of concern to all parties. The NEACD has now met eight times since October 1993, most recently in Moscow in November 1998. While DPRK representatives attended a preparatory meeting in July 1993, North Korea has not participated in any of the formal meetings held so far.

DPRK spokesmen acknowledge Pyongyang's commitment, at least in principle, to multilateral security dialogue, with one important caveat - namely, that the dialogue not be directed specifically toward (i.e., against) them. North Korea's resistance to four-plus-two settings also stems from their resentment, if not feelings of betrayal, over the lack of progress in establishing diplomatic relations with both Japan and the United States. After both Koreas joined the United Nations, and Beijing and Moscow established diplomatic relations with Seoul, there was an expectation in Pyongyang that Washington and Tokyo would soon follow suit and recognize the DPRK. Ironically, it was North Korean actions — specifically their threat to pull out of the Non-Proliferation Treaty (NPT) and their refusal to permit International Atomic Energy Agency (IAEA) inspections — that delayed the desired outcome.

Nonetheless, DPRK spokesmen continue to make it clear that North Korea has no intention of participating in four-plus-two dialogues until "all bilateral relationships are in balance," i.e., until the United States and Japan recognize the DPRK.²⁰ Instead, DPRK officials maintain that "in order to ensure security in the region through multilateral negotiations, it is important to create an atmosphere of confidence building above all by resolving the complicated issues bilaterally."²¹

NEACD continues to serve as an extremely useful dialogue mechanism despite the lack of North Korean participation. In fact, one

could argue that North Korea's absence probably contributes to the frankness and openness of debate among the remaining five members.

NEACD members initially set up two study projects providing for one participant from each member country to examine more closely mutual reassurance measures (MRMs) and principles governing state-to-state relations. The MRM study project laid out some general guidelines and identified specific topics for further study, including defense information sharing (the subject of several NEACD-sponsored working group meetings) and energy-related cooperation. At the December 1997 Tokyo NEACD meeting, the group also approved a set of general principles for consideration by their respective governments. The Asian financial crisis and its security implications were among the topics of discussion at the eighth NEACD, in Moscow in November 1998.

The NEACD is sometimes referred to as "track one and a half" because of heavy representation of government officials and academicians from government-sponsored institutes. While this can inhibit debate by locking participants more tightly into government positions than they might be at other track-two forums, it is also one of the NEACD's real strengths, since it comes close to serving as the Northeast Asian governmental forum that most nations want but have been thus far unable to achieve.

Should North Korea elect finally to join, or if the other five governments decided to proceed with some type of formal official Regional Security Forum without North Korea (while keeping the door open for Pyongyang's eventual participation), the NEACD would provide the ready-made blueprint. At that point, the decision would have to be made whether to let NEACD evolve into a governmental forum, by excluding the current nongovernmental participants, or to have NEACD and the new organization coexist. In the latter case, NEACD would take on the track-two support role for the new Regional Security Forum, similar to CSCAP's role in support of the ARF.

Other Northeast Asian Initiatives

Several subregional efforts focused on Northeast Asia also show promise, and others may prove useful in overcoming lingering regional

apprehensions about the future intentions of many of the region's central actors. Both official and NGO forums seem useful, with the latter better suited to dealing initially with politically sensitive issues. In some instances, the track-two efforts are aimed at facilitating eventual official dialogue.

For example, in August 1994 the Pacific Forum CSIS and the Gaston Sigur Center for East Asian Studies at George Washington University sponsored what was believed to be the first ever organized (while still unofficial) meeting among defense (including uniformed military) officials from Japan, Korea, and the United States, providing a politically acceptable forum for the three sides to discuss common security concerns while bringing America's two closest allies in Northeast Asia closer to one another. Such talks have now become formalized, as has direct military-to-military dialogue between Seoul and Tokyo. The nongovernmental participants, having served their purpose in bringing the three sides together, have now bowed out.

Many other Northeast Asian multilateral initiatives focus on the different sets of three-way regional relationships, most prominently examining United States-China-Japan, United States-Russia-Japan, and United States-Japan-Korea relations. The United States and Japan have expressed interest in formalizing three-way dialogue with China, but Beijing appears more comfortable keeping such efforts at the track-two level at present.

A somewhat more contentious track-two initiative is the Asia-Pacific Security Forum, which was established in 1997. Sponsored by Taiwan's Institute for National Policy Research, its agenda includes PRC-Taiwan cross-straits relations — a subject that is specifically not on the agenda for any dialogue in which mainland China security specialists formally participate.²² As a general rule, Chinese officials are prohibited and Chinese security specialists are strongly discouraged from participating even in general security discussions if Taiwan officials or scholars are present, or if cross-straits relations or other Chinese "sovereignty issues" are being discussed.²³ Many (the author included) would argue that this self-exclusionary policy works against China's long-term interests and adds to the general mistrust and lack of understanding between Beijing and Taipei.

The United Nations has also gotten into the track-two act. For the past ten years, the United Nations Regional Centre for Peace and Disarmament in Asia and the Pacific has sponsored "unofficial" meetings in which regional scholars and government officials gather in Kathmandu, Nepal, and other locations to discuss various regional and global disarmament issues in what has become known as the "Kathmandu process." All Northeast Asian nations regularly participate, including both North and South Korea. Despite the non-official status of the Kathmandu process, since it is UN-affiliated and Taiwan has been specifically excluded from UN events due to strong PRC objections, Taiwan has not been invited to these meetings.

Other major track-two initiatives include a series of Indonesia-hosted Workshops on the South China Sea that focus on technical issues among the various Spratly Island claimants and a Philippines-hosted series examining the security implications of conflict over these islands. Both gatherings are aimed at promoting greater understanding and cooperation in order to reduce the prospects of conflict in this potentially volatile area.

Benefits of Multilateral Cooperation

Emerging multilateral security mechanisms in Asia can be important vehicles for promoting long-term peace and stability. Institutionalized multilateral forums can be most valuable if they serve as confidence-building measures aimed at avoiding, rather than reacting to, crises or aggression. In time, they should also be capable of dealing with less politically sensitive non-traditional security concerns such as disaster relief, coordination of refugee problems, and coping with pollution and other environmental issues. In this regard, the decision by the ARF to establish a working group to discuss multinational cooperation in the area of search and rescue seems particularly noteworthy. It also provides a vehicle for uniformed military participation in this track-one effort in a positive, non-threatening context.

Multilateral settings can also facilitate bilateral (or subregional) dialogue among nations and their official or unofficial representatives, who for a variety of reasons may be unable or ill prepared to make arrangements directly with one another. The annual Asia-Pacific

Economic Cooperation (APEC) Leaders' Meetings, for example, made it possible for President Clinton to engage in direct discussions with Chinese President Jiang Zemin during Clinton's first term in office, when bilateral summit meetings would have been politically impossible to otherwise arrange. These meetings helped set the stage for the successful 1997/98 Clinton-Jiang summits in Washington and Beijing.

Multilateral security mechanisms are, by their mere existence, confidence-building measures, in that they promote greater trust and understanding in the region. They also provide a forum for the further investigation and development of confidence-building measures that may be applied either region-wide or on a more selective, subregional basis. In this, as in many other instances of multilateral dialogue, the process itself is an extremely important product, since increased dialogue promotes increased understanding, which in turn hopefully leads to a reduced risk of conflict.

Multilateral forums also provide a venue for other regional actors to be heard on security issues that affect them all. Track-two organizations such as CSCAP and NEACD can provide "benign cover" for governments to vet new policies and strategies in a more academic setting before adopting formal proposals at the official level. Nongovernmental organizations can also provide a voice to nations, territories, and regional groupings that, for a variety of reasons, might be excluded from official gatherings. Especially important in this regard in CSCAP's case is the ability to provide the Chinese people on Taiwan with a voice in regional security affairs, given Beijing's refusal to permit Taiwanese representation in official forums.

In addition, nations or entities that might find it uncomfortable or politically unacceptable to engage in bilateral dialogue can still effectively interact at the multinational level, particularly in NGO forums. As noted earlier, forums such as CSCAP can provide a useful means for Koreans on both sides of the DMZ to engage one another in broader security discussions that otherwise may be difficult to arrange. Asian multinational gatherings also contribute to a sense of regional identity and cooperation that can spill over into the political and economic spheres, just as growing political and economic cooperation has helped set the stage for expanded security dialogue.

Multilateral security forums provide a framework for enhanced U.S. involvement in Asian security that complements America's current bilateral security commitments. Such meetings permit Japan to become more actively involved in regional security matters in a manner that is not threatening to neighboring countries. Multilateral gatherings also provide a useful vehicle for greater interaction between China and its neighbors while promoting greater transparency regarding Chinese capabilities and intentions.

Multilateralism also gives Russia opportunities for greater regional integration while bolstering those in the Kremlin most committed to international cooperation. Finally, nongovernmental forums provide a venue for bringing North Korean officials into direct contact with their southern counterparts in a less-confrontational atmosphere, while also helping expose them to broader regional realities.

Caveats

A clear understanding of the weaknesses and boundaries of Asian multilateral security organizations — what they are neither suited for nor intended to undertake — is also needed, in order to prevent false or overoptimistic expectations and to allow the nations of the region to maximize the opportunities and benefits to be derived from multilateral approaches to regional security.

Broad-based institutionalized multilateral forums like the ARF are useful vehicles for discussing potential problems but seem ill-equipped (and not very eager) when it comes to resolving crises once they have occurred. This is especially true if the use of force is contemplated or proves necessary. The ARF is not today and has no aspirations of becoming a military alliance.

In the event of military hostilities or a clear threat to its national security interests in Asia, the United States is more likely to act in concert with its existing allies or through an ad hoc grouping of like-minded states, similar to the Desert Storm coalition assembled to deal with Iraqi aggression during 1990/91. A standing NATO-type alliance aimed at defeating or containing a specified threat simply does not fit in a post-cold war Asia — nor, for that matter, was it possible to sustain

even at the height of the cold war.

As regards the Korean peninsula, multilateral dialogue is useful in order to create a more cooperative environment and to build a level of familiarity and comfort, if not trust and confidence, between the two sides. There are limits, however, to how far the multilateral process can take things, given the strong belief (both in Seoul and in Pyongyang) that, ultimately, a Korean solution must be found to this Korean problem. In the final analysis, direct dialogue between South and North still appears essential to reduce tensions, to build confidence, and eventually to help bring about the peaceful reunification of the peninsula.

As noted earlier in describing the ARF, multilateral organizations (governmental and nongovernmental) generally act through consensus in setting their agendas and making recommendations. This acts as a brake of sorts on how fast these organizations can move forward. For this reason, those promoting multilateral dialogue and various forms of regional confidence building realize the continued value and relevance of unilateral and bilateral measures that not only build trust and confidence in their own right but also help lay the foundation for broader-based cooperation. Such efforts set useful precedents and place pressures on multilateral organizations to move forward.

Conclusion

Emerging Asia-Pacific multilateral security mechanisms hold great potential for enhancing regional security. Efforts that build upon and seek to complement, but not to replace, bilateral security relationships that already exist in Asia are of particular value from a U.S. perspective.

While multilateral security initiatives hold many promises for Asia, it is important to understand their limits, as well as the opportunities they present. A NATO-type alliance aimed at containing a specified threat simply does not suit post-cold war Asia. Rather, emerging mechanisms should be viewed more as confidence-building measures aimed at avoiding or dampening the possibilities of, rather than reacting to, crises or aggression.

As far as the Korean peninsula is concerned, significant progress is expected to be slow and contingent upon eventual active, constructive participation by the DPRK. While formal arrangements such as the ROK-proposed Northeast Asian Regional Security Forum appear unlikely in the near term — for that matter, it is difficult to envision an Association of Northeast Asian States, even with an economic or political focus — track-two approaches like the NEACD and CSCAP hold some promise. Meaningful progress, especially at the official level, will require a resumption of South-North dialogue. Subsequent recognition of the DPRK by both Japan and the United States as part of the process leading to the establishment of a permanent peace regime on the peninsula also appears to be an important interim step toward eventual reunification.

Notes

1. Officially titled *The United States Security Strategy for the East Asia-Pacific Region*.
2. See the chairman's statement issued at the end of the first ASEAN Regional Forum meeting in Bangkok, 25 July 1994. For the complete text and a review of the proceedings by the Thai Foreign Ministry's ARF coordinator, see Sarasin Viraphol, "ASEAN Regional Forum (ARF)," in Pacific Forum CSIS's weekly *PacNet Newsletter* 33 (October 14, 1994).
3. See "Chairman's Statement of the Second ASEAN Regional Forum (ARF), 1 August 1995, Bandar Seri Begawan," *PacNet* 29 (August 18, 1995). For an analysis of the meeting, see also Jusuf Wanandi, "Dialogue on Security Gains Momentum," *PacNet* 31 (September 1, 1995).
4. From the draft "Report of the Co-Chairmen of the 1998/1999 Meeting of the ASEAN Regional Forum on Confidence Building Measures Maritime Specialist Officials Meeting."
5. CSCAP's efforts, largely through its Maritime Security Working group, are spelled out later in this paper.
6. The DPRK had earlier expressed a desire to be included, but until recently the ROK (and the United States) did not appear eager to see Pyongyang represented. Now that the DPRK is participating in the Four Party Talks, the prospects for DPRK admission into the ARF have improved — although it remains unclear if the ROK will actively support DPRK membership or if North Korea will in fact formally apply to join.
7. Beijing also insists that Southeast Asia's most contentious hotspot involving conflicting territorial claims in the South China Sea is also an "internal" matter between China and the various claimants, and not an appropriate topic for broader multilateral discussion.

8. This despite the fact that all working definitions of the process used in Asia stress that preventive diplomacy requires the *voluntary* participation of all involved parties.
9. For more details, see Geir Moulson, "U.S., China, Koreans Wrap Up Talks," Associated Press, January 22, 1999, as cited in *Northeast Asia Peace and Security Network Daily Report*, January 25, 1999.
10. *Monitoring the Agreed Framework: A Third Anniversary "Report Card,"* Pacific Forum CSIS special report (Honolulu: Pacific Forum CSIS, 1997).
11. Former Secretary of Defense William Perry has been designated as the North Korea Policy Coordinator. His review of U.S. policy toward the DPRK was scheduled to be completed by the end of March 1999.
12. As noted earlier, government (including uniformed military) participants take part in their private capacities, and not as official spokespersons for their governments' views. While force of habit (and fear of leaks) may compel them to stay close to the party line, the dialogue is still considerably more candid than in official settings, especially over time. The active participation by foreign military and defense (including uniformed military) officials helps ensure a more informed debate while allowing new ideas to be explored without their being interpreted as government policy.
13. Of particular note was the December 1994 entry of North Korea, through its Institute of Disarmament and Peace in Pyongyang, after the ROK member committee signaled its strong support for the DPRK's admission.
14. Issued at the close of each ARF annual meeting, in the form a chairman's statement.
15. "CSCAP Memorandum No. 4: Guidelines for Regional Maritime Cooperation," published by the CSCAP Secretariat on behalf of the CSCAP Maritime Cooperation Working Group and available through the CSCAP-Australia (Working Group co-chair) Web site, <http://coombs.anu.edu.au/Depts/RSPAS/AUSCSCAP/memo4.html>.
16. The focus of the first NPWG was the development of a framework for stability on the Korean peninsula.
17. A few proposals also include Mongolia and, less frequently, Canada in the grouping.
18. For background information, please see Susan Shirk and Christopher Twomey, "Beginning Security Cooperation in Northeast Asia: A Report on the First Meeting of the Institute of Global Conflict and Cooperation's Northeast Asian Cooperation Dialogue," *PacNet* 33 (November 5, 1993).
19. For more information, see "Excerpts from Ambassador Winston Lord's Confirmation Hearings," *PacNet* 13 (April 7, 1993).
20. Based on my own discussions with DPRK diplomats at CSCAP meetings and at the UN Regional Centre's annual conference in Kathmandu, Nepal, and elsewhere.
21. As stated by So Chang-Sik, chief of the DPRK Ministry of Foreign Affairs' Disarmament Division, in a summary statement entitled "Features of Security Situation in the Asia-Pacific Region, Northeast Region, and the Korean Peninsula," distributed at the annual UN Regional Centre's conference in Kathmandu, Nepal, February 21-24, 1996, p. 3.
22. The Pacific Forum CSIS is a co-host. The APSF held its second annual meeting in

Manila in December 1998.

23. As noted earlier, CSCAP is one of the few forums in which China's and Taiwan's security specialists interact. Even here, Taiwan's involvement is restricted to working group activities, and "internal Chinese matters" are not discussed.

Old Wine in New Bottles

The Pentagon's East Asia Security Strategy Report

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To contain Soviet-led communism and, secondarily, to prevent a militarily resurgent Japan, Washington established a network of alliances, bases, and deployments throughout East Asia after World War II. By the 1990s the Soviet Union had imploded, China had become a reasonably restrained international player, and other communist states had lost their ideological edge. At the same time, the noncommunist nations had leaped ahead economically. Despite such momentous developments, however, U.S. policy remains fundamentally the same.

The Pentagon's new report, *United States Security Strategy for the East Asia-Pacific Region: 1998*, released last November, confirms that the Clinton administration intends to perpetuate the policy of U.S. military preeminence in the region indefinitely. Indeed, Washington intends not only to increase security ties with traditional military partners but also to extend them to such previously irrelevant countries as Laos and Mongolia.

The end of the Cold War has eliminated any justification for a dominant U.S. military role in East Asia. U.S. policy, centered around the deployment of 100,000 military personnel throughout the region, is both expensive and risky. The United States now is expected to dampen potential conflicts that lack even a tangential link to America's

own security.

Washington should instead phase out its military presence in East Asia, transferring to its Cold War era allies responsibility for dealing with local security problems. Washington should maintain a mid-Pacific military presence and cooperate with friendly states but intervene directly only if a potential hegemon arises that cannot be otherwise contained.

Some instability in the region is inevitable no matter what the U.S. role-as evidenced by the turbulence in Cambodia and Indonesia today. Acting as the balancer of last resort rather than the meddler of first resort, however, would make America more secure by insulating it from such strategically and economically marginal disorders.

After World War II the United States established an extensive forward military presence and fought two wars in East Asia as part of its strategy for containing communism. The Cold War ended a decade ago, but America's defense posture has changed little. The Clinton administration is determined to keep at least 100,000 military personnel in East Asia and the Pacific, apparently forever.

The Pentagon's 1995 assessment of U.S. security policy in East Asia (the so-called Nye Report) made the astonishing assertion that "the end of the Cold War has not diminished" the importance of any of America's regional security commitments.¹ Last November the U.S. Department of Defense released an updated report that reflected the same outdated analysis, reaffirming support for every one of America's treaties and deployments throughout the region.²

The administration's watchword is simply more of everything. America's already substantial military ties to Japan and South Korea must be strengthened. Loose links with Australia, Singapore, and Thailand must be expanded. Recently sundered relationships with New Zealand and the Philippines must be rebuilt. Minimal to nonexistent cooperation with such countries as Cambodia, Laos, Mongolia, and Vietnam must be invigorated or initiated. DOD gives a nod to multilateralism and cooperation among the countries in the region, but it is clear that the United States is to remain East Asia's dominant actor.³ And that dominance must be demonstrated in military terms.

Explains the Pentagon, "Today we must deter actions in critical localized areas such as the Korean Peninsula while maintaining our capability to respond to crises should they emerge anywhere around the world."⁴

The report's commitment to permanent, promiscuous intervention was preordained. Secretary of Defense William Cohen admitted, "When I first took over, I said everything is on the table for review, except we are going to keep 100,000 people in the Asia-Pacific region—that is off the table."⁵ In short, the Pentagon conducted a supposedly searching review that ignored the most important issue.

Indeed, Washington has actually been increasing U.S. military ties in the region, pushing a new security agreement with the Philippines, for instance, and offering an implicit defense guarantee to Taiwan against China. Rather than expand America's military presence in East Asia at a time when security threats against the United States have dramatically diminished, the administration and Congress should together initiate a phased withdrawal of American forces from Korea and Japan, center Washington's reduced military presence in the central Pacific rather than East Asia, and adopt the role of ultimate balancer rather than constant meddler.

Changed Threat Environment

U.S. taxpayers spent roughly \$13 trillion (in current dollars) and sacrificed 113,000 lives (mostly in East Asian wars) to win the Cold War. For five decades Washington provided a defense shield behind which noncommunist countries throughout East Asia were able to grow economically (despite their recent setbacks) and democratically. That policy achieved its objective. Japan is the world's second-ranking economic power; Taiwan's dramatic jump from poverty to prosperity forced the leaders of the communist mainland to undertake fundamental economic reforms. South Korea now outstrips communist North Korea on virtually every measure of national power. After years of failure, the Philippines seems to be on the path to prosperity, while the economies of countries like Thailand have grown significantly and will eventually recover from their current travails.

At the same time, the threat environment has become more

benign. The Soviet Union has disappeared, and a much weaker Russia has neither the capability nor the will for East Asian adventurism. Elsewhere, tough-minded communism has dissolved into a cynical excuse for incumbent officeholders to maintain power. A decade after the Tiananmen Square massacre, China is combining support for greater economic liberty with (admittedly inconsistent) respect for greater individual autonomy, if not political freedom. So far Beijing's military renewal has been modest, and China has been assertive rather than aggressive-although its saber rattling toward Taiwan remains of concern.

Southeast Asia is roiled by economic and political instability, but such problems threaten no one outside the immediate neighborhood. Only North Korea constitutes a current East Asian security threat, but that totalitarian state, though odious, is no replacement for the threat once posed by the Soviet Union. Pyongyang is bankrupt and starving, essentially friendless, and, despite its willingness to wave the threat of an atomic bomb to gain respect, will only fall further behind its South Korean rival.

Some analysts privately, and a few publicly, believe that Japan poses a potential threat to regional peace. Such fears are unwarranted. Tokyo has gained through peace all of the influence and wealth that it had hoped to attain 60 years ago through war and the Greater East Asia Co-Prosperity Sphere. Moreover, the lesson of World War II remains vivid in Japan. In recent years the nation has been convulsed by divisive political debates over such modest initiatives as sending medical personnel to the Gulf War, providing troops to the U.N. peacekeeping operation in Cambodia, and authorizing military participation in civilian rescues. Even mainstream politicians committed to a somewhat more assertive posture have routinely sacrificed military spending to budget concerns. Those are hardly the actions of a society flirting with a new round of military conquest.

So far, neither the Clinton administration nor Congress seems to have noticed those critical changes. Despite the dramatic diminution in security threats and the equally dramatic growth in allied capabilities, U.S. policy looks very much like it did during the Cold War. Washington's motto seems to be, "What has ever been, must ever be."

Indeed, the Clinton administration repeatedly emphasizes its allegiance to the status quo. The administration states that its latest East Asia "report should provide a sense of U.S. continuity and stability in the midst of regional change and transition." America's "strategy and commitment are long-term and will continue even after the period of change and transition is complete."⁶

Interests, Interests Everywhere

DoD's security strategy report envisions an American security interest in virtually every East Asian country.

Australia

Opines the Clinton administration, "The U.S.-Australia alliance remains as close as any alliance we maintain in the region."⁷ Combined military training and exercises are backed by the Australia Ministerial agreement, which provides for regular visits by the U.S. secretaries of defense and state. Washington "envisions continued expansion and deepening of the U.S.-Australia alliance over the coming years."⁸ This is an alliance "not just for this time, it is for all time," President Clinton told the Australian parliament.⁹

Cambodia

Washington uses money as well as troops for security purposes in East Asia. The United States has provided security aid to Cambodia, though the funds have been suspended since mid-1997 because of Prime Minister Hun Sen's de facto coup d'état. Of course, DoD is disappointed at the lack of contact. As it explains,

Prior to suspension of U.S. military assistance, the United States has stressed the importance of comprehensively reforming the RCAF [Royal Cambodian Armed Forces], including reducing the number of troops, instilling and sustaining discipline, providing consistent pay to the military, and eliminating corruption. U.S. military assistance to Cambodia features non-lethal humanitarian assistance including English-language training, training for military engineers, medical exercises, and assistance to the Royal Government's efforts to reintegrate Khmer Rouge defectors into society. The United States has

a strong interest in, and willingness to support, Cambodian military reforms.¹⁰

Hong Kong

The administration worries that "China's rise as a major power presents an array of potential challenges." Yet DOD continues to conduct 60 to 80 port calls in Hong Kong, now administered by China. Explains the Pentagon, doing so "serves as symbolic support for the continued autonomy of Hong Kong."¹¹

Japan

America's alliance with Japan is described as "the linchpin of our security strategy in Asia."¹² Secretary of State Madeleine Albright insists the alliance is "rock solid for the 21st century."¹³ DoD acknowledges that global changes have challenged "some assumptions about the purpose and role of the alliance." But never mind: "Both sides have moved actively over the past three years to update the framework and structure of joint cooperation to reflect the new environment."¹⁴

The latest report boasts that "we have strengthened our alliance with Japan through the April 1996 Joint Security Declaration and the September 1997 revised Guidelines for U.S.-Japan Defense Cooperation."¹⁵ Although the Marine Expeditionary Force stationed on Okinawa is primarily intended as backup for a renewed Korean war, Defense Secretary Cohen visited Japan and asked, "Who in the U.S. administration has ever said they would pull out troops after the unification of the Korean peninsula?"¹⁶

Korea

Washington's most dangerous commitment remains that to South Korea. Nowhere else are so many U.S. soldiers so vulnerable to military attack. Despite the risk, no deployment seems more important in the view of the Pentagon: "The security alliance between the United States and the Republic of Korea (ROK) serves as the foundation on which all U.S. diplomatic, defense, and economic efforts on the Korean Peninsula rest." DOD acknowledges the decline in Pyongyang's military capabilities but nevertheless warns that "North Korea is still

capable of inflicting terrible destruction on South Korea."¹⁷ Which, of course, in the Pentagon's view, justifies maintenance of the American presence to help deter an attack.

But that is not all. The administration "welcomes the public statements of ROK President Kim Dae-Jung affirming the value of the bilateral alliance and the U.S. military presence even after reunification of the Korean peninsula."¹⁸ Reunification would presumably end the only serious threat against the South, but no matter. According to Washington, "The U.S. strongly agrees that our alliance and military presence will continue to support stability both on the Korean Peninsula and throughout the region after North Korea is no longer a threat."¹⁹

Laos

America's loss in Vietnam and Cambodia was accompanied by a different kind of loss in Laos, where the communist Pathet Lao took control without as destructive a civil war. Like many other communist states, Laos has moved away from doctrinaire Marxist-Leninism. Now, declares the administration, the United States not only wants to improve economic and political relations (a perfectly legitimate objective) but also "remains committed to exploring ways of broadening and developing our military relationship with Laos."²⁰

Mongolia

The Clinton administration does not believe itself confined to traditional security relationships. The Pentagon titled one section of its report "Enhancing Nascent Relations with Mongolia." A distant nation surrounded by China and Russia (and long dominated by the latter), Mongolia has never before figured in U.S. defense strategy. However, explained DoD,

The United States supports continued specialized military training and education through the IMET [International Military Education and Training] program, future joint training in such areas as disaster preparedness, peacekeeping and humanitarian assistance, expansion of our nascent

policy dialogue on international and security issues, and the establishment of regular high-level political and military visits between our countries.²¹

New Zealand

Defense relations between America and New Zealand remain in limbo, having been suspended in the mid-1980s after the latter nation barred U.S. nuclear-armed and nuclear-powered vessels from its waters. Still, "the U.S. hopes that in the future conditions will allow full restoration of military cooperation with New Zealand."²²

Pacific Islands

Washington makes no pretense that its relationships with these entities entail mutual responsibilities. For instance, the DOD report asserts that the United States has an obligation to protect the security of the Republic of the Marshall Islands, the Republic of Palau, and the Federated States of Micronesia.²³ Those were among the ties that Washington had declared as important as ever in its previous report.²⁴

Philippines

Washington still pines for its former military bases in the Philippines. It took a volcanic eruption that covered Clark Air Base with a layer of ash and mud and a subsequent rejection of a lease renewal for Clark and Subic Bay Naval Base by the Philippine senate to cause the United States to relinquish those installations. The Philippines is about the only nation in East Asia with which America's security ties are weaker today than a few years ago. Naturally, Washington is dissatisfied with that situation and is moving to "solidify the U.S.-Philippines security partnership in the coming years." One aspect of that is negotiation over a Visiting Forces Agreement to govern "routine combined exercises and training, and ship visits." Moreover, new training activities are planned. Reports DOD, "We are gradually establishing a post-bases relationship that is consistent with our activities elsewhere in the region-exercises, ship visits, exchanges, and policy dialogues."²⁵

Singapore

America has forged important military ties with this city-state, which offered to upgrade base access in the wake of America's departure from the Philippines. (For instance, the Changi Naval Station can now accommodate U.S. aircraft carriers.) Moreover, reports DOD, "Singapore has been Southeast Asia's leading advocate of a continued U.S. military presence. Singapore actively searches for ways to keep the United States engaged in the region."²⁶

Taiwan

Reports the Pentagon, "The United States maintains robust but unofficial relations with the people on Taiwan."²⁷ The administration cites defensive arms sales to the Republic of China (ROC). Unmentioned is the ambiguous but seemingly serious commitment to defend the island nation from Chinese attack.

