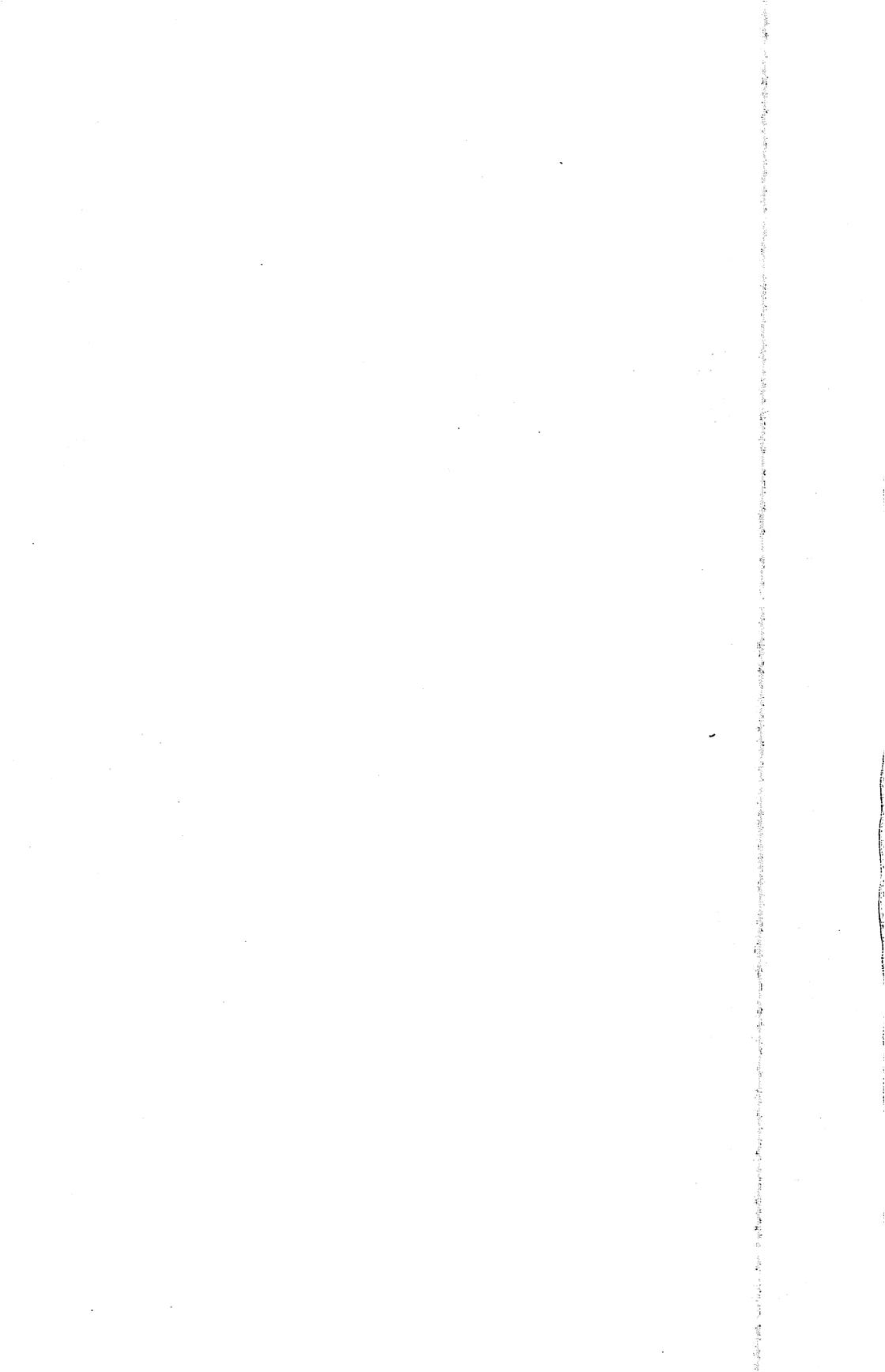


Korea–U.S. Relations in a Changing World



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EDITED BY

Robert Sutter and Han Sungjoo



INSTITUTE OF EAST ASIAN STUDIES

UNIVERSITY OF CALIFORNIA AT BERKELEY

A publication of the Institute of East Asian Studies, University of California at Berkeley. Although the Institute is responsible for the selection and acceptance of manuscripts in this series, responsibility for the opinions expressed and for the accuracy of statements rests with their authors.

The Research Papers and Policy Studies series is one of several publications series sponsored by the Institute of East Asian Studies in conjunction with its constituent units. The others include the China Research Monograph series, the Japan Research Monograph series, the Korea Research Monograph series, and the Indochina Research Monograph series. A list of recent publications appears at the back of the book.

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ISBN 1-55729-021-0
Library of Congress Catalog Card Number 90-83676
Printed in the United States
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Introduction

ROBERT SUTTER and HAN SUNGJOO

Three themes characterize the wide range of issues that face U.S. and South Korean policymakers today and that will likely face them into the 1990s. One theme is change, both within U.S. and South Korean societies and in the regional and international settings that influence U.S. and South Korean policies and provide the backdrop for them. The thaw in the cold war and the easing of the Sino-Soviet dispute, the rise of new economic and political powers like Japan, the relative decline of U.S. and Soviet influence in world affairs, and South Korea's dynamic internal economic and political growth are among the important changes prompting the most serious readjustment in U.S.-South Korean relations since the Korean War.

Linkage is a second theme. Because of the changes previously noted, the days are gone when U.S. and South Korean policymakers could consider their relationship primarily on the basis of common security and geopolitical interests that would remain separate and largely immune from the influence of economic, political, and other issues in the relationship. Today, issues in one area are invariably seen as linked to interests of both countries in other areas: U.S. senators cite recently apparent anti-American political feeling among some groups in South Korea as one factor behind proposed U.S. troop reductions there; some U.S. policymakers are reluctant to sell advanced technology for South Korea's new jet fighter for fear that the Koreans will use this security cooperation to their advantage in future economic competition with the United States; and South Korean leaders allow U.S. trade policy pressures to be used to stir up anti-American political feeling in South Korea.

Uncertainty, a third theme, is a consequence of rapid changes and complicated linkages among issues. U.S. and South Korea policymakers are uncertain and often inexperienced in handling the broad mix of issues and the sometimes rapidly changing variables that influence those issues. They fear that a misstep in one area could have wider ranging implications, affecting the longer term durability of the relationship. They are aware of the basic challenge they face—to create and sustain a balanced, mutually

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beneficial relationship amid changing and interrelated circumstances. But they have run out of road map as to how to maneuver effectively in essentially uncharted terrain.

The essays in this volume were prepared for the Third U.S.–Korea Bilateral Forum sponsored by the Institute of East Asian Studies at the University of California at Berkeley, the Seoul Forum for International Affairs, and the Center for Asian Pacific Affairs of The Asia Foundation. They clearly reflect the three themes characterizing U.S.–Korean relations as we enter the 1990s. The purpose of this introduction is to provide an overview of changes affecting U.S.–Korean relations, the complicated matrix of issues between the two countries, and possible policy approaches that may help establish and sustain a balanced and beneficial U.S.–South Korean relationship in the 1990s.

The Changing Context of U.S.–Korea Relations

Leaders of the USSR, China, and other socialist countries have to varying degrees seen their past economic and political practices as causes of a decline in the ability of their nations to compete and keep pace with the more rapidly developing and dynamic countries of the West. Mikhail Gorbachev has taken the lead in promising major cutbacks in Soviet defense spending and military deployments and in giving the people of the USSR and those of Eastern European countries greater leeway in expressing their views. At bottom, these initiatives are intended to make the Soviet and Eastern European systems more efficient and capable of greater growth and technological advance. The cuts in Soviet forces, the radical political changes in Eastern Europe, and the range of important political and economic reforms in the Soviet Union seem to hold the promise of the most substantial change in the East–West order that has dominated Europe since the start of the cold war.

Soviet preoccupation with domestic reform and events in Europe clearly reduces Soviet ability to sustain a threatening posture against U.S. and Korean interests in Asia. The situation facing those interests nonetheless remains ambiguous and less promising than that in Europe for several reasons. First, the USSR has not followed through with many tangible signs of military pullback from Asian regions that have a direct bearing on U.S.–Korean concerns. Thus, the Soviet withdrawals from Afghanistan and Mongolia and the promised pullbacks from the Sino–Soviet frontier do little to change the security situation around the Korean peninsula. The Soviets continue to supply advanced fighter aircraft and missiles to North Korea in return for the right to use Korean airspace to facilitate Soviet reconnaissance flights in East Asia.

The improvement in Sino–Soviet relations presumably has curbed North Korea's ability to maneuver between its two Communist allies to gain greater support for its often provocative policies toward the South. And the thaw in U.S.–Soviet and Sino–Soviet relations has opened the way for South Korea to build economic and other relations with the two Communist powers. But countervailing trends are seen in reports of North Korea's efforts to develop a capability to produce nuclear weapons and the setback in the Chinese reform movement following the brutal crackdown on Chinese dissent in mid-1989. In particular, the turn in Chinese policy was followed by a public effort by the Chinese leadership to curry favor with North Korea, although Beijing still desires to develop closer economic relations with South Korea.

The recent events in Beijing also indicate how fragile and volatile reform in socialist societies can be. In the Soviet bloc, Gorbachev seems to be in control for the time being, and on balance he seems to favor policies allowing greater political freedom and reform. But many in the West warn that the United States and its allies need to remain alert in the period ahead for possible backsliding or even sharp reversals in reform, as have been seen in China following the massacre in Tiananmen Square.

As the military threat from the USSR has appeared to decline, U.S. leaders have focused even more attention on American ability to compete in international economic markets while sustaining a favorable geopolitical balance in world affairs. U.S. attention to economic competitiveness is already high for several reasons—the persisting inability of the United States to take effective actions to bring down its large trade deficits, the shift of U.S. standing in the course of the past decade from being the world's largest creditor nation to being the world's largest debtor nation, and the protracted and slow U.S. effort to lower its government spending deficit. These factors have raised fundamental questions in the United States about America's ability to compete with Japan, the economies of the European community, and the dynamic newly industrialized economies like South Korea. Under these circumstances, the United States has been more inclined to press those allies that are prosperous or newly prosperous economic competitors of the United States and run surpluses in trade with it to share more of the common allied defense burden and to open their markets more to U.S. goods and services.

The Korean perspective on this set of issues reflects several factors. On the one hand, the South Korean leadership has welcomed the easing of U.S.–Soviet and Sino–Soviet tensions and used the changes to launch its so-called *Nordpolitik* policy of détente, seeking improved economic and possible political contact with the reformist socialist countries. It also has launched a series of initiatives toward North Korea, although Pyongyang's

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response has focused more on gaining tactical advantages over the southern government than seeking common ground in the interest of easing tensions on the peninsula.

Seoul leaders also have nurtured Korea's new stature as a rising economic power in Asian and world affairs. They have become active participants in Asian economic and other regional forums and have broadened their contacts with developed countries in Western Europe and North America as well. In recent years they have achieved overall trade and balance of payments surpluses that complement their admirable record in promoting sustained economic growth and technological advance.

But Korean leaders remain slow in translating their growing political and economic influences into actions that would adjust the U.S.–Korean relationship in ways favored by some in the United States. In particular, they judge that the security situation on the Korean peninsula has not reached a point where the United States can safely consider withdrawing its troops; and they are less responsive than some Americans would like on issues involving South Korea's paying more of the expense of U.S. forces in Korea and opening markets in sensitive areas like agriculture to U.S. imports. The Koreans often criticize rising U.S. trade and burden sharing pressures as self-serving, protectionist, and failing to take proper account of the wide disparity of national power and standard of living between the United States and Korea.

Meanwhile, the effects of security and economic trends on decision makers in Washington and Seoul have been complicated by political changes, especially the rise of a multiparty pluralistic political system in South Korea. The United States strongly supported the transition to democratic rule that saw the first popularly elected Korean president take office in 1988, only to face a popularly elected National Assembly dominated by opposition parties. The result made it more difficult for the South Korean government to arrive at decisions on sensitive trade, burden sharing, or other questions raised by the United States. Greater South Korean press freedom, acrimonious labor disputes, and vocal demonstrations also have given rein to heretofore tightly controlled feelings among some South Koreans who are sharply critical of the United States. Although recent polls clearly show that a large majority of South Koreans favors close relations with the United States, including the continued presence of U.S. forces on the peninsula, student dissidents are able to voice strident criticism of American policies, and opposition and labor leaders and others sharply criticize U.S. pressures over trade issues and burden sharing questions. Some of the anti-American statements may be in part a surrogate for deep resentment by some Korean leaders associated with the rigorously pro-U.S. regime of the past, but the rise of the anti-American public

sentiment still serves to complicate policymaking in both Seoul and Washington.

The Agenda of Recent Issues

The changing context affecting U.S.–Korean relations has prompted U.S. leaders to take the lead in seeking a better balance in economic and military ties with South Korea that would take account of South Korea's new prosperity and economic competitiveness while sustaining American interest in stability and prosperity in South Korea. Some radical students in South Korea call for a sweeping revamping of U.S.–South Korean relations. Most government and opposition party leaders tend to see Korean interests as reasonably well served by most existing U.S.–South Korean arrangements, but they tend to see U.S. pressure for adjustments as likely to result in changes that would cost South Korea more than current arrangements. Thus, the dynamic of U.S.–South Korean relations on recent issues has tended to be one of U.S. officials taking the initiative to press the often reluctant South Koreans for changes in economic, security, and other policies.

Economic Issues: "Unfair" Economic Practices

There are several perceived causes of the recent, persisting, large U.S. trade deficits with Korea and other countries. They involve the results of the recent macroeconomic policies of the United States and other major economic powers, Third World debt, a perceived decline in U.S. ability to compete with its trading partners, and unfair trade and economic practices of U.S. trading partners. The U.S. Congress has taken the lead in the Omnibus Trade Act of 1988 (Public Law 100-418) and other measures in pressing for a more active U.S. effort to promote change in perceived unfair trading and other economic policies of foreign competitors.

Korea's Import Restrictions: In the case of Korea, the United States has focused in recent years on better access to the Korean market. Under heavy pressure from the United States and other trading partners, the Korean government has instituted (at least in principle) a series of sometimes sweeping changes designed to loosen restrictions on imports and foreign investment and better protect foreign intellectual property rights (copyrights and patents). Responding to U.S. demands that the value of Korea's currency be determined by market forces, the Korean currency has risen more than 30 percent in value relative to the U.S. dollar over the past three years; and South Korea has instituted a system to protect U.S. and other foreign intellectual property and is attempting to meet U.S. charges that the system is not enforced fairly.

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The United States still seeks removal of numerous formal and informal restrictions on foreign economic activity in South Korea to make U.S. firms more competitive. Korea's tightly regulated agriculture markets remain a primary objective. Access to the Korean market for services, such as financial services and telecommunications, in which U.S. companies are competitive, is an important priority, as is the ability to compete with fewer restrictions in the domestic Korean market, including public sector procurement.