In late 1995 and early 1996 Beijing combined verbal threats with missile tests in response to what appeared to be Taiwan's increasing moves toward independence. Washington responded with a warning of "grave consequences," meaning military intervention, should hostilities erupt between the two Chinas and sent an aircraft carrier through the Taiwan Strait, allegedly because of weather conditions. During his 1998 visit to Beijing, the president seemed to tilt in favor of the PRC's position regarding Taiwan, yet administration officials insisted that U.S. policy had not changed. As a result, the overall impression left by Washington is that the United States would probably go to war if the PRC attacked Taiwan.²⁸

Thailand

U.S. security relationships extend deep into Southeast Asia. Contends the Pentagon, "Our long-standing alliance with Thailand remains strong and serves a critical function in enhancing our strategic interests worldwide." DOD is not interested only in traditional defense issues; it quotes the president as declaring, "Whether we are fighting drugs, combating AIDS, trying to pen bright new futures for our children, or working to protect the planet we share, Thailand and the United States are making our partnership work for our people."²⁹

Vietnam

Washington's most bitter recent strategic setback was the failure of its intervention in Vietnam. Presumably, it is for that reason that Washington "has kept the initial state of the U.S.-Vietnamese security relationship purposefully modest in pace and scope."³⁰ Yet DOD proclaims its commitment to even its onetime archenemy; the Pentagon wishes to expand the relationship between the two militaries and nations.

Miscellaneous

The administration reports that Washington maintains "active, albeit limited, military interaction" with Brunei. America's "bilateral relationship with Malaysia has expanded and matured over the past decade," and the administration also intends to "look for ways to expand our access to, and engagement with the Malaysian defense establishment." In addition, the administration plans "to maintain a cooperative bilateral defense relationship" with Indonesia, which supports a "long-term U.S. presence in the region."³¹

Multilateralism

The administration extols the development of "security pluralism." But the term has a narrow, crabbed meaning to U.S. officials. The strategy report explains that America "must increasingly emphasize regional cooperation with allies to address future challenges." According to the Pentagon, "The United States views the cumulative effect of bilateral and multilateral security relationships as establishing a diverse and flexible framework for promoting common security in the Asia-Pacific region into the next century." U.S. officials envision a very limited flexibility, however, since the Pentagon emphasizes that Washington intends to participate in any regional institution.³²

Nonmilitary Concerns

The Pentagon also devotes substantial attention to nonmilitary issues. In its report, formally titled *The United States Security Strategy for the East Asia-Pacific Region*, the Pentagon covers environmental degradation, infectious diseases, drug trafficking, energy, and

humanitarian relief. The administration explicitly terms drug trafficking, terrorism, and environmental degradation "security interests." Humanitarian operations, contends the administration, "may likewise serve important U.S. security interests and values, including preservation of regional stability, and promotion of democracy and human rights."³³ That is a breathtakingly broad agenda for a report supposedly devoted to security.

Washington's Policy Inertia

The world has changed, but Washington's vision has not. If only American leadership prevented East Asia's domination by hegemonic communism in the past, only American leadership can preserve East Asia's stability in the future. States DoD, "In contrast to Cold War-era alliances, [the U.S. commitments] are not directed at any third power but serve the interests of all who benefit from regional stability and security." Washington's outsized military presence is "a stabilizing force in the midst of change." Indeed, maintaining such a structure "provides an opportunity to help shape the region's future, prevent conflict and provide the stability and access that allows us to conduct approximately \$500 billion a year in trans-Pacific trade."³⁴ Apparently the administration believes that all that commerce would vanish if the United States did not police East Asia.

A Permanent Presence

Moreover, the U.S. military presence is seemingly required forever. True, DoD says the troops are necessary only for "the foreseeable future," but it is hard to imagine the circumstances under which they could depart, given the premise of the report. For instance, former assistant secretary of defense Joseph Nye, who authored the earlier Pentagon report, claimed that DoD envisioned stationing "about 100,000 American troops in the region only so long as security conditions required it."³⁵ But if the end of the Cold War, the collapse of hegemonic communism, and the dramatic growth in the strength of democratic and quasi-democratic states throughout the region aren't enough to warrant meaningful change, what would be? If Washington can't step back when the chairman of the Joint Chiefs of Staff says he

sees no major military threat, when can it?³⁶

Indeed, it seems too convenient that a system of alliances and force deployments developed to meet one set of contingencies also happens to be the optimal arrangement for meeting a completely different set. One could be forgiven for suspecting that U.S. defense policymakers are merely looking for new reasons to preserve old commitments.

Of course, the Pentagon is sensitive to such criticisms, arguing that the figure of 100,000 troops "is not arbitrary-it represents the formidable capabilities of the U.S. Eighth Army and Seventh Air Force in Korea, III Marine Expeditionary Force and Fifth Air Force in Japan, and the U.S. Seventh Fleet, all focused on shaping, responding and preparing as necessary to achieve security and stability in the region."³⁷ However, that merely moves the arbitrariness one step back. DOD says that 100,000 is not arbitrary because it represents everything presently stationed in East Asia. But why must everything presently in the region remain? The vague specter of instability has replaced the demon of communism as America's enemy, with a potpourri of nonmilitary objectives tossed in for good measure.³⁸

The Host Nation Support Rationale

Another argument for U.S. bases in East Asia-especially in Korea and Japan-is that the allied nations provide "substantial support for maintenance of U.S. troops."³⁹ But so-called host nation support (HNS) helps pay only a small portion of basing costs; it does not cover the expense of the troops themselves.

For instance, the marginal cost of stationing 37,000 soldiers in Korea is about \$3 billion annually, while the expense of raising and maintaining the relevant units runs as much as \$13 billion. Including the cost of units intended for reinforcement as well as a proportionate share of Pentagon overhead raises the cost even more. The total bill for defending Japan probably exceeds \$20 billion a year.⁴⁰ Last year South Korea contributed only \$399 million toward HNS, and it is reducing HNS to just \$333 million this year.⁴¹ Tokyo, which reduced HNS from \$2.3 billion in 1997 to \$2.1 billion last year, is expected to consider further reductions as well.

Moreover, the fact that other nations are willing to pay the United States to protect them is not an adequate reason for Washington to do so. If a commitment no longer serves American security interests, it should be ended. In that case, the troops are no longer needed, either overseas or at home. Contributions, even generous ones, from South Korea and Japan do not warrant hiring out the U.S. military as quasi-mercenaries to defend those nations.

For the same reason, the United States need not expand access to bases elsewhere in the region. Washington should drop proposals for a new bilateral military agreement with the Philippines, as well as efforts to increase defense ties with Singapore. The United States has suffered no damage from the demise of its bases in the Philippines, which had long before become expensive anachronisms. Instead of upgrading U.S. military ties, Washington should be transferring security responsibilities to its allies and friends.

Kitchen-Sink Justifications

The weakness of the administration's case is evident from its reliance on bottom-scrapping, kitchen-sink arguments that can best be characterized as silly. For instance, the Pentagon contends, "The presence of U.S. military personnel in the region multiplies our diplomatic impact through engagement with counterparts and the demonstration of professional military ethics and conduct in a democratic society."⁴² However, U.S. training programs did not seem to prevent abuses by the Indonesian military in support of the brutal Suharto regime-or promote "the spread of democratic norms," as DOD desires.⁴³ The American military long worked closely with a series of ugly, military-dominated regimes in South Korea. Direct military aid, such as the International Military Education and Training program, appears to have had no moderating effect in Cambodia.⁴⁴ Even in countries such as Japan and the Philippines, the misbehavior of a few U.S. servicemen has had ill effects. Stationing troops in other nations is a dubious means of strengthening civil societies in those countries.

Even less compelling are DoD's nonsecurity "security" interests. "We must have the capability to . . . get American citizens out" of collapsed states, and we must be able to mount humanitarian opera-

tions, declares Secretary Cohen.⁴⁵ However, the possibility of expensive troop commitments' yielding some ancillary humanitarian benefits is no reason to maintain those commitments in perpetuity.

For instance, rescuing U.S. citizens is worth doing when practicable but does not warrant creating an extensive international military infrastructure. American businessmen, tourists, and others flood the world; they should understand that they are venturing abroad at their own risk. They have no right to expect a Marine Expeditionary Force always to be stationed nearby.⁴⁶

As for humanitarian operations, the Pentagon cites its responses to an earthquake in Japan, floods in China, and wildfires in Indonesia. In fact, DOD provides a map of "A Day in the Life of" illustrating U.S. soldiers building roads and schools and providing medical care.⁴⁷ Those are obviously worthy endeavors but hardly a prime responsibility of the U.S. military; the specific examples cited are especially dubious, since Japan is the world's second-ranking economic power and China is a rapidly growing state that is viewed as a potential threat. In short, being ready to help clean up after earthquakes in Japan is not a good reason to maintain nearly 50,000 servicemen in that nation.⁴⁸

Needed: An Alternative Strategy

Instead of enshrining the status quo, the administration and Congress should adjust U.S. overseas deployments. Policymakers should reduce the defense budget as well as overall force levels and foreign commitments; Washington should develop a comprehensive plan for the phased withdrawal of all forces currently stationed in East Asia and the termination of U.S. defense guarantees to allied nations.

At the same time, however, the United States should replace its bilateral defense treaties with Japan and South Korea with agreements that allow emergency base and port access. It should also maintain joint military exercises and intelligence cooperation. Where ties are looser—with Australia, the Philippines, and Singapore, for instance—the United States should eschew attempts to upgrade defense relationships and rely instead on informal consultations about security issues and intelligence sharing. In cases like Laos and Mongolia, Washington should focus on cultural and economic rather than military links.

The United States should also endorse regional security cooperation, including measures to involve Japan and South Korea, through ASEAN and other appropriate institutions. It would be useful for Washington to encourage nations to resolve boundary and territorial conflicts through negotiations, perhaps through such multilateral regional organizations.

The basic goal for America should be to step into the background as local actors take on prime responsibility for their own security and the stability of their region. Washington ought to make that process as smooth as possible, but America's ultimate goal should be to endorse a new security architecture that reflects the region's new reality-the absence of an overwhelming hegemonic threat combined with the opportunity for allied states to construct a local balance of power sufficient to constrain any potential aggressor.

Withdraw from Korea

The starting point for a new Asian strategy is disengagement from the Korean peninsula, the international flashpoint that has the greatest potential to involve the United States in a serious war. The Democratic People's Republic of Korea (DPRK) obviously remains unpredictable and potentially dangerous, and the Pentagon rightly warns that "North Korea has not relinquished its goal of establishing political primacy on the peninsula. Pyongyang continues to maintain a large, forward-deployed military with robust capabilities." Moreover, argues DOD, "Although the substantial deterioration in North Korea's economic conditions has inevitably affected its military forces, North Korea is still capable of inflicting terrible destruction on South Korea."⁴⁹ Other people embrace and even expand the administration's arguments. Three Heritage Foundation analysts argue that "the North's forward deployed forces require the continued presence of 37,000 U.S. troops in South Korea."⁵⁰ Presumably, even a modest reduction in that number is unacceptable.

End South Korea's Free Riding

The North faces grievous weaknesses-inadequate or nonexistent training, replacement parts, equipment, and food and fuel for its

military; an inefficient transportation network; and a lack of allies.⁵¹ Moreover, there is nothing unique to the southern section of the peninsula-say, a special gravitational field-that prevents the ROK from building a larger, more robust military than the North could ever hope to sustain.

However, Seoul's response to its temporary financial travails has been to reduce military expenditures-a curious action for a country facing a dangerous and unpredictable neighbor. South Korea's irresponsible decision doesn't seem to bother the Pentagon, however. Observes DOD, "Despite a substantial reduction of the ROK's defense budget, the ROK has assured the United States that it will maintain combined operational readiness and deterrent capabilities."⁵²

Although South Korea is suffering economic problems, they now seem to be easing.⁵³ In any case, the South's economic strength still dwarfs that of the North. Even with its economic troubles, the ROK possesses twice the population of, around 29 times the GDP of, and a vast technological lead over North Korea.⁵⁴ If the danger is as acute as claimed by the Pentagon, Seoul should be spending more, not less, on defense. Even in the midst of a recession, the ROK is well able to spend whatever is necessary to make up for the withdrawal of 37,000 American troops.⁵⁵ The North could then choose to engage in meaningful arms control negotiations or lose an inter-Korean arms race.

But the ROK will not make such an effort as long as it can rely on the United States. Despite a seemingly endless succession of promises to achieve military parity with the DPRK, South Korea never quite seems to do so.⁵⁶ In the event of war, Seoul is now planning on an American deployment of 640,000 soldiers, almost as many as the South has in uniform in all of its services.⁵⁷ If South Korea made anything close to Pyongyang's commitment to the military, the North could no longer pose a credible threat to the ROK's security.

Washington should prepare a phased withdrawal program, during which Seoul could engage in an arms buildup or arms reduction negotiations with the North, or both. Upon completion of the troop withdrawal, the so-called mutual defense treaty between the United States and the ROK would terminate. At the very least, the United States should pull out forces that do little to augment the ROK's

military capabilities but act as a tripwire for automatic American involvement. The 1998 security strategy report actually lauds that role: "Our treaty commitment and the presence of U.S. troops in South Korea help deter any North Korean aggression by making it unmistakably clear that the U.S. would immediately be fully engaged in any such conflict."⁵⁸ Immediate engagement, however, prevents any considered reflection about the best course to take to defend America's interests. Even if Washington wants to preserve the bilateral defense treaty, policymakers should at least protect this nation's freedom of action by eliminating the troop deployment.

Cautiously Manage the North Korean Nuclear Issue

The potential for a DPRK nuclear bomb is unnerving, but, despite disquieting events such as its failed satellite launch, Pyongyang has so far apparently lived up to the 1994 Framework Agreement on freezing its nuclear program. Washington should fulfill its own obligations under that agreement; the United States has been late in providing fuel oil (because of congressional opposition) and has failed to eliminate economic restrictions, as promised.⁵⁹ Washington should lift trade sanctions against North Korea and normalize diplomatic relations—modest concessions that would offer the North ongoing benefits for maintaining a peaceful course—and encourage Japan to do likewise. At the same time, the United States needs to work with China, Japan, and Russia to encourage continued DPRK compliance and resolve other questions, such as that of the construction of a new and suspicious underground site. Curiously, Seoul regards that construction with significantly less alarm than does the United States.⁶⁰ ROK president Kim Dae-Jung has proposed a "package deal": improved commercial and political relations with the DPOK in return for an end to North Korean missile and nuclear development.

One may call such concessions bribes (or even appeasement) if one wishes, but it will be money well spent if it maintains the peace as the Korean endgame winds down. It is impossible to predict what course the North Korean regime will take—peaceful transition, violent implosion, or something in between. But Pyongyang's exact future is less important for all concerned than is avoiding war. The South will

ultimately prevail, one way or another, and the goal of reunification, largely on Seoul's terms, is no longer a fanciful notion. Attempting to accelerate the inevitable is not worth an increased risk of conflict.

Although we should remain cautious about any promises by Pyongyang, the well-named "Hermit Kingdom" is more open today than at any time in its 50-year history.⁶¹ Given North Korea's long period of economic and political isolation-and the regime's equally long history of recalcitrance-U.S. threats offer little prospect of success. Moreover, a strategy of attempted coercion risks plunging the peninsula into a new cold, or possibly hot, war.⁶² Engagement may not work either, but it offers far greater prospects of success.⁶³

There are no good options if Pyongyang ultimately attempts to develop an atomic bomb (as well as more advanced missiles), although one important step would be to offer to sell theater missile defense technology to friendly East Asian powers.⁶⁴ A continued American conventional presence would serve no purpose, however. U.S. ground forces in South Korea (and those in Japan as well) would become nuclear hostages, enhancing the North's leverage over Washington.⁶⁵

Reject the Phony Justifications for the U.S. Presence

Of course, neither the South Korean government nor the Clinton administration believes the eventual disappearance of the threat from Pyongyang should affect U.S. deployments. The ROK's defense white papers occasionally note with alarm Japanese military outlays, while Korean academics, policy analysts, and government officials privately advocate a continuing American troop presence to deter aggression by Tokyo.⁶⁶ That would have the ironic effect of transforming an alliance originally intended to protect South Korea from a totalitarian communist enemy into an alliance to protect South Korea from another democratic, capitalist U.S. friend.

Washington, more concerned than Seoul about Japanese sensitivities, is not quite so crass. Instead, DOD prefers the all-purpose threat of instability to justify perpetuating the Korea commitment. DOD warns of "heavy concentrations of military force, including nuclear arsenals, unresolved territorial disputes and historical tensions, and the proliferation of weapons of mass destruction and the means of

delivery serving as sources of instability" in the region.⁶⁷ But what U.S. forces stationed on the Korean peninsula could do about such problems is not self-evident. A single Army division would be of little use in fighting major regional powers, attempting to disarm a new nuclear-weapons state, resolving regional disputes, or eliminating the internal causes of most instability. It appears that what was once a means, a troop commitment in the ROK, has now become an end in itself. That perverse policy should be repudiated.

The U.S. Commitment to Japan: Time for a Setting Sun

Washington should follow a similar strategy of disengagement from Japan, which no longer faces a serious security threat. Whatever dangers remain or might arise in the future, from, say, an aggressive China, could be met by a modest Japanese military buildup. Of course, even during the Cold War many of Japan's neighbors viewed Washington's presence as an occupation force intended more to contain Tokyo than Moscow. That attitude has, unfortunately, not entirely abated, but there is no justification for making America's East Asia policy hostage to the exaggerated fears of Japan's neighbors. The Japanese do not possess a double dose of original sin; their nation along with the rest of the world has changed dramatically over the last half century. The Japanese people have neither the desire to start another conflict nor the incentive to do so, having come to economically dominate East Asia through peaceful means.

The "New" U.S.-Japanese Defense Guidelines

Tokyo certainly has the potential to contribute more substantially to the region's defense. The administration extols the September 1997 defense guidelines as "enhancing the alliance's capability to respond to crises."⁶⁸ However, Tokyo's new responsibilities look significant only in light of its extraordinary passivity of the past.

The principal change in the defense guidelines authorizes Japanese logistical support for U.S. military operations in "areas surrounding Japan"-a phrase that is never defined-that are relevant to Japan's own security. Previously, Japanese officials argued that Article 9 of Japan's constitution precluded such involvement unless Japan

itself was under attack. Despite the official enthusiasm on both sides of the Pacific, the reforms fall far short of establishing an equal security partnership between Japan and the United States. As Ted Galen Carpenter notes,

In the event of an East Asian conflict that does not involve an attack on Japanese territory, Japan will merely provide nonlethal logistical support for U.S. troops and allow U.S. forces to use facilities in Japan for their operations. There is no suggestion that Japanese Self-Defense Forces will participate in combat missions alongside their U.S. allies. American military personnel will still be expected to risk their lives to repel any act of aggression that threatens the security of East Asia while Japan merely provides such things as fuel, spare parts, and medical supplies. The new defense guidelines do nothing to end Japan's status as an American military dependent; they merely allow Japan to be a slightly more active and helpful dependent.⁶⁹

This is the crucial point: the changes entail providing greater access or resources for U.S. military operations.⁷⁰ A cynic might argue that the principal significance of the new defense guidelines is that Japan is now willing to provide body bags for U.S. soldiers killed defending Japanese interests.

Rising Japanese Resentment of the U.S. "Watchdog"

Tokyo is unlikely to continue supporting a permanent foreign watchdog that seems to be there to constrain Japan. Tensions will likely grow as the lack of other credible missions for the U.S. forces becomes increasingly obvious. Popular anger is already evident in Okinawa, where American military facilities occupy one-fifth of the island's land mass.⁷¹ As far back as March 1990, a Japanese newspaper columnist complained that the Japanese people "cannot feel good about paying for a watchdog that watches them."⁷² Economic and political brawls already erupt between the two nations with disquieting regularity, and polls find rising popular anger in both countries.⁷³

Washington should develop a program for the withdrawal of all U.S. forces from Japan, starting with those in Okinawa. That withdrawal can and should be accomplished in no more than six years. At the end of that time, Washington and Tokyo should replace their mutual defense treaty with a more limited agreement providing for emergency base and port access, joint military exercises, and intelligence sharing.

Terminate Irrelevant Military Ties to Australia

Even less relevant than the defense agreements with South Korea and Japan are the Australia-New Zealand-United States (ANZUS) accord, which went into deep freeze in 1984 after New Zealand blocked port access by nuclear-armed and nuclear-powered American ships, and the annual Australia-United States Ministerial Consultations (AUSMIN). ANZUS, created in the aftermath of World War II, was from its inception directed less at containing the Soviet Union, which had no military presence in the South Pacific, than at preventing a new round of Japanese aggression. But since Tokyo had been decisively defeated and completely disarmed, later to be fully integrated into the Western defense network, ANZUS was outmoded the day it was signed. The 1984 brouhaha merely confirmed its irrelevance.⁷⁴

Which leaves AUSMIN. Australia faces no meaningful threats to its security. The notion of an attack from a serious military power — China, India, Vietnam — borders on paranoid fantasy. Canberra, blessed with splendid isolation and economic prosperity, can easily provide whatever forces it deems necessary to protect Australia from a lesser threat.

Washington should put ANZUS out of its misery and simply discard AUSMIN. Australia and America should maintain mutually beneficial military cooperation, such as intelligence sharing and emergency port access. At the same time, Canberra should enhance its military activities in cooperation with other nations in the area.

Foster Regional Security Cooperation

Indeed, the United States should encourage expanded regional

security discussions and institutions in general. Through the Association of Southeast Asian Nations (ASEAN) or other organizations, smaller countries throughout East Asia should develop a cooperative defense relationship with Australia, New Zealand, South Korea, and especially Japan.

Tokyo could do much to improve regional security. A measured military buildup, focused on defensive weapons and conducted in consultation with regional neighbors, would help prevent the creation of a dangerous vacuum-feared by proponents of continuing U.S. dominance-after America's military disengagement. Washington's position should be that of a distant balancer, leaving friendly regional powers to handle their own affairs but poised to act if a hegemonic threat arises that those states cannot contain.

The United States should aid the creation of a more effective regional security framework by encouraging the peaceful resolution of various boundary and territorial disputes. None presently seems likely to lead to war, but all impede better bilateral and multilateral cooperation. Washington should offer its good offices to help mediate the Japan-ese-South Korean squabble over the Takeshima/Tokdu islands, the Japanese-Russian quarrel over the "northern territories" (the Kuril Islands), and the multifaceted territorial disputes over the Paracel and Spratly islands to help dissipate international tensions.⁷⁵ It is crucial, however, that the United States make clear that resolution of those and similar controversies is up to the interested parties, not to America.

Indeed, the Clinton administration acknowledges that regional institutions are arising to play a mediating role. For instance, reports DOD, "ASEAN has distinguished itself by tackling such issues as political instability in Cambodia and territorial disputes in the South China Sea."⁷⁶ But such efforts will always be limited if America insists on preserving its dominant role. Just as the prospect of a hanging concentrates the mind, so the prospect of American military disengagement would concentrate the energies of squabbling countries on working through their differences rather than inflaming past hatreds for domestic political gain.

It is true that most East Asian states want Washington to stay, but the American people should not be expected to surrender more

dollars and risk more lives to police East Asia for whatever length of time friendly states consider it convenient. Although it might be in the interest of other nations for Washington to defend them — and what country would not naturally desire that the world's remaining super-power subsidize its defense? — it is not necessarily in America's interest to do so.

A Realistic Approach to Dealing with China

Increased regional cooperation is particularly important, given the likely rise of China. The end of the bitter Cold War rivalry between the United States and the Soviet Union allows Washington to take a more balanced position in regard to the People's Republic of China (PRC). In its new report, the Pentagon rightly treats Beijing with some unease: "China presents numerous challenges, as well as opportunities, in our regional security strategy." As a result, "the United States, and indeed the rest of the Asia-Pacific region, has a substantial interest in China's emergence as a stable, secure, open, prosperous and peaceful country."⁷⁷

In general, the administration takes a responsible attitude toward relations with the PRC, advocating increased confidence-building activities and bilateral cooperation.⁷⁸ Washington should continue to promote good political relations, expand military dialogues, push for a freer trade regime (including Beijing's inclusion in the World Trade Organization), and encourage additional economic and political reforms.⁷⁹

However, the United States need not be reticent about discussing China's foreign arms sales, human rights abuses, and attempted bullying of Taiwan. America should speak frankly on those issues, though Congress should resist pressure to limit trade with and investment in China. While nothing is inevitable, economic ties offer a powerful tool for weakening centralized communist control in the PRC.

Enabling Taiwan to Defend Itself

Washington also needs to repair its badly flawed policy toward the ROC.⁸⁰ Founded on the island of Taiwan after the communist

victory on the mainland in 1949, the ROC long claimed to be the legitimate government of all China. Seven years after Richard Nixon made his historic trip to the PRC in 1972, the United States dropped diplomatic recognition of the ROC and most other nations followed suit. Since then, Taiwan has existed uneasily at the periphery of global politics—an economic powerhouse but a diplomatic midget.

As noted earlier, the ROC's increasing behavior as a sovereign state caused the PRC to rattle its sabers — or, more accurately, test its missiles — in early 1996. Beijing's threats led Washington to implicitly threaten military intervention should hostilities erupt.

Unfortunately, the Clinton policy package increases the threat of war. The United States opposes self-determination by a people who have built a highly successful capitalist and democratic society — as President Clinton made all too clear during his trip to the PRC in the summer of 1998. Moreover, despite its promise to continue selling arms to Taiwan, Washington drags its feet on key weapons systems and thereby risks denying that community the ability to defend itself. Yet U.S. officials continue to indicate that the United States will intervene if war breaks out.⁸¹ That is a dangerous, incoherent policy.⁸²

America does not have sufficient interests at stake to risk war with a nuclear-armed China over Taiwan. However, Washington, after making clear that it believes the status of Taiwan, whether reunified with mainland China or independent, is up to the people on both sides of the Taiwan Strait, should sell the ROC whatever weapons, such as attack submarines, that Taipei desires to purchase for its own defense.⁸³

Encouraging Strategic Counterweights

Washington should view India, which possesses the world's second largest population, a sizable military, and an embryonic nuclear arsenal, as an important future counterweight to China.⁸⁴ India, in combination with a tough-minded Taiwan, a somewhat more heavily armed Japan, and a unified Korea with potent military forces, would help establish a new regional balance of power that would allow the United States to further distance itself from incendiary but local disputes.

The alternative—and apparently the preferred course of American

policymakers across the political spectrum—is for Washington to discourage China’s neighbors from playing serious military roles. Such a strategy creates the specter of a regional power vacuum that only the United States can prevent. That approach obviously increases the influence of American diplomats and might deter conflict — as long as Washington’s willingness to intervene is believed. But it also ensures that the United States will be involved in any fight, no matter how marginal to America’s interests.⁸⁵

Moreover, turning East Asia into a starkly bipolar arena creates perverse regional incentives. China could turn out to be more aggressive if it faced no regional constraints and didn’t believe that America was willing to risk Los Angeles for Taipei, Tokyo, or Seoul. At the same time, the belief that they have U.S. protection may cause China’s neighbors to be more obdurate in any dispute. The incongruous result would be an increased chance of conflict.

Avoid Unnecessary Dangers

The United States should avoid dangerous flashpoints where only tangential security interests, if that, are involved. Most of all, Washington should not worry unduly about the sort of quarrels that are inevitable in any region with nations as diverse as those in East Asia. The daisy chain between political repression in Cambodia or civil unrest in Indonesia and widespread war or trade disruptions is not only long; it is also so complicated that an American military presence would likely be unable to interrupt it. True, DOD does claim that U.S. troops allow Washington “to anticipate problems, manage potential threats and encourage peaceful resolution of disputes.”⁸⁶ But no successful examples come to mind.

America’s economic strength, diplomatic reach, and cultural ubiquity will always make it a potential honest broker. Irrespective of Washington’s views, states such as South Korea and Japan have good reason not to let disputes, such as that over the Tokdu/Takeshima islands, escalate; in fact, reliance on U.S. defense guarantees encourages bilateral irresponsibility, since both nations can score domestic political points with little security risk. Moreover, the current economic difficulties are already dampening arms sales, suggesting that an

irresponsible arms race might be difficult for Asian states to mount in response to U.S. disengagement.⁸⁷

Potentially more threatening are such disputes as those over the Paracel and Spratly islands, which conceivably could lead to a military clash. But those simmering feuds illustrate the importance of devolving full responsibility, not just partial burdens, to friendly East Asian states that have far more at stake. At some point the threat to use force, rather than simply maintain a force presence, might allow America to impose a solution to a particular problem. However, that is unlikely to be worth the cost and risk to the United States. Even in the rare instance in which it might be worth it, the critical strike forces would be air and naval, not the ground units presently stationed in Japan and Korea.

America as Ultimate Balancer

The United States should act as the ultimate balancer in East Asia. Should a potential hegemon arise that cannot be contained by states friendly to America — today, at least, only China seems a plausible, though not likely, villain — Washington should be prepared to act. But there is no reason to assume that Beijing will be an enemy. China's future development is highly uncertain, and there is a great difference between an assertive nation, which China has been so far, and an aggressive one.⁸⁸ The PRC is a long way from becoming such a threat in any case. Even today Taiwan's GDP is about a third that of Beijing's, South Korea's economy is almost half as large as that of the PRC, and Japan's GDP is more than four times as big as that of the PRC.⁸⁹

Moreover, China is far more likely to behave in a restrained fashion if its neighbors possess serious deterrent capabilities. Beijing is likely to treat more seriously well-armed neighbors than U.S. promises, especially if America's interests seem slight and its will to act uncertain. An assortment of capable East Asian powers would also reduce the likelihood of the United States being ensnared in dangerous crises — especially those that might lead to a confrontation with a nuclear-armed adversary.

Toward a Sensible Security Strategy

The world remains a dangerous place, advocates of a perpetual Pax Americana ritualistically intone, and so it is. But it is not inherently dangerous to the United States. Nor are the dangers to other nations in East Asia as great as they were during the Cold War era. As DOD acknowledges, relations between Russia and China are much better, greatly reducing the possibility of conflict between those two states; several other sets of bilateral relations (Russia-South Korea, China-Japan, Russia-Japan, ROK-Japan) have also improved.⁹⁰ This doesn't mean that a major war in East Asia is impossible, but it is much less likely.

Defense Secretary Cohen has argued that "the central lesson of this century" is "that when America neglects the problems of the world, the world often brings its problems to America's doorstep."⁹¹ Yet no one seriously argues for isolation, or acting, in Cohen's words, "as if we could zip ourselves into a continental cocoon and watch events unfold on CNN."⁹² The real debate is between those who would be meddlers of first resort and those who would be intervenors of last resort. Most world problems will never end up on America's doorstep unless Washington invites them to. Real leadership entails identifying the rare problems that are likely to affect the United States and then developing the most effective response. With regard to the rest, Washington ought to rely on local leadership to deal with local problems.

Nowhere is that strategy more important and desirable than in East Asia. The United States will be more secure if friendly East Asian powers, instead of relying on America, are able and willing to contain nearby conflicts. Moreover, as economic issues grow in importance, it will become even more essential for Washington to simultaneously reduce the military burden on the American economy and ensure that its trading competitors bear the full cost of their own defense. Otherwise, U.S. firms will be less able to take advantage of expanding regional and global economic opportunities.

Jettisoning antiquated alliances and commitments and reducing a bloated force structure do not mean the United States would cease to be an Asian-Pacific power.⁹³ After bringing its forces home from South Korea and Japan, America should center a reduced defense presence

around Wake Island, Guam, and Hawaii. The United States would remain the globe's strongest military power (by far), with the ability to intervene in East Asia if necessary. However, American policy would be dictated by America's interests, rather than those of the populous and prosperous security dependents that Washington has accumulated throughout the region. The Pentagon's next East Asia security strategy report-and, more important, its practical policies-needs to be based on that crucial principle.

Notes

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1. U.S. Department of Defense, *United States Security Strategy for the East Asia-Pacific Region* (Washington: U.S. Department of Defense, February 1995), p. 6.
2. U.S. Department of Defense, *The United States Security Strategy for the East Asia-Pacific Region: 1998* (Washington: U.S. Department of Defense, November 1998). Cited hereafter as *Security Strategy 1998*.
3. For example, the Association of Southeast Asian Nations (ASEAN) has helped fill any potential vacuum that could have resulted from the eclipse of U.S. dominance in Southeast Asia two decades ago, and the Clinton administration extols the "increasingly important role" played by the organization, whose members "have grown more confident and assertive in the years following the end of the Cold War." Nevertheless, explains DOD, the ASEAN states support "a continued U.S. military presence in the region." As a result, America "will remain committed to our friends and partners in Southeast Asia both in good times and in bad." *Security Strategy 1998*, pp. 35-36. Of course, it is hard to find any nation that doesn't prefer to have America defend it. States the Pentagon, "Brunei has publicly supported the U.S. role in maintaining Asia-Pacific security, including a continued U.S. military presence in the region." *Ibid.*, p. 37.
4. *Ibid.*, p. 7.
5. William Cohen, "America-Confronting the Issues and Staying the Course," *World Affairs Journal* 12, no. 1 (September 1998): 1.
6. *Security Strategy 1998*, p. 1.
7. *Ibid.*, p. 26.
8. *Ibid.*, p. 63.

9. Quoted in *ibid.*, p. 26.
10. *Ibid.*, p. 38.
11. *Ibid.*, pp. 31, 34.
12. *Ibid.*, p. 19.
13. Quoted in Mary Jordan, "Albright Assures Japan That Alliance Is Strong," *Washington Post*, July 5, 1998, p. A12.
14. *Security Strategy 1998*, pp. 19-20.
15. *Ibid.*, p. 6.
16. Quoted in "Anger As Pentagon Chief Kicks Off Visit," *South China Morning Post*, April 8, 1997.
17. *Security Strategy 1998*, pp. 22-24.
18. *Ibid.*, p. 62. The Korean people, in contrast, seem less enthused. A 1997 poll indicates that 70 percent want all American forces to go home after reunification. "U.S. Troop Presence Depends on Role in Unification: Report," *Korea Times*, January 24, 1999. Even today some groups protest activities of the U.S. military, including its impact on the environment. "Noise at U.S. Bombing Range Disturbs Wildlife," *Korea Times*, September 27, 1998.
19. *Security Strategy 1998*, p. 62.
20. *Ibid.*, p. 39.
21. *Ibid.*, p. 35.
22. *Ibid.*, p. 27.
23. *Ibid.*
24. U.S. Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, p. 6.
25. *Security Strategy 1998*, pp. 29, 12, 29.
26. *Ibid.*, p. 40.
27. *Ibid.*, p. 34.
28. For a more detailed discussion of the Taiwan issue, see Ted Galen Carpenter, "Let Taiwan Defend Itself," *Cato Institute Policy Analysis* no. 313, August 24, 1998.
29. *Security Strategy 1998*, p. 28.
30. *Ibid.*, p. 40.
31. *Ibid.*, pp. 37, 39, 38.
32. *Ibid.*, pp. 42, 64, 66, 43.
33. *Ibid.*, pp. 53-58, 63, 57.
34. *Ibid.*, pp. 19, 59, 7.
35. Joseph Nye, "In Defence of the Alliance with the U.S.," *Australian Financial Review*, August 3, 1998, p. 17.
36. "U.S. Military Chief Sees No Big Threat in Asia," Reuters, February 25, 1999.
37. *Security Strategy 1998*, pp. 10-11.
38. The same phenomenon occurred in Europe, where after the fall of the Berlin Wall officials suggested using NATO to fight the drug war, combat environmental degradation, and promote student exchanges. Doug Bandow and Ted Galen Carpenter, "Preserving an Obsolete NATO," *Cato Policy Report*, September-October 1988, pp. 1, 10-12. Now, of course, instability has become the chief target of the onetime anti-

Soviet alliance.

39. *Security Strategy 1998*, p. 11.

40. Doug Bandow, *Tripwire: Korea and U.S. Foreign Policy in a Changed World* (Washington: Cato Institute, 1996), p. 40.

41. "South Korea to Pay Less in '99 for Keeping U.S. Troops," Reuters, December 22, 1998. Washington has also cut ROK payments under the Foreign Military Sales program. Barbara Opall-Rome, "DoD Lightens Seoul's FMS Burden," *Defense News*, June 8-14, 1998, p. 4.

42. *Security Strategy 1998*, p. 18.

43. *Ibid.*, p. 45. To the contrary, the Indonesian military has generated political instability as well as violated human rights. Ryaas Rasyid, director-general for regional affairs in Indonesia's Home Affairs Ministry, observes, "Suharto sent troops to every region considered to be threatening national unity. It created dissatisfaction everywhere." Quoted in John McBeth and Margot Cohen, "Loosening the Bonds," *Far Eastern Economic Review*, January 21, 1999, p. 11.

44. Opposition leader Sam Rainsy complains that Western financial aid has hindered reform. He contends that half of the soldiers to be demobilized with Western money are "ghost" soldiers. Michiyo Nakamoto and Ted Bardackee, "Financial Aid to Cambodia 'Hinders Reform,'" *Financial Times*, February 24, 1999, p. 6.

45. Cohen, p. 5.

46. Perhaps the silliest example of this rationale in action was Woodrow Wilson's formal justification for entering World War I — to preserve the right of Americans to travel on armed merchantmen of a belligerent power carrying munitions through a war zone. See, for example, Doug Bandow, *The Politics of Envy: Statism as Theology* (New Brunswick, N.J.: Transaction Publishers, 1994), p. 93; Charles Seymour, *American Diplomacy during the World War* (Baltimore: Johns Hopkins University Press, 1942), pp. 26-128; and Edwin Borchard and William Lage, *Neutrality for the United States* (New Haven, Conn.: Yale University Press, 1937), pp. 59-235. In fact, a lively controversy has arisen over the charge that Britain left the *Lusitania* without escort in the hope that it would be sunk and would thereby bring the United States into the war. The leading proponent of that thesis is Colin Simpson, *The Lusitania* (New York: Ballantine Books, 1972).

47. *Security Strategy 1998*, pp. 57, 32-33.

48. The cost is shared by American and foreign citizens. The Pentagon acknowledges "the sacrifices of the citizens who live near training areas or bases, and who sometimes endure noise and other inconveniences." *Ibid.*, p. 13. But in the case of Okinawa the burdens are both overwhelming and unjustified. Doug Bandow, "Okinawa: Liberating Washington's East Asian Military Colony," *Cato Institute Policy Analysis* no. 314, September 1, 1998.

49. *Security Strategy 1998*, pp. 23, 24.

50. Richard Fisher, Robert O'Quinn, and Daryl Plunk, "Clinton's Trip to Asia: Time to Show U.S. Leadership," Heritage Foundation Backgrounder no. 1236, November 13, 1998, p. 9.

51. For instance, Moscow is replacing its 1961 treaty with North Korea with a new

accord that lacks security guarantees. "Russia Ready to Sign Treaty with N. Korea," Reuters, February 22, 1999.

52. *Security Strategy 1998*, p. 25.

53. See, for example, Jennifer Veale, "Is This Recovery for Real?" *Business Week*, January 25, 1999, pp. 54-55; and Michael Schuman, "South Korean Economy May Have Bottomed Out, But Many Factors Still Present Risks to Investors," *Wall Street Journal*, January 29, 1999, pp. A12, A13.

54. For a fuller treatment of this issue, see Bandow, Tripwire; and Doug Bandow, "America's Obsolete Korean Commitment," *Orbis* 42, no. 4 (Fall 1998): 605-17. The Bank of Korea estimates that the North's economy has been shrinking since 1995.

55. The latest estimate for 1997 are a GDP of \$442.5 billion for the ROK and \$17.7 billion for North Korea. In the same year the South spent \$15.5 billion on its defense. John Dori and Richard Fisher, eds, *U.S. and Asia Statistical Handbook 1998-1999* (Washington: Heritage Foundation, 1998), pp. 58-61.

56. Bandow, Tripwire, pp. 71-73.

57. Voice of America, "Korea/Defense," September 28, 1998.

58. *Security Strategy 1998*, pp. 22-23.

59. Thomas Lippman, "N. Korea-U.S. Nuclear Pact Threatened," *Washington Post*, July 6, 1998, pp. A1, A13; and Philip Shenon, "North Korean Nuclear Arms Pact Reported Near Breakdown," *New York Times*, December 6, 1998, p. 16. Selig Harrison of the Century Fund argues that America's promise to lift sanctions was more important than its pledge to provide fuel oil. Selig Harrison, "How to Deal with North Korea," Remarks during Council on Foreign Relations debate, Washington, February 9, 1999, p. 1.

60. Glenn Baek, "Dangerous Endgame in North Korea," *Washington Times*, February 26, 1999, p. D19; and George Gedda, "Albright Calls North Korea a Threat," Associated Press, February 25, 1999.

61. Among the admittedly more unusual evidence of change was the recently revealed beer and pizza parties hosted by the U.N. Command at the truce village of Panmunjom and attended by North Korean and U.S. soldiers. Don Kirk, "GIs and North Koreans Said to Mingle in DMZ," *International Herald Tribune*, December 12, 1998.

62. Some analysts fear that soon there will be another crisis that veers toward war, as did that of 1994. See, for example, James Kitfield, "The Next Korean Conflict," *National Journal*, December 5, 1998, pp. 2876-78. Critics of the Framework Agreement blithely ignore the threat of triggering hostilities and offer no practical alternative policy. Yet simply cancelling the accord risks creating a frightening spiral beginning with a restart of the DPRK nuclear program and continuing with U.N. sanctions, allied military strikes, and war.

63. See, for example, Selig Harrison, "The Korean Showdown That Shouldn't Happen," *Washington Post*, November 22, 1998, p. C2; Joseph Cirincione and Matthew Rice, "Korean Nuke Pact Works," *Defense News*, November 2-11, 1998, p. 13; and Donald Gregg and James Laney, "Don't Dismantle the Nuclear Framework on Korea," *Washington Post*, September 21, 1998, p. A21.

64. See, for example, "U.S., Japan Agree to Study Missile Defense," *Washington*

Times, September 21, 1998, pp. A1, A20; and Bill Gertz, "Cohen Says N. Korean Missile Is Big Threat," *Washington Times*, July 10, 1998, pp. A1, A20. Naturally, the administration would prefer to intensify the dependence of U.S. allies by running such a system, but our allies' defense should be their responsibility. The North Korean missile threat also creates an incentive for the United States to develop a domestic anti-missile system. James Anderson, "The Senate's Opportunity to Get Serious about Missile Defense," Heritage Foundation Executive Memorandum no. 551, September 8, 1998.

65. For a detailed discussion of this issue, see Doug Bandow, "Nuclear Issues between the United States and North Korea," in North Korea after Kim Il Sung, ed. Dae-Sook Suh and Chae-Jin Lee (Boulder, Colo.: Lynne Reiner, 1998), pp. 123-45.

66. Bandow, *Tripwire*, pp. 162-63. A new report from the Institute of Foreign Affairs and National Security, the South Korean Foreign Ministry's think tank, advocates that Washington permanently station 5,000 soldiers on the peninsula in order to, according to the *Korea Times*, "guarantee its automatic involvement in a regional conflict." "U.S. Troop Presence Depends on Role in Unification: Report."

67. *Security Strategy 1998*, p. 62.

68. *Ibid.*, p. 20.

69. Ted Galen Carpenter, "Washington's Smothering Strategy: American Interests in East Asia," *World Policy Journal* 14, no. 4 (Winter 1997-98): 22.

70. *Security Strategy 1998*, p. 21. Fear of North Korea has grown since the North's recent missile launch, causing a new debate over Japan's defense policy. "The Call to Arms," *The Economist*, February 27-March 5, 1999, pp. 23-25; and Michiyo Nakamoto, "LDP Debates Military Strikes Strategy," *Financial Times*, February 26, 1999, p. 4.

71. Bandow, "Okinawa."

72. Quoted in Kenneth Pyle, "The Japanese Question," in *Japan and the World: Considerations for U.S. Policymakers* (Seattle: National Bureau of Asian and Soviet Research, 1990), p. 7.

73. See, for example, Ted Galen Carpenter, "Paternalism and Dependence: The U.S.-Japanese Security Relationship," *Cato Institute Policy Analysis* no. 244, November 1, 1995, pp. 20-23; and Frank Ching, "A Partnership under Strain," *Far Eastern Economic Review*, March 17, 1994, p. 33. The media in both nations play a role. Stanley Budner and Ellis Krauss, "Newspaper Coverage of U.S.-Japan Frictions," *Asian Survey* 35, no. 4 (April 1995): 336-56.

74. See, for example, Doug Bandow, "ANZUS: A Case of Strategy Obsolescence," in *Collective Security or Strategic Independence? Alternative Strategies for the Future*, ed. Ted Galen Carpenter (Lexington, Mass.: Lexington Books, 1989), pp. 121-32; and Ted Galen Carpenter, "Pursuing a Strategic Divorce: The U.S. and the ANZUS Alliance," *Cato Institute Policy Analysis* no. 67, February 27, 1986.

75. The latter are claimed in whole or in part by Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam. Chinese construction on the appropriately named Mischief Reef has generated sharp criticism from the Philippines, whose exclusive economic zone contains the islands. Manila has so far unsuccessfully called upon

ASEAN and the United Nations to intervene in the dispute. Philippine defense secretary Orlando Mercado has also pointed to his nation's mutual defense treaty with the United States and argued that it is in the interest of America and allied states "that this particular area be kept free as a sea-lane from the dominant control of one power." Quoted in Michael Richardson, "Philippines Is Stymied in Dispute with China," *International Herald Tribune*, January 21, 1999, p. 4. Washington has so far, appropriately, remained aloof.

76. *Security Strategy 1998*, p. 36.

77. *Ibid.*, p. 30.

78. *Ibid.*, p. 65.

79. For a general view, see Ted Galen Carpenter, "Managing a Great Power Relationship: The United States, China and East Asian Security," *Journal of Strategic Studies* 12, no. 1 (March 1998): 1-20.

80. See generally Carpenter, "Let Taiwan Defend Itself."

81. See, for example, *ibid.*, pp. 3-4.

82. In fact, the administration's policy of "strategic ambiguity" is extraordinarily irresponsible. Washington seems to be saying that the United States might be willing to go war to protect Taiwan, but who knows? The administration obviously hopes it can deter China on the cheap, without having to actually threaten to use force. However, this course risks a repeat of Sir Edward Grey's disastrous diplomacy on the eve of World War I. Britain's foreign secretary secretly committed his nation to assist France without warning Germany of London's position, thereby making both continental powers more willing to risk war.

83. Today a Chinese invasion would be an extraordinarily risky affair. U.S. Department of Defense, "The Security Situation in the Taiwan Strait," Report to Congress pursuant to FY99 appropriations bill, 1999.

84. See, for example, Martin Sieff, "Passage to India," *National Review*, June 22, 1998.

85. The Philippines undertook a serious military modernization program only after the United States departed, when it became impossible for Manila to continue relying on Washington for its defense. Tony Tassell, "Spratly Nerves Force Manila Rethink," *Financial Times*, January 26, 1999, p. 6.

86. *Security Strategy 1998*, p. 10.

87. Gwen Robinson, "Defense Spending Cuts 'Threaten Asian Stability,'" *Financial Times*, February 24, 1999, p. 6; and Tim Smart, "Cutbacks in Asia Take Toll on U.S. Arms Industry," *Washington Post*, November 26, 1998, pp. B1, B24.

88. Under Secretary of Defense, "China in the Near Term," August 1-10, 1994 (photocopy).

89. Dori and Fisher, pp. 43, 45, 53.

90. *Security Strategy 1998*, pp. 42, 44. One reason for some of the improvements may be America's perceived tilt toward China, which has worried Japan, in particular. Ted Galen Carpenter, "Roiling Asia: U.S. Coziness with China Upsets the Neighbors," *Foreign Affairs* 77, no. 6 (November-December 1998): 1-6.

91. Quoted in *Security Strategy 1998*, p. 4.

92. Cohen, p. 5.

93. Nor is it a radical notion. See, for example, Carpenter, "Washington's Smothering Strategy"; Edward Olsen, "A Northeast Asian Peace Dividend," *Strategic Review* (Summer 1998); and Chalmers Johnson and E. B. Keehn, "The Pentagon's Ossified Strategy," *Foreign Affairs* 74, no. 4, (July-August 1995).

Korea and Japanese Security

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The Korean peninsula is crucial to Japanese security. Currently, the Japan-United States alliance is being reinvigorated to meet the continuing threat posed by North Korea as well as new challenges in the post-cold war era. The recently announced new defense cooperation guidelines outline the support the Japanese will extend to U.S. forces during peacetime, during an armed attack on Japan, and in emergencies "in areas surrounding Japan." In order to avoid unduly alarming China and to win public acceptance of the reformulation of the alliance in the absence of the kind of mortal threat once posed by the Soviet Union, the continuing danger posed by North Korea has been underlined. Yet, should the North Korean threat disappear, justifying the Japan-U.S. alliance will be that much more difficult. To forestall any danger of unraveling of the alliance, Japan must work with South Korea to formulate a new vision of the security relationship between Seoul and Tokyo that more closely integrates their common interests with those of their mutual ally, the United States.

The New Defense Guidelines

To be sure, Japan's relationship with the leading powers of the region is on a positive trajectory, with a burst of summit talks in recent years. Most important, the Japan-U.S. Mutual Security Treaty - the pillar of Japanese security that has stood the test of time - remains in place. The announced revision of the 1978 defense guidelines is

designed to reinvigorate the alliance for the post-cold war era. If the Japanese Diet passes the needed bills into law to implement the new guidelines, the Japan-United States ties, often touted in Tokyo and Washington as the most important bilateral relationship in the world, will be brought to a new level of cooperation.

The new guidelines were jointly announced by Japan and United States on September 23, 1997. This is one of the most important developments in Japan-U.S. security relations since the mutual security treaty was signed during the Korean War, in the early 1950s, because the new guidelines concern crises that do not directly threaten the security of Japan. Whereas article 6 of the mutual security treaty limits Japan's cooperation to little more than allowing U.S. forces to use bases in Japan, the new guidelines allow Japan during these crises to supply U.S. forces with non-lethal material assistance as well as to open civilian ports and airfields to them. They also allow new missions for Japan's Self-Defense Forces (SDFs). For example, the Maritime Self-Defense Forces (MSDFs) could resupply U.S. warships during a crisis, evacuate civilians and U.S. soldiers from dangerous situations, remove mines from the high seas, and enforce United Nations sanctions.¹

Though some Japanese and Americans doubt the need for increased security cooperation between the two richest countries in the world in the absence of the kind of mortal threat once posed by the Soviet Union, the new guidelines were issued in the hope of reaffirming the Japan-United States alliance. That is, on one level, the new guidelines provide for security contingencies "in areas surrounding Japan," but perhaps more important is the political significance of the new guidelines. Precisely because increasing numbers of Japanese and Americans question the purpose of the Japan-U.S. alliance after the end of the cold war, the relationship had to be redefined in terms of interests the two nations share as they face new uncertainties in the post-cold war period.

Following the 1995 rape of a Japanese schoolgirl by U.S. Marines stationed in Okinawa, the continuing U.S. military presence in Japan came under intense scrutiny by the Japanese people. The outrageous act of a few miscreants threw oil on an anti-mutual security

treaty fire that was already burning in Japan, particularly in Okinawa, which bears a disproportionate share of the cost of hosting U.S. forces on Japanese soil. On the other side of the Pacific, especially in the aftermath of the Persian Gulf war, critics began to voice doubts about Japan's ability and willingness to share the burdens of the alliance in the post-cold war security environment, where Japan is no longer directly threatened by a hostile mutual adversary. Though a major importer of oil from the Gulf region, Japan did not contribute much to the operation of the multinational forces led by the United States in ejecting Iraqi aggressors from Kuwait.²

Among other considerations endangering the alliance, these factors forced Japanese and U.S. policymakers to recast the trans-Pacific security relationship from a strategic, long-term perspective. Hence, with the hope of rejuvenating the alliance, the new guidelines were issued emphasizing the alliance's utility in preserving stability and reducing uncertainty in East Asia.

The new guidelines, however, may fall short of their mark for at least two reasons. First, there is ambiguity in how the new guidelines apply or do not apply to the vexing Taiwan question. Whither the alliance if the Chinese attempted to invade Taiwan? While many members of the policy elite in Japan may understand the logic of the Japan-U.S. alliance in balancing the growth of Chinese power, it is difficult to imagine that they - let alone the Japanese public - would support an all-out U.S. attempt to contain China in the event of a severe crisis in the Taiwan Straits.

The second weakness is directly linked to the first. Because of the desire to avoid unduly antagonizing China and the need to win over Japanese public opinion, the new guidelines have been justified as insurance against the security threat posed by North Korea. The public on both sides of the Pacific understands the immediate danger represented by North Korea's defiant militarism and its suspected nuclear weapons program.³ As a result, the concrete operational language of the new guideline has been explained and justified in terms of dealing with a contingency on the Korean peninsula. However, this may prove to be a problem in the long run.

Although it appears unlikely in the short run, what if - for

whatever reason - the North Korean threat disappears? Clearly, the most obvious justification for the Japan-U.S. alliance disappears as well. At minimum, both the Japanese and American electorates could demand a sharp reduction in U.S. military presence in Japan as a result. More troubling is the possibility that a general unraveling of the U.S. security relationship with Japan as well as that with South Korea would ensue. Since the U.S. presence has done much to dampen East Asia's latent security fears, regional stability could be compromised as a consequence. Should U.S. presence weaken in the region, uncertainties could begin to cloud the security calculations of the regional powers, triggering a dangerous military dynamic that could adversely affect the entire region.

Korea's Place in Northeast Asia

Given the understandable tendency by the Japanese policy elites to avoid open and public discussion of security and strategic issues, many Japanese have an incomplete understanding of the geopolitical significance of the Korean peninsula. The Japanese public is not fully aware that the stability of the entire East Asian region is at stake in Korea. Geography is such that the Korean peninsula is the place where the interests of four of the world's most prominent powers intersect.⁴

Military strategists will point out that Korea has been critical to the geostrategic equation of the region precisely because it has been the weakest power when compared to other regional powers - China, Japan, Russia, and the United States. The often-quoted saying about Korea's geopolitical predicament is that "Korea is a shrimp swimming among the whales." As with other such repeated generalizations, however, this saying obscures as much as it enlightens. Historically, until the arrival in Asia of the Western powers, the Korean peninsula was dominated by only one whale: China, the huge continental empire exerting varying degrees of hegemony over other powers in East Asian "international relations."

Chinese domination had costs, but it had rewards as well. The bilateral relationship was not one of equals, but it was a reciprocal one in which successive Chinese dynasties (including non-Han dynasties) sought to retain Korea as a tributary state while a succession of Korean

courts sought the official recognition, endorsement, and protection of the occupier of the Chinese throne. Compared to the experience of smaller European states in the multipolar Westphalian system, Chinese domination afforded Korea a period of relative tranquillity and peace, if not prosperity and dynamism.

One of the most serious security threats to Korea during this period was the Japanese invasion led by Toyotomi Hideyoshi *en route* to China in the 1590s. The resulting six-year war between Korea and Japan, with China providing assistance to Korea, was highly destructive of Korean life and property. With the death of Hideyoshi, however, Japan's sudden adventurist thrust into Korea gave way to self-imposed isolation, under the Tokugawa leadership. Koreans often talk about the longstanding interstate rivalry between Korean and Japan, but this history is often colored by the troubled bilateral relations of the late nineteenth and the first half of the twentieth century. The reality is that the two countries maintained peaceful, if not always friendly, relations for over 250 years after Hideyoshi's ambition was thwarted.

This long-lasting stability was disturbed by the arrival of the Western powers and the superimposition of the Westphalian interstate competition in the region. Western imperialism destabilized China and made Korea a highly contested prize for the Western powers (Russia, in particular) and modernizing Japan, who quickly recognized Korea's geopolitical importance in their quest for security and empire. Only then did Korea become the focal point of great-power rivalry in the region.

As noted earlier, Korea's problem was not the threat it posed to its neighbors, but the danger its neighbors posed to each other *through* Korea. Korea's relatively small size and central location among Northeast Asia's larger powers made it a strategic prize or buffer for these powers.⁵ Lacking the state capabilities and resources needed to protect its interests, Korea soon fell prey to the fear and ambition of its more powerful neighbors.

Japan, an insecure rising power forced out of its isolation by the United States, was the most aggressive player in the contest for the control of the Korean peninsula. Recognizing the strategic importance

of the neighboring country to its national security, Japan sought to replace traditional Chinese hegemony in Korea with its own. Decaying China did what it could to maintain its position in Korea, but following its defeat in the Sino-Japanese War of 1894-95, China was forced by Japan to recognize Korea's "independence."

Of course, Japan's goal was temporarily thwarted by Russia's diplomatic machinations. In time, however, the removal of Chinese power in Korea led to a direct and open struggle between Japan and Russia which ultimately resulted in Japanese triumph, in the Russo-Japanese War of 1904-5. When the Peace of Portsmouth brokered by the United States was signed, Russia was forced to recognize Japan's "paramount political, military and economic interest" in Korea.⁶ Soon after Japan's interest in Korea was recognized, Japan brought Korea tightly into its orbit by annexing it formally in 1910. Only the unconditional surrender of Japan to the United States in World War II brought about the recovery of Korean sovereignty.

Unfortunately for the Koreans, the "temporary" division of their country into two occupation zones by Japan's foes - namely, the United States and the Soviet Union, a late entrant to the war in Pacific - produced the development of two rival states hostile to each other. The story of this division is complicated and contested, but the emergence of the bipolar competition between the United States and the Soviet Union intensified and solidified the rivalry of the two states, ultimately producing war.

The bloody stalemate of this conflict, the Korean War, then locked South Korea - backed by the United States and, indirectly, Japan (still under American occupation) - and North Korea - supported by the Soviet Union and the newly emerged People's Republic of China - into playing the role of quintessential client state during the cold war. The divided Korea served as the buffer and fulcrum in the balance of power between East and West in the region.