At the end of April 1989, the U.S. government released the annual National Trade Estimate Report on Foreign Barriers. The report outlined the trade practices of 34 countries that restrict U.S. exports. Based on this report, the U.S. Trade Representative identified Japan, Brazil, and India as Super 301 "priority countries" and six practices of these countries as sources of major barriers to U.S. exports. Korea successfully avoided the designation as a Super 301 priority country under the 1988 Trade Act by agreeing to a number of U.S. objectives. Among these were reductions in import tariffs, elimination of import restrictions on selected food products, liberalization of grain and livestock imports, liberalization of the foreign investment process, and elimination of restrictions and performance obligations for foreign investors. Korea also made commitments for stronger protection of intellectual property rights. By making prior concessions and avoiding the designation of an unfair trading country, Korea helped weaken the perception held by some in the United States that it represents a "second Japan." Korea's actions also gained it some goodwill on Capitol Hill. The U.S. decision to exclude Korea from Super 301 consideration was a close call. U.S. decision makers are watching carefully to see whether Korea implements its many recent pledges.

U.S. Restrictions on Korean Imports: Reflecting the interests of U.S. textile, steel, and other industries challenged by an influx of imported goods in recent years, the Bush administration has instituted a series of restrictions affecting textile and steel imports into the United States. As a major exporter of these products, Korea has been affected by these decisions. Korea is the second most important supplier of foreign-made textiles in the United States and has a steel industry that is highly competitive in international markets. Koreans complain that these arrangements are restrictive. Coming at a time of strong U.S. pressure to open Korea's markets, they are also said to reflect an apparent "double standard" in U.S. trade policy.

Security Issues

U.S.–South Korean security ties have long been determined by the two countries' judgments of their respective security needs based principally

on the prevailing military balance on the Korean peninsula and in North-east Asia. Persisting pressure on U.S. government resources in recent years has restricted the amount of money available for defense and has prompted U.S. policymakers in Congress and the administration to press well-to-do or newly prosperous allies (like South Korea) to share more of the allied defense burden. U.S. policymakers also have become more cautious than in the past in arranging for the transfer of defense technology to allies (as part of weapons co-production or other security programs) that might enhance the capabilities of foreign competitors of U.S. manufacturers in the years ahead. Meanwhile, political liberalization in South Korea in recent years has allowed some rising criticism of the U.S. military presence and practices in South Korea. Such criticism, along with reassessment of threats from the North, prompted some in the U.S. Congress to call for a scaling down of the U.S. presence. Current issues focus on proposals to withdraw some U.S. ground forces from South Korea, to place restrictions on a proposed U.S.–South Korean co-production arrangement for a new jet fighter for the South Korean Air Force, and to lower the profile of the U.S. military presence and command structure.

U.S. Troop Withdrawal: In June 1989, Senator Bumpers and five other senators introduced legislation calling for a gradual withdrawal of 10,000 U.S. ground forces in Korea by 1992. He noted that South Korea is strong enough economically to fill whatever gap would be caused by the U.S. withdrawal and that the cost of U.S. forces in South Korea (\$2.6 billion) is something the United States can ill afford while Korea runs a large trade surplus with the United States and spends somewhat less proportionately on defense than does the United States. Senator Levin earlier in June had also called for a scaling back of U.S. forces in Korea, and press reports indicated that the Bush administration was also considering some adjustments in U.S. forces. An amendment to the Defense Authorization Bill for 1990–1991 (S. 1352) was adopted by the Senate on August 1, 1989. Although it called for U.S.–South Korean consultations on possible U.S. troop withdrawals and greater South Korean sharing of the allied defense burden on the peninsula, it did not specify any reduction of U.S. troops. As part of its consideration of the Defense Appropriations Bill on September 26, 1989, the Senate defeated by a vote of 65 to 34 a proposal to order the withdrawal of 3,000 U.S. troops from Korea and called instead for the administration to “reassess” U.S. deployments there. During a visit to South Korea in February 1990, U.S. Defense Secretary Richard Cheney told South Korean officials that the United States would withdraw a few thousand U.S. troops from South Korea by 1993.

U.S. Military Profile in South Korea: The large and prominent U.S. military presence in South Korea has been a source of criticism on the part

of some South Koreans. The criticism has added to friction between the two countries. Solutions have focused on provisions and proposals to lower the profile of U.S. forces in South Korea. Specific steps have included a U.S.–South Korean agreement to move a large U.S. base, containing an 18-hole golf course, from downtown Seoul to a less crowded area and to consider changes giving South Korean officers greater prominence in the current U.S.-led Combined Forces Command—the command structure that generally governs the operation of U.S. and South Korean forces in defense of South Korea. Other proposed adjustments are designed to redress Korean complaints about perceived inequities in treatment of Americans and Koreans under the U.S.–South Korean Status-of-Forces Agreement (SOFA) and about perceived intrusive and culturally offensive segments in U.S. armed forces television broadcasting.

The FX–Korean Fighter Aircraft Program: U.S. Senators Heinz and Dixon introduced legislation in July 1989 objecting to provisions of a reported U.S. plan to help South Korea produce a new jet fighter, known as the “FX” or Korean Fighter Program (KFP). They were particularly concerned with the possible transfer of U.S. technology under the agreement that in their judgment could help South Korea develop an aircraft industry competitive with the United States and with reported provisions in the planned agreement that would require the U.S. contractor to agree to “offset” the amount of the Korean purchase by purchasing a comparable amount of Korean products. The still undisclosed agreement on the Korean Fighter Program is slated to be signed sometime in 1990. On July 19, 1989, the Senate approved the Heinz-Dixon legislation as an amendment to the State Department Authorization Bill. In August the Defense Department reportedly warned U.S. manufacturers and the South Korean government against offering excessive offsets in the pending deal.

Political Issues

From one perspective, U.S. support for democratization in South Korea has been a great success for U.S. policy. Unlike the authoritarian leaders of the past, the current president, Roh Tae Woo, was popularly elected, even though he received only 36 percent of the vote in an election in late 1987. (The opposition vote of over 50 percent was split between two opposition candidates, Kim Dae Jung and Kim Young Sam.) The election in April 1988 for the 299-seat National Assembly gave President Roh’s party control of 125 seats and the three main opposition parties control of, respectively, 72 seats (Kim Dae Jung), 58 seats (Kim Young Sam), and 35 seats (Kim Jong Pil). Meanwhile, past restrictions on press and individual freedoms have been relaxed, and a number of political prisoners have been released.

A major political reorganization took place in early 1990 as Roh Tae Woo, Kim Young Sam, and Kim Jong Pil merged their parties into one, the

Democratic Liberal Party (DLP), which commands more than 200 seats in the 299-seat National Assembly. The merger left Kim Dae Jung's Party for Peace and Democracy as the only significant opposition party. Initial power-sharing arrangements in the DLP went smoothly. Although welcomed by the United States, the new, politically more democratic and fluid situation in South Korea poses several important challenges for U.S.–Korean relations:

- It complicates the ability of the South Korean government to accommodate U.S. demands on trade, defense, or other issues that are politically unpopular in South Korea because opposition or other vocal politicians may well exploit the issues in local, regional, and national elections slated over the next few years.
- It makes it difficult for the Roh Tae Woo government to successfully counter anti-American charges made by vocal critics, especially in the South Korean universities and the press, regarding the alleged U.S. role in the bloody crackdown by South Korean forces of Korean dissidents in the city of Kwangju in May 1980 and the alleged long-standing U.S. policy of supporting authoritarian rule in South Korea.
- It prompts the South Korean government to make politically popular initiatives toward Communist neighbors, especially North Korea, that may run the risk of promoting an imprudent sense of relaxation on the peninsula. On the one hand, President Roh's popular *Nordpolitik* has been welcomed by the Bush administration and has resulted in the establishment of closer South Korean relations with several countries, including the Soviet bloc and China (trade ties). Nevertheless, this has not appreciably reduced the threat from North Korea. As a result, some observers in the United States and South Korea caution that the allies should not be lulled into reducing a vigilant defense posture.
- It raises the possibility of more serious political and economic instability in South Korea. Labor strife over the past two years has been unprecedented; demands for wage increases have outstripped productivity gains in many areas; declining economic competitiveness could lead to an economic downturn, which—when combined with an uncertain government, vocal opposition politicians, and a large antiestablishment press and intellectual community—could result in instability detrimental to South Korea's security and continued prosperity.

Possible Policy Approaches

Broad U.S. and South Korean policy goals remain clear despite the rapid changes affecting circumstances in U.S.-Korean relations. Both sides want to foster an appropriate balance in economic and military ties, taking

into account South Korea's new relative prosperity and economic competitiveness while sustaining mutual interest in South Korea's stability and prosperity. Both governments also continue to support progress toward democracy and political pluralism in South Korea, even though such progress may complicate South Korean decision making on a number of issues important to both sides. The two governments also will likely continue efforts at consultation and negotiations to build a greater consensus on both sides of the Pacific as to the value of the U.S.–South Korean relationship.

Differences arise over how fast and in what ways to work for changes in U.S.–South Korean relations. Among the varied policy approaches available there are those that emphasize greater U.S. pressure to push the Koreans out of practices seen as detrimental to U.S. interests. Koreans are said to be unlikely to change without strong pressure, and the changes that are sought are said to be of sufficient value for U.S. economic, security, or political interests as to warrant the use of U.S. pressure despite possible adverse South Korean reactions. Specific tactics include public U.S. pressure applied in negotiations, such as those associated with the Super 301 process; public U.S. criticism of Korea's restricted market access for certain U.S. goods and services; advocacy of greater South Korean financial support for the U.S. troop presence in South Korea, gradual reduction of the U.S. troop presence, and/or expansion of South Korean military capabilities to fill some of the roles now performed by U.S. forces in South Korea; and private and public U.S. efforts to encourage South Korea to buy U.S. jet fighters “off the shelf” rather than require elaborate co-production and offset arrangements that could add to foreign competition for U.S. arms exporters and could reduce the positive impact of such sales on the U.S. trade balance.

Other policy approaches are more cautious in applying U.S. pressure on individual issues. Advocates of such policy approaches believe that the benefits of greater U.S. pressure on Korea regarding economic, defense, or political issues might not be worth the disruption they could cause to close U.S.–South Korean ties. They are particularly concerned that the cumulative effect of recent U.S. prodding on economic, defense burden sharing, and political liberalization questions might prove to be too much for the still weak South Korean government to handle gracefully. The result could be growing anti-American feeling in South Korea, which could fuel (a mutual desire for) withdrawal of U.S. forces; or the result could be political instability among the competing political factions in South Korea. Such outcomes are seen as dangerous in the face of North Korea's undiminished threat and as contrary to the long-standing mutual U.S.–South Korean interest in stability on the peninsula.

Meanwhile, there are policy approaches that highlight what the United States can do to help remedy strains in U.S.–Korean relations, apart from applying varying degrees of pressure on Korean leaders for economic, security, or other changes. Some stress that the U.S. trade deficit with Korea would improve markedly following serious U.S. efforts to cut the U.S. government's spending deficit and to promote policies that effectively encourage greater savings, technological development, productivity, and educational competence in the United States. It is also suggested that U.S.–South Korea trade relations would be more effectively treated within multilateral arrangements like the Generalized Agreements on Tariffs and Trade (GATT), where South Korea and the United States could adjust their policies without appearing to be giving in to outside pressure.

Some urge U.S. and South Korean policy adjustments to foster a more collaborative relationship sensitive to both sides' feelings and concerns. The United States could pursue this approach by raising the stature of the Korean commander in the Combined Forces Command, by highlighting South Korea's economic role in various economic forums being proposed for the Pacific Rim countries, or other measures. U.S. officials could work harder than in the past to consult with their South Korean counterparts and to engage the South Korean press and intellectuals to create a more positive image for U.S.–Korean relations than at present. An issue cited in this regard is the desirability of reunification of North and South Korea. Even though the Bush administration supports President Roh's *Nordpolitik* and is on record as favoring Korean unification, press, students, and intellectuals in South Korea sometimes tend to perceive the United States as less than enthusiastic about *Nordpolitik*. Joint Bush-Roh administration efforts to change this perception could build closer cooperation and improve the U.S. image in the South.

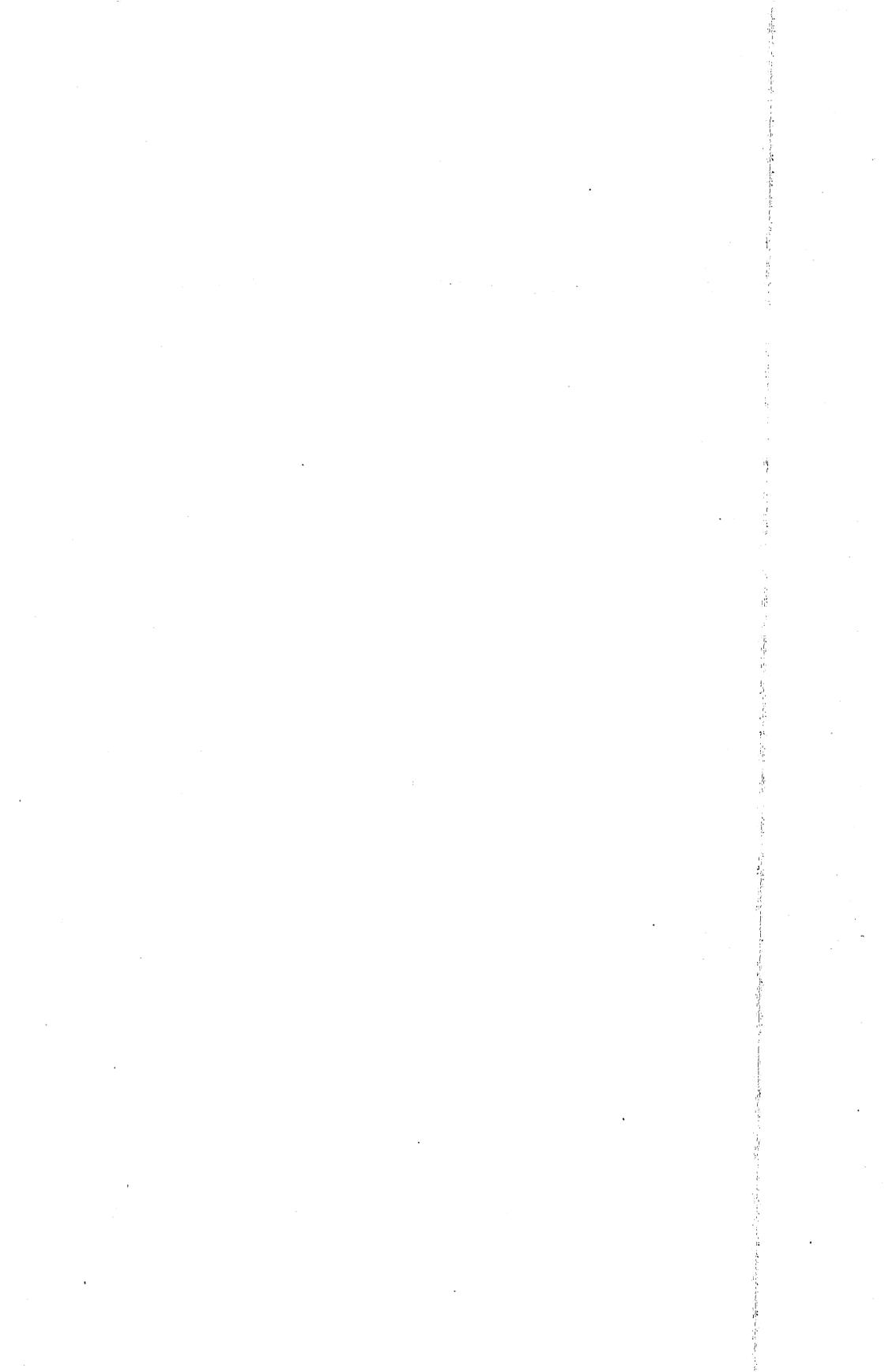
Whatever policy approaches are chosen, leaders of the United States and South Korea will have to spend more time than in the past dealing with their important relationship. The international and regional context of U.S.–Korean relations is undergoing great and possibly fundamental changes. Those changes in international military, economic, and political power, including changes in the United States and South Korea, have made the agenda of issues facing U.S. and South Korean leaders more complicated and intertwined than at any time in the past. There are only limited lessons from past practice and few clear guideposts in the period ahead to guide U.S. and South Korean policymakers as they search for new and effective ways to establish and sustain a mutually beneficial relationship into the 1990s.