Of course, in Northeast Asia, the confrontation between the East and the West had unique dynamics of its own because of the rivalry that soon developed between the Soviet Union and China. As the division between the two giants of communism unfolded, North Korea was able to gain a degree of foreign policy autonomy not available to

South Korea, which could only depend on the generosity and self-interest of the United States. North Korea was able to play off the mutually hostile communist neighbors against one another, given that both valued the Korean peninsula for its strategic significance.

If South Korea benefited from a security commitment by the United States that was stronger and more certain than the Soviet or Chinese commitment to North Korea, Seoul's foreign policy was clearly limited by the lack of any alternative. Japan continued to have vital interests at stake in the Korean peninsula, but Tokyo lacked Seoul's trust - even after diplomatic relations were established in the mid-1960s - to serve as a counterweight to the United States. The fact that the Japan-U.S. Mutual Security Treaty provided for U.S. military protection of Japan also limited the importance of direct Japanese involvement on the Korean peninsula. Despite the differences between the North and South Korean foreign policy environments, the bottom line is that throughout the 1950s and 1960s both Koreas' foreign policy alternatives were severely limited by the security challenge each presented to the other.

The above account of Korea's place in Northeast Asia greatly simplifies history, but it is difficult to quarrel with the view that Korea has been the vortex of great-power competition since the arrival of the Western powers. While Korea cannot hope to change its geography, its role as a "taker" of the foreign policy of others has started to change in recent decades, beginning subtly in the 1970s, when South Korea began to achieve rapid, if unbalanced, economic growth while North Korea began to experience the various ills of "advanced Stalinism," and the change has accelerated with the end of the cold war and bipolarity in the world system.

With the waning of the cold war, Seoul took the risk of incurring instability on the Korean peninsula by jumping head-first into an all-out drive to improve South Korea's ties with the Soviet Union and China. Its "Nordpolitik" brought about something like a revolution in South Korea's foreign policy vis-à-vis its bigger neighbors. The apparent victor of the North-South bilateral competition, Seoul is actively engaged in multilateralizing its foreign relations as Pyongyang is suffering from isolation.

Washington and Tokyo have generally supported Seoul's diplomatic efforts, but less apparent have been the subtle ways in which these recent developments have reshaped the context of South Korea-United States as well as South Korea-Japan relations. The remnants of client-statism is fast disappearing in Seoul's diplomacy.⁷ In fact, although the North Korean military threat remains, some in Seoul no longer see the U.S.-South Korea Mutual Security Treaty and its extensive economic links with Japan as the foundation of South Korean foreign relations. Although the current economic crisis has revealed the depth of its political as well as its economic dependence on Washington and Tokyo, Seoul will continue to build on its expanded ties to other powers of the region, especially China, which Koreans tend to view more favorably than Japan. This could have a major impact on Japan as the regional security structure evolves.

Changing Security Dynamics of the Region

Of course, it is not yet clear what is the dominant force shaping Northeast Asian security in the post-cold war era. The broader East Asian region has benefited tremendously from the integration of the world's markets after World War II, but the current economic turmoil in the region casts a deep shadow over the argument that this region is in turn playing a critical role in the expansion of the global economy and the integration of the Asia-Pacific.

Even before the current crisis, there was no agreement among security analysts that this part of the world would enjoy peace and prosperity in the long run as a "community." Most do not draw fatalistic conclusions, but they are concerned about the implications of the economic and strategic transition taking place in this region today.

Realists worry that contemporary economic and political developments in East Asia are leading to uneven rates of growth among nations, impacting differential growth of power. Even liberals worry that, compared to post-cold war Europe, East Asia suffers from a "thinness" of multilateral organizations as well as democracy, institutions they believe mitigate the instability of multipolarity. Many would agree with Aaron Friedberg's speculation that, while civil wars and ethnic strife will continue to smolder among Europe's peripheries,

in the long run, East Asia may be the cockpit of multipolar conflict.⁸

Of course, there is no conclusive evidence that multipolar systems are necessarily more war-prone or unstable than other configurations of international power. Nonetheless, many security analysts believe that multipolar systems, at the level of structure, do tend toward certain pathologies.⁹

To be sure, with the collapse of the Soviet Union, the United States is today the only great power of the region capable of projecting significant power offshore, but America's "unipolar moment" is unlikely to be sustained indefinitely.¹⁰ Despite its current economic vitality and impressive lead in cutting-edge military technologies, tactics, doctrines, and system of systems (Revolution in Military Affairs), without a competing superpower U.S. power projection capability could erode. Given a possible resurgence of isolationism in U.S. politics that should not be underestimated, the United States — as a maritime power with a secure continental base far away from the region — might even come to adopt a new strategic posture as an off-shore balancing power in the region. Many fear that the resulting power vacuum would increase insecurity in the region.

The continuing division of Korea has extended the life of the bipolar security structure in Northeast Asia, maintaining U.S. engagement in the region. However, the end of U.S.-Soviet competition has removed the mask of the capitalist-communist logic of the power alignment across the Korean DMZ, laying bare the buffer role served by the two rival Korean states in separating China and Japan. So long as Korea remains divided, Koreans are quick to note, a degree of stability in the region is assured. There is nothing more predictable than a status quo. While the North Korean threat remains potent and the mutual security treaty between the United States and South Korea remains in place, the Japan-U.S. alliance makes sense and is readily justifiable. Further, this crucial trans-Pacific link, ensuring limited Japanese armament, will continue to provide comfort to Japan's neighbors, especially China.

The problem is that North Korea's economy is in dire trouble. A country that has advanced the principle of national self-sufficiency to the level of religious doctrine (*Juche*) is now reduced to accepting

international famine relief. Of course, there is no sign of significant political unrest afflicting the North Korean government, and some argue that North Korea will muddle through.¹¹ However, consistent information from various sources paints the picture of a country without much future. If the North Koreans continue to do nothing meaningful to help themselves, the probability for implosion or explosion will surely increase.

Indeed, what happens if North Korea collapses? Once the North Korean threat disappears, what rationale remains for U.S. troop presence in Korea? While security analysts and military strategists can offer sound reasons for the continuation of the South Korea-U.S. alliance after Korean reunification, a compelling reason may be lacking in the minds of ordinary Americans and Koreans. At the same time, the last overt justification for Japan-U.S. security relations would disappear as well. Once the North Korean threat disappears, however, the same kind of question can be asked about the Japan-U.S. alliance as about the South Korea-U.S. alliance.

As mentioned, to win public support, the Japan-U.S. alliance is now being reinvigorated with Korean contingencies in mind. However, should the North Korean threat disappear, justifying the alliance to voters in Japan and the United States will be more difficult.

What impact will the disappearance of the North Korean threat have on Japan's security environment? As any security analyst would recognize, the answer depends on the way the threat disappears. However, no matter how this transformation is handled, the probability is not low that it could prove disruptive to peace and security in the region and force a fundamental realignment of power.¹²

What Is to Be Done?

What can be done to ensure peace and stability in Northeast Asia? While it is impossible to foresee and prepare for all future possibilities, there are some prudent measures that can be taken in the way of "insurance," to reduce uncertainty about the future.

The Short Term

This much is clear about the present: the region lacks meaningful

confidence- and security-building institutions. A number of confidence-building measures are being carried out, and institutions have been proposed for the region, but the talk of "multilateral dialogue" and "transparency" has yet to take any meaningful form. Furthermore, at the political level, Northeast Asia lacks anything like Southeast Asia's ASEAN that can act as a powerful driving force advancing a regional security agenda. The danger is that events may overtake these nascent efforts: At the present pace, constructing a viable security structure is decades away.

This does not mean the attempt to build some kind of multilateral security institution in Northeast Asia is futile. The effort should continue and the pace of progress accelerate. Japan has taken a keen interest in fostering security dialogues and institution-building efforts.¹³ However, as many participants and observers of this institution-building process would acknowledge, it would be foolhardy to stake the security of the region on what is now only a promise.

Even the Chinese, who claim to oppose "hegemony, alliances, and coalitions," recognize that one factor that is critical to security throughout the region is the continuing U.S. military presence via the Japan-U.S. and the South Korea-U.S. alliances.¹⁴ Everyone acknowledges that the region has had problems achieving a stable balance of power in the past, with grave consequences. Certainly, it is this destabilizing competitive dynamic that has condemned the Korean peninsula to play the part of a strategic prize or buffer for the larger regional powers, as outlined earlier. It would be difficult to dispute that the United States-centered alliances in Northeast Asia have been critical to a stable balance of power since the end of the Korean War.

Unfortunately, as cold war institutions, these alliances have become vulnerable to the uncertainties of the new era. The reality in the larger East Asian region is that the network of security structures created by the two contending superpowers during the cold war has become greatly weakened. The security arrangements created by the former Soviet Union have disintegrated altogether, leaving its erstwhile allies throughout the region to find other ways of ensuring their security.

In Northeast Asia, Moscow's abandonment of North Korea

forced Pyongyang to seek the "security" of nuclear weapons, introducing a highly dangerous factor into the region. The U.S. alliance system with Japan and South Korea has fared much better and remains intact (unlike other U.S.-centered arrangements, in Southeast Asia), but as indicated earlier, the alliances are entangled in increasing disputes over burden-sharing and differences over the foreign policy goals of alliance members. As many Japanese realize, in order to safeguard the continuation of U.S. forward deployment of forces in the region, Japan must not allow its alliance with the United States to become weakened or be shadowed by doubts. The importance of this is obvious to almost all responsible Japanese opinion-makers.¹⁵

The Long Term

More important in the long run, Tokyo needs to improve its security relations with Seoul. If the Japan-U.S. and South Korea-U.S. alliances remain solid and are further strengthened by improved relations between Tokyo and Seoul, then a more ambitious cooperative security project becomes possible in the region. Just as NATO is sustaining itself as a powerful security institution and has become the basis of a cooperative security structure including its former adversaries (some soon to be alliance members), the United States' alliances in the Pacific can become the basis of a security community held together by common values that in turn may become the vehicle to bring non-alliance members into a cooperative security framework.¹⁶

In fact, beyond the geopolitical logic, the most important reason for Japan to support Seoul and the continuation of the South Korea-U.S. alliance may be a political one: South Korea, like Japan and the United States, is a liberal democracy. While many security analysts in Japan understand the geopolitical logic of the alliance, this fundamental point is often missed. However, this political dimension will be the key to maintaining the Japan-U.S. and South Korea-U.S. alliances so crucial to a stable post-reunification Northeast Asia.

The simple reality is that, in the post-cold war era, the geopolitical foundation of the Japan-U.S. Mutual Security Treaty as well as the South Korea-U.S. Mutual Security Treaty is assailable. To keep the United States engaged in Northeast Asia, a solid political foundation

has to found for the Japan-U.S. alliance and for the South Korea-U.S. alliance. That is, these security relationships have to be redefined in terms of political values and institutions the three countries share, not just their common strategic interests.

The problem of basing alliances on interests is that interests change over time and circumstance. In the United States, as the memory of the Soviet threat fades and economic tensions grow, increasingly more people view critically Washington's security commitment to Tokyo and Seoul. For example, the critics of Japan's trade policy have been arguing for some time that the United States should end its security relationship with Japan because of its economic misbehavior, or should use the threat of termination of the alliance to obtain a better trade deal.¹⁷ One observer asks, "Why should U.S. troops serve indefinitely as the security guards of a latter-day Greater East Asian Co-Prosperity Sphere from which many American products are effectively excluded?"¹⁸

The impact of economic conflict on security matters will surely continue to grow. The current economic crisis in East Asia is having a worrisome and negative impact on America's balance of trade with the region. Increasing trade problems strike at the U.S.-centered alliances by eroding the incentives for the United States to remain militarily committed in Asia. American ambivalence will become even more acute if Japan is seen as having abrogated its economic responsibilities to the region and as trying to competitively export its way out of its own economic dilemma at the expense of its Asian neighbors and the United States. There is a danger even in a scenario where the crisis ultimately has little effect on the aggregate growth rate of the U.S. economy: There will be questions about how important East Asia really is in terms of the cost and risk of U.S. deployment in this part of the world. After all, policymakers in Washington have stressed for years the economic centrality of the region to U.S. prosperity in order to "sell" the deployment to the American public.

Many in the United States have been also ambivalent about the open-ended U.S. commitment to the security of South Korea. As with the Japan-U.S. alliance, a few are arguing for the termination of the South Korea-U.S. alliance.¹⁹ Certainly, ordinary Americans do not fully

understand what is at stake for the United States in that part of the world. For example, in a recent survey of American public opinion regarding U.S. foreign policy conducted by the Chicago Council on Foreign Relations (CCFR), there was a gap of some 41 percent between the opinions of "leaders" and those of "the public" with regard to the use of U.S. forces to stop North Korean aggression against South Korea.²⁰

To be sure, these feelings about the Asian alliances in the United States are linked to greater skepticism about alliances in general in the aftermath of the cold war. There are many signs of declining willingness of Americans to support all types of international commitments of money and lives. In the 1999 CCFR poll, for example, defending the security of American allies was ranked "very important" by only 44 percent of the public, as opposed to 61 percent in 1990.²¹ In the same period, the support among the American public for the protection of weaker nations against foreign aggression fell from 57 to 24 percent.

Nonetheless, it is critical for Japan (and South Korea) to understand how popular sentiment in the United States can drive American foreign policy. While the political leadership may still sound the old reassuring themes in U.S.-Japan bilateral relations, there is much skepticism among the general public. Many people have a difficult time accepting the argument that the United States has to play a mediating, stabilizing role in Northeast Asia for as long as it takes the countries in the region to learn to get along with each other in trustful manner. For many policy elites, the geopolitical interest in preventing the rise of a hostile regional hegemon might be sufficient to justify the security engagement in East Asia; however, for ordinary Americans, economic interests and moral/value issues matter as much, if not more, in the post-cold war era. Worried about jobs and domestic economic growth, and about safeguarding human rights and promoting democracy, the U.S. public is interested in more than security.

Besides, based purely on security considerations alone, even those who value the alliances question the current status quo. Many believe that the lopsided nature of the alliances hardly warrants the notion that the United States, Japan, and South Korea are truly allies. After all, the reality is perverse. The alliances are justified as useful in

preserving Northeast Asian regional stability by keeping Japan on a U.S. strategic leash (thereby reassuring Koreans) and keeping Korea's problems, and perhaps in the future a reunited Korea as well, on another U.S. strategic leash. This Machiavellian logic should be even less convincing to ordinary Americans.

There is a real danger that the United States might withdraw from or fundamentally rethink its security commitments in Northeast Asia. It must be kept in mind that not only "isolationists" but also prominent establishment figures such as Henry Kissinger think that the United States can, if necessary, play a "mediating" role between Japan and China. According to Kissinger, what the United States must do is to "help Japan and China coexist despite their suspicions of each other."²² Although he does not argue for an off-shore balancing strategy or disengagement for the United States in Northeast Asia, the logical implications of this view should be troubling to America's Asian allies and argues for a "community building" strategy that keeps democratic America actively engaged in a security community of Asian democracies.

This democratic community strategy is accepted by many in the United States with regard to Europe. Even realists will accept that the existence of a democratic and capitalist Atlantic community affects how the United States approaches the balance of power on the western side of the Eurasian landmass. Interestingly, they generally do not see its applicability to East Asia. Kissinger writes, "Wilsonianism has few disciples in Asia. There is no pretense of collective security or that cooperation should be based on shared domestic values, even on the part of the few existing democracies. The emphasis is all on equilibrium and national interest."²³

If Japan and South Korea are to have alliances with the United States on a par with those of America's European allies, they need to begin pursuing a security strategy that is coincident with the strain of U.S. diplomacy that believes in a close relationship among the democratic capitalist nations of the world. In American domestic politics, this kind of value-based diplomacy is easier to defend in all-important electoral politics. The American people are not as prone to think in terms of geopolitics as people in some other nations.

In Northeast Asia, this kind of community-building process would require closer cooperation between Japan and South Korea. It logically implies turning the two U.S.-centered alliances from bilateral relationships to a more trilateral one over time. Although some may fear that strengthening the security relationship will provoke other powers of the region, particularly China, it may be defended as the first step toward a more comprehensive confidence-building process in Northeast Asia. Strengthening of tripartite security relations gives Japan the option to pursue a meaningful cooperative security regime, as discussed earlier.

Obviously, this kind of strategy requires more work than Japan's periodically making adjustments to the alliance, under U.S. pressure, to keep Washington happy. Japan needs to work with South Korea to formulate a new vision of the security relationship between Seoul and Tokyo that more closely integrates their common interests.

In the United States, many recognize the fact that the destinies of the two alliances are connected. Zbigniew Brzezinski, for example, argues that "a true Japanese-Korean reconciliation would contribute significantly to a stable setting for Korea's eventual reunification, mitigating the international complications that could ensue from the end of the country's division." He goes on to say, "A comprehensive and regionally stabilizing Japanese-Korean partnership might in turn facilitate a continuing American presence in the Far East after Korea's unification."²⁴ However, it is entirely up to America's two allies to forge a workable security relationship.

The immediate goal should not be the formation of a United States-Japan-South Korea tripartite alliance. In order for such an alliance to be contemplated, there has to be a fundamental change in perception by the Japanese and Korean people and/or some extraordinary political leadership. At the moment, this kind of reconciliation is difficult to imagine.

A Window of Opportunity

While a dramatic change in Japan-South Korea relations may not be possible, there are encouraging signs that some hurdles have been lowered in the path toward Japanese-South Korean reconciliation. The

current climate of improved relations between the two countries presents a window of opportunity in which prudent bilateral security cooperation measures may be initiated.

First, in September 1998, Tokyo and Seoul reached a basic understanding on the long-standing disputed fishery problem between Japan and South Korea. This dispute arose when, in 1996, Japan decided to ratify the U.N. Convention on the Law of the Sea, establishing a two-hundred nautical-mile exclusive economic zone (EEZ). The driving force behind this was Japan's desire to protect the interests of its fishermen as well as prevent overfishing by the more aggressive South Korean fishermen in the Sea of Japan, a body of water called the Eastern Sea by the Koreans. However, the ire of the vast majority of South Koreans, not only fishermen, was provoked when Japan used a disputed group of islets (Takeshima/Tokdo) in the middle of this body of water claimed by Japan as well as South Korea for the purpose of demarcating the EEZ. The situation deteriorated to the point that the president of South Korea, Kim Young Sam, felt it necessary to send the South Korean armed forces to conduct exercises near the islets.²⁵

To be sure, both sides are having difficulty in dealing with the domestic political fallout from the agreement. Fishermen in both Japan and South Korea have put political pressure on their respective governments. Both governments have responded by offering various forms of compensating subsidies to ease the burden of economic dislocation resulting from the agreement. The pressure on the South Korean government has been particularly severe, given that the Ministry of Maritime Affairs and Fisheries made technical mistakes in its negotiations with the Japanese.²⁶ Nonetheless, the accomplishment of achieving a basic understanding on the fishery issue should, over time, diminish the importance of the conflicting economic interests and, more importantly, ease the tension caused by conflicting territorial claims regarding Takeshima/Tokdo islets.

Central to advancement in bilateral relations was the election of Kim Dae Jung as the president of South Korea, in 1997. Kim, who took refuge in Japan during some of his wilderness years as a persecuted opposition leader, understands the importance of a healthy Japan-South Korea relationship, perhaps more than any other national leader since

Park Chung Hee, a military strongman who, despite popular opposition, established normal relations with Japan in 1965. When Kim came to power, he put priority on improving bilateral relations, and a workable fishery agreement was worked out through intensive negotiations. This led to a highly successful summit meeting in Tokyo between President Kim Dae Jung and Prime Minister Obuchi Keizo in early October 1998. The summit, in turn, produced an unprecedented written apology and an expression of regret by the Japanese government for the suffering Japan had inflicted on Korea during its colonial occupation. Both sides demonstrated remarkable flexibility and understanding in this diplomacy.

Of course, Japan and South Korea had some "help." First, the economic crisis that engulfed the region in 1997 raised the incentive, particularly for South Korea, for better bilateral relations. Second, on August 31, 1998, North Korea fired a ballistic missile that streaked across Japan, shocking the Japanese government and people. This sobering demonstration of the danger posed by Pyongyang has worked wonders in allowing both the South Koreans and the Japanese to openly talk about closer security ties. When Prime Minister Obuchi visited Seoul in March 1999, he discussed with President Kim, besides the current regional economic crisis, issues affecting the security interests of both nations.²⁷

Indeed, it appears quite possible now that Japan and South Korea can carry out a low-key but concerted effort to foster meaningful defense cooperation. Of course, caution must be exercised to avoid any attempt to reinterpret the Japanese Peace Constitution. Although views are changing, Japanese public opinion still holds that collective defense is not permitted under the constitution. A major controversy in the Diet would be counterproductive. There is also the South Korean public opinion to consider. Despite the distinct warming of relations between Japan and South Korea since the Tokyo summit, Prime Minister Obuchi's recent reciprocating visit to Seoul was met with the usual protest by South Korean nationalists demanding a more complete Japanese apology and compensation for Japanese wrongdoing during the Japanese imperium.

What is needed, then, is the kind of quiet dialogue between

Japanese and South Korean security establishments that allowed the new Japan-U.S. defense guidelines to be hammered out. This should in time lead to the acceleration and intensification of confidence-building measures between the two militaries; and this in turn could lead to more ambitious security cooperation, such as joint patrolling of sea lanes of communication (SLOC).²⁸ The hope is that these instances of cooperation will lead to a massive change in attitude about and perception of the ways in which the Japanese and South Koreans see the security relations between their countries.²⁹

Conclusion

Stability on the Korean peninsula is vital to Japan's security. If the Japanese Diet passes the legislation required to make the new defense guidelines between Japan and the United States a reality, Japan will be in a much better position to deal with the unpredictability of North Korean behavior. However, without a broader strategic and political vision, the expediency of justifying the increased bilateral security cooperation on the continuing North Korean threat may prove short-sighted and potentially dangerous. If that threat were to disappear, fundamental questions about the need for U.S. forces in both Japan and South Korea could be raised, and with them the relevance of both alliances. It may be difficult to imagine today, but it is not inconceivable that the United States-centered alliances will unravel. The risk is enormous that this would have dangerous consequences for Northeast Asian stability, not least the complicated Japanese-Korean relationship.

To forestall any possibility of unraveling of the United States-centered network of alliances in the first place, Japan must work with the United States and its democratic neighbor, South Korea, to build a security community based on common political values. As a mutual ally of both Japan and South Korea, the United States can play an important mediating role in the creation of such a community. However, as a first step, Japan must take the lead in reaching out to South Korea to build a climate of mutual trust and respect. This may appear to be an impossible task to some, but more amazing things have occurred in history. During the late 1930s, who could have imagined

Franco-German reconciliation, leading to the creation of the European Union? Who could have foreseen the success of the Japan-United States alliance?

If the prospect of increased cooperation between Seoul and Tokyo in security matters seems problematic to the skeptical, the risk and trouble involved in strengthening the bilateral Japan-South Korea security ties should be weighed against the very dangerous prospect of a future reunited Korea, "freed" from the mooring of the South Korean-U.S. mutual security treaty, trying somehow to play China off against Japan. Japan needs to forestall such a possibility by actively engaging South Korea on security matters now.

Notes

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1. *Japan Times*, September 23, 1997.
2. Although it contributed financially to the operation in a significant way, Japan could only manage to send token minesweepers to the Gulf after the hostilities ceased in 1991. The Japanese were clearly constrained by the constitutional ban on participating in such an operation, but there were many criticisms from the United States that Japan was content to write a check while other countries were risking the lives of their sons and daughters.
3. See the *Yomiuri Shimbun*/Gallup opinion survey published in the *Daily Yomiuri*, November 30, 1997.
4. Kenneth Waltz considers the United States, Japan, China, Germany (or a West European state), and Russia the five great powers of the future. Hence, Northeast Asia contains four out of five potential great powers. See Kenneth N. Waltz, "The Emerging Structure of International Politics," *International Security* 18, 2 (Fall 1993), pp. 44-79.
5. Thomas L. McNaugher, "Reforging Northeast Asia's Dagger? U.S. Strategy and Korean Unification," *Brookings Review*, Summer 1993, p. 13.
6. Paul H. Clyde, *The Far East* (New York: Prentice-Hall, 1971), p. 382.

7. Edward A. Olsen, "The Diplomatic Dimensions of the Korean Confrontation," in Sheldon W. Simon, ed., *East Asian Security in the Post-Cold War Era* (Armonk, NY: M. E. Sharpe, Inc., 1993), pp. 110-12.
8. Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* 18, 3 (Winter 1993/94), pp. 5-33.
9. Ibid.
10. See Christopher Layne, "The Unipolar Illusion: Why New Great Powers Will Rise," *International Security* 17, 4 (Spring 1993), pp. 130-76.
11. See the analysis of Marcus Noland in "Why North Korea Will Muddle Through," *Foreign Affairs* 76, 4, pp. 105-18.
12. For a comprehensive treatment of this issue, see C. S. Eliot Kang, "Korean Unification: A Pandora's Box of Northeast Asia?" *Asian Perspective* 20, 2 (Fall-Winter 1996), pp. 9-43.
13. See Tsuyoshi Kawasaki, "Between Realism and Idealism in Japanese Security Policy: The Case of the ASEAN Regional Forum," *Pacific Review* 10, 4 (1997), pp. 480-503.
14. This view was expressed to the author by senior Chinese diplomats in Tokyo, December 1997. The author would like to note that in his ongoing informal survey of Chinese officials and scholars, he has observed that there appears to be a generational divide regarding the Chinese view of the Japan-United States and South Korea-United States alliances. The older Chinese appear more comfortable with the alliances, to the extent that they ensure limited Japanese armament, but the younger ones are prone to see them as tools for containing rising Chinese power.
15. For a particularly forceful Japanese view, see Hisahiko Okazaki, "Decisiveness Needed for Strong Alliance," *Daily Yomiuri*, March 15, 1998, p. 6.
16. For a similar view, see Mike Mochizuki and Michael O'Hanlon, "A Liberal Vision for the US-Japanese Alliance," *Survival* 40, 2 (Summer 1998), pp. 127-34.
17. An argument for using the security relationship as a tool for trade policy is found in Chalmers Johnson and E. B. Keehn, "The Pentagon's Ossified Strategy," *Foreign Affairs* 74, 4 (July/August 1995), pp. 103-14.
18. Michael Lind, "Asia First: A Foreign Policy," *New York Times*, April 18, 1995.
19. Most notable is Doug Bandow, *Tripwire* (Washington: Cato Institute, 1996).
20. John E. Rielly, ed., *American Public Opinion and U.S. Foreign Policy 1999* (Chicago: Chicago Council on Foreign Relations, 1999), p. 38.
21. Ibid., p. 16, and John A. Rielly, ed., *American Public Opinion and U. S. Foreign Policy 1995* (Chicago: Chicago Council on Foreign Relations, 1995), p. 21.
22. Henry Kissinger, *Diplomacy* (New York: Simon and Schuster, 1994), p. 828.
23. Ibid., p. 826.
24. Zbigniew Brzezinski, "A Geostrategy for Eurasia," *Foreign Affairs* 76, 5 (September/October 1997), pp. 62-63.
25. Kim Young Sam may have intentionally fanned the flames of anti-Japanese sentiment for domestic political reasons, given his plummeting popularity by 1996.
26. Many in South Korea were outraged that the Ministry of Maritime Affairs and Fisheries was misinformed about various methods of fishing, especially *ssangkuri*, a

method involving double-boat dragnets. The immediate political fallout of this was the resignation of Kim Sun-kil, the head of the ministry.

27. The day after Obuchi's visit, March 23, an incident occurred in Japanese territorial waters which involved units of Japan's Maritime Safety Agency. The Maritime Self-Defense Forces fired warning shots at two unidentified vessels suspected of being North Korean spy ships. This is also affecting the current climate of change in Japan's security posture.

28. See Paul Bracken, "Naval Cooperation in Northeast Asia," *Korean Journal of Defense Analysis* 9, 1 (Summer 1997), pp. 203-14.

29. The lesson of some of the greatest changes in recent times is that small changes feed on themselves, causing people and institutions to behave differently and precipitating huge, unforeseen shifts. See Robert J. Samuelson, "Small Changes, Then Unexpected Upheaval," *International Herald Tribune*, January 8, 1997, p. 8.

Chinese Foreign Policy and the Korean Peninsula

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China faces on its east the Tumen River and the Western Sea, located in the north and the west of Korea, respectively. China's Shandong Province is only 190 miles across the Western Sea from Korea. Chinese culture has affected Asian nations for 2,000 years, with Korea serving as a geostrategic intersection linking continental with maritime countries, and allowing the transmission of Chinese ideas. Thus, we can say that China has had a special relationship with Korea.

China was forced to open itself to commerce after the Opium War of 1839-42 and M. C. Perry's demonstration of American men-of-war in Japan in 1853-54. Later, the French and American ministers to China asked the Ch'ing emperor to cooperate with them in opening up Korea during their expedition of 1866-71. However, the Chinese Foreign Office repeatedly declined to cooperate on the grounds that, although Korea was a dependent state of China's, it was completely autonomous in both internal and foreign affairs. China thus expressed definitively its non-interference policy toward Yi-dynasty Korea. Finally, when the United States tried to open the doors to Korea with its "gunboat diplomacy," it failed due to the firm traditional and reclusive policy of the Yi dynasty.

Through its invasion of the Liewchieu Islands in 1871, its expedition to Taiwan in 1874, its invasion of the Kangwa Islands in 1875 (where Koreans had expelled the French and the Americans in 1866-71), and finally its annexation of the Liewchieu Islands as

Okinawa Prefecture in 1879, Japan emerged as a aggressive power in the Northeast Asian region. At that time, the Chinese Superintendent of the Northern Ports, Viceroy Li Hung-chang, sent a letter to a former prime minister of Korea, Lee Yu-won, describing the relationship between China and Korea as being "as close as lips and teeth."¹ He strongly urged Korea to enter into treaty relations with the Western powers, particularly the United States, in order to check the ambitions of Japan and Russia.

The Korean-American diplomatic and commercial treaty of 1882, facilitated by Viceroy Li Hung-chang, meant that China had changed its position regarding Korea from a policy of non-interference to one of cooperation. With the Imo military revolt of 1882 and the Kapsin coup d'état of 1884 in Korea, without seeking a formal request from King Kojong China immediately dispatched military forces, its first intervention into Korean affairs. After these incidents, the viceroy recommended to the Korean government a German diplomat, Paul George von Moellendorff, as the first official Western adviser on Korean domestic and foreign affairs.² Li's unprecedented intervention, a decade before the Sino-Japanese War (1894), ended the political reform and modernization movement of Korean Progressive party leaders and instead accelerated Japan's colonization of Korea.

Fifty years later, in 1950, fearing that Korea would enter the sphere of American domination, China sent volunteers to help North Korea, under the slogan "Saving one's neighborhood is saving oneself," and with the stated intention of "resisting American aggression and aiding Korea." China was isolated from Western countries for twenty years, while at the same time Korea lost its chance to unify the country.³ From the viewpoint of modern historical experience, China's influence over the peace and security of the Korean peninsula is obvious.

Half a century has elapsed since Japan unconditionally surrendered in World War II and Korea was divided into North and South. Though the Russian communist system has ended, European communist countries have also abandoned their systems, and East and West Germany were unified in the late 1980s, South and North Korea have continued struggling over political matters, with their armies facing

each other in a standoff.

To be sure, since the peace of Korea depends on the interests of its neighboring countries, and because Chinese foreign policy is the most influential factor determining the balance of power on the Korean peninsula as well as in the Northeast Asian region, we may say that the Chinese role is very important for the peace and security of Korea and the unification of the peninsula.

This paper will explain the development of past Chinese foreign policy toward Korea and analyze the changes in Chinese foreign policy according to the international environment, the effect of the modernization of China, the role of China in the Four Party Talks for the peace and unification of the Korean peninsula, and the reason why China should change its two-Koreas policy to one of cooperation.

Chinese Foreign Policy and Changes in International Environment

In June 1954, Chinese Prime Minister Zhou En-lai and Indian Prime Minister P. N. Nehru announced joint statements that articulated five foreign policy principles: (1) respect for territorial integrity and sovereignty, (2) non-aggression, (3) non-interference in domestic affairs, (4) equality among nations, and (5) mutual benefit and peaceful coexistence. These principles have been the cornerstone of Chinese diplomacy in settling international disputes and in maintaining friendly relations with neighboring countries.⁴ A diplomatic policy is based on domestic policy. As foreign policy is basically the key to national security, to economic gain in world trade, and to enhancing national prestige in the world, China has changed its foreign policy according to the changes in the international environment, as follows:

First, as the world became divided into two ideological blocs between Western democratic capitalism and Russo-Chinese communism after 1950, the superpowers competitively produced nuclear weapons, devoting their resources to the expansion of armaments. The chairman of the Chinese Communist Party, Mao Zedong, believed that a third world war was inevitable, for his political ideology was based on the conception of friend versus enemy, especially by the strategy of mutual contradictions, power struggles, alliances, checks and balances, class struggle, permanent revolution, and overcoming capitalism by

communism.⁵ However, after 1956 China realized that nuclear weapons were capable of eliminating all human beings in the world, and when Russia fired its first satellite, *Sputnik*, China changed its foreign policy to one of "peaceful coexistence."⁶ After 1958, Sino-Russian relations had stood opposed on ideological and foreign affairs matters, and finally their armies clashed at their common border. After a battle between Chinese soldiers and a Soviet patrol, the two former allies finally became enemies in 1969.

Second, when President Richard Nixon visited Beijing in 1972, China and the United States signed the so-called Shanghai Communiqué, declaring that they would oppose hegemonism in the Asia-Pacific for the sake of world peace and that the United States would pursue a policy of only "one China." With this reconciliation, again based on the traditional Chinese strategy of "checking barbarians with barbarians," China could use the United States to keep Russia in check. After Deng Xiaoping solemnly declared China's nonalignment policy before the United Nations General Assembly in 1974,⁷ ensuring that China would never become a superpower, China concluded a treaty of peace and friendship with Japan in 1978 and normalized full diplomatic relations with the United States in 1979. Thereafter, China discarded its belief that a third world war was inevitable.⁸

A third change came when Deng Xiaoping announced his ambitious Four Modernizations program and at the same time the Reagan administration and the Republican party in the United States Congress began to support a two-Chinas policy, contrary to the spirit of Shanghai Communiqué. Sino-American relations quickly deteriorated.

The Chinese foreign policy of 1982 stipulated three important tasks: (1) the acceleration of constructing modernized socialist states, (2) the struggle to secure the realization of one China, including unification with Taiwan, and (3) the opposition to hegemonism and power politics, with the pursuit of peaceful coexistence. Based on these diplomatic principles, China belonged to the third world forever, as one of the nonaligned nations. It adopted an economic development policy as the key to solving its domestic and foreign affairs and then made efforts to improve its friendly relations with other countries,

according to the five principles of peaceful coexistence.⁹

The independent foreign policy that Deng Xiaoping disclosed in 1984 aimed at maintaining world peace and achieving the modernization of China, based on four main approaches. First, as a nonaligned country, China opposed hegemonism and power politics and tried to preserve peace. China belonged to the third world. Second, China proposed that South-North problems should be solved by dialogue between the two sides, and that mutual cooperation, intercourse, and study should be strengthened with the third world. China tried to talk about unification with Taiwan and to communicate with other non-aligned nations. Third, China would utilize neither the "U.S. card" nor the "Russia card," nor would it permit other nations to make use of China's "card." Fourth, China would not enter into alliances with other nations but would develop economic relations with the third world, so that China would acquire the support of other third-world nations to keep peace in the world. Further, China would take an independent diplomatic line to settle international matters and would aim at promoting its own national interests and economic prosperity.¹⁰

Mikhail Gorbachev's visit to Beijing in May 1989 subsequently cleared away the hostile relations between China and Russia, which had endured for thirty years, allowing the recovery of diplomatic relations for maintaining peaceful coexistence, mutual respect, and trust between the two countries. China had the opportunity to create a peaceful environment of international relations and to develop its economic program. Due to restoration of friendly relations with Russia, China finally gave up its "inevitability of war" policy.¹¹

China has turned from preserving its communism to using pragmatism to solve its national problems, in political, economic, and social areas, and to succeed in its Four Modernizations program. China has introduced foreign capital, technology, and management from the developed countries, and has made efforts to settle international disputes.¹²

The Modernization of China And Its Impact on Korea

In December 1978, at the Third Plenum of the Eleventh Central Committee Meeting of the Chinese Communist Party (CCP), Deng

Xiaoping changed the basic direction of Chinese policy and emphasized that the success of the Four Modernizations — of agriculture, industry, science and technology, and national defense — was the most important task of the CCP. At this meeting, Deng declared, "As far as economic growth is concerned, the Chinese Gross Domestic Product (GDP) per person should increase up to \$800 by the end of 2000 so that the life of the people can become more tranquil."¹³ The modernization of China became the most important goal for the Chinese Communist Party at that stage.

Political ideologies such as self-reliance, extreme egalitarianism, and collectivism during the period of Mao's regime, and the modern goal of equitable distribution, under Deng's regime, are fundamentally quite different, because the latter's economic policy was actually based on market economics, ingenuity, and human efficiency, and payment of the price for labor. This is responsibility for production, which is characteristic of the capitalist market economy. The social doctrine of "equitable distribution" became dominant, maximizing the creativity of individuals as well as the efficiency of groups. The process toward modernization started to reform China's farming, the occupation of 80 percent of the Chinese population.¹⁴ A stable political and economic environment has been built due to the radically increased benefits from agriculture. The basic infrastructure of the rural farming industry was changed by allowing families to produce the crops of their choice after fulfilling contract grain obligations to the state.¹⁵

Since 1988, when Deng's "Decisions on the Reform of the National Economic System" was passed at the Third Plenum of the Twelfth CCP meeting, economic restructuring in sectors as diverse as farming and trading industries, commerce, and science, as well as in educational sectors, has been modeled on the successful experiences in the agricultural sector.¹⁶ Urban reform, including in the fields of finance, taxation, goods pricing, banking, commerce, and labor, resulted in increased activity in private enterprise and industries. By setting up special economic zones, the Chinese government also attracted from foreign enterprises the capital, technology, and investment which were necessary for the modernization of China. The Chinese economy has developed rapidly due to foreign capital

investment and the introduction of new foreign management know-how. China began to allow greater autonomy in individual enterprises in order to transform them into more independent units that would be responsible for their own successes and failures. More autonomy was also given in management duties of state enterprises, and China prepared to expand trade policies which would attract overseas investment and trade.¹⁷

China's economic reform, as well as its internal and external policies, brought about critical changes in the administrative criteria, the living standards of the people, the state of mind, sense of values, and behaviors in the fields of the Chinese economy, politics, scientific technology, culture, and education. The concept of material incentives gained during economic reforms and the open-door policy were new factors which had a significant impact on Chinese policies regarding the Korean peninsula, as the Chinese government decided to cooperate with other countries which could boost their economy. At the same time, China attempted to integrate American trade and create economic interdependency with other countries and international organizations such as the International Monetary Fund, the ABD, and APEC.¹⁸

Hence, the perception of the Chinese leaders regarding the Korean peninsula changed from one based on revolutionary ideology and strategic values to a view based economic profits, which exploited the possibility of the trade benefits Korea could provide. Therefore, Chinese policies toward the Korea have been adjusted to achieve national goals of easing and restraining the threat of military collision and the tensions of political relations between North and South Korea, as the Chinese government sought to keep the Korean peninsula safe and peaceful. To be sure, peace and security on the peninsula would affect Chinese economic reforms, which were very important to the Chinese government.¹⁹

Although the economic exchanges between China and South Korea have prompted indirect trade through Hong Kong, Taiwan, Singapore, and Japan since 1978, direct trade between China and South Korea has only occurred since 1985. When the Chinese government decreased control by its central government and established special economic zones instead of politically protected regions, the amount of

international trade between China and South Korea during 1985 rose to \$1.2 billion - the same as the total amount of trade between 1979 and 1985. The 1988 Seoul Olympic Games accelerated cross-bloc functional cooperation between Seoul and Beijing, and the total trade volume exceeded \$3.1 billion, making South Korea one of the top ten Chinese trading partners.²⁰

In 1988, Deng expressed his firm position: "Let's build a new order in international politics based on the five Chinese diplomatic principles of peaceful coexistence regarding mutual benefit as well as the principle of independent position." He especially emphasized policy regarding Korea, saying, "We will support autonomy, peace, the reunification line. They should restart peace talks and build mutual understanding and long-term trustworthy relationships in order to ease the military confrontation and the strained political relations between North and South Korea."²¹

Therefore, the South Korean government tried to improve its relationship with communist countries, including China and the Soviet Union, in order to build up a favorable foundation for the peaceful reunification of the Korean peninsula. South Korea also announced its "northern diplomacy," to develop new markets in those communist countries.

The main objective of the "northern diplomacy" endorsed by the South Korean government was to gain the support of China and the Soviet Union, with a view to stopping North Korea from initiating wars and encouraging China to play a dominant role in maintaining peace in Korea.²² Hence, the "northern diplomacy" resulted in building a peaceful and safe political environment on the Korean peninsula as well as in Northeast Asia, and it also brought the establishment of formal diplomatic relations between China and South Korea.

At the Seventh Plenary Session of the Third National People's Congress, Chinese Prime Minister Li Feng showed how flexible Chinese foreign policy was regarding the Korean peninsula by reporting, "China will support the proposal of the People's Democratic Republic of North Korea to achieve peaceful reunification and also hopes that the parties concerned would make efforts between North and South Korea to help keep the Korean Peninsula safe and

peaceful.”²³ This meant the Chinese government had changed its policy from one supporting only North Korea - which had been based on their ideological, military, and political relations of their “blood alliance” since the Korean War - to the support of both North and South Korea. In 1991 China, as a permanent member of the UN Security Council, strongly supported the joint admission of the two Korean states and finally proposed that North and South Korea join the UN General Assembly as two separate nations.

On February 6, 1992, a meeting of high-ranking officials was held in Pyongyang. Representatives of South and North Korea signed an “Agreement of Reconciliation, Mutual Non-Aggression, and Intercourse,” to build a peaceful relationship by preventing any military invasion or provocation on the part of North Korea toward South Korea. Furthermore, in August of the same year, South Korea established formal diplomatic ties with China, a turning point in dissolving the hostile relationship between China and South Korea which had existed since 1950, a promising step in achieving a stable and peaceful environment on the Korean peninsula after many years of political tensions.²⁴

In sum, the modernization programs of the Chinese government resulted in the “northern diplomacy” of the South Korean government, which accelerated the establishment of a formal diplomatic relationship between China and South Korea.

In 1992, China and South Korea agreed to establish mutual trade representatives in each country and built diplomatic systems regarding trade agreements, a partial tariff levy, investment guarantees, and the prevention of a duplicate tariff treaty. Chinese and South Korean foreign ministers visited one another’s capitals to conclude navigation treaties as well as environmental protection treaties in May and October of 1993.

In March 1994, President Kim Young-sam visited the Chinese capital, and Prime Minister Li Feng visited the South Korean capital at the end of October 1994. The two leaders implemented an agreement for duplicate tariff prevention and also agreed to cooperate with each other in four major economic areas, such as motor vehicle, electronics, high-quality TV, and heavy aircraft production. (This was later

cancelled by the Chinese government without a full explanation.)

Motivated by the changes in Chinese foreign policy regarding the Korean peninsula, the leaders of each country made historical visits to one another's capitals. Thereafter, China gave up its one-sided support of North Korea in relation to political matters such as peace talks between North and South Korea, reunification policy on the Korean peninsula, and protocol, and China initiated a policy which treats North and South Korea equally.²⁵

Nevertheless, China adhered to a principle of separate political and economic policies, contending that Chinese economic cooperation with South Korea was a different matter from Chinese political cooperation and the issue of military security with North Korea. Conscious of the Sino-North Korea treaty of friendship concluded 36 years ago, the Chinese government became concerned about the North Korean reaction to the new direction of Chinese economic policy. Even though China's separation of political from economic policies was based on Zhou En-lai's dictum, "Do not betray old friends to make new friends,"²⁶ it was not entirely attributable to the traditional position of China. Rather than totally ignoring North Korea, the Chinese government apparently adopted the above-mentioned policy due to the changes in international environment regarding the Korean peninsula, after consultation with North Korea.

The Chinese Two-Koreas Policy And Four Party Talks

The Korean peninsula is surrounded by four powerful countries, the United States of America, the Soviet Union, China, and Japan, and has historically been the strategic and geopolitical center of power struggles among them in international politics based on national interests and conflicting political ideologies over the past century. At the end of the nineteenth century, Chinese Viceroy Li Hung-chang persuaded Yi-dynasty Korea to conclude a treaty with the United States, in order to shift the balance of power in Korea in China's favor. The viceroy's policy toward Korea was based on preparation against Russia and opposition to Japan and was the Chinese traditional war strategy of "checking barbarians with barbarians."

However, Viceroy Li's policy of cooperation toward Korea

changed to a policy of intervention, allowing Ch'ing-dynasty China promptly to send 2,000 troops under Admiral Ting Ju-ch'ang and adviser Ma Chien-chung to Korea in order to suppress the military rioters during the Imo military revolt at Seoul in July 1882. This incident gave a golden opportunity to China to intervene the internal affairs of Korea. The Ch'ing emperor invaded the Korean national sovereignty and abducted the regent Taewongun, who ruled the country with the king's decree.

After pacification of the Imo military revolt, Li Hung-chang took an even more active intervention in the kingdom of Korea by sending his trade commissioner, Ch'en Shu-t'ang, according to the regulations for maritime and overland trade between Korean and Chinese subjects in 1882, and he also recommended von Moellendorff as an official Western adviser to the king of Korea.

However, Korean political leaders determined to shake off Chinese control and at the same time to implement their political goals of preserving the national sovereignty, especially with a view of carrying out their ambitious programs of political reform and modernization after the fashion of the Meiji Restoration. The Kapsin Coup, led by the Progressive party leader Kim Ok-kyun, broke out on December 4, 1884, for the purpose of soliciting the support of the Japanese armed forces. But this coup failed, largely because of Chinese intervention, in the form of 1,500 Chinese soldiers led by Yuan She-k'ai, without the official request of King Kojong. If the Chinese had not intervened and the coup leaders had been able to accomplish their political objective, the destiny of Yi Korea might have developed in a way quite different from the present situation.

After this incident, Viceroy Li dispatched Yuan to the capital of Korea and had him exercise effective control over Korea's politics, economy, and diplomacy, ignoring its traditional non-interference and cooperative policy toward Korea. He was the de facto ruler of Korea for a decade. The assassination of Kim Ok-kyun, the leader of the Kapsin Coup, by another Korean, Hong Jong-woo, happened at Shanghai Foreign Settlement in March 1894, and it so excited the Japanese that they used it as an international incident on whose basis they declared the Sino-Japanese War five months later. Ch'ing China

was defeated, and Japan isolated China from Korea. After winning the Russo-Japanese war in 1904, Japan began substantially to colonize the kingdom of Korea.²⁷

China became involved in the Korean War in 1950, fighting against United Nations troops. This resulted in a hostile relationship between China and the United States of America and between China and South Korea. Once again, Chinese intervention policy greatly affected the peace and unity of Korea. Since full normalization of relations with Seoul would have the effect of promoting and developing the Chinese Four Modernizations program and foreign policy, as well as increasing trade between China and South Korea, Chinese leaders later changed their stand regarding the role of Korea in international politics and began building a new, harmonious relationship with South Korea. The peace and security of the Korean peninsula could be kept during the 1980s and early 1990s, through the collapse of communist systems and the end of the cold war, and China and South Korea could begin trading with each other.

After China established a diplomatic relationship with South Korea in August 1992, according to the changes in the international situation, the president of the Chinese Communist Party, Yang Shang-kun, said, "The establishment of a diplomatic relationship with South Korea is profitable for both Chinese and South Korean peoples. . . . Besides, this relationship will bring peace and security in the Asia Pacific region."²⁸ Nevertheless, to protect the North Korean communist regime China adopted separate foreign policies regarding Korea by sustaining its political and military alliance with North Korea and at the same time establishing an economic relationship with South Korea. The Chinese political attitude toward Korea can be also seen in this policy statement: "The truce agreement must be observed until a new structure of peace and security can be established in the Korean peninsula." The Chinese government supported the U.S. step to implement the denuclearization of the Korean peninsula.²⁹ China also made efforts to persuade North Korea to halt its development of nuclear weapons and to remain a party to the Nuclear Non-Proliferation Treaty (NPT) in October 1994, after three years of negotiation with the United States. This is known as Geneva Agreed Framework

between the United States and North Korea.³⁰

Thus, China contributed to the establishment of the fundamental structure and framework to build security, peace, and prosperity in Northeast Asia by playing an important role in persuading North Korea to sign the NPT, which is vital to maintaining the peace and stability of the Korean peninsula by minimizing the risk of nuclear war in Northeast Asia.³¹ This is to say that China's non-interference policy now shifted to a policy of cooperation in regard to the Korea peninsula.

One result of the NPT was the establishment on December 15, 1995, of the Korean Energy Development Organization (KEDO), which is responsible for building and supervising the construction of light-water reactors (LWRs) in North Korea.³² KEDO is mainly funded by South Korea, Japan, and the United States. The formation of KEDO was an important event in international politics and the maintenance of the peace and security in the Korean Peninsula, as it was a forum where North and South Korea could have dialogue and cooperate each other in order to exchange the necessary human resources and materials to build the reactors.

Chinese Prime Minister Li Peng visited Seoul in November 1994 and disclosed the Chinese fundamental position regarding Korea by saying, "I hope North and South Korea can resolve important matters by understanding each other and by building a trustworthy relationship."³³ Chinese officials have given their best efforts to avoid isolating North Korea from international politics by providing support such as food aid during a disastrous famine and alleviating shortages of fuel and consumer goods, in order to forestall political chaos and economic crisis in North Korea, which would affect China.³⁴

When South Korea suggested dispatching a representative to the Najin-Sonbong Free Trade Zone in North Korea by way of the UN Development Plan (UNDP), North Korea objected. The DPRK refused to allow the South Korean representative to attend the meeting and trade exhibition, on the grounds that South Korea was not a contracting party of the truce agreement. The North Korean rejection short-circuited the South Korean government's effort to strengthen the exchange of trade and economic cooperation with North Korea.³⁵ In this political situation, China agreed to support talks of the four

countries as suggested by South Korea and the United States in April 1996. First, China believed that the South Korean policy regarding North Korea was very reasonable, as South Korea did not want to pursue the isolation, destabilization, or collapse of North Korea. Second, if the talks of the four countries were successful, it was possible for North Korea to gain political security and economic benefits by continuously negotiating with the United States and South Korea.³⁶ Finally, the talks of the four parties would coincide with the five principles of the Chinese foreign policy on the Korean Peninsula, to the effect that the problems of North and South Korea must be solved by themselves and that the talks between the two regimes could be a communications channel through which both sides could build the foundation for peace on the Korean peninsula.

Thus, China chose a positive role in the establishment of the denuclearization zone, emphasizing reconciliation, non-aggression, guarantees of joint exchanges, and unification of Korea. The reasons for China's efforts are, first, because the Four Modernizations of China required peace and stability on the Korean peninsula, and both China and South Korea were eager to cooperate economically as they greatly depended on each other for trade. Second, it was possible for China to be persuasive or to affect North Korean policies as China was the socialist state adjacent to the Korean peninsula and had greatly assisted North Korea in providing food at a time of economic crisis. Third, unlike those of Japan and Russia, the Korean and Chinese peoples have a common historical background, as they both were victims of two wars initiated by Japan.³⁷ Also, China wishes to bring peace to the Korean peninsula as it was a contracting party in the truce agreement at the end of the Korean War. Finally, China believes it is its burden to handle Korean matters reasonably and impartially, as China has a similar problem in seeking unification with Taiwan.³⁸

Further reasons for the very active Chinese role in resolving Korean problems were, first, that China disagreed with North Korea in its unreasonable insistence on negotiating only with the United States and excluding South Korea from the Four Party Talks, which were being held to change the truce agreement into a peace treaty.³⁹ Second, China kept its basic diplomatic principles on the Korean peninsula,

holding that the problems between North and South Korea must be solved by Koreans themselves, without the interference of other countries. China believed that the core of a new world order should be established equally by each country, not by a handful of dominant superpowers.⁴⁰ Third, as a member of APEC and the standing committee of the UN Security Council, China has maintained the basic position that it opposed any type of "hegemonism" or "power politics,"⁴¹ and it regarded the Four Party Talks and the activities of the Red Cross in North and South Korea as systematic contributions towards the peace and security of Korea. Fourth, China has shown its flexibility in foreign policy in handling matters such as the stranding of the North Korean submarine⁴² and the political asylum of Hwang Jang-yeop.⁴³

Nevertheless, North Korea refused the proposal of establishing a special organization, suggested in the Four Party Talks held in Geneva in March 1999, and repeated their longstanding demand for the withdrawal of American troops from South Korea and the changing of the truce agreement to a peace treaty.⁴⁴ In response, the new South Korean government submitted to North Korea unprecedented "sunshine" proposals in order to assist China in its cooperative policy. These included promises of supplying 50,000 tons of grain; handing over lists of people for separated family reunions; establishing a transport system between Shokcho, Najin and Sonbong; dispatching of a special envoy; unconditional permission for members of separated families over 65 years old to visit North Korea; a decision to permit separated family members over 60 years old to meet their North Korean relatives in a third country; reducing regulations for economic investments; increasing the scope of investments; and allowing the heads of large South Korean companies to visit North Korea.⁴⁵

Furthermore, at the Asia-Europe Summit Meeting (ASEM) in England at the beginning of April, the Chinese prime minister, Zhu Rong-ji, and the president of South Korea, Kim Dae-jung, agreed to cooperate by sending officials to each other's country. On April 3, through grain expert Kim Sun-keun North Korea proposed talks with South Korea in Beijing, after 3 years and 9 months of non-communication, in order to discuss the supply of 200,000 tons of fertilizer. This

had been suggested by North Korea in January. The South Korean government agreed to attend the official talks. On his return from the ASEM conference, President Kim expressed his intention to accept the suggestion of North Korea, especially to discuss the subject of non-aggression on the Korean peninsula in the Four Party Talks and economic, cultural, and trade exchanges with North Korea.⁴⁶ In addition, the new South Korean government's reunification policy is to create the necessary preconditions through three steps, preventing the collapse of North Korea.⁴⁷ The first step is to build a unified national system without destroying the existing political systems of North and South Korea. The second step is to build a federal government under a unified system which can handle all matters related to internal politics, defense, and diplomacy for the two governments of North and South Korea. The final step is to attain the peaceful reunification of North and South Korea.

It is important for China to change its two-Koreas policy of separation into a cooperative policy which will help North Korea avoid isolation, become a member of the international community, and complete the peaceful reunification of Korea. That is why the South Korean government needs to strengthen its relationship with China by enlarging the volume of trade and interacting in areas such as culture, arts, education, science, sports, and social events by exchanging specialists in these areas and by organizing various cooperative research projects, symposiums, and cultural programs. Leaders of both countries need to allow leaders of social and private organizations whose aims are aligned with government policy to visit each country in order to stabilize the relationship between South Korea and China.

Conclusion

With various motivations, China has adapted its intervention policy to the internal and external affairs in the Korean peninsula since the period of the Imo military revolt, the Kapsin Coup, and the Sino-Japanese War. China again intervened in Korea in 1950 and fought against UN troops, including those of the United States, during the three years of the Korean War, which it won. Therefore, we can say China has had one defeat and one victory in pursuit of its policy.

To develop its economy, to maintain its communist structure, and also to gain hegemony, China has played an important role on the Korean peninsula from the 1890s to the 1990s and the end of the cold war.

Chinese foreign policy and its Four Modernizations have shifted according to changes in Chinese internal politics, its economic situation, and the environment of international relations. China has kept separate political and economic policies toward the Korean peninsula in order to maintain peace and security. China has played and is expected to continue to play a decisive role in maintaining peace and stability in Korea. China was able to persuade North Korea to sign the NPT and to accept the formation of KEDO. However, the establishment of cooperative reunification efforts between North and South Korea is more important than anything else in order to change the cease-fire agreement into a peace treaty. That is why the South Korean government has suggested diplomatic policies to help North Korea build its economy and industries through trade exchanges and cooperation.

The policies issued by the South Korean government relating to the peninsula conform to the five principles of foreign policy followed by China, since they are based on the idea that the problems between North and South Korea must be resolved by Koreans themselves. Both the Chinese and the South Korean governments have a common purpose in encouraging North Korean cooperation with South Korea in peace talks, cooperative trade, and exchanges. For this reason, there is a good possibility of building a foundation for the reunification of Korea.

According to Hu Jin-tao, a member of the Standing Committee of the Chinese Politburo, who visited South Korea recently, China expects to play a significant role in a new world system of international politics since China is a member of the UN Security Council and is responsible for the improvement of international relations. The purpose of the Four Party Talks is to build a peaceful atmosphere on the Korean peninsula for the future of the East Asian-Pacific region.

Therefore, it is time for China to change its dual policies regarding Korea to support the South Korean government's "sunshine

policy" and the U.S. government's engagement policy, as all parties agree that Korean reunification should be done not by military force, but in a peaceful and realistic way, alleviating North Korean isolation.

In the time of Ch'ing China and Yi Korea, Li Hung-chang's cooperative policy made Korea a member of the international community, leading it into the Korean-Japanese Kanghwa treaty of 1876 and the Korean-American friendship treaty of 1882. However, the Korean Progressive party leaders later lost their opportunity to modernize their own country due to Chinese intervention. If Ch'ing China had adopted a noninterventionist policy and had concentrated on strengthening the weak government, industry, and army of Korea during that period, then the Japanese domination and isolation of Yi Korea and Ch'ing China from the rest of the world might not have happened, and both Korea and China could have avoided being colonized by Japan or dominated by Western powers for the following decades.

From the standpoint of the modern Sino-Korean political and diplomatic history we can see why it is so important for South Korea to build a strong relationship with China. They have been in the same boat for a long time and have experienced the same destiny.

Notes

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China's Economy

Reform and Perspectives

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It is now just over twenty years since China initiated its economic reform in 1978. Since then its average rate of growth of GDP has been a phenomenal 9.5 percent per year. This essay reviews the reform process, discusses the impact of the current Asian financial crisis, and attempts to assess the prospects of China's economy in the future.