At the outset of the decade, it should be clear to policymakers on both sides that greater exchanges of people and information are required in

order to deal effectively with the rapid changes affecting U.S.-Korean relations. The increasing linkage among economic, security, and political issues appears to mandate greater coordination among policymakers with different functional responsibilities in each country and between decision makers of the two countries. And the greater uncertainty in U.S.-Korean relations would appear to argue for greater attention to dealing with the perceived shortcomings of both societies, whether it be perceived heavy-handed American pressure on trade and defense burden sharing or apparent Korean reluctance to respond positively to U.S. requests to adjust the bilateral relationship along more equitable lines.

Part One

Trade, Investment, and Economic Issues



1. The Korean Economy at a Crossroads: Challenges and Prospects

WOO SIK KEE

The Korean economy has reached an important turning point. On the macroeconomic front, Korea has begun showing sizable balance of payments surpluses as a result of its successful export-oriented industrialization. Korea is on the verge of becoming the first country to have achieved net creditor status after a heavy dependence on foreign capital for rapid industrialization and economic growth. This success, however, has been a mixed blessing, as it has led to growing protectionism against Korean exports and mounting pressure for market opening and appreciation of the exchange rate.

The political democratization process triggered by the "June 29 Declaration" by President Roh Tae Woo in 1987 has had important implications for the economy as well. Workers, feeling that they have been denied an adequate share of the benefits of growth, have insisted upon higher compensation. Residents of some regions whose development has lagged behind are also asking that the situation be corrected. Less privileged individuals and groups are finally making their voices heard in the decision-making process.

These developments have important implications for the direction of Korea's economic policy and the future course of the economy. For better or worse, internationalization of the Korean economy will be accelerated. Given the size and resource endowment of the economy, Korea cannot but continue its outward-looking development strategy. This, however, is changing from the singleminded export drive of the past to the maintenance of a balance in international transactions through the opening of domestic markets for goods, services, and capital. Essential to achieving this goal will be successful industrial restructuring through the rationalization of the industrial incentive system as well as the development of efficient financial and foreign exchange markets.

In response to the rising demand for equity, a higher policy priority will at the same time have to be given to this area. Given limited resources and

the diverse desires and eager expectations of the people, Korea will be challenged to promote social equity on a scale commensurate with popular demands while maintaining a dynamic and fast-growing economy.

Prospects for Industrial Restructuring

In the face of rapid changes in the pattern of international comparative advantage, Korea will have to continue adjusting its industrial structure. The nation's competitive position is constantly changing as advanced industrial countries move into high-technology industries while late-comers among developing countries emerge as strong competitors in traditional export industries. Industrial restructuring is also necessitated by the opening of domestic markets, wage increases, and the continued appreciation of the won. With the planned market opening for agricultural products, restructuring of the rural economy is a particularly urgent task.

New System of Industrial Incentives

Korea adopted a forward looking industrial policy in the 1970s with a view to deepening its industrial structure. This effort was a reaction to the unfavorable external environment in the early 1970s, namely, the Nixon administration's reduction of U.S. forces in Korea and the strengthening of protectionist barriers against light manufactured goods from developing countries after the first oil shock. The promotion of heavy and chemical industries was considered crucial not only for developing indigenous defense industries but also for promoting export production.

Major economic policies concerning credit, interest rates, taxes, trade, and the exchange rate were mainly geared to promoting, or protecting, these industries. Private investment reacted favorably to these policy efforts, accelerating the deepening of the industrial structure. The share of heavy and chemical industries in total manufacturing rose from 36 percent in 1972 to 52 percent in 1979 and 59 percent in 1988. Manufacturing industries showing the most rapid growth included fabricated metal, machinery and equipment, and basic metals.

However, this policy of promoting heavy and chemical industries proved costly to the economy, resulting in low capital efficiency, with excessive and duplicate investments in many areas. This policy also gave rise to inflation, which in turn led to disalignment of interest rates and the exchange rate. The reckoning came in the earlier years of the 1980s in the form of painful stabilization policies and rationalization programs or bailout operations for troubled industries.

Significant progress was made toward facilitating industrial adjustment in 1986, when the Industrial Development Law was enacted. Replacing all existing industry promotion laws, the law defines the role of government in

industrial development. Government intervention for industrial rationalization is limited to areas in which market failure occurs, including declining industries, and industrial sectors whose competitiveness is vital to the economy but unlikely to be assured by the market. The promotional role of the government should mainly focus on development of technology and manpower while retraining and employment services are seen as the major components of restructuring programs for declining industries.

Opening Domestic Markets and Industrial Restructuring

Over the last five years or so, there has been significant progress in opening the Korean market to foreign imports and investment. With the improvement in the current account balance, the import liberalization ratio has been raised to over 95 percent from 80 percent in 1983. Primary products, food, and beverages account for about three-quarters of the remaining items under restriction. Freer imports have been accompanied by the gradual lowering of tariffs, whose average nominal rate has dropped from 24 percent in 1983 to 13 percent in 1989.

Restrictions on direct foreign investment were also relaxed substantially in 1984 with the adoption of a negative list system and a conditional automatic approval system as well as the lifting of restrictions on the repatriation of capital and the foreign ownership ratio. Now almost all manufacturing sectors and about 80 percent of all industrial sectors are open to foreign investors.

Although there have as yet been no major industrial dislocations directly attributable to import liberalization, Korean industries may be seriously affected by the conjuncture of further import liberalization with large wage increases and exchange rate appreciation. Labor-intensive manufacturing industries are facing a sharp deterioration in their international competitiveness. Their response to the changing environment will take the form of stepped-up efforts to increase technological innovation, new investments in more sophisticated labor-saving equipment, relocation of production operations in other developing countries, and a deepening of cross-border vertical integration within industries. These efforts notwithstanding, the structure of manufacturing will undergo a substantial shift toward more knowledge-based and capital-intensive industries.

The biggest task for Korean industrial restructuring, however, is reform of the agricultural sector, which is under mounting pressure for external opening. In April 1989, the government announced a three-year schedule for opening the domestic market to agricultural imports. The implementation of this plan will allow the agricultural import liberalization ratio to rise from its 1989 level of 72 percent to 85 percent. Similarly, the average tariff rate is scheduled to be brought down to 17 percent from 21 percent. Given

the importance of agriculture both as a source of income for rural households and as a source of employment, market opening should be coordinated with a restructuring of the agricultural sector.

Agricultural restructuring must have as its long-term aim the transforming of Korean agriculture into a capital- and technology-intensive industry. To this end, consolidation of the agricultural production base to capture economies of scale and to allow for specialized scientific farming will be essential. The restructuring program should also include measures to protect farm households from the adverse effects of agricultural restructuring. These might include programs for industrial relocation and retraining and welfare expenditure for the rural poor. During this restructuring process, rural labor is likely to continue moving out of agriculture, which, together with the expected slowdown in the growth of labor-intensive manufacturing, will add to pressure on the labor market.

Deregulation of Financial and Foreign Exchange Markets

A smoothly functioning financial market is essential to the allocative efficiency of resources intermediated in the market. Moreover, full liberalization of the capital market is possible only when the domestic financial market is efficient. Efficiency in a financial market, in turn, occurs only when the market is operated on the basis of profit motivation and interest rates are determined by market forces. The internationalization of the Korean economy and capital market opening also require development of the foreign exchange market.

Financial Market Liberalization

Reform in the financial sector started with the government's disposal of its equity shares in the nation's five major commercial banks in 1981. By 1983, all were in private hands, paving the way for more autonomous banking operations. Until then, the government had held over 20 percent of the shares of each bank and could therefore control operations. In order to promote competition in the financial market, entry barriers have been lowered, and the business boundaries of financial intermediaries have been allowed to become increasingly fuzzy.

Great progress has been made in the structural improvement and liberalization of interest rates. In 1982, interest rate differentials for policy loans were eliminated, an important step toward more efficient resource allocation. A more extensive interest rate deregulation was undertaken in December 1988 against the background of a favorable macroeconomic environment. The low level and stability of inflation since 1983 and the large excess of national savings over domestic investment have narrowed

the disparity between regulated and free market rates. Furthermore, with the gradual relaxation of controls on external capital flows, flexible interest rates had become indispensable for domestic monetary stability. Given this situation, both bank and nonbank lending rates and most rates on money and capital market securities were deregulated.

It may still be too early to evaluate fully the results of interest rate deregulation. Contrary to the expectations of the monetary authorities, market interest rates have risen only modestly after falling for a couple of months. The interest rate trend, however, has been sensitive to the magnitude of open market operations in the underdeveloped money market. Also responsible for the high level of market rates seem to have been the rising corporate demand for working capital engendered by large increases in wage bills and disruptions to fund flows caused by labor disputes in both their own and other firms. Even after interest rate deregulation, bank lending rates and most rates in the primary securities markets have been rigid and unresponsive to market conditions. This phenomenon indicates that the Korean financial market is still far from being a fully integrated one operating solely on a competitive basis.

Internationalization of the Capital Market

In 1981, open-ended trust funds for foreigners began operations as an initial step toward opening the capital market. Two corporate-type closed-end funds—the Korea Fund and the Korea–Europe Fund—were also launched in 1984 and 1987, respectively. In banking, foreign banks were put on the same footing as domestic banks by 1986, and recent years have also seen the complete opening of the life insurance market to foreigners. More important, in December 1988 a timetable was announced for opening the capital market and for allowing domestic investors to purchase foreign securities.

According to the timetable, beginning in 1992, foreigners will be allowed to invest in stocks in the domestic market. Foreign securities firms may open branch offices or joint ventures by 1991. Even before then, equity participation of foreign securities firms in existing Korean securities companies may be increased from the current maximum of 5 percent to 10 percent individually and from 10 percent to 40 percent as a whole.

Before fully opening the capital market, we must tackle the immense task of developing the Korean financial and foreign exchange markets into efficient markets. To prevent large-scale inflows or outflows of hot money that would disrupt domestic monetary management, Korea's interest rates and foreign exchange rate should be stabilized, balancing supply and demand forces. Moreover, capital market institutions should be developed

further to make all relevant information readily available to investors and to prevent unfair trading practices.

With the large current account surpluses in recent years, the government is also gradually liberalizing overseas securities investment by Korean investors. Starting with overseas securities funds, investment restrictions on institutional investors will continue to be relaxed; this will be followed by the step-by-step allowance of purchases of foreign securities by corporations and, beginning in 1992, by individual investors. Last year, with the substantial relaxation of foreign exchange controls, Korea joined the group of nations observing Article VIII of the International Monetary Fund (IMF) agreement. Residents can now purchase or deposit foreign exchange up to \$5,000, and overseas travel has been greatly eased. As a first step toward internationalization of the Korean won, foreign trade contracts may be denominated in Korean won, and overseas travellers can take won out of the country up to a certain ceiling.

Exchange Rate System

The nominal exchange rate of the Korean won against the U.S. dollar appreciated by 24 percent between the fourth quarter of 1985 and the first quarter of 1989. On a real effective basis, the won depreciated up until 1987, but has appreciated sharply since then. From January 1988 up until the end of the first quarter of 1989, appreciation of the real effective exchange rate was 13 percent. In evaluating the Korean exchange rate, the Korean Development Institute takes the one-year period starting from the third quarter of 1985 as the base year because Korea's current account first moved into surplus during that period. Using this as a base, the exchange rate in the first quarter of 1989 represented an overvaluation of between 4 and 10 percent (Table 1).

Although it is almost impossible to determine the precise degree of overvaluation or undervaluation, sluggish exports in 1989 do appear to have been heavily influenced by the exchange rate appreciation. Korea's exchange rate management in recent years also appears to have been strongly influenced by U.S. pressure for appreciation of the won. The Korean government had been widely criticized for manipulating the exchange rate to maintain export competitiveness.

Assuming that the Korean exchange rate vis-à-vis the U.S. dollar is now near its equilibrium level, some believe that Korea should keep the real effective rate constant on the basis of a basket of currencies. But in order to minimize misunderstandings and conflicts concerning exchange rate management, Korea is considering a reform of the exchange rate system, allowing the rate to be determined by market forces. This, however, is difficult because Korea's foreign exchange market is still underdeveloped,

Table 1
Real Effective Exchange Rate Indices
 (Base Year: 1985 III–1986 II)

	REER1 ^a	REER2 ^b	REER3 ^c
1980	81.6	87.4	82.4
1981	79.2	81.3	79.7
1982	78.6	80.5	80.3
1983	84.0	84.4	85.0
1984	86.7	86.0	88.1
1985	92.2	91.3	93.7
1986	106.0	105.5	102.9
1987	106.2	110.2	103.8
1988	98.6	103.0	95.7
1988 I	103.7	108.7	100.3
1988 II	100.3	105.0	97.1
1988 III	95.6	99.2	93.2
1988 IV	94.9	99.2	92.1
1989 I	92.4	96.4	89.9

^aTrade weights with 7 major trading partners.

^bMultilateral (double-) weights taking account of competitions in third countries for 11 competitors' currencies.

^cMultilateral (double-) weights taking account of competition in third countries and the home market for 11 trade competitors' currencies.

SOURCE: Korea Development Institute.

largely as a result of the remaining regulations on foreign exchange transactions.

Thus, movement to a new exchange rate system should proceed with development of the exchange market, meaning that the current centralized system of managing foreign exchange holdings should be liberalized. Also essential is the promotion of foreign exchange dealers and brokers and the liberalization of forward transactions in terms of the allowed scope of transactions and forward rate determination.

Promoting Distributive Equity and Social Welfare

Increasing concern for distributive equity and the quality of life in Korea is being voiced from several quarters. First, it is a reflection of Korea's own success. In the early stage of development, most of the population was primarily concerned with escaping poverty and improving its own economic well-being. Now, though people are generally better off,

more people feel a sense of relative poverty. A visible source of grievance is the huge wealth accumulation by the rich, often by dishonest means, and their conspicuous consumption patterns in the rather homogeneous Korean society.

Second, the major emphasis of past development efforts was on maximizing growth by promoting efficiency. Rather than dealing with the problem of social welfare, providing jobs to more people was considered to be of prime importance in enhancing the well-being of the people. The budgetary share of social development expenditures in 1987 was at a modest 5.1 percent of gross national product (GNP), of which over 60 percent went to education. The relative neglect of social welfare, health, housing, and other social services is something that urgently needs to be corrected.