The Reform Process

In 1978 Chinese leaders realized the weakness of Soviet-style planning and the need for reform but did not have a blueprint for change. They decided to experiment, adopting what was successful. Experimentation also helped in getting communist party support, as many party members were otherwise unwilling to accept and support the changes. Deng Xiaoping's slogan was "Seek truth from facts" — not from ideology.

The first successful reform occurred in the agricultural sector. It was initiated locally, when some commune leaders discovered that by assigning land to each farm household and allowing them to keep all the products in excess of the amount required by the procurement quota, rather than by practicing collective farming, the total output of the commune could be greatly increased. The success of this experimentation led the central leadership to adopt an agricultural responsibility system for the entire country. China thus changed its system in two or three years from collective farming to private farming, and market reform for the agricultural sector was essentially completed.

Reform for the industrial sector was much more difficult. Large state enterprises could not easily be divided into small production units, although an attempt was made to introduce the idea of the responsibility system into the industrial sector. Second, economic efficiency in an industrial enterprise depends not only on the incentive system inside the enterprise but also on the prices and supply conditions of inputs and prices and demand conditions of outputs, which were then subject to government control. Reform of the price system was therefore required. In the early 1980s, state enterprises were first given some autonomy in production, distribution, and investment decisions, and in the mid-1980s price controls and central allotment of inputs were gradually reduced. In the initial stage of price reform, there was a two-tier price system for products supplied by the state, the lower price available to state enterprises but at limited quantity of supply and the higher price that at which the needed product could be purchased on the market. The former amounted to a fixed subsidy to state enterprises and did not affect its marginal decisions, which were determined by the market price. Later, the two prices gradually converged.

In 1987, the contract responsibility system was introduced. Under this system an enterprise was leased to its management, and a fixed tax was collected, allowing the enterprise to keep all the remaining profits. According to statistical studies, productivity of state enterprises was increased in the 1980s but to a lesser extent than in the more dynamic township and village enterprises. The shortcomings of the state enterprises include inadequate training and experience of the management to deal with problems facing modern enterprises, inadequate compensation to the management (often only a third or less of the compensation in comparable township and village enterprises), excess supply and possibly low quality of existing labor force, and perhaps the governance system. (I say "perhaps" because there are many examples of efficient and profitable state enterprises under able management, which is a major factor in their performance.) Further reform of the state enterprises will be discussed later.

The third area of reform is the control of the macroeconomy. Since the early 1980s China has tried to establish a macro-control mechanism to exercise monetary and fiscal policies in lieu of central

planning. Banking reform started in at least 1983, when the People's Bank was officially changed to a central bank. Until today it has not actually functioned as a central bank because there are no effectively functioning commercial banks in China. There were four specialized banks — the Industrial and Commercial Bank, the Agricultural Bank, the People's Construction Bank, and the Bank of China — which were converted to commercial banks in name but are entirely owned by the government and do not yet function as commercial banks in their credit policies. In March and May 1995, respectively, the People's Congress passed the Law on the People's Bank of China and the Commercial Bank Law. Both measures are modern in content, very similar to the laws governing the Federal Reserve System and the commercial banks in the United States, except that the Bank of China has less autonomy and is under the control of the State Council. In practice, however, commercial banks do not function effectively because of political interference, lack of trained personnel, the control of interest rates for loans and deposits, and insufficient incentives.

Government ownership of these commercial banks has one advantage. It makes a banking crisis in China unlikely, even under the present circumstances, when some 20 to 25 percent of loans are bad mainly as a result of past obligations to extend loans to state enterprises. The government has set up for each of the large commercial banks an asset management company to take over the non-performing loans. China has a high savings rate (over 30 percent), and the Chinese people keep most of their savings as bank deposits as they have a limited number of alternatives. They assume that their deposits are guaranteed by the government and are safe, so there is no reason for a bank run. Macroeconomic control has been exercised mainly through fixing the amount of credit which commercial banks in different regions are allowed to extend and the quantity of currency in circulation.

The fourth area of reform was the "open door policy." The volume of foreign trade has increased, from just below 10 percent of GDP in 1978, to over 35 percent in 1996. Following the development experience of Taiwan and South Korea, exports were promoted. Trade deficits in the 1970s and 1980s were transformed to trade surpluses in

the 1990s. Control of foreign exchange was gradually liberalized. With successive devaluation of the Chinese currency from 1.7 yuan to one U.S. dollar in 1980, to 8.6 yuan in 1994, the exchange rate was made equal to the market rate and the Chinese currency became convertible as far as trade transactions were concerned. From 1995 to the present, the exchange rate has remained approximately 8.3 yuan to the dollar.

The encouragement of foreign investment is the second component of the open door policy. Direct foreign investment increased from a meager \$1.8 billion in 1984 to \$41.7 billion in 1996, mostly coming from Hong Kong. Although foreign investment is a small fraction of GDP, it accounts for over 60 percent of China's exports. It is extremely important for China's development as it helps to transfer technology, managerial skill, and modern business practice to China as well as providing competition for state enterprises, forcing them to be more efficient.

The fifth area of reform has been encouraging the development of non-state sectors of the economy. By the early 1980s, the agricultural sector was almost entirely privatized. By 1996, state-owned enterprises accounted for only 28 percent of gross industrial output. Collectively owned, individually owned, and other types of enterprises accounted for 39, 16, and 17 percent, respectively (*China Statistical Yearbook 1997*, p.415). The dramatic growth of the collectively owned township and village enterprises is a fascinating story. These enterprises were built by the political and economic resources of the township and village governments to increase revenue. They are subject to market competition and employ the skills of competitively selected and highly paid managers, utilizing the high-quality labor force available in the countryside. These economically efficient enterprises are publicly owned and operate without a modern legal framework. The non-state sectors have grown to such an extent that, even if the minor state sector grows slowly, economic progress in China can continue.

The sixth area of reform concerns institutional infrastructure, including in particular the legal and educational systems. Reform of the legal system has been a slow process but is continuing. Many formal aspects of a modern legal system are now in place, including laws

governing business conduct and bankruptcy, and courts to enforce them. In practice, disputes are still settled partly by political influence, personal relationships, and bribery, making it difficult to do business in China. The educational system has also been greatly improved. Modern economics and management education have been introduced into university curricula. Special training programs have been provided to government officials in charge of banking, financial, and fiscal affairs. Much remains to be done, simply because of the sheer size of the Chinese population.

Impact of the Asian Financial Crisis

While progress was being made in the above reforms, the Asian financial crisis came unexpectedly. China had a much sounder economic foundation than the Asian countries hit by the crisis. Its currency was not overvalued. For four years, up to the end of 1997, the Chinese currency had been freely traded at the official rate. Inflation was low in China, at 0.8 percent in 1997 and -0.3 percent in 1998. China had 140 billion in foreign reserves in 1997, a trade surplus, and a continued flow of foreign investment, and there were not a large number of short-term foreign debts or financial investments which could be suddenly withdrawn when foreign creditors or investors lost confidence. China was affected during the crisis mainly because devaluation of the currencies of neighboring countries reduced the competitiveness of its exports. For the first time in over two decades, total value of exports decreased in 1998, but China still maintained a trade surplus and a substantial amount of foreign investment.

The policies to deal with the impact of the Asian financial crisis consist mainly of increasing government expenditures in infrastructure building and modifying the speed of reforms in both the industrial and financial sectors. To maintain aggregate demand when exports were reduced, the government tried to build more railways, highways, agricultural land and water conservancy facilities, municipal facilities, and environmental protection facilities. Broadly defined, government investment of US \$1.2 trillion was planned for the three years 1998 through 2000. As a result, the rate of growth of real GDP in 1998 was 7.8 percent, as compared with 8.9 percent in the previous year. One

cannot tell to what extent the rapid increase in government investment was achieved at the expense of lowering efficiency and the quality of the real output. It is somewhat surprising that a more expansionary monetary policy was not pursued in 1998 to increase aggregate demand and to finance some of the government investment, as the country was experiencing a deflation in prices and stagnant private demand. In the first quarter of 1999, real GDP grew at an annual rate of 8.3 percent, a sign that the economy was performing better than in 1998.

With respect to the reform of state enterprises, General Secretary Jiang Zemin announced in his report to the Fifteenth Congress of the Communist Party in September 1997, "We should support, encourage and help diverse forms in our collective economy. Public ownership can and should take multiple forms." The essence of the policy is to change state enterprises to share-holding companies. This is the first time reform of state enterprises has reached the level of what might be called privatization, even though such a word is not used. For the small- and medium-sized enterprises, restructuring has already taken place, whereby managers and workers may purchase shares according to their wages. Members of boards of directors were elected by the shareholders. For example, if the monthly wage of a worker is 600 yuan, he may pay 2,000 yuan for his shares, while a high-level manager may pay 5,000 to 10,000 yuan for her shares. The shares can be traded internally but not publicly. For large state enterprises, restructuring takes a variety of forms, but most become modern corporations in which shares may be purchased by outsiders. Companies which are qualified according to their financial performance can have their shares traded on the Shenzhen, Shanghai, Hong Kong, or even the New York stock exchanges. The State Economic and Trade Commission and its branches at provincial, city, and county levels have direct responsibility for the restructuring of the state enterprises under their jurisdiction. The restructuring process is effectively administered through central directions given in Beijing at meetings involving party and government leaders from all provinces. These officials in turn transmit the directives to lower levels in all parts of China. The personnel are competent.

During such a restructuring process, workers may get laid off, leading to unemployment, and some have had their wages reduced,

sometimes by as much as 50 percent, or even more. Some workers have not received their regular salaries. These problems are concentrated in provinces with a large number of state enterprises, especially in the northeast. For the country as a whole, the recorded unemployment rate (excluding those laid-off workers receiving partial compensation) increased from 3.2 percent in 1996 to 4.0 percent in 1997, but it was reduced to 3.2 percent in October 1998. The unemployment problem is expected to be controlled for three reasons: First, the government is monitoring the level of unemployment to prevent massive social unrest. This is slowing down somewhat the process of restructuring state enterprises. Second, the Chinese people are resourceful. Many laid-off workers have found work in the market, especially in the service sector. Third, the government is stimulating the economy through infrastructure building, which absorbs some workers. It also helps retrain them and place them into new jobs.

On the reform of the financial system, the current crisis appears to be speeding up the enforcement of transparent financial reporting and the supervision of financial institutions by the People's Bank. Several investment trusts — notably the Guangdong Investment Trust and Investment Company (GITIC) — which were financed by government capital went bankrupt in late 1998 and early 1999. Foreign banks and investors considered their money to be protected by the government when they put it in these trusts, which is not legally the case. The fact that some of the trusts were allowed to go into bankruptcy has led investors to revise their expectations, making them more realistic in future investing. In February 1999 the government of China decided to close down five state investment trusts which were subsidiaries of the major commercial banks engaged in risky investments. Supervision of financial institutions has now become more strict in China.

The open-door policy or globalization of the Chinese economy was slowed down by the Asian financial crisis. Chinese leaders must have observed that opening the Chinese financial markets to short-term foreign investment and allowing free capital flows are hazardous. They were aware of the risk when they divided the shares in the Shenzhen and Shanghai stock exchanges into A and B shares, allowing foreign investors to buy only B shares. Thus, fluctuations in prices of the B

shares affect the fortunes of foreign investors only. China was in the process of gradually making its currency convertible for capital transactions, but the crisis has caused it to impose restrictions on transactions even in the current accounts.

This is related to the issue of whether China will, or should, devalue its currency. The advantage of devaluation is to make China's exports perhaps more competitive, provided that it does not lead to another round of devaluation by its neighbors. There are many more reasons not to devalue. From the viewpoint of purchasing power parity, China had a zero and a negative inflation rate in 1997 and 1998, respectively. It has over \$145 billion in reserves, which are increasing because of a trade surplus and an inflow of foreign investment. The economy is growing at a rapid rate and does not require increasing exports to stimulate it in the short run. In the long run, if the trade surplus and the flow of foreign investment continue, the supply of foreign exchange will exceed demand, leading naturally to an appreciation of the Chinese currency. Chinese leaders have stated repeatedly that there will be no devaluation in the short term. Keeping this promise ensures their credibility and the role of China as a stabilizing force in the current financial crisis. The advantages of maintaining the existing exchange rate appear to far outweigh the possible gain of devaluation.

In spite of the strong economic fundamentals and political rationale supporting the existing exchange rate, many people inside and outside China still expected the yuan to decline against the dollar. Exporters and others decided to put some of their earnings in foreign currencies. In early fall 1998, China's foreign reserves remained at about \$140 billion even though there was a trade surplus of \$30 billion and foreign investment of \$27 billion. The free market exchange rate for the yuan, as found in banks in Hong Kong, was about 8 percent lower than the official rate. The government decided to restrict the flow of currency out of China. Although it could claim that there was no change in exchange rate policy, in practice there were more forms to fill out and more delays in getting approval when one applied legally for foreign exchange.

In summary, China's reform process has been an experimental and gradual process. It was to be continued before the Asian financial

crisis struck. State-enterprise reform, financial reform, and the opening of the Chinese economy have all been affected by the crisis, but there is no question that as soon as conditions allow, the reform process will resume, incorporating the lessons learned from the crisis. What are the trends and prospects?

Prospects

Consider the first area of reform, that in the agricultural sector. Privatization alone is recognized to be insufficient for future needs. One area requiring much attention is the introduction of modern technology to agriculture, including decentralized research to meet the needs of each locality to increase productivity. A second is the improvement in infrastructure, including transportation, communications, and electric power. A third is education, not only for the young but for the farming population, to learn new technology and management and marketing skills. So far the government has not encouraged the development of non-state distribution systems in agriculture, and marketing of grain still relies on procurement by the state.

Reform of state enterprises is likely to pick up speed as soon as the crisis is over. The government is very determined to proceed with reform as it cannot continue to subsidize the loss-making enterprises, which account for about half of the over 200,000 state enterprises. As these enterprises are producing less and less of China's total output and as some of them are becoming financially independent share-holding companies, they will become less of a burden to the economic growth of China.

The banking and financial sector has benefited from the experience of the crisis. More transparency in financial reporting and stricter supervision of financial institutions are taking place, but banking reform is expected to be slow. It takes time to train qualified modern bankers, to rid the banks of political influence, and to convert them to profit-making and risk-calculating enterprises. The government has not tried to restructure the banks to become share-holding companies open to private ownership, as in the case of state industrial enterprises, but rural cooperative funds have been allowed to sell shares and extend small loans to farmers as working capital. In recent years,

commercial banks other than the big four have appeared. These banks are subject to less political influence and behave slightly more like modern commercial banks, but their shares are all held by government agencies. To reduce political influence on the banks by local governments, a new rule was instituted, and local bank managers are now appointed by the bank's headquarters and are not subject to the approval of the local government. The four state commercial banks would also be free from local government interference in their credit policy. Furthermore, there has been discussion about setting interest rates according to the market forces of demand and supply. All these reform measures will take time.

China's globalization has also been slowed down, including in particular making the Chinese currency convertible for capital account transactions. After the financial crisis, developing countries became more cautious in opening their capital markets to free short-term capital flows. China is no exception. In fact, China should be given credit for recognizing some of the pitfalls of entering a completely free global financial market without sufficient institutional preparation. China does wish to open its doors more widely to the outside world, as a means of gaining technology and providing foreign competition to its domestic industries, as evidenced by the concessions which it has been willing to make in order to enter the World Trade Organization. The concessions include opening the domestic markets to agricultural imports (citrus fruits and wheat); allowing foreign firms to engage in telecommunications, banking, entertaining and other areas; and lowering import duties at a faster rate.

The government faces several other important economic problems. One is the environment. In both rural and urban areas, the environment has deteriorated greatly as a result of years of neglect. Deforestation, floods, soil erosion, and polluted air are all very serious problems. Floods were extremely damaging in 1998. Of the ten most polluted cities in the world in 1999, nine were in China. Second is increased income inequality. Although all segments of the population and geographical areas of China have benefitted greatly from economic growth, disparity has widened between the rich coastal provinces and many provinces in the interior. Third, while the pre-reform system

provided health care, retirement compensation, and employment security to members of the society, substitutes for these provisions have not been firmly established under the current market economy. Fourth, science/technology and education policies have to be improved to serve economic development needs. Fifth, highly subsidized urban public housing is being replaced by private ownership. In each of these five areas the government has recognized the importance of the issues and has devoted economic resources to deal with them, but the solutions are slow in coming for the first four.

I cannot end an essay on economic reform without commenting on political reform in China. This is not the place to debate whether political reform toward democracy is necessary for economic reform. All can agree that, as economic reform leads to improvement in the living standards of the citizens and gives them more economic power and freedom, they will demand more political power and freedom. In China, political reform has taken place in several ways. The People's Congress, which once only rubber-stamped the legislation introduced, now exercises more political power. The legal system has been strengthened to the extent that citizens can and have sued the government for violating their rights. That does not mean that the courts' decisions are all free from political influence. Third, there are many more public elections at the village level to select government officials. The Chinese government is introducing political reform at a speed which most Western observers consider too slow, but it is the speed at which the government is comfortable, given its knowledge and experience and its interest in maintaining power and social stability. Some observers may speculate that unless the government introduces democratic reforms more rapidly, there will be political instability or economic reform will stop. Regarding the latter possibility, it should be pointed out that even if economic reform were to slow down, the existing economic institutions are sufficiently close to those of a functioning market economy that economic growth can continue at a reasonably high speed for another decade, as it has done in the last decade. Serious political instability seems unlikely because the majority of the population appears to support the government.

In conclusion, economic reforms in China are likely to continue

in the manner and direction described above. Because of the strong fundamentals of the Chinese economy, demonstrated by its good performance during the recent financial crisis, substantial growth will continue for perhaps another decade after the current crisis ends. What will happen after that, I would not wish to predict.

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Current Status of Software Research and Development in North Korea

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Introduction

The twenty-first century will be characterized by informatization, globalization, and openness. In particular, the rapid development of the Internet is playing a great role in globalization, in that information flows on it across national boundaries, without time or content constraints.

It is anticipated that North Korea, riding this world-wide tide, will open its tightly closed doors, and that peaceful reunification, strongly desired by the 70 million Korean people, will be achieved sometime in the future.

Already a milestone in this regard has been set. The International Conference on Computer Processing for Korean Language was held annually for three consecutive years beginning in 1994, at Yanbian, China, with scores of North Korean scholars participating each year. Paper presentations and discussions were conducted in a very warm atmosphere, and a joint agreement among the South Korean, North Korean, and Chinese delegates was achieved in 1996 in four areas — information processing terminology, keyboard arrangement, Korean character ordering, and a coding system for Korean characters.

Nevertheless, when we consider that even postal letter exchange is not permitted between the South and North at present, it is clear that

there are still many hurdles to cross toward the goal of reunification. Still, we should invest great effort in preparing for such an event. In particular, it is important to understand the degree of informatization in North Korea in order to formulate proper policies toward both reunification and the coming "information society." We should learn from the experience of Germany, which faced many difficulties due to the difference between East and West in the levels of telecommunications technology, even though they had had significant information exchange before reunification. The German experts regretted that they had not narrowed the gap before reunification. It will definitely help Koreans to reduce such future problems if we understand the current status of information technology in the North and pursue mutual cooperation in order to bridge the differences between South and North.

In this paper the current status of software technology in North Korea is described.

Trends in North Korean Information Technology

Current Status of Information Technology

National policies on science and technology. The fundamental policies on science and technology in North Korea are based on articles 27 and 51 of the Constitution of the Democratic People's Republic of Korea, which state that science and technology are essential for the nation's economic activities. These provisions further declare that science and technology will free the workers from labor and reduce the differences between physical work and mental work. The nation's technological development will be promoted by strengthening creative cooperation among scientists, technicians, and producers.

The North Korean government has been driving very hard to promote the so-called Three Great Revolutions of Ideology, Technology, and Culture, which are considered to compose the foundation for the construction of socialism. In addition, North Korea has put great emphasis on the goals of self-reliance (*Juche*), modernization, and scientification.

As far as information technology is concerned, the North Korean

government realized its importance and started to establish a master plan after Kim Il Sung toured Eastern Europe in 1984. He found that electronics-related high-technology was key to economic development, and technical cooperation contracts were signed with many of the countries visited. Also, North Korean students were sent to those countries to learn modern technologies. In 1988, a three-year plan for the promotion of science and technology began, and the government started massive funding for information science and industry.

The first three-year plan (1988 – 1991) emphasized the production of semiconductors, the establishment of a computer network centered around the Korea Computer Center (KCC) as a part of the computerization of economic sectors, the promotion of the software industry, and manufacturing of hardware and automation components. The second three-year plan (1991–1994) aimed to computerize all national sectors by the year 2000 and to industrialize the production of IC chips. The government developed 16-megabit IC chips, produced 32-bit microcomputers, and carried out research and development (R&D) on 64-bit microcomputers.

In addition, through the International Cooperation Bureau of the State Commission of Science & Technology (SCST), North Korea has been asking for help from United Nations organizations such as UNDP and UNIDO. Also, the DPRK signed a Memorandum of Understanding with the United Nations University/International Institute for Software Technology (UNU/IIST) on a joint effort for software development. North Korea is stressing software sectors more than hardware development due to its poor economic situation and difficulties in importing advanced equipment. This policy is clearly reflected in a letter sent by Kim Jong Il to the Pyongyang Informatics Center (PIC) on its tenth anniversary in July 1996. The president of the PIC, together with many researchers, received the national medal of honor.

Status of hardware development. Although North Korea started very early in building digital computers such as the “Jeon Jin-5500,” its first-generation digital computer, in the late 1960s, and the “Yong Nam San 1,” its second-generation computer, in the late 1970s, significant progress was made after an 8-bit PC prototype, the “Bong Wha 4-1,”

was built in 1982. North Korea is now manufacturing 16-bit and 32-bit PCs. In the semiconductor area, 16- megabit IC chips have been developed, and an IC pilot plant has been constructed at the Electronics Research Institute of the Academy of Sciences. Although its experts are trying hard, it is very difficult for North Korea to fully fund a complete hardware industry including semiconductor production. Therefore, funding was requested through UNIDO in May 1992. For example, they asked for \$2.4 million to produce 20,000 units of 32-bit PCs annually.

It is very difficult to learn exactly what types of computers are being used in North Korea. However, it would be very difficult to import computers on a large-scale basis, due to the COCOM regulations. It is understood that KCC, PIC, and Kim Chaek Technical University have many recent-model workstations and PCs, including DEC products with ALPHA chips.

Status of software development. Since the software industry does not require a huge amount of capital compared to the hardware industry, but rather human brains and creativity, North Korea has been emphasizing the software field. In order to raise software consciousness in the minds of the people the government has been carrying out an annual competition on programming technology.

For example, December 17-19, 1990, the first National Programming Contest was held in Pyongsong. About 440 programs developed by scientists, engineers, teachers, and students were submitted in the areas of application programs, service programs, and system programs. Some of the top-quality programs were an accounting program by a bank employee, an academic administration program by a Kim Il Sung University professor, and an automatic design program for printed circuit boards by a scientist at the Control Machinery Research Institute of the Academy of Sciences. Also, a student at Pyongsong Science College submitted an expert system for medical diagnosis, and a researcher at the Mathematics Research Institute of the Academy of Sciences developed a compression program for data storage.

The most recent national competition and exhibition of computer

programs was held in Pyongyang December 8–10, 1997, an important occasion in the development of North Korea's computer programming techniques and technical revolution. According to official reports, many new and efficient computer programs were presented. The prize-winners in the competition were "Chang-Duk 5.0," for editing documents in Korean *hangul*, from the PIC; "Sindong," for memorizing Korean characters, from Kim Chaek University of Technology; and "Memory Pen," a program directly reading Korean characters, from the Unbyol (Silver Star) Computer Technical Trading Center. According to a North Korean scientist, programmers who win the awards at the contest receive various benefits. For example, if a high school student receives the best award, he can easily enter the college of his choice.

North Korea is also striving for international cooperation in the software area. Professor Dines Bjorner, director of the UNU/IIST, was invited in October 1993 and May 1994 to give lectures on software technology in the DRPK. Also, a couple of outstanding North Korean scientists were sent to the IIST, located in Macau. A Memorandum of Understanding was signed between Professor Bjorner and Dr. Hong Ryun Gi of the DPRK SCST on October 25, 1993, which contained the following agreements:

- Immediate Action — IIST extends an invitation for two DPRK computer scientists to a software workshop in Beijing in November, 1993
- Short-Term Action — IIST invites two computer scientists to an advanced seminar on programming methodology in January, 1994
- Medium-Term Action — Professor Bjorner revisits Pyongyang in May 1994, to give a formal lecture on RAISE (Rigorous Approach to Industrial Software Engineering) and visits the Academy of Sciences, Kim Il Sung University, Pyongyang Informatics Center, and Telecommunications Technical Center, to explore possible future cooperation

- Long-Range Action — IIST conducts a two-week training course on RAISE and Duration Calculus in Pyongyang, carries out a joint project lasting one to two years, and invites four or five DPRK computer scientists to Macau for training one or two times, for typically nine months each. Also, IIST and DPRK jointly establish a software laboratory, which may contain a library, workstations, CASE tools, various PCs, and other peripheral devices so that researchers from other institutes and universities can use them.

The major organizations in software development are KCC, PIC, Unbyol Laboratories, the Department of Computer Science under the Academy of Sciences, the Computing Center of Kim Il Sung University, Kim Chaek University of Technology, and Pyongyang College of Computer Technology. Their products will be discussed in a later section. Regardless of the organizations that produce them, programs are developed for IBM PC compatibles, NEC PC9801 series, and Macintosh computers. The products are aimed for domestic uses and foreign exports. They include many edutainment programs and some software products utilizing highly advanced technologies, such as fuzzy theory, expert systems, and other AI techniques.

Telecommunications status. According to the 1997 World Almanac, in North Korea there is one telephone per 21 persons, one television set per 11.5 persons, and one radio per 9.2 persons. The Internet is not used in the DPRK at this time. However, when we consider the situation in China, where most major universities are now connected to the Internet, it may be only a matter of time before North Korea opens up to the Internet as well. A professor at Kim Chaek University of Technology who attended a workshop in Beijing in 1993 mentioned that the North Korean government had made a successful test of an Internet connection with Australia, but the government was not planning to implement a full connection at that time. There are several Web sites operating in Japan for North Korea, such as the Korean Central News Agency, Kumgangsan International Group, and Chosun Shinbo.

It is well known that North Korea is greatly interested in optical communications. A master plan has been established for the installation of an optical fiber cable between Pyongyang and Hamhung, and for training of technical manpower in cooperation with the International Telecommunications Union (ITU) and UNDP. The Low Voltage Engineering Institute (LVEI) was placed in charge of the project; however, it did not materialize, due to lack of digital communications and semiconductor technologies. Recently the Loxley Company of Thailand has begun installing optical fiber cables in Rajin-Sonbong Free Economic and Trade Zone.

Information Technology Education

General education system. The education system in North Korea consists of a one-year kindergarten, a four-year elementary school, a six-year high school, and a four- to six-year college education. The eleven years of primary and secondary education are mandatory. There are also graduate schools in research institutes and universities that grant master's degrees and doctorates.

About ten years ago, North Korea started to designate a First High School for gifted children in each city and province, to foster development of scientific manpower. The graduates of these schools now play leading roles in the advancement of science and technology in North Korea. Among them are several hundred Ph.D.s and doctoral candidates. The Mangyongdae Children's Palace, which directs extracurricular activities for bright students, has a computer activity room equipped with tens of PCs for computer education. There are two scrolls on the wall, one saying, "We should use computers for computational tasks in order to compute fast and reduce our labor - Kim Il Sung," and another reading, "We are in an era of science and technology. We cannot advance even one step without knowing science and technology. Therefore, everyone should learn modern science and technology — Kim Jong Il." These words show how North Korea is stressing the application of computers and the importance of science and technology. A pamphlet on Mangyongdae published in 1995 indicates the great improvement in their computer applications (such

as computer-aided design) when compared with the resources described in 1990, including only character generation.

Educational organization. Computer education and manpower development for computer specialists started immediately after North Korea began to produce computers, in 1983. The electronics engineering curricula in various universities were expanded, and computer research institutes were established in the Academy of Sciences and Kim Chaek Technical University. In 1985 the government also established colleges of computer technology in Pyongyang and Hamhung. Kim Il Sung University separated computer studies from the mathematics department to set up a computer science department. Most computer education in secondary schools is carried out at the First High Schools.

Realizing that a regular university education is not enough to satisfy the needs of computer specialists, KCC, PIC, the Academy of Sciences, and the Computer Training Center have created programs to educate and train computer specialists. In particular, the PIC, in cooperation with the Osaka Information Center (OIC) in Japan, established the O&P Training Center in April 1996, in order to train the general public and company workers. Many scientists from the OIC regularly travel to North Korea to teach in the training center. As mentioned earlier, UNU/IIST conducted intensive courses on software technology in Pyongyang in 1993, 1994, and 1998. The main subjects were those related to RAISE.

Research and Development in Software Technology

DPRK Academy of Sciences. According to a brochure published by the Department of Computer Science (DCS) under the Academy of Sciences, the DCS was established in 1970 for the purpose of theoretical and practical research in computer science. The long-term plan is for the development of computer programs for domestic use and export, manpower training in software fields, distribution of software technology and products, and integration of software technology into

various economic sectors in North Korea. TABLE 1 shows a partial list of software packages developed.

Current theoretical research includes Korean character recognition, machine translation, data compression, error analysis for input data, and relational database systems, while applications research includes program development for office automation, accounting systems, bank management systems, and computer-assisted Korean-English translation systems. The Paeksong Trading Corporation is attempting to export software developed by DCS. International cooperation is also sought by DCS in fields such as joint research on software technology, mutual exchange of scientific developments, commercialization of developed software, and other related subjects.

Korea Computer Center (KCC). The KCC, established in 1990 to promote computerization, has developed many application programs for IBM PCs and compatibles, including the following:

KORYO Acupuncture

An expert system for traditional Korean medicine, which may be used for education and treatment of more than ninety kinds of disease using acupuncture.

ISDM (Integrated Service Digital Medicine) System

A system used for diagnosis and treatment of disease by Koryo-medicine. It consists of predictive diagnosis, diagnosis, and the Koryo medicine system. Even a layman can use the system, which supports Korean, English, Japanese, Chinese, Russian and Arabic.

**TABLE 1. Program Packages Developed by DCS
(For IBM PC compatibles or NEC 9801 series)**

<i>Name</i>	<i>Brief Explanation</i>
KORYO	Korean electronic dictionary with 40,000 words
DOVE	Electronic conversation dictionary for travelers. Korean-English, English-Korean, Japanese-English, English-Japanese
Word-Mate	Korean and Japanese word-learning software using games(Korean-Japanese, Japanese-Korean)
Pearl	Word-processor to be used with mixture of Korean, Japanese, and Chinese characters
Eagle	Automatic recognition of Korean characters
Rainbow	Computer-assisted Japanese-English translation system
Study Tetris	Educational computer game for learning English words, physics formulas, etc.
Business	Expert system to aid in writing business letters in English
Hand	Korean chess program
Free Ball (Tree Frog 1)	Computer program for intelligence development for children, series 1. To catch a ball in a Brownian movement
Colcon (Tree Frog 2)	An intelligence game to arrange rectangles with colors
Magic Box (Tree Frog 3)	A game to arrange colored boxes horizontally, vertically, or diagonally
Dragon (Tree Frog 4)	To guide a dragon moving freely on a display into a fence
Foods-300	Electronic cookbook for more than 300 traditional Korean dishes

Color-matching System and CAD/CAM System for Textiles
A textile pattern-design system which is used to produce small quantities of any pattern at a reasonable cost.

KCR-HOPE

A Korean character-recognition program which can also recognize English, Japanese, Chinese, and Russian characters. The recognition rate is five to ten characters per second, with an accuracy of over 99 percent.

MFP-V (Mini-automatic Fingerprint Identification System)

An automatic fingerprint identification system with CCD camera input. It is fast, as it utilizes parallel distributed processing algorithms which can identify a fingerprint within three seconds, with an accuracy of 99.2 percent.

MOHO-37

A fuzzy-based computer control system for ore-dressing processes, which helps to reduce cost, manpower, and chemicals used.

Dancing Fountain

A computer-controlled device which can be used indoors or outdoors for decoration. Also, it can be connected to a cassette player, tape recorder/player, or computer music system to change height and color of water with the music. A Karaoke system may also be connected.

Recently the KCC also announced development of application software utilizing an automatic fingerprint identification program such as "Golden Horse," a habitude classification and diagnosis system, and an automatic identification system for bank customers. The air traffic control system developed by the KCC is said to be better than a similar product produced in Russia and has been operating at the Pyongyang International Airport since 1993. According to a KCC scientist interviewed on a visit in China, KCC has also been carrying out international projects such as a Web browser program for Japan and development of a patent database system for UNDP.

Pyongyang Informatics Center (PIC). PIC, established in 1986, is the leading institute in Korean language processing and word-processor development. The "Chang-Duk" word-processor developed by PIC is the most widely used program in North Korea. PIC comprises more than a hundred research scientists, with 1.5 computer units per person, on average. A partial list of software developed by PIC follows:

DTP System

An electronic publishing system developed for PCs and Macintoshes.

Multi-lingual Word-processor

Korean, English, Russian, German, French, Spanish, Latin, and Portuguese are supported by the system, in which several different sizes and calligraphic styles of characters may be combined in a document.

Korean DOS

MS-DOS modified to work with Korean language.

Tangun for Windows 95

A front-end processing program which permits a user to do Korean input/output on top of Windows 95 functions. It supports not only North Korean codes but also South Korean KS codes for Korean characters.

Chang-Duk for MS-DOS and Windows

The original Chang-Duk, greatly improved to respond to the demand of users who wanted a faster and simpler editor.

Others

At the COMDEX-Asia exhibition, held in Singapore in September 1996, PIC also demonstrated GOHYANG, a database management system, DEUL, a 2-D CAD system, SANAK, a 3-D CAD system, and a Korean character-recognition system.

A recent brochure discloses that the PIC has developed a production control system, a management activities analysis system, an office automation system, and a computer-aided dress-design system.

Computing Center, Kim Il Sung University. The Computing Center, established in 1985, has developed many programs in cooperation with faculty from computer science, natural sciences, and social sciences departments of the university. Recent techniques in software development are being applied. Some of the programs developed by the center are listed below.

- Intelligent Locker (hard disc protection program)
- Worluf Anti-Virus (broadband anti-virus program)
- Source Master (high-level programming language conversion program)
- SIMNAS (simulation and analysis system)
- COMSAT (computer-aided teaching system)
- War Game Program
- Hepatitis Diagnosis and Prescription System
- XFC 2.0 (highly portable C++ program development tool)

Unbyol (Silver Star) Laboratories. Established in 1995, Unbyol Laboratories is very active in producing and marketing its software products. The company has a branch office in Gifu, Japan, which promotes and distributes its products. According to the Korean Central News Agency, Unbyol researchers, who studied at the prominent universities such as Kim Il Sung University after graduating from Pyongyang First High School, are 26 years old, on average, and very competent.

Unbyol's "Silver Baduk" (a Go Game program) won first prize at the Fourth Fost Cup World Computer Go Championships held in Japan in 1998. The CD-ROM containing the program is sold in Japan at 9,800 yen. Other multimedia programs, such as Taekwon-Do and North Korean postage stamps (3,700 of them, from 1946 to 1996), are also available in Japan. Details may be found on the Unbyol home page, <http://www.ggf.ilc.or.jp/user0/silver>.

Conclusion

Since North Korea is a tightly closed country, it is very difficult to obtain exact information, especially if it is related to high-technology

such as information technology. Thanks to the Internet, we can obtain certain facts through the reports, now available on the World Wide Web, of those who have traveled to North Korea, including some who have worked on a project in North Korea carried out by the Federation of American Scientists. Also, there exist several North Korean homepages, such as those of the Korean Central News Agency and the Kumgangsan International Group, whose Web sites are located in Japan.

As far as information technology is concerned, both South and North Korea realize its importance, and both have strong national development projects. While North Korea has emphasized software development, the South has put significant effort into memory semiconductors, and has become one of the leaders in the world market. The South's software industry has been comparatively very poor.

Manpower development is also stressed in both countries, although the South is numerically much stronger. North Korea has disadvantages such as difficulty in accessing up-to-date high-technology information, because of the collapse of the Soviet Union as well as the lack of an Internet connection. However, software technology in North Korea has advanced remarkably in the last few years. For example, programmers were largely dependent on BASIC, COBOL, and FORTRAN several years ago, but now they are using C++. Some research institutes are equipped with late-model PCs and workstations. However, the South is much stronger in numbers and types of computers.

Although North Korea is far behind South Korea in terms of hardware, applications software development for PCs, such as word-processors, is rapidly catching up with the efforts in the South. For example, the latest version of the Chang-Duk word-processor is very similar to a South Korean word-processor in its functions. Recently the North developed Chang-Duk and Tangun for Windows 95, which may indicate that Windows 95 is also popular in the North. Many of the software programs developed by KCC and DCS of the Academy of Sciences are edutainment, teaching subjects through games. Some programs employ advanced technology, such as fuzzy theory, expert

systems, and other AI techniques. Though it is not possible to confirm suspicions of many observers, North Koreans may have developed military-oriented software, such as remote sensing programs, which are required to develop guided missiles.

A wide gap between the levels of information technology existing in the South and North, respectively, could bring many problems after reunification. Differences in thinking and concepts could add more problems. Information technology specialists in North and South Korea should try to meet each other more often, exchange information, and cooperate to lessen their differences. Restoration of homogeneity and trust in Korea will be best achieved through people-to-people contact rather than by government programs.

As we have seen, reunification in Germany came much earlier than most anticipated. We do not know exactly when Korea will be reunited. However, we should do our best to be ready for reunification and proper settlement of an information society in Korea in the twenty-first century.

An Analysis of Structural Determinants of Organizational Effectiveness The Case of Business Firms in Korea

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This study examines the relationship between structural characteristics of business firms and their effectiveness in South Korea, using multivariate regression analysis. The objective is to analyze the relationships between organizational characteristics and financial structure. This study is not concerned with individual-level variables (for example, interaction patterns and role conflict) or psychological variables (motivation, individual stress), although these are also important aspects of organizations. The view of organizations in the present study is strongly influenced by the work of scholars who argue that organizations are characterized by structural relationships among interdependent attributes.¹

The primary goal of this paper is to broaden understanding of differences in effectiveness between large monopolistic firms and small competitive firms by assessing the influence of organizational characteristics. These characteristics are operationalized with financial data, which include (1) a firm's current financial position, as reflected in its accounting records, and (2) the results of organizational operations.² We attempt to advance the analysis of organizational effective-

ness in several ways. First, as a theoretical approach for comparative research, the present study builds on the structural perspective, in order to focus on how variation in the structural characteristics of economic organizations affects variation in organizational effectiveness. Each variable in the analysis is considered to represent one of several structural properties of a business organization. Second, the study considers variables that previous studies ignored, such as export orientation, family control, industry category, and firms' affiliation with large *chaebol* groups. Third, as a case study, the present analysis explores the financial aspects of the Korean business firms using quantitative measures of organizational characteristics, focusing on their influences on effectiveness. Thus, the study may shed light on the factors influencing firm effectiveness in newly industrializing countries. Fourth, to control for organizational differences between business firms affiliated with conglomerates (*chaebol*) and small and medium-size non-affiliated firms, a dummy variable for affiliation is specified. This dummy variable is used to test the hypothesis that *chaebol* groups are more effective than non-affiliated firms, due to the former's large share of the market and the advantages of state support.

In the first part of the paper, a critical review of previous studies is presented; the second part presents models of the determinants of effectiveness, based on a structural perspective.³ These models explain how differences in some organizational characteristics lead to differences in firm effectiveness. The models are tested by analyzing Korean firms.

A critical review of the literature on organizational effectiveness shows that some previous analyses simply assert that effectiveness is improved or decreased by some degree, without adequately identifying the causes of the effectiveness change.⁴ The studies have made little progress in estimating economic effects. One reason for this lack of progress is that much research in this area has been done by social scientists who are more interested in individual and psychological factors than in economic outcomes of work.⁵ Another reason is that previous studies analyzing organizational structure have been more concerned with processes than with outcomes.⁶ In contrast to these studies, this paper focuses on assessing one type of economic indicator

— effectiveness — as a function of structural characteristics.

Korea may be an appropriate case study for investigating organizational effectiveness as a function of a firm's structural characteristics in Newly Industrializing Countries (NICs). Korea, like other NICs, has maintained an outward-looking development policy based on export-driven industrialization under state guidance. This policy has generated inequalities between export-oriented industries and domestic industries.

In particular, there are significant differences between the big *chaebol* groups — conglomerates of a number of industrial and business firms — and small and medium-size firms.⁷ In order to maximize capital accumulation so as to increase international competitiveness under conditions of limited resources, the state gives priority to large-scale conglomerates by financially repressing small and medium-size firms.⁸ Thus, membership in large *chaebol* groups may be an important factor in organizational effectiveness, net of other structural characteristics.

Theoretical Background and Literature Review

Numerous researchers have analyzed the nature of structure and its influence on effectiveness in organizations, and their studies have been guided by the structural perspective.⁹ This perspective is concerned with the following questions: (1) What are the relationships among structural characteristics of organizations? (2) What determines variability in the structural characteristics of organizations? (3) What are the consequences of structural variance for variability in organizational outcomes? It would be fruitless to examine effectiveness without considering the various structural characteristics that might be related to forms of effectiveness.

The growing body of comparative organizational studies is guided by a conceptual scheme that facilitates comparability among organizations with respect to effectiveness and that guides the empirical steps of operationalization and quantification.¹⁰ Since organizational effectiveness is one of the most complex issues in the study of organizations, many difficulties arise when we attempt to define it. Generally, effectiveness has been defined as "the degree to

which an organization achieves its goals,"¹¹ and as "a desired state of affairs which the organization attempts to realize."¹²

The three main theoretical perspectives on organizational effectiveness are (1) the goal-based approach, (2) the system approach, and (3) the multiple approach. Considerable differences exist among theoretical (and empirical) approaches. As noted in an early definition by Chester I. Barnard, effectiveness is the degree to which the organization accomplishes its specific objectives.¹³ This is the central point of the goal-based approach.¹⁴ The system approach defines organizational effectiveness in terms of an organization's bargaining position, as reflected in the ability of the organization, in either absolute or relative terms, to exploit its environment in acquiring scarce and valued resources.¹⁵ Another perspective on organizational effectiveness focuses on constituent definitions of effectiveness and proposes that the criterion of organizational effectiveness should include measures relevant to employees, society, and management.¹⁶

Without a universal theoretical perspective that adequately treats the concept of organizational effectiveness, research efforts have, for the most part, proceeded unsystematically, failing to consider the conceptual aspects of organizational effectiveness. The present study adopts the goal-based approach, since it seems to safeguard the analysis against subjective biases.

Several observers have argued that the structure of an organization is closely related to its context, and that much of the variation in organizations might be explained by structural or contextual factors.¹⁷ Many such factors, including size, have been suggested as important determinants of organizational structure and functioning. Starting from this theoretical framework, the present study explores how differences in the effectiveness of Korean business firms are related to their characteristics.

It is not clear that a single model can be formulated with effectiveness defined as financial viability. However, it is both convenient and useful to construct a model for a single idea, such as financial viability. Effectiveness can be defined in a variety of ways; there is no one best way to define the term. Some definitions, however, may be more useful than others.

In the present study, organizational effectiveness is conceptualized as the extent to which an organization is financially viable. The reasons for conceptualization of effectiveness as profitability in terms of financial viability are as follows: First, financial viability is relatively easy to measure. Acquisitions of land and equipment may be relatively easily ascertained, but the quality of labor and managerial knowledge are not so simple to evaluate. Second, financial viability appears to be strongly and positively correlated with traditional views of effectiveness. This is central to the goal-based approach. Third, financial viability allows one to formulate a theoretical model of the determinants of effectiveness.

Conceptual and Empirical Background

The concept of size is highly relevant to the study of organizations.¹⁸ According to John R. Kimberly, size can be conceptualized in several ways, namely, (1) physical capacity of an organization (e.g., numbers of beds in hospitals), (2) financial characteristics (e.g., assets), (3) amount of input or output (e.g., sales), and (4) human resources (e.g., numbers of employees).¹⁹ Generally, these four categories are strongly interrelated.²⁰ The size of an organization is conceptualized in the present study as asset volume and as human resources, measured by the number of employees. Since the purpose of the multivariate analysis is to better understand a wide variety of business firms, the use of financial performance as the basis for the analysis of organizational effectiveness allows more kinds of organizations to be included. For example, when the work process requires expensive equipment or automation, the number of employees or organization members is not very meaningful in investigating organizational effectiveness.

Of the various structural variables, size is perhaps the one most likely to be associated with other organizational characteristics.²¹ Conceptual and empirical examination of economies of scale²² have sought an optimum firm-size, one that results in the lowest cost per unit of production.²³ In addressing the size-effectiveness relationship, some researchers find it a negative one,²⁴ and others, a positive one.²⁵ Despite their contrasting findings, each study holds that size may influence organizational effectiveness.

The relationship of borrowed funds to effectiveness is also important.²⁶ Debt is problematic for a firm, for debt requires fixed interest payments on specific dates and eventual repayment. Unusual business operations are another potential influence on organizational effectiveness. In Korea there are many cases of capital gains from selling of real estate by firms.²⁷ It is easy to find firms that own undeveloped industrial sites and are waiting for the land price to rise. As a financial term, "unusual income" includes such infrequent events as the disposal of fixed assets, including land and buildings.²⁸ By considering this characteristic, the present study explores how this unusual factor influences organizational effectiveness.

Previous studies have examined the effects of organization age on change in organization structure and activities.²⁹ Because the effectiveness of an organization changes over time, the age of the organization is controlled in this study. According to Carroll, two characteristics — age and size — appear to affect organization mortality rates, regardless of environmental conditions.³⁰ He finds that organization death rates decrease with age, and that organization dissolution rates are also consistently higher for small organizations than for large ones. This suggests that both factors are important to organizational effectiveness in terms of the organization's survival.

The differences between export- and non-export oriented firms are examined here. In Korea, the expansion of exports was strongly dependent upon the country's comparative advantages in cheap but highly skilled labor in the world market. Small domestic markets, relatively abundant labor, and relatively scarce land and capital made export-oriented industrialization the most efficient route of achieving rapid growth.³¹

Organizational effectiveness is both a cause and a consequence of the evolution of the dynamics of technical progress and accumulation of capital resources. Some empirical studies suggest that organizations in high-technology industries, such as machinery, electrical equipment, and electronics are more effective organizations than those in low-technology industries, such as textiles.³² It is, therefore, necessary to control for industry in assessing organizational effectiveness. The industrial categories utilized in this study are textiles,

apparel, machinery, electrical, and electronics.

One important feature of Korean business firms is the *chaebol*, a family-controlled group of business firms operating in many unrelated industries. In Korea, there are fifty large *chaebols*. They usually operate in several industrial sectors, make diversified products, and generally are owned and controlled by individuals and their families though influenced by the state through its control of the banking system. The personal investment of the controlling families, such as direct investments and investments through securities companies, supplements the vertical corporate holdings to form a solid ownership of affiliated companies. Founded on pyramidal ownership structures, *chaebols* maintain a unified and centralized management structure that is in some respects similar to the pre-war Japanese *zaibatsu*. Despite their similarities in management structure, Japanese *zaibatsu* differ from *chaebols* in terms of their separation of ownership and control. Due to their short industrialization history, Korean *chaebols* still remain under tight family ownership, typically under the control of the founder, who often occupies the position of president or chairperson of the board.³³

One interesting observation is that large *chaebol* groups in Korea operate under a system of highly centralized family control through holding companies. It has been suggested that around 21 percent of executive positions in the large *chaebol* groups can be accounted for by family ties with the firm owners.³⁴ *Chaebol* groups have allowed their members to avoid rapid structural changes (e.g., market instability, risks) and maintain strong solidarity based on family ties.³⁵ This phenomenon usually can be found in small, medium-size, and large firms in Korea.

Models and Variables

The study develops a model of organizational effectiveness based on multidimensional aspects of organizations and tests several hypotheses concerning effectiveness. The models suggest that effectiveness is related to a variety of organizational characteristics.

Developing a measure of organizational effectiveness is somewhat problematic, since, as discussed earlier, the concept is

difficult to operationalize, and no measure is universally accepted.³⁶ The main hypothesis of the analysis is that variation in the structural characteristics of firms affects variation in organizational effectiveness, that is, organizational success in the Korean economy. The study analyzes, as a dependent variable, a widely used measure of profitability for organizational effectiveness: returns on sales (ROS). Returns on sales (ROS) is defined as the *won* (Korean dollar) value of net income divided by the *won* value of sales. This measure is used to take into account cost control.

The present analysis uses comparable data from financial statements of selected firms. Since financial statements essentially report the results of a firm's management activities, they can be viewed as the principal source for evaluating management's performance.³⁷

As explanatory variables, several theoretical arguments call for inclusion of firm-size.³⁸ Size is measured in terms of total assets volume (ASSETS). Another measure of size is the number of employees (EMPLOYEES). To capture the effect of debt on organizational effectiveness, debt utilization ratios are used. Debt ratios include the ratio of debt to total assets (DEBT-TO-ASSETS) and the ratio of debt to equity (DEBT-TO-EQUITY) as a measure of a firm's ability to meet its short-term obligations.

Other variables are selected on the basis of the literature review. The number of years in business up to 1987 is used for the measure of FIRM'S AGE. Measures of being conglomerated with large *chaebol* groups (CONGLOMERATION), of being an export firm (EXPORT), as well as being a family-controlled firm (FAMILY) are included as dummy variables. UNUSUAL INCOME is utilized as a measure of firm's speculation activities. Five industry categories are used for the classification of firms by industry (TEXTILES, APPAREL, MACHINERY, ELECTRICAL, and ELECTRONICS). The textile industry is the reference category.

In sum, a regression model for organizational effectiveness can be specified:

$$\begin{aligned}
 \text{ROS (Returns on Sales)} = & b_0 + b_1 (\text{ASSETS}) \\
 & + b_2 (\text{DEBT-TO-EQUITY}) \\
 & + b_3 (\text{UNUSUAL INCOME}) \\
 & + b_4 (\text{FIRM'S AGE}) \\
 & + b_5 (\text{CONGLOMERATION}) \\
 & + b_6 (\text{APPAREL}) + b_7 (\text{MACHINERY}) \\
 & + b_8 (\text{ELECTRICAL}) \\
 & + b_9 (\text{ELECTRONICS}) \\
 & + b_{10} (\text{EXPORT}) + b_{11} (\text{FAMILY}) \\
 & + e
 \end{aligned}$$

All variables are as defined in TABLE 1, and e is the error term. Note that the model utilizes both total ASSETS and EMPLOYEES as a size variable.

Hypotheses

On the basis of the above framework, we have formulated the following hypotheses:

1. The size of firms (ASSETS, EMPLOYEES) will be positively associated with organizational effectiveness. The size of an organization's asset base implies that larger organizations are more likely than smaller ones to possess discretionary resources. These resources can be used to acquire other resources that are crucial to continued organizational effectiveness, such as rewards to retain productive employees or mergers for organizational expansion. This use of assets can contribute to organizational viability and suggests that larger size can increase organizational effectiveness through economies of scale.
2. Debt ratios (DEBT-TO-EQUITY, DEBT-TO-ASSETS) will be negatively associated with effectiveness, since these ratios refer to the firm's ability to meet its obligations. If these ratios are high, the company's effectiveness will be decreased.
3. UNUSUAL INCOME will be positively related to effectiveness. This prediction follows from the same reasoning used in the previous hypothesis, following the conventional wisdom of financial viability.

TABLE 1. Operational Form and Measurement of Variables

Variable	Meaning	Measurement
<i>Dependent Variable</i>		
ROS (Returns on Sales)	Organizational Effectiveness	Net Income / Sales*
ROA (Returns on Assets)		Net Income / Total Assets*
ROE (Returns on Equity)		Net Income / Shareholder's Equity*
<i>Independent Variable</i>		
ASSETS EMPLOYEES	Size	Total Assets Number of Employees
DEBT-TO-ASSETS DEBT-TO EQUITY	Debt Ratios	Total Debt/Total Assets, Total Debt/Total Equity
UNUSUAL INCOME	Speculative Investment	Total Unusual Income
FIRM'S AGE	Years in Business	Number of Years in Business up to 1987
CONGLOMERATION	Affiliation with <i>Chaebol</i> Groups	1) 1 = in <i>Chaebol</i>
APPAREL	Clothes Products	2)
MACHINERY	Machinery Products	2)
ELECTRICAL	Electrical Machinery	2)
ELECTRONICS	Electronic Products	2)
EXPORT	Export Firms	1) 1 = export
FAMILY	Family-controlled	1) 1 = family controlled

* Ratios are multiplied by 100

1 Dummy variable

2 Reference group: Textile Products Industry

4. The age of firms (FIRM'S AGE) will be positively associated with organizational effectiveness. This hypothesis is based on Glen R. Carroll's findings.³⁹
5. Being conglomerated (CONGLOMERATION) with large *chaebol* groups will increase the degree of organizational effectiveness. Large firms - *chaebol* groups - have the potential for monopoly profit, due to their high market-share, capital resources, and other advantages.
6. Organizations in industries with a relatively high degree of technology compared to textiles, such as machinery products (MACHINERY), electrical machinery (ELECTRICAL), and electronic products (ELECTRONICS), will be more effective than firms in textile products (TEXTILES) - used as the reference group.
7. Export-oriented firms (EXPORT) will have greater effectiveness than will non-export (domestic-market oriented) firms. This hypothesis is based upon the fact that export-oriented firms enjoy advantages from outward-looking economic development policies of the Korean government, as noted earlier.
8. Family control (FAMILY) will have a positive impact on organizational effectiveness. Some firms in large *chaebol* groups have a tendency to be family-controlled, due to both the Korean cultural characteristics (e.g., familism, resulting from Confucian heritage) and the strong solidarity among members.

Data and Methods

The data used in this study are from a set of publications of the Korea Productivity Center Headquarters, which provides significant information on all Korean business firms. The data to be analyzed in this study include general organizational characteristics: assets, capital, debt based on financial statements (e.g., balance sheet, income statement), industry, and age of firm as of 1987. To capture the export factor approximately, the present study uses data on the classification of companies as export and non-export companies. For classifying family-controlled firms, the present study utilizes data on the number of family members of the owner who occupy high-level positions - for

example, a board director of a firm - based on a direct family line, such as a father-son or brother-brother relationship. The present study also uses the list of 122 *chaebol* groups, ranging from Lucky Goldstar, the largest, with 57 companies, to the smallest, Samik, with only 2 companies.

The basic analytical strategy is to utilize multivariate regression techniques for estimating the model of organizational effectiveness. The present study employs a sample of 250 Korean business firms, selected by stratified random sampling of the population across each industry. We used the method of ordinary least-squares regression for our data analyses.

Findings

The mean and standard deviation for each variable is presented in TABLE 2.

The mean of each dummy variable (CONGLOMERATION, MACHINERY, ELECTRICAL, ELECTRONICS, EXPORT, and FAMILY) represents the percentage distribution of firms across these categories. For example, about 14 percent of the firms are conglomerated with large *chaebol* groups.

The Pearson correlation matrix of the bivariate relationships of each variable in the model is presented in TABLE 3.

The zero-order correlation coefficients in TABLE 3 show that the relationships between the size variables (e.g., assets and number of employees) are very strong, as noted earlier, whereas all other correlations are moderate to weak. The relationships between unusual income and the size variables are relatively strong, because assets and unusual income go hand in hand as financial aspects of business organizations. The unstandardized and standardized regression coefficients for the equation described above are shown in TABLE 4.

TABLE 2. Summary Statistics (Mean and Standard Deviation of Each Variable in the Model)

Variable	Mean	Standard Deviation	(units)
ROS (Returns on Sales)	2.47	4.657	(%)
ROA (Returns on Assets)	4.67	16.083	(%)
ROE (Returns on Equity)	26.42	82.853	(%)
ASSETS	17,216.07	94820.738	million <i>won</i> *
EMPLOYEES	488.32	1967.441	number of employees
DEBT-TO-ASSETS	7.83	2.136	ratio
DEBT-TO-EQUITY	5.75	7.364	ratio
UNUSUAL INCOME	34.82	172.146	million <i>won</i> *
FIRM'S AGE	12.92	8.395	year
CONGLOMERATION	0.14	-	(%)
APPAREL	0.19	-	(%)
MACHINERY	0.18	-	(%)
ELECTRICAL	0.17	-	(%)
ELECTRONICS	0.22	-	(%)
EXPORT	0.68	-	(%)
FAMILY	0.37	-	(%)

* Note: 861.40 *won* = 1 U.S. dollar in December 1986. (Bank of Korea)

TABLE 3. Matrix of Zero-Order Correlation Coefficients between Variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) ROS	-															
(2) ROA	.65	-														
(3) ROE	.58	.90	-													
(4) ASSE	.01	-.02	-.02	-												
(5) EMPL	.02	-.01	-.02	.91	-											
(6) DEBS	-.01	-.04	.29	-.04	-.04	-										
(7) DEBA	-.18	-.06	.06	-.03	-.04	.38	-									
(8) UNUS	-.39	-.45	-.24	.56	.56	-.05	.25	-								
(9) AGE	-.03	-.08	-.04	.28	.29	.07	-.06	.18	-							
(10) CONG	.02	-.03	-.01	.25	.31	.02	-.02	.31	.21	-						
(11) APPA	-.01	-.01	.01	-.06	-.03	.02	-.01	-.02	.03	-.14	-					
(12) MACH	-.03	-.05	-.02	.02	-.05	.07	.09	.07	-.03	.04	-.22	-				
(13) JETRI	-.05	-.01	-.05	-.04	-.04	-.09	-.05	-.08	-.05	.00	-.19	-.18	-			
(14) ETRO	.09	.13	.07	.04	.05	-.10	-.10	.16	-.11	.02	-.26	-.25	-.21	-		
(15) EXPO	.09	.06	.01	.11	.13	-.04	.00	-.03	.14	.26	.05	-.11	-.09	.06	-	
(16) FAMI	-.03	-.04	-.05	.08	.13	.00	-.04	-.02	.08	.06	.00	-.07	-.01	-.03	.07	-

1 Returns on Sales; 2 Returns on Assets; 3 Returns on Equity; 4 Assets; 5 Employees; 6 Debt-to-equity; 7 Debt-to-assets;
 8 Unusual Income; 9 Firm's Age; 10 Conglomeration with *chaebol* groups; 11 Apparel products; 12 Machinery products;
 13 Electrical machinery; 14 Electronic products; 15 Export firms; 16 Family-controlled firms

The findings are, by and large, consistent across the separate models. Overall, a statistically significant amount of the variance (about 40 percent) in the dependent variable, organizational effectiveness, can be explained by the models.