Finally, the ongoing process of sociopolitical democratization is increasing the expectations of many less privileged people. Those feeling a sense of deprivation believe that they deserve compensation. Claiming that their rights to decent wages were unduly repressed while entrepreneurs enjoyed enormous profits through government favors, unionized workers are demanding drastic wage hikes, which many companies simply cannot afford.

Certainly, the role of government in social development should be strengthened. However, the unreasonable demands and expectations of those selfishly trying to maximize their share of national income will ultimately meet with disappointment and frustration.

Income Distribution

Notwithstanding the increasing concern over distributive inequity, Korea's income distribution does not compare badly with that of other countries at a similar stage of development. The income share for the poorest 40 percent of all households in 1985 was estimated to be 17.7 percent, while that for the richest 20 percent was 43.7 percent (Table 2). This distribution is slightly worse than the respective 19 percent and 40 percent averages for eighteen industrial market economies but better than that of most developing countries for which data are available.

Korea's income distribution deteriorated throughout the 1970s due mainly to the government policy of promoting heavy and chemical industries. The generous tax benefits and subsidized credit provided to large business groups, the growing demand for skilled and educated manpower, and accelerated inflation were responsible for the skewed growth performance by firm size, widening wage disparities, and windfall capital gains for the rich. Income distribution, however, started to improve in the 1980s

Table 2
Income Distribution
(Percent Share of Household Income)

		Poorest 40%	Richest 20%	Gini Coefficient
Korea	1965	19.34	41.81	0.344
	1970	19.63	41.62	0.332
	1976	16.85	45.34	0.391
	1980	16.06	45.39	0.389
	1985	17.71	43.71	0.363
18 Industrial market economies (various years)		18.9	40.0	—
U.S.	1980	17.2	39.9	—
Japan	1979	21.9	37.5	—
12 Upper middle-income countries (various years) ^a		13.5	50.6	—

^aBrazil, Malaysia, Mexico, Hungary, Portugal, Yugoslavia, Panama, Argentina, Venezuela, Trinidad and Tobago, Israel, and Hong Kong.

SOURCE: The World Bank, World Development Report, 1988.

with price stabilization, overhaul of the industrial incentive system, and other policy changes.

There certainly is more room for improving income and wealth distribution, particularly through tax and real estate policies. Under the Korean income tax system, most income from financial assets is separately taxed at fairly low rates, and wages are subject to steep progressive taxes. Taxes on business income and property are very weak. A comprehensive land tax system with progressive rates according to individuals' total holdings is scheduled to be introduced in 1990 to discourage people who are not end-users from owning land for speculative reasons. Beginning in 1991, all financial transactions will be on a real name basis, which is necessary for a more comprehensive global income tax system incorporating income from financial assets.

Social Welfare

In the area of social security, two important developments occurred in 1988. First, the health insurance program was extended to include the self-employed in rural areas, so that approximately 77 percent of the population is now covered by the health insurance or Medicaid programs.

Second, the National Pension Program was launched. Under this, employees of enterprises with ten or more workers are insured compulsorily; others can be insured on a voluntary basis. Nevertheless, a significant proportion of the population, including workers in small firms and the self-employed in urban areas, has only limited access to medical services. Public assistance and social welfare programs for those of low income are far too small given the general income level of the economy.

The widespread labor disputes unleashed by the ongoing democratization process are the greatest challenge to Korean society. Most of the recent labor disputes can be seen as efforts to reform distorted, underdeveloped labor-management relations; thus they amount to a necessary and unavoidable step toward a more stable, democratic society. If labor disputes continue, the economy's growth potential will be seriously undermined. Improving and increasing dialogue should build mutual trust and understanding between labor and management. Management's generally negative attitude toward labor unions needs to be changed, and workers should keep their demands within the firms' capacities to accommodate them.

Korean corporations have often been blamed for keeping workers' wages low in order to maintain export competitiveness. This claim is not accurate because Korean workers' real wages have generally increased faster than productivity gains, even during the first half of the 1980s, when an incomes policy was adopted to fight inflation. As a result, labor's share of national income has been steadily increasing, rising from an average of 40 percent during the first half of the 1970s to one of 53 percent during 1983–88.

As of 1985, Korea's average monthly wages in manufacturing were 1.8 times its per capita monthly GNP, which compares with 1.2 times for the United States and Taiwan and 1.5 for Japan. More striking is that Korea's wage level has surpassed those of Singapore, Hong Kong, and Taiwan, whose per capita incomes are all much higher. From the last quarter of 1987, when large wage adjustments started, to May 1989, wages were reported to have risen by more than 60 percent.

No wonder Korean firms have responded to these wage hikes by substituting capital for labor. Employment growth during the 1983–88 was less than a quarter of GNP growth, a drastic drop from the previous level of 40 to 50 percent (Table 3). A productivity-linked wage system is badly needed to create an adequate number of new jobs. The labor market situation may worsen, given that the labor supply is expected to increase at a fairly high rate for the next five years or so. The post-Korean War baby-boom generation is still entering the labor market, and female labor force participation is increasing as women have fewer children and as their

Table 3
Labor Market Trends (%)

	1971-75	1976-78	1979-82	1983-88
Employment growth (A)	4.0	4.7	1.8	2.7
GNP growth (B)	8.7	11.7	3.5	11.0
Employment elasticity (A/B)	0.46	0.40	0.51	0.24
Nominal wage increase ^a	20.9	34.2	22.0	10.4
Rise in product wage ^{a,b}	3.7	14.9	3.5	7.2
Increase in labor productivity ^{a,c}	6.1	6.0	0.7	5.8
Labor share of national income	39.8	43.9	51.2	52.9

^aNonagricultural sector excluding government services.

^bProduct wage = nominal wage/own deflator.

^cLabor productivity = value added per employment.

SOURCE: Economic Planning Board.

educational level increases. Agricultural labor, which still accounts for almost one-fifth of total employment, is also seen to continue to migrate out of this sector.

Recently, Korea's wage structure has improved with the narrowing of wage differentials between manufacturing and nonmanufacturing workers and between workers with differing levels of education. This trend appears to be a natural consequence of the relatively rapid increase in the supply of educated manpower. In 1988, a minimum wage system was introduced.

Growth Prospects and Korea-U.S. Relations

The Korean economy reached an important turning point in 1986. In the midst of strong economic growth and stable prices, the economy recorded a sizable current account surplus for the first time in its modern history. In spite of sustained high growth and substantial appreciation of the Korean won, the surplus kept growing, reaching about \$14 billion in 1988. As a result, Korea's net external debt was reduced to \$7 billion from \$35.5 billion three years before, and Korea is expected to become a net creditor at the end of 1989.

These results owed much to the then favorable external environment: improved terms of trade, low international interest rates, and appreciation of the Japanese yen. Much credit, however, should also be given to the

macroeconomic stabilization policies and the strenuous structural adjustment efforts pursued in Korea from the early 1980s. Although this favorable macroeconomic development was more than welcome, it has led to growing trade frictions in the form of protectionist barriers against Korean exports and pressure to open domestic markets and to allow appreciation of the Korean won.

Domestically, with the democratization process that began in June 1987, labor unions have gained strength; and in the absence of cooperative and productive relations between labor and management, labor disputes have been widespread, and wages have been growing rapidly. High wage increases, far in excess of productivity gains, have resulted in an acceleration of inflation from 3 percent during 1983–87 to 7.1 percent in 1988 as measured by the consumer price index.

Excessive wage increases and appreciation of the Korean won are also undermining the growth potential of the economy as export competitiveness deteriorates. Since late 1988, Korean exports have slowed considerably. In the first half of 1989, exports actually declined in real terms relative to the same period of the year before. With increasing labor disputes, poor export prospects, and discouraged business investment, Korea's economic growth was projected to fall to about 7 percent in 1989.

This level of annual economic growth is actually what is expected for Korea in the coming decade. In the past, when the Korean economy grew 9 percent annually, labor inputs increased by a little less than 3.5 percent and labor productivity by around 5.5 percent. Although employment growth will slow to 2 percent a year in the coming decade, no significant drop in labor productivity growth is expected. The institutional reforms since the early 1980s designed to improve the overall efficiency of the economy, together with much stronger emphasis on technological development, should help maintain productivity growth.

On the demand side, the contribution of exports to GNP growth will fall substantially. Because Korea no longer suffers from balance of payments deficits or large external debts, the export environment is likely to deteriorate. Korea may find it difficult to avoid the brunt of protectionist action abroad. Domestically, reduced government support for exporters, appreciation of the Korean won, and soaring wages will weaken the profitability of exports.

However, the domestic market can be relied upon to partly compensate for the slowdown in export growth. Given the sound budgetary position of the Korean government and the relatively low tax burden ratio, only 18.5 percent in 1988, there seems to be some room for fiscal expansion in times of sluggish export growth. There is no shortage of public investment demand because the government has the urgent tasks of

easing the problems of urban housing, transportation, and pollution as well as providing for rural infrastructure, which has been neglected in the process of rapid economic growth and urban concentration.

By the year 2000, Korea is likely to become one of the ten largest economic powers among free market economies. Even with a modest slowdown in future economic growth, Korea's GNP will rank eleventh or twelfth by 2000, up from seventeenth in 1987, excluding nonmarket economies. Only the G7 countries China, Brazil, India, and possibly Spain will have larger economies. Furthermore, apart from the G7 countries, Korea and Taiwan are likely to be the world's biggest traders by 2000.

Accordingly, Korea will be called upon to shoulder a share of international responsibilities with its growing economic success. Being one of the most open economies in the world, Korea is more than willing to work together with the United States to maintain a free international trading system. Korea will also actively participate in regional cooperation within the Pacific Basin.

Korea and the United States have long maintained a close economic relationship. In 1988, Korea's commodity exports and imports with the United States accounted for 35 percent and 25 percent, respectively, of Korean exports and imports. Even though, until recently, Korean exports to the United States expanded much faster than imports from the United States, the latter still grew at an annual rate of 18.7 percent between 1970 and 1988, which compares favorably with the 11.8 percent growth of total U.S. exports. It clearly indicates that, as major trading partners, each country's continued economic growth is important for the other.

Two-way investment opportunities can be more fully exploited now that Korean restrictions on both inward and outward investment have been substantially relaxed. Korea's strategic location and growing domestic market, along with the benefits of combining Korea's manufacturing capabilities with superior U.S. technologies, should continue to attract U.S. investment to Korea.

The United States can play a significant role in helping Korea achieve advanced economic status and in promoting free trade. Korea is now going through extensive political and social changes. Even without external pressures, the economy will be hard pressed to meet the challenges of social instability, confusion, and conflict. In this context, the boldness of Korea's ongoing efforts to open its markets and support economic restructuring should be recognized by its economic partners. Many opportunities will be missed if Korea-U.S. relations are allowed to fall into decay through the myopic pursuit of self-interest. True friendship is best tested in times of adversity.

2. Korea–U.S. Economic Relations: Trade and Investment

BON-HO KOO

Present State of the Korean Economy

Since the historic June 29 Declaration of Democracy by Roh Tae Woo in 1987, Korea has been undergoing rapid democratization. In the process, however, the pent-up discontent of past decades has burst into the open. These grievances stem from suppression of the labor movement, regional disparities in economic development, concentration of economic power in conglomerates, growth imbalance between manufacturing and agriculture, and the perception of inequitable income distribution.

The torrent of new demands triggered by Korea's democratization poses serious dangers to economic and social stability. Economically, the most threatening consequence of recent political developments has been an explosion of labor-management disputes, which increased in number from only 276 in 1986 to 3,749 in 1987 and 1,873 in 1988. This year, labor disputes are once again on the rise. As a result, wage increases have accelerated dramatically. Through the mid-1980s, annual wage increases almost always remained below 10 percent. Since the last quarter of 1987, however, wages have risen by well over 20 percent per year. Work stoppages have also become more frequent, longer, and more violent.

Turning to the external side of the Korean economy, the Korean government has implemented various policies to reduce the size of the current account surplus, which first appeared in 1986. Although the surplus was helpful in allowing for the rapid repayment of Korea's foreign debt, it also created several problems, namely, inflationary pressures, growing trade friction, and appreciation of the Korean won. To deal with these problems, much progress has been made in liberalizing imports, reducing tariff rates, deregulating foreign direct investment, appreciating the exchange rate, and protecting intellectual property rights. These measures are in line with the Korean administration's objectives of promoting economic efficiency and reducing tensions with major trading partners.

In spite of these efforts, the Korean economy is still facing tremendous outside pressure, especially from the United States, to liberalize its economy further. But excessive U.S. pressure is likely to intensify public resistance to accelerated market-opening measures and to fuel already growing anti-American sentiment in Korea. Considering these factors, the success of the recent U.S.–Korea trade negotiations by which Korea was able to avoid being designated a priority foreign country (PFC) was welcome news.

Trade

The changing internal and external environments have created serious adjustment difficulties for the Korean economy. The continuous labor disputes have delayed production in major industrial sectors and have led to excessive wage increases that, combined with the appreciation of the won, have seriously eroded Korea's international competitiveness. Korean exporters have been hit especially hard, export growth for the first five months of 1989 dropping to a mere 6.7 percent compared to 29.6 percent for the same period of 1988. Korean imports, in contrast, rose by 19.2 percent for the first five months of 1989.

These trends are having a pronounced effect on the overall current account and trade balances. For the first four months of 1989, Korea's current account surplus was only \$1.72 billion, and her trade surplus was \$1.43 billion, both over 50 percent declines in comparison to 1988.

Korea's bilateral trade surplus with the United States is also falling rapidly. With exports to the United States for the first four months of 1989 reaching \$6.1 billion, virtually the same as for 1988, and imports during the same period up to \$4.5 billion, 25.7 percent increase, Korea's bilateral trade surplus with the United States fell from \$2.52 billion during the first four months of 1988 to \$1.6 billion in 1989, an impressive reduction of 36.5 percent. Indeed, if the full effect of the 1988 appreciation and wage increases has yet to be felt, 1989 may see continued erosion of Korean competitiveness and export performance. This is particularly worrisome given that Korean export performance in the first half of 1989 lagged considerably behind Korea's main competitors (Taiwan, Hong Kong, and Singapore). The abruptness and large magnitude of the recent changes in export and import growth raise concerns that Korea may soon see its trade balance plunge into deficit once again.

Work stoppages and rapid wage hikes arising from labor disputes along with currency appreciation have also affected trade with other countries. In the first four months of 1989, exports to the European Community (EC) fell to \$2.33 billion from \$2.53 billion in 1988; imports during the same period grew from \$1.87 billion to \$2.08 billion. Meanwhile, trade with

Japan saw both exports and imports rise substantially, exports in the first four months of 1989 increasing to \$4.10 billion from \$3.57 billion in 1988 and imports rising from \$4.93 billion to \$5.51 billion.

In line with the Korean government's policy of promoting economic relations with socialist countries—China, the Soviet Union, and the Eastern bloc—exports to these countries grew from \$0.9 billion in 1986 to \$2.0 billion in 1988 while imports rose from \$0.71 billion in 1986 to \$1.6 billion in 1988. For both exports and imports, China accounted for over 85 percent of trade, though the Eastern European share has been increasing.