In model 1(a) (table 4), the coefficient for ASSETS is statistically significant at the 0.01 level in a one-tailed test, and its sign is in the expected direction (positive) when the effects of other variables are controlled. This result is in line with the hypothesis that assets will be positively associated with organizational effectiveness. It is estimated that an increase of 10,000 million *won* in assets is related to a 0.0013 increase in the ratio of net income to sales. Such an effect is comparable to 5 percent of the mean of the dependent variable, returns on sales. Transforming this finding into an elasticity reveals that returns on sales increase 0.09 percent for a 1 percent increase in assets. Also as predicted, the coefficient for conglomeration with large *chaebol* groups (CONGLOMERATION) has a positive sign and is significant at the 0.05 level in a one-tailed test, controlling for other variables. This result is consistent with the proposed hypothesis of a positive effect of conglomeration on organizational effectiveness.

Controlling for other variables, the coefficient for export firms (EXPORT) is statistically significant but marginally so, at the 0.10 level in a one-tailed test, and its sign is in agreement with the hypothesis that export firms will have greater effectiveness than will non-export firms. The coefficient for UNUSUAL INCOME is negative and, in a one-tailed test, significant at the 0.01 level. The sign of the coefficient for this variable is not in the hypothesized direction (positive).

In models 1(b) and 1(c), where the dependent variable is ROS (Returns on Sales), but the number of employees (EMPLOYEES) is the measure of size, the overall findings are consistent with the results of model 1(a), since the correlation between ASSETS and EMPLOYEES is very strong, as shown in TABLE 3.

It is possible that returns on sale (ROS) is not an accurate measure of organizational effectiveness, and thus the data did not provide evidence which is consistent with the hypothesized relationships. We wanted to check whether or not the results of our analyses

TABLE 4. Unstandardized (b) and Standardized (B) Regression Coefficients
Organizational Effectiveness Model (Standard Errors in Parentheses)

Variable	Model 1(a)		Model 1(b)		Model 1(c)	
	b	B	b	B	b	B
Intercept	-1.002567 (2.217)	-	-1.470 (2.224)	-	3.069 (4.520)	-
ASSETS	.000013*** (.0000045)		.394			
EMPLOYEES	.00069*** (.00022)		.402		.00063	.366
DEBT-TO-ASSETS					-5.405 (4.729)	-.136
DEBT-TO EQUITY	-.041 (.092)	-.047	-.051 (.093)	-.059		
UNUSUAL INCOME	-.013*** (.002)	-.690	-.013 (.002)	-.695	.012 (.0027)	*** -.637
FIRM'S AGE	-.023 (.061)	-.041	-.012 (.063)	-.022	-.029 (.063)	-.050
CONGLOMERATION	2.818** (1.608)	.209	2.320 (1.643)	.169	2.494 (1.653)	

.182

APPAREL	1.333 (1.991)	.079	1.193 (2.000)	.071	1.024 (1.991)	.061
MACHINERY	.500 (1.963)	.031	1.664 (2.039)	.102	1.806 (2.014)	.111
ELECTRICAL	-.959 (1.931)	-.057	-.640 (1.950)	-.038	-1.206 (1.758)	-.069
ELECTRONICS	.852 (1.747)	.060	1.182 (1.762)	.083	2.487 (1.684)	.163
EXPORT	2.687* (1.651)	.176	2.869** (1.654)	.188	.715 (1.280)	.058
FAMILY	.892 (1.260)	.074	.753 (1.278)	.062		
R ²	.3966		.3981		.4098	
R ² adj	.2878		.2878		.2997	
F	3.645		3.608		3.724	
P	.0006		.0006		.0005	
N	250		250		250	

* Significant at the 0.10 level

** Significant at the 0.05 level

*** Significant at the 0.01 level

(One-tailed tests)

would be significantly different if alternative measures of organizational effectiveness, returns on assets (ROA) and returns on equity (ROE), are used. We therefore considered two additional models. The results from these two models are presented in TABLES 5 and 6.

**TABLE 5: Unstandardized (b) and Standardized (B) Regression Coefficients for Organizational Effectiveness Model
(Standard errors in parentheses)**

Dependent Variable = ROA (Returns on Assets)

Variable	b		B
Intercept	-.0903	(1.653)	-
EMPLOYEES	.00052***	(.00016)	.409
DEBT-TO-EQUITY	-.053	(.069)	-.081
UNUSUAL INCOME	-.010***	(.0019)	-.719
FIRM'S AGE	.028	(.047)	.066
CONGLOMERATION	.494	(1.222)	.048
APPAREL	.650	(1.487)	.051
MACHINERY	1.261	(1.516)	.103
ELECTRICAL	1.463	(1.449)	.116
ELECTRONICS	.538	(1.310)	.050
EXPORT	1.629*	(1.229)	.142
FAMILY	.980	(.950)	.108
R ² = .4111			
R ² adj = .3032			
F = 3.808			
P = .0004			
N = 250			

*Significant at the 0.10 level **Significant at the 0.05 level ***Significant at the 0.01 level (One-tailed tests)

As shown in TABLE 5, when ROA (Returns on Assets) is used as the dependent variable, and the number of employees (EMPLOYEES) is the size variable, the results are by and large consistent with the results of model 1 (table 4), except that the conglomeration variable

(CONGLOMERATION) is not significant. The coefficient for EMPLOYEES and EXPORT have positive signs and are significant at the 0.01 and 0.10 level, respectively, in a one-tailed test, when all other factors are held constant. The relationship of UNUSUAL INCOME to organizational effectiveness is significant at the 0.01 level in a one-tailed test, but the sign of the coefficient is not in line with the hypothesis of a positive effect.

In TABLE 6, where ROE (Returns on Equity) is the dependent variable, the number of employees is the measure of size, and the debt-to-assets ratio is used for the debt-to-equity ratio, in order to avoid multicollinearity. Only the result for UNUSUAL INCOME is in agreement with the results from tables 4 and 5. The effect of this variable still is not in the hypothesized direction (positive). In this model, the coefficient for AGE is statistically significant at the 0.05 level in a one-tailed test and its sign is in the expected direction (positive). This result is in agreement with the hypothesis that the age of a firm will be positively associated with its organizational effectiveness.

For family-controlled firms (FAMILY), the coefficient is marginally significant at the 0.10 level in a one-tailed test and its sign is consistent with the hypothesized direction (positive). This result is in line with the hypothesis that family control will have a positive impact on a firm's organizational effectiveness. Likewise, the coefficient for MACHINERY (with textiles as the reference group) is statistically significant at the 0.01 level, and its sign is in the predicted direction (positive). Unlike the results from the other two models, the coefficients for the number of employees (EMPLOYEES) as a size variable, conglomeration with large *chaebol* groups (CONGLOMERATION), and export orientation (EXPORT) are not significant. If all other factors are held constant, EMPLOYEES, CONGLOMERATION, and EXPORT do not significantly affect organizational effectiveness, as measured by net income divided by shareholder's equity.

Discussion

This paper has examined several hypotheses on the relationships between organizational effectiveness and selected organizational

characteristics of Korean business firms. One of the major hypotheses of the present study was that large business firms would be more effective organizations than small and medium-size firms. This prediction was confirmed by the positive and statistically significant effects of the size measures (ASSETS and EMPLOYEES) on returns on sales. Therefore, arguments by Nan Weiner and Thomas A.

TABLE 6: Unstandardized (b) and Standardized (B) Regression Coefficients for Organizational Effectiveness Mode
(Standard errors in parentheses)

Dependent Variable = ROE (Returns on Shareholders' Equity)

Variable	b		B
Intercept	-27.461	(22.259)	-
EMPLOYEES	.00116	(.00115)	.149
DEBT-TO-ASSETS	20.167	(23.306)	.112
UNUSUAL INCOME	-.042***	(.013)	-.467
FIRM'S AGE	.519**	(.308)	.201
CONGLOMERATION	8.708	(8.102)	.139
APPAREL	6.958	(9.805)	.091
MACHINERY	26.564***	(9.924)	.360
ELECTRICAL	6.165	(9.807)	.080
ELECTRONICS	5.747	(8.660)	.088
EXPORT	5.448	(8.260)	.078
FAMILY	9.357*	(6.270)	.170

R² = .2970

R²adj = .1681

F = 2.304

P = .0198

N = 250

*Significant at the 0.10 level

**Significant at the 0.05 level

***Significant at the 0.01 level (One-tailed tests)

Mahoney, and Heather A. Haveman, that size has a positive effect on organizational effectiveness, is supported, reflecting the benefits of

economies of scale.⁴⁰

The analysis also showed that organizational effectiveness is related to conglomeration with large *chaebol* groups. The hypothesis that being conglomerated with large *chaebol* groups increases organizational effectiveness was confirmed. This finding implies that large *chaebol* groups facilitate organizational effectiveness. According to Leroy P. Jones and Il Sakong, the state's financial policy favors large and established borrowers with a subsidized rate, and this is the major cause of the growth of business conglomerates in Korea since the 1960s.⁴¹ Allocation of credit by the state is one of the key functions of finance, and it is widely believed to affect organizational effectiveness.

In view of the powerful networks of relationships which *chaebol* groups command, it is reasonable to expect that the firms which are affiliated with the *chaebols* would have substantial advantages over other firms in several important aspects of organization. First, the affiliated firms would have more highly qualified, competent personnel, ranging from top-level managers to entry-level employees, due to the prestige as well as the compensation and benefit programs attached to such positions, than would unaffiliated firms. Second, the affiliated firms can take advantage of the connections of the mother company in securing bank loans and other financial programs with favorable terms. Third, *chaebol*-affiliated firms may also have various support systems available from other firms within the *chaebol* group in terms of outsourcing raw materials, marketing, advertising, and selling their products. Fourth, affiliated firms would be in more strategically favorable positions in dealing with the various local and central government agencies through the assistance of the *chaebol* group headquarters.

The importance of export orientation in explaining organizational effectiveness is suggested by the significant and positive effect of the dummy variable for export-oriented firms. Since the launching of an export-oriented development strategy, the Korean state has supported the development of export-oriented sectors over that of the import-substitution and non-tradable goods sectors. State support for export firms thus may increase organizational effectiveness. The significant negative impact of unusual income on organizational effectiveness was

not in agreement with the hypothesized positive effect. This is surprising. However, it is possible that the firms which had experienced less than satisfactory performance might have sold their real estate holdings to alleviate their cash flow problems. Moreover, in view of the high rate of appreciation of real estate property values, the firms whose returns on assets are reasonably high would not sell their properties. This linkage may account for the observed negative relationship between unusual income and organizational effectiveness.

The outlier analysis showed somewhat different results than the original analysis due to the characteristics of the omitted cases (N=34), which were mainly big firms. In point of fact, the size variables did not significantly affect organizational effectiveness, as in the original analysis.

Several limitations of the study must be acknowledged. ROS (Returns on Sales), ROA (Returns on Assets), and ROE (Returns on Equity) - profitability ratios - were used as organizational effectiveness measures because public data for other effectiveness measures were not available for most of the firms in the sample. Different results might have been obtained with other organizational effectiveness measures. It is also necessary to take into account other explanatory variables, such as specialization of activities, standardization of procedures, formalization of documentation, centralization of authority, and division of labor. Notwithstanding these limitations, the present study may contribute to a preliminary understanding of the relationship between organizational effectiveness and the structural characteristics of economic organizations. One meaningful implication of the analysis is that studies of organizational effectiveness should consider the business-state relationship. This implication is suggested by the importance of large *chaebol* groups' political connections in improving organizational effectiveness.

Studies of economic development assume that within the developing world entrepreneurial organizations have made major contributions to the economic growth of their nations.⁴² Therefore, increasing attention has been focused on removing obstacles that retard or restrain economic growth. Thus, firm behavior in a developing country is an important area for the study of organizations. Important

aspects of economic organization in developing economies can be assessed by examining the effect of organizational characteristics on output, as indicated by effectiveness, since organizational effectiveness is a basic determinant of economic growth.

Notes

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What Is KEDO?

Desaix Anderson

Korean Peninsula Energy Development Organization

The Korean peninsula, especially the demilitarized zone (DMZ) that splits it in two, is one of the world's most dangerous flashpoints. President Clinton called it "one of the scariest places on earth." In addition to the troops massed on the DMZ, the fragility of Northeast Asian security is underscored by North Korea's military and technological capability. The Democratic People's Republic of Korea (DPRK), North Korea, has one of world's largest armies, a million men, with artillery capable of bombarding Seoul. In August 1998, the DPRK launched a Taepodong I missile, which has the range to hit anywhere in South Korea or Japan. With further development, such missiles could reach Alaska, Hawaii, or even the continental United States.

These capabilities make North Korea a threat in the eyes of Japan, South Korea, and the United States. China also views the DPRK as a key facet of the Northeast Asian security situation.

All this attention given to North Korea, however, has not succeeded in resolving for outside observers questions about the country's predictability. At times, the North has seemed open to increased contact with the outside world; at others, it has appeared to be following a strategy of dangerous brinkmanship and belligerence, at extremely high stakes.

Recent Developments

Early in 1998 there were a few encouraging events in Korea: Kim Dae Jung became president of South Korea and called for pragmatic engagement, a three-stage process of reconciliation and eventual

reunification of the two Koreas, separating economics from politics. The Four Party Talks reconvened, involving both Koreas, China, and the United States, to work toward permanent peace arrangements. And later in the year, Chung Ju-Yung, honorary chairman and founder of South Korea's biggest conglomerate, Hyundai, visited North Korea and met with its reclusive leader, Kim Jong Il, to work out arrangements which might total \$1 billion in value over ten years, including tourist visits to Mount Kumgang and extensive investment in North Korea.

At the same time, however, North Korea continued to send spy submarines south. And in the summer of 1998, U.S. intelligence detected possible efforts by the North to construct nuclear facilities at Kumchangri, north of the nuclear facilities at Yongbyon, which had been frozen as a result of the 1994 U.S.-DPRK Agreed Framework.

On August 31, 1998, the very day that the United States, South Korea (ROK), Japan, and the European Union (EU) were to sign a \$4.6 billion "cost-sharing resolution" determining how funding for the KEDO (Korean Peninsula Energy Development Organization) project called for in the Agreed Framework would be financed, North Korea fired a three-stage missile across northern Japan. Though Pyongyang called it a satellite launch, the missile flight caused outrage in Japan and in the U.S. Congress.

What Is Kedo?

Under the Agreed Framework signed between the United States and the DPRK in October 1994, KEDO must supply to North Korea two 1,000-megawatt light water reactors (LWR), which do not pose a nuclear proliferation threat, and 500,000 tons of heavy fuel oil (HFO) per year until the pending completion of the first reactor.

KEDO is an international organization consisting of four Executive Board member countries — the United States, the ROK, Japan, and the EU — as well as other contributing members. Besides providing the DPRK with the two LWRs and the annual HFO, the broader mission of KEDO is to contribute to the strengthening of the international nonproliferation regime while improving the prospects for lasting peace and stability on the Korean peninsula and in Northeast Asia.

KEDO is often referred to as a model of how a cooperative and targeted international diplomatic effort can lead to the resolution of regional security or political crises. It is fair to say that in its first four years of operation KEDO has achieved greater success than most observers initially thought possible, and more than many of its current critics will acknowledge.

Broader Accomplishments

On the nuclear nonproliferation level, KEDO's success has ensured the continued freeze of the suspect facilities at Yongbyon, including the 5-megawatt reactor, 50- and 200-megawatt graphite-moderated reactors under construction, the reprocessing facility, and related facilities. The spent fuel rods from the 5-megawatt reactor have been removed and almost all canned. The DPRK has remained a party to the nonproliferation treaty (NPT) and has allowed the International Atomic Energy Agency (IAEA) to resume its monitoring activities at Yongbyon. These are hard-won and highly significant accomplishments.

KEDO has also served an important diplomatic function. Through its daily work in New York, in negotiations with the DPRK, and at our Kumho site on North Korea's east coast, KEDO has provided a continuous, crucial link between Pyongyang and the outside world. Particularly during the occasional flare-ups that have occurred, KEDO has provided a formal and an informal forum for near constant contact and interaction with the North.

In addition to being a window to the world for North Korea, KEDO has provided an opportunity for direct contact between North and South Koreans at various levels. South Koreans in KEDO have directly negotiated agreements with North Koreans. We have learned to work with each other and to listen to each other's concerns. There has also been considerable interaction between the more than two hundred South and North Korean workers at the site. It has been a remarkable aspect and benefit of the project that workers from the two Koreas, which remain technically at war, may be seen laughing together, sharing cigarettes, and in general learning each from the other for the first time. As the LWR project progresses, thousands of South

and North Koreans will work side by side, jointly building the two light water reactors.

Finally, KEDO has also provided important political benefits to its founding members. KEDO has become an important feature of the geopolitical landscape on the Korean peninsula and in Northeast Asia by becoming an important mechanism for coordinating and harmonizing Japanese, South Korean, American, and now European interests and policies. This is especially important given the historical tensions between Japan and Korea.

Other Components of Engaging the North

KEDO's mandate is actually quite narrow, but its impact is broad. Our work serves as a first step, the start of a foundation for a new structural relationship that the outside world is attempting to build with North Korea. If all goes well, KEDO can be a vehicle to begin the process whereby Pyongyang might be enticed from its isolation and brought into the broader regional and international community.

Upon this base, the other components of this relationship with Pyongyang can be built. These include the Four Party Talks, involving the United States, China, and the two Koreas, to build confidence on the peninsula, end the state of war which exists, achieve force reductions and military transparency, and secure a permanent structure for peace and stability in Northeast Asia. North-South talks are also crucial to any longer-term solution on the peninsula - and for which KEDO has already proven to be a useful prototype. Normalization talks by the North with the United States and Japan - including incumbent difficulties, such as resolution of issues like DPRK missiles, technology transfer, and humanitarian matters - are also critical in this regard.

It is very clear that North Korea attaches great importance to the LWR project. Even when various components of the structural relationship seem stymied, there has been no diminution of Pyongyang's enthusiasm for dealing with KEDO on the LWR project. In effect, KEDO is a classic confidence-building measure, part of a foundation upon which North-South dialogue, Four Party Talks, and bilateral normalization talks can build.

However, it is not enough to construct only a foundation. All parties concerned — including the ROK, Japan, the United States, and the DPRK — must have an architectural design for the new structural relationship they seek, including how to build it and some vision of what ultimately may emerge upon the foundation.

Perceptions of the Players

Let's look at what I perceive to be the current perspectives of the ROK, Japan, and the United States in the wake of the missile and suspect underground facilities crisis.

The Kim Dae Jung administration in South Korea made a major investment in a serious attempt to separate economics from politics, and to eschew early reunification or seek the collapse of the DPRK. Seoul's reaction to a string of provocations has been patient and visionary. However, the political cost of its positive approach has been serious, and the "sunshine policy" has been put at risk by Pyongyang's failure to reciprocate Seoul's constructive policies. With Pyongyang's new proposal for talks, this situation may be changing.

In Tokyo, Pyongyang's obduracy in negotiating humanitarian issues of importance to Japan — further visits by wives, the kidnapping cases — had already hardened attitudes and cost Pyongyang considerable goodwill. The missile test broke the camel's back, provoking Tokyo's "outrage and anger" and the clear perception that now the DPRK represents a security threat to Japan — a radical change in perspective which resulted in calls for stepped-up research on a theater missile defense system (TMD) and Japan's own "intelligence satellite."

Evidence of suspect facilities and the new threat from missiles drastically undercut congressional support for Washington's policy toward North Korea, and forced short deadlines on the administration to resolve the ambiguities of the underground facilities or sacrifice the Agreed Framework, with all the dire consequences this would entail. The "underground facilities" issue was overblown from the start, since it would take several years to build facilities and actually produce plutonium. This matter seems on its way to resolution. Thus, the missile threat may soon take front stage.

China's longstanding ties and support for North Korea reflect the importance it places on the DPRK's stability and its realization that instability in North Korea could affect the security and prosperity of the entire region. Beijing is very much afraid that the intense focus on missiles, "underground facilities," and other suspicions will hype the North Korean threat and create such momentum that confrontation will inexorably explode - and that Beijing will be expected to defuse issues related to North Korea which are not under Beijing's control. China will then be blamed for failure to end the crisis.

The View from Pyongyang

Pyongyang's overriding goal is survival. North Korea has abandoned its goal of communizing the South with early reunification under DPRK auspices. Pyongyang is convinced that its survival is threatened by two challenges:

1. It is surrounded by hostile forces, led by the United States, which are intent on destroying the DPRK, or on stalling while waiting for the DPRK's collapse.
2. The DPRK economy is in danger of total collapse.

The Threat of "Hostile" Forces

In my view, based on regular conversations with North Koreans, Pyongyang believed that the Agreed Framework, and KEDO as its instrumentality, had committed the United States to end its hostility toward the DPRK and to move rapidly to normal relations. North Korean concern with erratic HFO deliveries and the slow pace of the construction of the light water reactors fed suspicion that the United States would not proceed as hoped. Even more, the failure after four years to lift economic sanctions was both blamed (erroneously) for the declining state of the DPRK economy and, even more importantly, seen as a signal that Washington was not genuinely committed to ending hostility toward the DPRK.

These suspicions have been exacerbated by U.S. reaction, however justified, over the purported "suspicious underground facilities" and the missile launch in the summer of 1998, as well as by

rhetoric in the U.S. Congress and reports in the press of an Opslan 5027 calling for U.S. and ROK occupation and takeover of the DPRK according to some contingencies.

It is likely that there are conflicting views among North Korean leaders - some of whom believe opening to the outside world is necessary, and others who are addicted to *juche* and would have serious fears of contamination from South Korea's "sunshine policy" or from engagement with the United States.

The Threat of Total Economic Collapse

The 1989 collapse of the Soviet Union, including the loss of its financial assistance, and China's 1992 policy decision to normalize ties with South Korea and end preferential commercial treatment of the DPRK, cut North Korea adrift from its financial moorings. Together, Moscow and Beijing had provided the subsidies which had sustained North Korea since its founding.

After losing that support, the DPRK economy declined some 80 percent, by my estimate, between 1989 and today. The DPRK's industrial economy has deteriorated dramatically and functions only marginally, at perhaps 20 percent of its capacity in the late 1980s. North Korea's agricultural economy - still primitive because of floods, droughts, and Stalinist and *juche* agricultural policies - produces about half the country's annual requirements. I agree with the IMF and World Bank assessments that the DPRK economy cannot recover without massive external inputs.

Despite certain ideological legacies, out of historical concern for preserving its sovereignty and territory Pyongyang is fearful of overdependence on China as its principal source of economic or military support. After flirting in the late 1980s with Japan as a potential partner to rescue its economy, and then with South Korea under the comprehensive agreements achieved in 1991-92, Pyongyang evidently concluded that the United States was key to managing the security and economic threats it perceived. North Koreans contend that Washington is also the path to relations with Tokyo and Seoul.

Invigorating the Approach

At this point, Pyongyang seems to have almost concluded that its approach, to manage its security and economic concerns through the Agreed Framework, may be failing. Consequently, the Agreed Framework and KEDO are at serious risk - both because of U.S. and allied concern about the "suspicious underground facilities" or another North Korean missile launch, and also because of failure to accelerate the pace of commitments under the Agreed Framework. Needless to say, Pyongyang has not been an easy partner for our common efforts, but no matter how difficult Pyongyang may be, it is our basic goals in Northeast Asia that are at risk. The alternative to sustaining the core of the Agreed Framework and KEDO is confrontation and increased risk of war.

To rescue our objectives vis-à-vis the DPRK — nonproliferation, ending a missile threat, and building a peaceful and prosperous Northeast Asia — I believe that the Agreed Framework and KEDO must be folded into a comprehensive package of policy moves, taken in concert with Seoul, Tokyo, Brussels, and Beijing, and articulated directly at top political levels in Pyongyang by an American political figure. The outlines of the broader approach would include acknowledgment to Pyongyang that the potential of the Agreed Framework has not met the broader goals and expectations of either party. Consequent frustrations and suspicions have mounted to the point of undermining our original understandings and intentions.

For the sake of peace and prosperity in Northeast Asia, the United States and its allies are prepared to broaden engagement with the DPRK to make credible our intention to end the hostile relations between ourselves and the DPRK - in line with President Kim Dae Jung's approach.

It would be absolutely clear that Pyongyang must choose either meaningful and peaceful engagement and support for the rehabilitation of North Korea's economy, in conjunction with elimination of the nuclear, missile, and military threats, on the one hand, or isolation and confrontation, with all the economic and military dangers this poses to North Korea, on the other.

Immediate Measures

Some measures should be undertaken immediately to serve our own interests and signal a new beginning. The Agreed Framework and KEDO would remain at the core of our efforts, but we must be prepared to accelerate and broaden all aspects of their implementation. To this end, the United States should lift expeditiously all sanctions under the purview of the president, demonstrating the good faith of the United States in moving to a normal, constructive relationship with the DPRK.

The United States would propose immediate establishment of liaison offices in Washington and Pyongyang, anticipating rapid movement to normal diplomatic relations. If Pyongyang is not ready to open an office in Washington, the United States would open its liaison office first, assuming DPRK concurrence.

Longer-Term Measures

Other initiatives would take slightly longer, but would be pursued with dispatch.

The United States, the ROK, and Japan would work closely to promote DPRK entry into the International Monetary Fund, the World Bank, and the Asian Development Bank as quickly as the DPRK could satisfy the technical and transparency requirements of membership. In the meantime, the allies would support training activities by all three institutions to help with North Korea's economic recovery.

The United States, Japan, the ROK, and the European Union, with participation by other interested countries, would agree to establish a Korean Peninsula Investment Facility, which would work with the DPRK to identify North Korean industries appropriate for external investment and would facilitate such investment. Emphasis would be placed on investment with the potential to speed the restoration of North Korea's basic industry, energy production, infrastructural development, and export potential. (This effort could incorporate such ideas as Kim Dae Jung's "Pusan to Beijing" rail link, Russia's Siberia to South Korea oil pipeline, as well as Pyongyang's interest in mining, energy, and the electrical grid.)

The United States and its allies would encourage efforts by the United Nations Development Program, the World Food Program, the

Food and Agriculture Organization, nongovernmental organizations, and others to assist in the rehabilitation of the agricultural sector of the DPRK economy. Generous humanitarian assistance with food and basic medicine needs would continue during the period, working toward recovery in North Korea. All these efforts would aim to help build the long-term viability of the DPRK industrial and agricultural economy.

While the United States would be prepared to move ahead in all these areas, in conjunction with progress on other issues in the Four Party and U.S.-DPRK bilateral talks, bilateral dialogue with Japan and South Korea would also be essential to success. The EU would also be part of these efforts. Similar, appropriate messages would need to be delivered by Tokyo, Seoul, and Brussels to Pyongyang. Beijing's support would also be very important.

Security Issues

Pyongyang would have to understand that these benefits would flow only in conjunction with Pyongyang's ending its threatening activities. This requirement would have to be articulated very carefully since Pyongyang dislikes intensely "tit for tat," quid pro quo, or conditioned approaches. The diplomatic challenge would be to achieve these ends in ways which did not offend North Korea. Pyongyang would also have to make clear its intention to end its hostility toward us.

In light of Washington's and its allies' willingness to move ahead to resuscitate the DPRK economy, it would be essential that Pyongyang clarify promptly the issue of the suspicious underground facilities and any other comparable matters. Again, the underground facilities problem seems to be on its way to a satisfactory resolution.

The DPRK's willingness to end development, deployment, and export of medium- and long-range missiles would also be an essential component of this broadened approach. Reduction of force deployments on the DMZ should also be high on the agenda of the Four Party Talks.

Implications of this Approach

A rejuvenated and broadened initiative represents the best hope for rescuing a constructive relationship with the DPRK, to bring North Korea from its isolation into the international community, to avoid dangerous confrontation, and to bring peace and stability to Northeast Asia. I judge the gamble for peace to be worth the risk.

However, none of the proposed measures is irreversible. All could be pursued pragmatically, taking into account developments in Pyongyang. Should this new start fail, the United States would be in a far stronger position to rally its allies, including Beijing, in an inevitably even more dangerous period ahead.

This paper was prepared for presentation at the Institute for Corean-American Studies' Winter Symposium, University of Pennsylvania, February 26, 1999. Desaix Anderson is executive director of KEDO.