The changing economic environment is also having a significant impact upon industrial trade patterns. Manufacturers suffering from declining exports include automakers hit hard by work stoppages (17.9 percent fall in exports during the first four months of 1989), labor-intensive footwear and toy producers facing rapidly rising wage bills (15.9 percent and 5.1 percent declines), and iron and steel producers (8.4 percent fall). Nonetheless, some sectors have managed to post sharp gains despite the more adverse economic conditions. Shipbuilding increased its exports by 57.6 percent during the first four months of 1989, and exports of electric and electronic products and chemical products grew by over 15 percent.

The value and makeup of imports are also undergoing rapid change. Given concerted government efforts to reduce tariffs, liberalize imports, and appreciate the currency, imports have been surging. Most of that surge has been absorbed by growing domestic demand, as seen in the fact that imports for export production grew by only 5.9 percent during the first four months of 1989 while imports for domestic use expanded sharply by 29.4 percent. Consumer goods imports grew by 31 percent during the same period. Breaking down import growth by industry for the first four months of 1989 shows that imports of steel and metal rose by 42 percent, chemical products by 25 percent, agriculture and fisheries products by 19.6 percent, machinery by 17 percent, and textiles by 16.2 percent.

Direct Foreign Investment in Korea

Until recently, the importance of direct foreign investment (DFI) in the Korean economy has been very small, historically amounting to less than 1 percent of total capital formation and less than 10 percent of total foreign capital inflows, most of which have come in the form of loans. Since 1984, however, investment policies in Korea have been greatly liberalized, leading to a rapid increase in investment inflows. Very recently, regulations on foreign investment have been further rationalized through the removal of both restrictions and special incentives for investment.

From 1962 to March 1989, 2,830 direct foreign investments were approved with a total value of only \$6.21 billion. In 1987 alone, however, the value of approved direct foreign investment reached \$1.06

billion, rising to \$1.23 billion in 1988. Through March 1989, DFI totalled \$231 million.

The slightly depressed inflow in 1989 can be attributed to investors' concerns about rising labor disputes and currency appreciation. Recently, foreign investment in Korea has also been increasingly aimed at the Korean domestic market rather than export markets in third countries, a sensible strategy given the recent surge in domestic demand fueled by rising wages.

A breakdown of DFI by country source from 1962 through March 1989 reveals that 87 percent of direct foreign investment by number and 79 percent by value have come from Japan and the United States. More specifically, 64 percent by number and 52 percent by value have come from Japan, and the comparable figures for the United States are 23 and 27 percent and, for Europe, 9 and 14 percent. More recently, the share of DFI coming from Europe has increased, amounting to 13 percent by number and 19 percent by value from 1987 to March 1989.

The first direct foreign investment from China has recently been officially approved. Hangzhou Electronics, as part of a joint venture, will invest \$2.8 million in a color picture tube factory, which may presage growing DFI from China in the future.

Most DFI has been in the manufacturing sector, which from 1962 through March 1989 accounted for 83 percent of direct foreign investment by number. Seventy-two percent of manufacturing investment by number and 65 percent by value have gone to the electric and electronic machinery industry. Meanwhile, investment in services, historically accounting for 12 percent of DFI by number and 34 percent by value, has been on the rise, reflecting the changing investment environment and economic conditions in Korea.

Korean Direct Investment Abroad

As of March 1989, Korean direct foreign investments abroad numbered 722, with a total value of \$1.14 billion. Since 1987, many restrictions have been lifted, and such investment has taken off. Still, as of March 1989, Korean direct foreign investment abroad accounted for only 0.7 percent of gross national product (GNP), a far cry from Japan's 5.2 percent of GNP in 1986 and a reflection of the still primitive level of Korea's efforts in this area.

Korean investment abroad was originally concentrated heavily in the natural resources sector, especially mining, and then expanded to trading companies. In recent times, however, several factors have encouraged more significant and more diversified investment abroad by Korean firms. First, new fears of protectionism and regionalism in the world trading system have created an incentive for producers to establish production facilities directly in foreign markets to avoid being shut out by new

protectionist measures. In addition, with growing labor unrest and soaring wages in Korea, there is an increasing realization that economic restructuring will demand that traditionally labor-intensive industries either begin competing on a quality rather than cost basis or relocate to countries where labor is still relatively cheap. Finally, Korea's current account surpluses since 1986, the government's liberalization of investment policies, and improved investment environments in host countries keen to attract foreign investors have made Korean direct foreign investment abroad both more feasible and more attractive. Such investment has increased rapidly over the past two and a half years.

Although most Korean DFI abroad used to focus on mining and trading, recently the light manufacturing sector has been an increasingly important area of investment. Overall, a breakdown of Korean DFI from 1962 through March 1989 reveals that over 44 percent of such investment by number but only 12 percent by value have been in trading companies, and light manufacturing has accounted for 28 percent by number and 32 percent by value. The figures for mining are 2.2 percent and 38 percent.

In terms of the countries to which Korean direct foreign investment has gone, as of March 1989, North America was the most important host region (36 percent of DFI by number and 39 percent by value), followed by Southeast Asia (33 and 28 percent), Europe (10 and 4 percent), and Latin America (9 and 4 percent). Since 1987, there has been a particularly rapid increase in investment in the latter three regions—Latin America as a strategic location for exporting to the United States; Southeast Asia as a source of cheap, abundant labor; and Europe, which may grow more protectionist with greater economic integration.

In 1985, Korea also began investing directly in socialist countries, and recent government efforts to promote economic relations with those countries should attract increasing direct investment by Korean firms. From 1985 to May 1989, direct foreign investments in China numbered twenty, with a total value of \$35.2 million. There was one DFI in the Soviet Union worth \$0.4 million and three in Hungary totalling \$96.7 million.

Thus far, most Korean DFI abroad has come from large Korean firms with the capital, experience, and government support necessary for such ventures. Recently, however, an increasing amount of foreign investment has come from small and medium-sized firms, which are both feeling the pressures of a changing economic environment and benefitting from government policies designed to promote their development as a means of reducing economic concentration of power and introducing greater dynamism into the economy.

Policy Measures in a Surplus Economy

The current account surpluses that emerged in 1986 and were welcomed by almost everyone in Korea have in fact been a mixed blessing. On the one hand, they have had the positive effects of allaying fears of national bankruptcy and changing the nature of the debate on import liberalization and market opening. On the other hand, they have created new and unfamiliar problems. Because Korea's overall trade account moved into surplus in 1986 and grew rapidly in the following two years, Korea has been seen as benefitting from the rising yen at the expense of America. This has given rise to the call for Korea and other Asian newly industrialized countries (NICs) to become full-fledged participants in the world trading system, meaning that these countries' currencies should appreciate and their markets should open wider. At the same time, growing U.S. bilateral trade deficits with Korea have been cited as justification for the call for import restrictions against Korean goods.

The growing trade surplus is causing another serious problem domestically—namely, inflationary pressure. The foreign sector has traditionally been a drain on the money supply, but now the growing current account surpluses have become a source of money supply increase, undermining the price stability that was so painfully achieved through the difficult adjustment of the early 1980s. The rise in consumer prices, which remained at 3 percent or less in 1986 and 1987, jumped to 7 percent in 1988.

Import Liberalization

To deal with excessive surpluses in the trade and current accounts, the Korean government has taken a number of measures. The first priority has gone to import liberalization and market opening. Expanding imports was chosen over contracting exports as the means of redressing the imbalances. The government reduced the number of products whose imports were restricted by the Foreign Trade Act. Since early 1989, of a total of 10,241 import items, only 547 (5.3 percent) still require prior import approval, making the import liberalization ratio close to 95 percent. Nearly all manufactured goods (99.4 percent) require no import approval.

While quantitative restrictions were being removed, tariffs were also reduced. In 1980, the average tariff rate was 24.9 percent, which was brought down to 18.1 percent in 1988. The average tariff rate for manufactured goods was cut from 22.6 percent in 1983 to 16.9 percent in 1988. During the same period, the average tariff for agricultural goods was reduced from 31.4 percent to 25.2 percent. Further tariff cuts will take place under a new tariff schedule that the National Assembly passed in

1988. The average tariff will go down to 7.9 percent by 1993, a level comparable to those found in the advanced industrial countries.

Admittedly, the market for agricultural products is not as open. As of 1989, import restrictions cover 29 percent of all agricultural products, and the average tariff rate stands at 25.2 percent. Korea's agricultural sector suffers from serious adjustment difficulties. Still, a substantial agricultural import liberalization is scheduled to take place over the next few years. In early 1989, the Korean government announced a new agricultural policy package consisting of a farm product import liberalization plan for 1989–91 and complementary adjustment measures.

The announcement commits the government to lifting import restrictions from 243 product classes at the ten-digit HS classification level, such as feed grains, sausage, salmon, grapes, peaches, and tropical fruits, during 1989–91. This would bring agricultural product coverage of import restrictions down to 15 percent and is the largest agricultural import liberalization measure ever undertaken in Korea. The complementary measures include compensation for injury, adjustment assistance, and a package of rural restructuring projects. In the meantime, agricultural tariffs are scheduled to be brought down to 16.6 percent by 1993.

Korea has made numerous other adjustments to liberalize imports. For instance, the government has reformed various domestic regulatory laws such as the Pharmaceutical Affairs Law, the Food Sanitation Act, and the Electrical Products Safety Control Act so as to minimize their restrictions on imports. The government also has removed local content restrictions in government procurements that discriminated against imports and abolished the import surveillance system, a warning system for import surges that used to be regarded as an import barrier.

Public Sector Investment

Another important government initiative has been public sector investment intended to stimulate domestic aggregate demand. Increased investments were made in the social overhead sector to improve roads, sewer systems, and water supply systems so as to further environmental protection. Increased investments are also planned in housing, education, and health facilities to meet the rising demand for more social services.

Import Promotion

Specifically to address the U.S.–Korea bilateral trade imbalance, the government also set up new foreign currency loans to be used for importing capital goods, equipment, and raw materials. In 1988, \$3.4 billion was made available, and about half of this fund was used to finance purchases from the United States. In 1989, \$5 billion was allocated. Four

buying missions visited the United States in 1988, resulting in final contracts worth more than \$1.2 billion altogether. At least five buying missions were scheduled for 1989.

Currency Appreciation

The most important response to the rising trade surplus has been appreciation of the Korean currency, the won, which reached a low of 892.2 won per dollar in October 1985. Rapid appreciation began in the middle of 1986. The won appreciated 3.3 percent against the dollar in that year, 8.7 percent in 1987, and 15.8 percent in 1988, reaching 684.1 won per dollar at the end of 1988. In all, the won appreciated by about 30 percent in three years, and in 1989, it further appreciated 2.6 percent through April.

Opening of Service Sector

Korea remains a less developed country when it comes to the service sector. For this reason, many service markets remain closed to foreigners. Still, in recent years, Korea has been taking various market-opening measures in several service industries. For example, the market for life insurance is now completely open to foreigners, and foreign banks receive national treatment. Foreign investment in trading and wholesaling is also open, although restrictions exist for some designated products. The market for advertising, now open only to joint ventures with minority foreign participation, will become completely open in 1991.

The markets for telecommunications and maritime transportation are also undergoing gradual opening. In October 1988, the Korean government announced a program that will lead to the opening of Korea's stock market by 1992. In the meantime a series of intermediate steps has been scheduled, including expansion of foreign brokerage operations and allowance of greater foreign purchases of Korean securities. The opening of service markets is expected to accelerate in step with the Uruguay round negotiations on services.

Direct Foreign Investment

Korea's manufacturing is open to foreign direct investment in 510 sectors out of a total 522, or 98 percent. Approval is automatic for those investments in which foreign equity participation does not exceed 50 percent of the total, total investment does not exceed \$5 million, and tax exemption is not applied for. In other cases, the application is reviewed to see that the proposed investment does not violate the fair business transactions law or other domestic regulatory provisions and if it is eligible for tax exemption. Since 1988, restrictions on local content and technology transfer have no longer been imposed on foreign investors. According

to the U.S.—Korea investment agreement reached in May 1989, the review system will be replaced by a simple notification procedure for most foreign investments.

Protection of Intellectual Property Rights

Korea has recognized the importance to the United States of protecting intellectual property rights and in consultation with the United States instituted in 1987 a system of intellectual property rights protection that is as comprehensive as anywhere else in the world. In addition, Korea has given special treatment to U.S. intellectual property rights, providing retroactive protection to products patented in the United States since 1980 as well as to U.S. books published since 1977 and computer software created since 1982.

A point of contention with the United States has been lax enforcement. In December 1988, the Korean government established an interagency task force to enforce the protection of intellectual property rights. At the request of the task force, the prosecutor-general set up special teams in forty-nine prosecutors' offices throughout the country. During the first two months of 1989, prosecutors and police investigated two hundred twenty cases of alleged intellectual property rights infringement. Thirty-five persons were physically detained on charges of violating the laws, and several million dollars' worth of counterfeit goods was confiscated.

Prospects for Korea—U.S. Economic Relations

Korea's efforts in the areas of import liberalization, tariff reduction, expansion of domestic demand, won appreciation, service sector liberalization, and intellectual property rights protection reflect its government's resolve both to respond to outside calls for Korea to liberalize markets and accept greater responsibility in correcting international macroeconomic imbalances and to promote efficiency and further internationalization of the Korean economy.

Nonetheless, Korea's major trading partners, especially the United States, must understand the difficulties Korean policymakers face in resolving the conflicting pressures of changing internal and external environments. The competitiveness of Korean firms is being squeezed by soaring wages resulting from unleashed labor demands on the one hand and won appreciation on the other. At the same time, vocal domestic interest groups, especially farmers, are staunchly opposing government liberalization efforts being urged by trading partners, especially the United States, who see Korea's current account surpluses as evidence of unfair trading practices. Managing to balance the competing pressures of an emerging

democracy at home and increasing trade frictions abroad will thus be the major challenge facing the Korean economy in the years ahead.

In order to meet this challenge head on, in May 1988, President Roh appointed a blue-ribbon Commission on Economic Restructuring that brought together experts, officials, and citizens representing various interest groups to discuss how economic policy should respond to pressing social and economic demands and to submit emerging consensus views as policy recommendations to the president.

The commission concentrated its efforts in three areas—internationalizing the economy, restructuring industries, and improving distributional inequities. It reaffirmed the importance of continuing to move forward with trade and financial liberalization and of establishing a fair trading order free of distortions resulting from monopoly power or government subsidies. This will be crucial if Korea's economy is to mature and remain dynamic in an increasingly integrated world economy. At the same time, due attention must be paid to rising domestic demands for greater equity in the distribution of the gains from growth. Where adjustment is painful, especially in agriculture, change must be gradual, and positive adjustment programs must be designed to help dislocated workers move to new activities. Government spending must actively seek to redress regional, rural-urban, and income group disparities in income and wealth distribution and to provide basic needs to all citizens. From now on, economic growth must make room for social equity on the national economic agenda.

What does the future hold for Korea's economy and for Korea-U.S. economic relations? Certainly, growth will not achieve the double-digit rates of the past few years as greater attention is paid to other economic and social goals. Exports will gradually give way to domestic demand as the engine of growth, and high-tech and service industries will assume increasing prominence in the economy. Nonetheless, rising wages, declining competitiveness, and looming inflation will continue to pose grave threats to smooth economic advance.

At a time of such political and economic uncertainty, Korea cannot afford deteriorating relations with the United States and the consequences they would entail. American leaders should also be keenly aware of the importance of sound relations. Excessive pressure on Korea that increases anti-Americanism and radicalizes domestic interest groups may be self-defeating. But constructive efforts to increase mutual understanding and move forward with economic reforms in a cooperative rather than confrontational atmosphere will go farthest not only in promoting healthy economic relations between Korea and the United States but also in furthering economic and political maturation in Korea, which will maximize the benefits to be gained from those relations in the future.

3. U.S.–Korea Trade and Investment Issues in the 1990s

KARL MOSKOWITZ

The United States and Korea weathered their first bilateral trade crisis of the Bush administration in May of 1989. The advent of the Bush administration in the United States coincided with the advent of the 1988 Omnibus Trade and Competitiveness Act and its so-called “Super 301” priority negotiation process. Korea was a primary target of the backers of this act and of the United States Trade Representative (USTR), which represents the United States in international trade disputes, because of accumulated complaints from U.S. business and Korea’s recent trade surplus with the United States.

This first crisis in U.S.–Korean trade relations was averted by successful last-minute bilateral negotiations, coupled with intense Korean lobbying and communication in Washington.¹ The result was that Korea was not designated a priority negotiation country in the first round, although it was placed on the “watch list,” with its performance concerning the implementation of the May 1989 agreements with the United States to be monitored closely by USTR.

In Korea, 1988–89 witnessed a remarkable broadening of relations with Communist countries, particularly following the successful 1988 Seoul Olympics, and a building upon the contacts that have grown over the past several years. One highlight was the establishment of full diplomatic

¹An important role was played by direct Korean communication with a group of large American companies with interests in Korea that have formed a bilateral trade issue forum with the heads of Korea’s leading business conglomerates, the U.S.–Korea Business Council, in coordination with the semigovernmental Korean Foreign Traders Association (KFTA). Some of the U.S. corporate members brought 301 complaints to USTR at the beginning of the process and then helped negotiate the outcome through their dialogue with Korean business counterparts.

More important, key Korean government leaders, including Dr. Han Seung-Soo, minister of trade and industry, and Dr. Cho Soon, deputy prime minister, visited Washington to meet with influential government and private figures to avoid the priority negotiation designation.

relations with Hungary. The real focus of intense interest was the semiofficial relations with the People's Republic of China and the Soviet Union, which became public and open after the Olympics. Korea expects expanded trade and investment ties to result eventually.

The past few years have also witnessed powerful new directions in Korea's economic relations with Japan, Southeast Asia, and China. In the first quarter of 1989, Korea's direct investment in Southeast Asia was higher than its direct investment in North America, perhaps a harbinger of an Asia-oriented future for Korea's corporations.

Internally, Korea is grappling with the issues of social and economic democratization. The ability of Korea's elite economic bureaucrats to guide the economy and enlist businessmen's cooperation has declined. Although market opening and democratization would seem to go hand in hand, in Korea, democratization has released a strong political movement toward redistribution of wealth, labor power, and new strains of economic nationalism. Because of U.S. pressure on market opening and other trade issues, there is a new, economic aspect to Korea's anti-Americanism. Korea's government has less power to implement politically unpalatable measures, including the opening of certain sectors of the economy to more competition, both domestic and foreign.

Current U.S.—Korean trade frictions are rooted partly in the past economic relationship and partly in the present structural problem of the U.S. trade deficit. Will the 1990s bring more of the same—more friction, more anti-Americanism from trade disputes, more draconian Super 301 measures from the United States? Or are other trends emerging that will gain importance? In this chapter, I review current trade problems between the United States and Korea and the advent of the Super 301 process, the Free Trade Area proposition, and the concept of an Asian regional economy of sufficient magnitude to sustain growth without primary reliance upon exports to the U.S. market or capital investment from the United States. Then I examine what implications there are for U.S. business and Korean business in these scenarios.

Current Trade Issues and Super 301

U.S. trade policy toward Korea focuses on two objectives. One is opening Korean markets to foreign competition, particularly U.S. companies, and reducing tariffs and barriers to trade. The second is "opening" the Korean business system to reduce restrictive regulation and promote a transparent and supportive regulatory environment for U.S. companies, including adequate protection of intellectual property.

Within these two broad objectives, which reflect both overall U.S. trade policy and U.S. internal policies, are specific markets and sectors in Korea

that receive high priority. Korea's agriculture markets remain a primary objective. Access to the Korean market for services in which U.S. companies are competitive, such as financial services and telecommunications, is an important priority. Another is winning the right to compete with fewer restrictions in the domestic Korean market, including the area of public sector procurement. The United States wants improved performance from Korea on protection of intellectual property rights and de-regulation of foreign direct investment into Korea. Although it is not a part of the USTR's trade battles, U.S. military equipment sales to Korea, offset requirements, and related intellectual property problems are also part of the U.S. trade agenda with Korea. (The term "offset" refers to economic and commercial benefits a country extracts from a foreign military equipment vendor as a condition of the sale, such as local production of major components and subassemblies and transfer of technologies required for this production. Countries often require the vendor to purchase goods from the buying country equivalent to a major portion of the face value of the contract.)

One important weapon in the arsenal of the USTR (and also of powerful industry lobbies) is the 301 process mandated by successive U.S. trade acts. The 1988 Omnibus Trade and Competitiveness Act and its so-called "Super 301" priority negotiation process represent the latest and most powerful 301 weapon.

At the end of April, 1989, the USTR charged thirty-four countries with erecting significant trade barriers against U.S. products, based on information from USTR investigations and complaints from U.S. industry. The status of each identified trade barrier or unfair practice was to be reviewed, with the chief offenders singled out for "priority negotiations" to eliminate the trade barriers. Korea led the review list, followed by Japan, India, Taiwan, Brazil, and the European Community (EC). Thus was initiated the first Super 301 review process that mandates U.S. retaliatory measures against nations that refuse to correct violations of free trade practices with the United States.² This review, required by Article 301 of the 1988 Omnibus Trade and Competitiveness Act, is the first step in preparing a target list of priority countries for negotiations to eliminate problem trade barriers.

However, when USTR made public the list of priority negotiation

²Any designated priority country must enter into the U.S.-initiated trade negotiation with a deadline of achieving results within eighteen months. The priority nation then would have three years to fulfill the agreements and remove the trade barriers. Should the negotiations prove unsuccessful or the priority nation fail to implement the agreement, the Omnibus Trade Bill gives the U.S. administration the power to impose retaliatory tariffs of up to 100 percent on selected export items from that nation.

countries at the end of May, Korea was not included. Korea had successfully avoided designation as a Super 301 priority negotiation country by agreeing to a number of U.S. objectives, including reductions in import tariffs on some two hundred agricultural products, elimination of import restrictions on selected food products, liberalization of grain and livestock imports, liberalization of the foreign investment process, and elimination of restrictions and performance obligations for foreign investors. Korea also made commitments for stronger protection of intellectual property rights. The correspondence between U.S. Trade Representative Carla Hills and Ambassador Park Tong-Jin documenting the bilateral agreements, which was widely circulated by both sides immediately after the agreements, makes for interesting reading.³

Over the past decade, a recognizable pattern of U.S.–Korean trade friction has developed. The pattern and dynamic are characterized by steadily increasing U.S. pressure on Korea to open its markets and to solve specific trade disputes and market access issues and by step-by-step resistance from the Korean side, with the focus on matching trade liberalization measures and concessions to Korea's internal market and industry development policies.⁴ In contrast to this pattern, the recent agreements represent much progress. In that sense, both sides are to be congratulated.

In the end, however, the established pattern prevailed, and the congratulations were short-lived. Skeptical and mindful of past performance problems, the USTR placed Korea on its "priority watch list" for intellectual property rights violations.⁵ The USTR revealed its intention to monitor closely Korea's performance on intellectual property protection and on the other points of the May agreement. Thus, even after the May agreements, the same issues retained the potential to bring the United States and Korea into conflict over Super 301 issues within six months, the time the first formal "progress report" is due. And well before the six months had passed, Korean government leaders such as Minister of Trade and Industry Han Seung-Soo were publicly retreating from the May

³Statement of the Office of the United States Trade Representative dated May 25, 1989. Correspondence between U.S. Trade Representative Carla Hills and Ambassador Park Tong-Jin dated May 9, 1989, and May 15, 1989. I received copies of the correspondence from the U.S.–Korea Society, the American Chamber in Seoul, and the Korean consulate general in Boston.

⁴For a lucid analysis of the Korean approach to trade disputes with the United States, see John S. Odell, "Growing Trade and Growing Conflict between the Republic of Korea and the United States," in Karl Moskowitz, ed., *From Patron to Partner: The Development of U.S.–Korean Business and Trade Relations* (Lexington, Mass.: Lexington Books, 1984).

⁵The other "priority watch countries" are Brazil, China, India, Mexico, Saudi Arabia, Taiwan, and Thailand.

commitments in response to Korean business concerns about economic stagnation.⁶

Of course, such short-term pushing and pulling can obscure the fact that the United States and Korea have both made enormous progress in the conduct of bilateral economic relations, particularly when compared to the early 1980s. Korea has carried out significant liberalization programs, certain portions of which have been solely in response to U.S. pressure, such as opening the tobacco market and changing the government tobacco monopoly into a public corporation. The United States has taken into account Korea's situation and fragile politics at key junctures and, most important, has learned how to achieve more bilateral negotiations through the expertise, tenacity, and monitoring of compliance.

Prospects

The critical challenge facing the United States and Korea is that, despite the progress, continuing U.S. trade pressure on Korea will arise due to economic and political problems that are beyond the capacity of the two nations to solve bilaterally. The Omnibus Trade and Competitiveness Act of 1988 represents the strongest U.S. attempt to date to address its structural trade imbalance with the world and its massive and growing foreign debt through bilateral negotiations with individual trade partners. The basic concept behind the U.S. approach is the idea that the origins of the U.S. trade crisis lie in the inability of American firms to compete in foreign markets, which is a result of trade barriers and hostile business environments. By creating "level playing fields," the U.S. team will have a chance to do better.

Although the results may indeed make numerous business "playing fields" more "level" for American companies, including those of the Korean domestic market, the question for the United States and Korea is whether the results will actually improve the U.S. trade deficit. Although the technical agenda of U.S.–Korean trade negotiations is composed of specific bilateral problems, the politics of the 1988 Omnibus Trade Act and its Super 301 provisions in Washington are separate from the bilateral agenda and cannot be solved bilaterally. Instead, the politics reflect the structural problems of the U.S. trade imbalance, of which the U.S.–Korea imbalance is only a part. As long as Korea maintains a large trade surplus with the United States and also sustains a large overall trade surplus, and as long as the United States suffers from its huge trade deficit, Washington will continue to focus on Korea. The focus will continue whether or not

⁶See Damin Darlin, *Wall Street Journal*, September 7, 1989.

Korea's business playing fields are level or Korea opens its markets and improves the business environment for foreign companies.

There is every reason to worry about the U.S. trade position. Despite improvements in the trend of the U.S. trade deficit—that is, the size of the annual trade deficit is slowly decreasing—the cumulative trade deficit situation and the U.S. foreign debt position are still deteriorating. The U.S. situation is getting worse, not better.

The magnitude of the U.S. trade imbalance is stunning. Waiting in vain for the currency revaluations of the 1985 Plaza Accord to take hold, trade economists have become alarmed. The annual U.S. merchandise trade deficit reached \$174 billion in 1987 before declining to \$140 billion in 1988. From 1982, the U.S. current account deficit zoomed from \$9 billion to reach \$154 billion in 1987. In 1988, the current account deficit was \$135 billion, a decrease from 1987 but still a huge, destabilizing deficit. During this six-year period, the United States has gone from a net \$140 billion capital export position to a net \$570 billion capital import position.⁷ Between 1982 and 1988, America ran up a cumulative current account deficit of about \$700 billion; and according to the International Monetary Fund, this deficit is expected to increase by an additional \$300 billion by 1990.⁸ Further substantial improvement in U.S. exports, which is required to pay the debt and interest, will take several years to realize.

Only more production and exports from the United States, less consumption and imports, more savings generated domestically, and increased productivity (that is, national “belt tightening”) will protect the present world trade system. The alternative could be a world finance and trade crisis, according to economists.⁹ The U.S. structural trade deficit and the inability of present U.S. policies to solve the deficit problem may become a trade issue between the United States and its trading partners, including Korea, as the dependence of these trade partners on exports to the U.S. market declines relatively.¹⁰ At some point, U.S. trading partners will demand better trade performance from the United States.

Consequently, the present situation in U.S.–Korean trade relations is

⁷See Richard Drobnick and Selwyn Enzer, “U.S. and Korean Trade Relations in the Context of a Changing World Economic Environment,” preliminary draft paper for the IBEAR (International Business Education and Research)-KMRC research conference, June 28–29, 1989, at the University of Southern California.

⁸Ibid.

⁹See *ibid.* for one example.

¹⁰At a recent conference on trade and business relations between the United States and Korea, the Korean speakers focused remarks on how the United States had created the problem for itself through overconsumption. Although this view conveniently overlooks the important benefits Korea gained as a result of U.S. policies, I believe that Japan, Korea, and

ironic and contradictory. The direct U.S.–Korea bilateral trade negotiations are making substantial progress. Korea is cooperative not merely to appease the United States, but for its own purposes of liberalizing its economy and industries to enhance future efficiency and competitiveness. Korea would be undertaking some of these measures even without U.S. pressure (though certainly the Korean domestic politics of liberalization would be far different.) On the American side, the trade issues on the agenda for negotiation come from microlevel specific industry and corporate business complaints about problems in Korea. Washington momentum and political pressure to pursue aggressive trade negotiations originate from generalized pressures to solve the U.S. trade crisis.

Cooperation between U.S. and Korean negotiators and agreement on specific trade issues cannot solve the overall U.S. trade crisis. Mutually satisfactory progress leads only to the next set of specific issues and complaints. Korea's trade surplus with the United States and Korea's predicted transformation into a net creditor nation in 1989 simply add more fuel to the Washington fire.

Nationalism, Trade, and Investment

Korea, likewise, has political and economic problems that are in a dimension completely separated from the bilateral trade negotiations and the trends of actual bilateral trade. Korea's economic liberalization policies, its policies to achieve a more balanced and less concentrated private industry structure, and economic and social redistribution priorities consequent to democratization make market liberalization problematic politically. Also making these measures problematic are Korea's slowing economy and business and bureaucratic pressure to reverse the course of liberalization.¹¹

Korea's successful growth has been based on an economy organized to support and promote manufactured exports. The result is a somewhat unbalanced industrial structure and many protected domestic sectors that cannot survive true economic liberalization, domestic or international, in their present form. In Korea's new politics, the resulting protectionist tendencies of these industry sectors dominate the political landscape, most vividly in agriculture. Animosity over trade friction is high and reflected in electoral politics, as interest groups fan public opinion by appealing to nationalistic ideals and anti-American sentiments.¹² This is a

other surplus countries will increase pressure on the United States to take the policy medicine required to correct the trade imbalance.

¹¹Darlin, *Wall Street Journal*, September 7, 1989.

¹²Anti-American strains in Korean politics are explored thoroughly in other chapters of this book.

political irritant in U.S.–Korean relations on the Korean side that creates problems for Korean performance on bilateral trade agreements. Whereas the United States is grappling politically with the massive structural trade imbalance, economic problems in Korea exacerbate xenophobia and may be resulting in politically motivated protectionism. As Korea's largest foreign trade partner and the partner most aggressive in its trade demands on Korea, the United States is the natural target of this style of politics.

Xenophobia and nationalistic political tendencies may also cause more trade problems within the United States, which has paid for its trade imbalance through massive imports of foreign capital. The foreign debt, the highly visible purchases of U.S. real estate and American companies by foreign firms, and growing recognition of U.S. dependence upon foreign capital make many Americans uncomfortable. Increasingly, national security concerns are raised. Although the United States has kept its doors open and still welcomes foreign investment, the productive investments from Korea, which should be welcome, may be lumped together with Japanese investments and viewed with suspicion.

Korea's Maturing Economy and Diversifying Trade Relations

Korea is predicted to become a net creditor nation in 1989, an important milestone that commemorates its successful economic development and emergence on the world stage as an industrial nation and important trading economy. Korea's economy is maturing. The management, technical capabilities, and financial structures of Korea's companies have achieved depth and stability. Debt to equity ratios, previously highly leveraged, have improved significantly over the past few years. Leading Korean conglomerates, such as Samsung and Hyundai, are ranked among the largest businesses in the world. Financial industry specialists predict that by the latter 1990s, the Korean capital market will be the fourth largest in the world, following Tokyo, New York, and London.

Korea's domestic market has deepened. Though still led by exports, Korea's economy now has the power of substantial domestic consumption. For example, the decline in Korean automobile exports over the 1988–89 sales year was more than offset by gains in domestic automobile sales. In the first half of 1989, domestic demand surpassed export demand as the engine of Korea's economy, a shift that reflects a new and healthy balance for Korea's economy. As Korea's economy continues to expand and mature, its rate of growth will slow from the frantic double-digit pace of recent years and will become less dependent upon exports.

Although Korea's trade relations are dominated by the United States and Japan, which buy most of Korea's exports and supply most of its imports, Korea is making progress in diversifying its trade relationships.

New relationships with Eastern European countries, China, and the Soviet Union will lead eventually to expanded trade and investment. Future trade growth also will come from diversification of Korean trade with Asian countries. South Korea is even beginning to consider trade with North Korea. Though South Korea's potential economic relations with North Korea must await the solution of fundamental political problems, South Korea must begin to think about North Korea in terms of further economic diversification and internal growth.¹³

During the 1980s, Korea's reliance upon the U.S. market increased as the U.S. economy sucked in huge volumes of imports from around the world. In 1986, about 40 percent of Korea's exports went to the United States, the peak of a staggering reversal of Korea's diversification policies instituted in the 1970s. In 1988, the United States still accounted for about 35 percent of Korea's exports, despite strenuous Korean efforts to diversify exports away from the United States. Beyond the high volume of trade, the U.S. market has been critically important to Korea's high-tech industries. In 1988, 90 percent of Korea's computer exports went to the United States, as did 65 percent of Korea's telecommunications equipment exports.

The United States must continue to be a major trading partner for Korea, if only because the United States is such a large portion of the world economy. Nevertheless, Korea's trade diversification efforts will probably cause the proportion of trade with the United States to decline. This is desirable for economic reasons as well as trade policy rationales.¹⁴ Successful diversification of exports away from the United States may alter the trade negotiation power equation for the United States, but reliance on the U.S. market for key industrial exports will continue to give it special importance even as Korea's relative export reliance on the United States declines.

The Free Trade Area Concept

One alternative suggested for U.S.–Korean bilateral trade is the establishment of a Free Trade Area (FTA) between the two countries. An FTA is a form of economic integration between two or more countries in which customs duties and other restrictive regulations on products and services

¹³See Karl Moskowitz, "What If They Were One?" *Far Eastern Economic Review*, June 22, 1989, pp. 56–57.

¹⁴Trade diversification is prudent not only to diminish trade friction, but because the prospects for future growth in U.S. imports are not good until the trade crisis is resolved. Instead, the possibility of a devastating contraction of U.S. imports caused by a trade crisis may be growing.

traded among the constituent member countries are eliminated.¹⁵ Although I do not advocate the FTA concept, it must be discussed as an important element of the U.S. trade debate in 1988–89.

The United States has entered into an FTA with Canada and with Israel and has discussed the concept with Mexico. In 1988 certain parties in Washington suggested the idea of bilateral FTA agreements with Korea, Japan, and Taiwan. The International Trade Commission of the U.S. Department of Commerce undertook a formal study of the issue in cooperation with members of Congress.

FTA proponents seem to have two objectives beyond the theoretical free trader economic goals. Japan, Korea, and Taiwan are the leading U.S. trading partners in Asia and the leading sources of the U.S.–Asia trade imbalance. Unlike the disputatious and unilaterally legalistic Super 301 approach, the FTA approach aims for the same objective of opening markets to U.S. businesses and exports (the “level playing field” idea), but with more positive incentives for the other parties to the agreement.

The second objective is firmly to anchor U.S. participation in the dynamic economic growth in Asia. The importance of the FTA is that it promotes trade with the Asian countries that have the most dynamic economies in the world. Whether proliferation of bilateral FTA agreements with Asian trading partners would solve the U.S. trade imbalance without other policy measures within the United States is questionable. However, trade balance issues aside, supporting U.S. private sector ties and participation in these economies is a strong American policy objective.

Korean response to the FTA concept has not been favorable. The motivation to enter such an FTA is less because, in effect, the United States already is virtually an FTA for Korea, and the political and perhaps economic sacrifices for Korea would be too large. What concerns Korea is the possibility of Taiwan entering a bilateral FTA with the United States. This would provide the competitive motivation for Korea to enter an FTA with the United States.¹⁶

The Asian Regional Trading Area

The bold scenario of an East Asia–centered economy—not an autarchic East Asia trade bloc, but a regional economy driven by intraregional trade, investment, and technology flows—has been on the pages of

¹⁵The difference between an FTA and a customs union arrangement is that the member nations of the latter establish common external tariffs against the rest of the world. In an FTA, each country retains its own tariff.

¹⁶For a discussion of the Free Trade Area concept from the Korean perspective, see Kim Wan-Soon and Won Chong-Keun, “Forming a Free Trade Area between Korea and the U.S.: A Korean

virtually every Japanese business publication over the past year. The concept is simple. In the era prior to the 1985 Plaza Accord and the U.S. trade crisis, investment and technology flowed from the United States to Japan and from the United States and Japan to the newly industrialized countries (NICs), including Korea and Taiwan. Manufactured goods flowed from Japan and the NICs to the United States. A relatively small volume of manufactured goods flowed from the NICs to Japan. This is fast becoming “the way it was.”

Subsequent to the 1985 currency realignment and the resulting structural transformation of the Japanese economy toward balanced, domestic market–driven growth and more imports, Japan is replacing the United States as the leader and keystone of the system, particularly for Asian countries. Investment and technology flow from Japan to the former NICs and to the Southeast Asian less developed countries (LDCs). Also, investment and technology flow from the NICs (Korea and Taiwan) to the LDCs. Manufactured goods flow from the NICs and from the LDCs to Japan, with some LDC products also going to the NICs. Exports to the United States remain important but are declining relative to other export destinations. Although this concept was conceived in a global framework, Japanese and other Asian countries apply it to their vision of Asian regional economic relations.

Korea has emerged as the second most important industrial market economy in East Asia after Japan. Its large-scale industrial structure, its advanced technological capabilities, its world-spanning conglomerates, and its big domestic market set Korea apart from Taiwan and the other Asian NICs. Though a magnitude smaller in scale, Korea’s economic role in Asia will be second only to that of Japan for the next two decades.

The emergence of this new pattern organized around Japan and the new industrial nations of Asia, even if realized only in part, eventually may relieve Korea of the strongest trade pressures from the United States. Further development in the direction of this intra-Asian trade pattern will change the nature of the trade issues for the United States. For instance, in the future, the issues may be how and how much the United States participates in the Asian regional economy. The FTA idea, rather than simply being a comprehensive bilateral market-opening tool, may be employed to ensure the continuation of strong economic links with the principal industrial countries of Asia through direct market participation.

The idea of an Asian regional trading area economy with independent economic strength is not new. All “Pacific Rim” formulations rely upon the

Perspective,” draft paper for the IBEAR-KMRC Conference at the University of Southern California, June 28–29, 1989.

assumption of Asian economic development and energy. Predictions of the reemergence of “bloc” economies centered in North America, Europe, and Asia make the same assumptions. However, until recently, many economists have focused on the difficulties of Asia sustaining itself as an economic region. These barriers included insufficient capital, national markets too small to sustain industrial economies of scale, the lack of factor complementarity, and the key political frictions and distrust among the nations of Asia. According to this analysis, therefore, for Asian exporters, there is no realistic substitute for the huge U.S. market with its tremendous demand.

However, the trends since 1985–86 seem to be eroding these barriers. To quote a recent article in the *Far Eastern Economic Review*:

Only recently have policymakers become aware that trans-Pacific trade exceeds the value of commerce across the Atlantic. But intra-Asian trade is growing even faster and is expected to overtake the flow of goods between Asia and North America by the early 1990s. Intra-Asian trade totalled US \$189 billion in 1987, 20% higher than the previous year. Asia's trade with North America was worth US \$258 billion, 14% up on 1986.

Trade among the four NICs, and with Japan and their poorer neighbors, has risen significantly. The embryo of an integrated trading region began to emerge: intra-Pacific trade comprised 64% of the region's total in 1987 against 55% six years earlier.¹⁷

The trade figures for 1989 undoubtedly will show the trend even more strongly.

The additional economic factors that tend to support intraregional economic growth and trade ties are as follows:

1. Rising costs, principally labor, now stimulate Korean and Taiwanese businesses to invest abroad and relocate facilities in labor-intensive industries, such as footwear. The Japanese rush to invest in the NICs and Southeast Asia is well known, but Taiwanese and Korean investments and the migration of their labor-intensive industries to Thailand, Indonesia, Malaysia, and the Philippines are substantial.

2. Expanding markets are also attracting intraregional investment in Southeast Asia and China. For example, the Korean consumer electronics investments in Thailand are aimed at domestic and regional markets, not at exports to the United States. In the first quarter of 1989, more Korean foreign investment went to Asian countries than to North America.

¹⁷See Charles Smith, “Seeking a New Role” and other articles in *Far Eastern Economic Review* of June 8, 1989, focusing on Australian Prime Minister Hawke's proposals for Asian regional cooperation and Japan's response.

3. Rising standards of living and industrialization mean cumulatively greater market depth and diversified demand for trade in industrial products and industrial goods.

4. Intra-Asian travel is booming. From the beginning of 1989, Korea has allowed unrestricted outbound leisure travel. The large majority of the outbound tourists are going to Japan and Southeast Asia, not the United States or Europe. The same phenomena are occurring in Japan and Southeast Asia. Results of this interest in other Asian countries include better communication, sophistication about past differences, and a growing sense of regional interests and regional pride.

5. The idea of Asia as a trading region is gaining credibility. Although wary of domination by Japan, Asian countries are becoming more comfortable with the concept of achieving growth through intraregional trade and investment. They are finding new abilities to cooperate beneficially. Once governments and business adapt their thinking and strategies to this concept, the tendency gains momentum.

These trends are rendering obsolete the old arguments about why a Japan-centered Asian region is impossible and why Asian countries must continue to rely upon exports to the United States for growth. The United States and countries such as Australia support the growing regional economy, and the European Community has recently awakened to the concept. The suggestions by Australian Prime Minister Bob Hawke about the Japanese role in Asia and U.S. Secretary of State James Baker's statements supporting the idea of a Pacific region cooperative body prior to the recently concluded Association of Southeast Asian Nations (ASEAN) meeting reflect understanding and anticipation of the phenomenon.

Implications for Trade and Investment Relations

The future opportunities for American business in Korea lie in the maturing and broadening of the Korean economy, Korea's modernizing (rising) cost structure, the opening business environment, including deregulation and democratic politics, and Korea's growing economic relationship with Asia. The profile of new investment interest in Korea by American firms reflects these points. The opportunities in the Korean domestic market will be in services, consumer goods, and distribution businesses. The external opportunities will be based on business strategies that combine Korea's technology and industry base to serve both Korea and other Asian and world markets. What implications are there for U.S. business and Korean business in these scenarios?

The opportunities and threats for Korean business are very much the

same. Because the domestic market opportunities lie in heretofore protected and uncompetitive sectors of the Korean economy, we can expect high political resistance to foreign penetration in some industries. Some of the resistance will come from Korean companies attempting to enter the markets in competition with foreign firms, but the major resistance to new Korean and foreign entries will come from the established interest groups that depend on the old systems. Korea's new democratic politics gives these groups power amid a less rational economic nationalism than that previously displayed by the Korean bureaucracy.

In the short term, we must anticipate more trade conflicts over market access. American business and the U.S. government will continue to press for unfettered participation in Korea's economy, backed by American trade policies designed to solve the trade deficit problem by bilateral negotiations. This means continuing Korean liberalization punctuated by frequent disputes over politically sensitive markets and products. The controversy in the summer of 1989 over the health hazards of Florida grapefruit, which led to renewed 301 threats within two months of the May agreement, is an example.

In the near term (three years), we will see more diverse Korean direct investment in the United States and the beginning of modest portfolio investment. Previously, Korean direct investment was concentrated by policy guidance in industry, technology, and distribution investments to support Korean industry development and Korean exports. The Samsung condominium project in New Jersey may be an example of the new wave of Korean investment—a stand-alone investment with its own economic justification separate from Korea's export policies. Nevertheless, the interests of most Korean companies in the United States will continue to concentrate on technologies and businesses that support the home company's business from a Korean base.

In the medium term (five years), Korea will diversify economic relations and find sources of growth independent of the U.S. market. U.S.–Korean trade will continue to be important, but it may be less than Korean–Japanese trade and will be less than Korea's aggregate trade with Asia. Although this is unlikely to change the profile of Korean investment interest in the United States, it means that American companies will not be able to rely as strongly on U.S. trade pressure and the U.S. presence in Korea to obtain their objectives over Korean resistance.

The long-term (ten years) issues and opportunities for the United States and Korea will arise from the growth of Asian economies and regional trade. For the United States, the questions will be whether this country can maintain technological leadership and how well American

firms can internationalize and prepare themselves to compete on a truly open playing field. Korean companies investing abroad face similar issues.

Individual U.S.-based companies should be highly successful in Korea, but I am not so sure how successfully the United States will adjust as a nation to the requirements of the new era and new realities.

4. Economic Issues in U.S.–Korea Relations

ANTHONY C. ALBRECHT

U.S.–Korea economic relations must be viewed in a global context. World political change and growing economic interdependence are creating new opportunities—for cooperation and conflict—between Koreans and Americans in the economic sphere. Government negotiators have recently arrived at mutually beneficial solutions to bilateral problems, but the forces of nationalism and protectionism are still strong on both sides. There is much fear and ignorance that politicians can exploit. Any discussion of the economic relationship therefore must take political pressures into account.

U.S.–Korea economic relations are entering a new era. Korea has graduated into the ranks of the world's top trading nations. The U.S.–Korea partnership has changed and become more equal and, therefore, more demanding on each partner. The opportunities for real bilateral and multilateral cooperation are present, but governments and business will have to work harder to promote success by removing barriers to the operation of market forces. This chapter assesses the global, regional, and other factors that are likely to drive the U.S.–Korea relationship in the 1990s.

The Global Environment

Political Security Issues

Today's world political environment is rapidly changing. The recent events in China may have the effect of reversing a tendency to downgrade the importance of the U.S.–Korea security relationship. Before the hard-liners' bloody crackdown in Beijing, the abatement of the Soviet threat seemed to promise an era of reduced international military tension. In fact, the argument being made in Washington ran like this: military and security concerns are now secondary, the primary threat to the United States is economic, and the real enemy is not the Soviets but Japan and other Asian

exporters, such as Korea. In this atmosphere, the U.S.—Korea security relationship seemed to be losing importance. This in turn made it less likely that conflict between the United States and Korea over economic issues would be moderated by concerns about undermining the security relationship.

The crackdown in China may also affect U.S. views on trade with China carried out by our allies and trading partners. At present, the United States has cut off weapons sales and expects its allies to do the same. But if there are more bloody reprisals or executions in China, public pressure may force the United States to adopt broader sanctions. If our trading partners are seen to be exploiting this situation, there will be U.S. congressional pressure to retaliate. (There is already talk of grass roots boycotts of American firms that seem too cozy with the People's Republic of China [PRC] hardliners.) Based on past experience, Korea might then be forced to choose between its emerging market in China and its assured market in the United States.

Whatever happens in China, the new Soviet international posture and the thaw in U.S.—Soviet relations will affect the U.S.—Korea economic relationship. If the positive trend continues, new markets will develop in the Soviet Union and Eastern Europe for both U.S. and Korean exporters. This could help Korea diversify its export markets and slow the expansion of Korean exports to the United States. However, there is also the “economic warfare” thesis prevalent in the United States whereby Japan, not the Soviet Union, is the prime enemy of the United States. This thesis holds potential danger for Korea, but so far Washington trade agencies view Korea as a competitor only. Korea has avoided being labeled an “economic enemy.” One major reason for this is because Korea decided to negotiate with the United States to avoid being named along with Japan as an “unfair” trading partner under the Super 301 provisions of the 1988 Trade Act.

Korean export interests may also be favored if a post-Khomeini Middle East moves toward political stability and economic reconstruction. If the Middle East pumps more oil to pay for reconstruction, Korea and the United States might both benefit from lower oil prices. Likewise, the political thrust toward unity of the Europe 1992 movement, if it avoids a protectionist twist, could open additional markets to both Korean and U.S. exporters.

In sum, the generally optimistic scenario of world political security change toward more open, peaceful societies noted previously could open up new markets for both Korea and the United States. U.S.—Korea economic competition would shift from the narrow, inevitably confrontational confines of U.S.—Korea bilateral trade to the broader and (one hopes) less politically sensitive world economic arena. To be sure, Korea's

most efficient industries would be competing in this arena, as would those of the United States. But the direct competition in each other's home markets would be lessened.

Global Economic Issues

Global economic interdependence is the overriding reality facing the United States and Korea. Each nation is well positioned to take advantage of greater openness in the world economy. Each would be harmed by a trade war caused by advocates of protectionism and economic nationalism.

Trade is the key global issue affecting the U.S.–Korea economic relationship. Whereas the United States bears the heaviest responsibility for maintaining an open world trade system, Korea also has been playing an important role by serving as an example to newly industrialized countries. Korea's economic success has not been held back by its recent trade liberalization program. Korea also took a step that may help it avoid the dangerous spillover effects that flow from the continuing U.S.–Japan economic confrontation. Often seen as a “second Japan,” Korea broke this link to Japan by deciding to negotiate with the United States to avoid being listed, along with Japan, as an “unfair” trading partner under section 301 of the new U.S. Trade Act. Korea's decision to negotiate and the positive U.S. response represented an important signal that the U.S. was truly interested in market opening and was not using Super 301 as a mere pretext for protectionist action.

This successful use of section 301 may be difficult for the United States to repeat. With publication of the list of unfair trading partners, section 301 has been criticized as the epitome of the kind of unilateralism that could undercut the Uruguay round of multilateral trade negotiations and lead to a trade war. The United States is in a difficult spot internationally. If it fails to follow through forcefully with Japan, India, and Brazil—countries named under the Super 301 provision—it will be seen as a paper tiger. If it goes too far and retaliates outside of General Agreement on Tariffs and Trade (GATT) rules, it could trigger an era of economic nationalism and trade warfare and, of course, ensure the failure of the Uruguay round of multilateral trade negotiations. In these circumstances, it is likely that the United States will stick closely to GATT rules in implementing all types of 301 actions.

Korea also has an opportunity to show respect for GATT by giving up its anachronistic reliance on a GATT balance of payments exemption for its agricultural quotas. U.S. officials recognize that agriculture is a politically sensitive sector in Korea, but they hope Korea will at least agree to a phaseout of the quotas. Such an action by Korea would lessen the danger of

further bilateral trade conflict over agriculture that has now emerged as the one sector in which political tensions are high on both sides. A GATT solution of phasing out the quotas would be action taken in support of multilateral solutions, rather than another case of Korea's seeming to yield to bilateral pressure from the United States. Such an action would also be consistent with the generally positive role Korea has been playing in the GATT and the Uruguay round.

Another major factor in the global economic system is economic policy consultation and cooperation. The United States and Korea have done well in bilateral consultations, having established regular consultations on the full range of economic issues of both bilateral and multilateral concern to the two countries. These talks have been held for almost ten years and are chaired on the U.S. side by the under secretary of state for economic affairs, who leads an interagency team. The Korean side has often been chaired by the Korean foreign minister.

What is lacking, however, is a role for Korea in multilateral economic institutions such as the Organization for Economic Cooperation and Development (OECD). Some years ago within the OECD there was a flurry of interest in having Korea participate in the OECD steel committee. It was thought that Brazil also might be invited. But it became clear at that time that the major motivation of the OECD countries was to restrain Korean exports and otherwise dampen its competitiveness in this area. Full membership or more general association were out of the question because Korea's economy was not that strong, and Korea was far from any semblance of a democratic society.

Much has changed since that time. Korea is now considered a first-rate economic power. As President Bush stated in early 1989: "Korea has become an industrial power, a major trading power, and a first-class economic competitor."¹ Korea's progress toward democracy also has been a notable achievement and removes an earlier barrier to participation in the club of the "industrialized democracies." Of the newly industrialized economies participating in an informal OECD-sponsored seminar at the beginning of 1989, Korea was clearly the only one that could make a strong case for membership on the merits. The major OECD countries make much of the fact that Korea has "graduated" from developing country status and that Korea should assume its proper responsibilities. The United States should take the lead in sponsoring Korean participation in OECD work and its eventual membership in that group. For its part, Korea would have much to gain by participating from the outset in the discussion of

¹George Bush, address before the Korean National Assembly, July 27, 1989, *Department of State Bulletin*, May 1989, p. 20.

policies that will affect its position in the world economy. In fact, a Korean official indicated that Korea is expected to be ready to take on the obligations of OECD membership by 1992.

Given the importance of the U.S.–Korea economic relationship and Korea's leading role in the world economy, the United States might also consult with Korea prior to the seven-nation economic summit. Engaging Korean leaders in world economic discussion in this way (along with OECD participation) would show international support for Korea's trade and investment liberalization moves. Such recognition would enhance the credibility of Korea's government leaders, who have set their nation on a course of international competitiveness. If handled skillfully, it could blunt the appeal of protectionism and economic nationalism within Korea.

The suggestions made previously on how to bring Korea into the international economic policymaking process are based on the assumption that Korea would welcome such an opportunity. Some might argue that Korea may resist in order to try to maintain its status as a developing country—in essence, trying to have the best of both worlds. It seems clear from the reaction to Korea's attempt to justify a continuing balance of payments exemption for its quotas that its trading partners will not go along with this attempt. Furthermore, the classic South Korean strategy of maintaining a developing country aura as a means of competing diplomatically with North Korea in Third World countries has lost its validity.

Regional Economic Issues

The most obvious “regional” issue affecting U.S.–Korea economic relations is the Pacific Basin concept. There is really no clear-cut concept but rather a never-ending stream of proposals advocating this or that Pacific Basin organization or scheme. Proposals for bilateral free trade areas between the United States and Asian countries have been flowing into this Pacific Basin debate. Both the United States and Korea have been participating in these discussions.

Despite the attention focussed on the Pacific, the notion of a Pacific economic bloc is an idea whose time is past. Global economic interdependence is so pervasive that a Pacific bloc, especially a preferential one, would seem to represent a step backward toward a more cumbersome, government-regulated trading regime. Some analysts see a trend toward more economic blocs, but this appears to be largely a function of the ongoing debate as to whether Europe will be open or protectionist after 1992 and how to influence the outcome. One argument is that a Pacific bloc would serve as a useful bargaining chip or threat to ensure that Europe does not go down the protectionist path. Others argue that a Pacific bloc for this purpose would be a dangerous ploy because it might

provide a handy excuse for European protectionists to create an inward-looking bloc in Europe.

Because the United States is both an Atlantic and a Pacific power, it makes sense to oppose any blocs rather than to face the problem of choosing sides. For Korea, the choice is also clear in favor of a global rather than a regional approach. In any Pacific bloc, Korea would have to compete directly with Japan and the United States as well as with the other Asian newly industrialized countries (NICs)—Taiwan, Hong Kong, and Singapore—and with the next generation of NICs such as Thailand. The European and other non-Pacific markets are vital to Korea's well-founded export diversification plans as well as to its strategy of maintaining multiple sources of energy supply.²

If a Pacific Basin bloc is impractical, what is the "regional" reality that commands attention? One answer is to say that Pacific economic cooperation already exists. Huge volumes of goods and capital are flowing back and forth in the private sector, and it is unnecessary, and perhaps dangerous, for governments to "organize" or "help" this flow. In fact, the role of governments would be to lower barriers to this private sector activity. Given the realities of commerce, most of the progress is made bilaterally on issues peculiar to the two countries concerned or broadly in multilateral negotiations such as the Uruguay round. In some cases, such as the U.S. bilateral effort to open up Japan's market, third countries benefit from market-opening negotiations.

Another way to view regional issues is to look first at Japan. Japan's economic power is dominant in Asia. Through trade, investment, and aid, it has extended its influence at a time when U.S. ability to project its power has been diminished by budgetary constraints and the heavy baggage of the neoprotectionist 1988 Trade Act. In this situation, any Pacific bloc would be likely to provide a comfortable framework for further Japanese economic domination of the region, making it all the more difficult for U.S. and Korean exporters to develop markets in the rapidly growing economies of the rest of East Asia.

Japan's importance is such that any U.S.–Japan conflict over economic issues affects Korea. This was already evident in the "second Japan" syndrome, where U.S. frustration over Japan's barriers spilled over into U.S. attitudes toward Korea. This handicap was largely overcome when Korea avoided being listed with Japan as an "unfair" trader under Super 301. But problems remain as U.S.–Japan conflicts continue to affect the U.S.–Korea

²According to a recent press report, a Korean government official stated that his government was not interested in establishing a Pacific Basin trade bloc. See *Journal of Commerce*, August 31, 1989, p. 4A.

relationship. Recent examples include the drift net fishing problem and the new attention directed to the FX fighter plane deal in Korea as a result of congressional criticism of the FX deal with Japan.³ Not all U.S.–Japan conflicts have hurt Korea. The semiconductor case is one example where Korean firms benefitted. The same is true in the case of automobiles, where the voluntary restraint agreement (VRA) with Japan created a market for small cars from Korea.

The regional dimension of U.S.–Korea economic relations offers no easy solutions. The one area where some improvement might be made is that of economic consultation on Pacific Basin issues of mutual concern to the participants. But these should be ad hoc meetings on specific substantive issues without bureaucratic institutions. They should be open to all interested parties, and any agreed positions or actions should be non-preferential. The United States and Korea should take the lead in any such meetings by stressing that they wish to avoid forming a preferential bloc and prefer to enhance the openness of the interdependent global system.

U.S. Deficit and Trade Imbalances

A great deal of attention has been given in recent years to the Asian NICs and their export success. In fact, U.S. government nomenclature has been adjusted to take into account the fact that two of the “four tigers” (Hong Kong and Taiwan) are not “countries” in political terms. The new designation is “NIEs” (newly industrializing economies). In recent years, the NIEs have been seen as a threat to the United States because of their large trade surpluses with that country. They loomed large in 1987 and 1988, accounting for about 23 percent of the U.S. trade deficit in those two years. Although Taiwan caused the largest deficit, there was a sharp decline from 1987 to 1988. The U.S. deficit with Taiwan dropped from \$17.4 billion to \$12.9 billion during that two-year period. Attention then focused on Korea, where the U.S. deficit increased slightly during the same period, from \$9.3 billion to \$9.6 billion in 1988.

The situation is improving with respect to the 1989 U.S. trade deficit with Korea. The won’s strength and wage increases have caused Korean exports to slow down.⁴ According to the U.S. Commerce Department figures available to the public in early September 1989, the U.S. deficit with Korea dropped during the first six months of 1989 compared to the same

³Two U.S. senators have publicly attacked the FX deal with Korea as a threat to the U.S. commercial aircraft industry. See *Washington Post*, July 18, 1989.

⁴U.S. government sensitivity regarding the value of the won remains high, as evidenced by the sharp reaction when President Roh indicated he might be considering devaluation. See editorial, *Journal of Commerce*, August 23, 1989.

period in 1988. Imports from Korea rose only 3 percent from \$9.3 to \$9.6 billion, and U.S. exports to Korea surged by 25 percent over 1988, from \$5.2 to \$6.6 billion. This works out to an estimated 1989 U.S. deficit with Korea of about \$6.0 billion, which would be a sharp drop of almost 30 percent in the 1989 deficit compared to the revised 1988 U.S. deficit of \$8.86 billion in 1988.

The fact that the U.S. deficit with Korea is declining is helpful in moderating protectionist pressures in the U.S. Congress. In economic terms, bilateral trade deficits like that with Korea are not really a problem for the United States when one considers that the U.S. deficit with Japan shrunk only slightly in 1989, to about the \$48–\$50 billion range. If U.S. exports to Korea continue to grow rapidly and Korea's exports to the United States continue at a moderate pace, the U.S.–Korea economic relationship need no longer be preoccupied with the question of the size of the U.S. bilateral trade deficit with Korea. This is all the more likely because Korea's overall current account surplus is expected to register a sharp decline in 1989. This large current account surplus, which reached \$14.3 billion in 1988, had only exacerbated U.S. sensitivities over the trade deficit with Korea. In the end, the size of the deficit will not be as important as U.S. perceptions of Korea as a friendly ally whose market is becoming more open to U.S. exporters of goods and services.

Other Factors Affecting the U.S.–Korea Economic Relationship

Korean anti-Americanism threatens the economic relationship because of the constant barrage of TV coverage in the United States showing radical students shouting anti-American slogans. As long as there is no major trade conflict with Korea, this problem can probably be contained on the U.S. side, but if Congress links Korean trade barriers and anti-Americanism, the danger will become real. In fact, both governments have a responsibility to avoid finding scapegoats to blame for what are really domestic adjustment problems. This puts a priority on public education about the benefits of open trade. Neither side does a good job in this respect. The Super 301 market-opening efforts present an opportunity to both sides to cast the U.S.–Korea relationship in a more positive light.

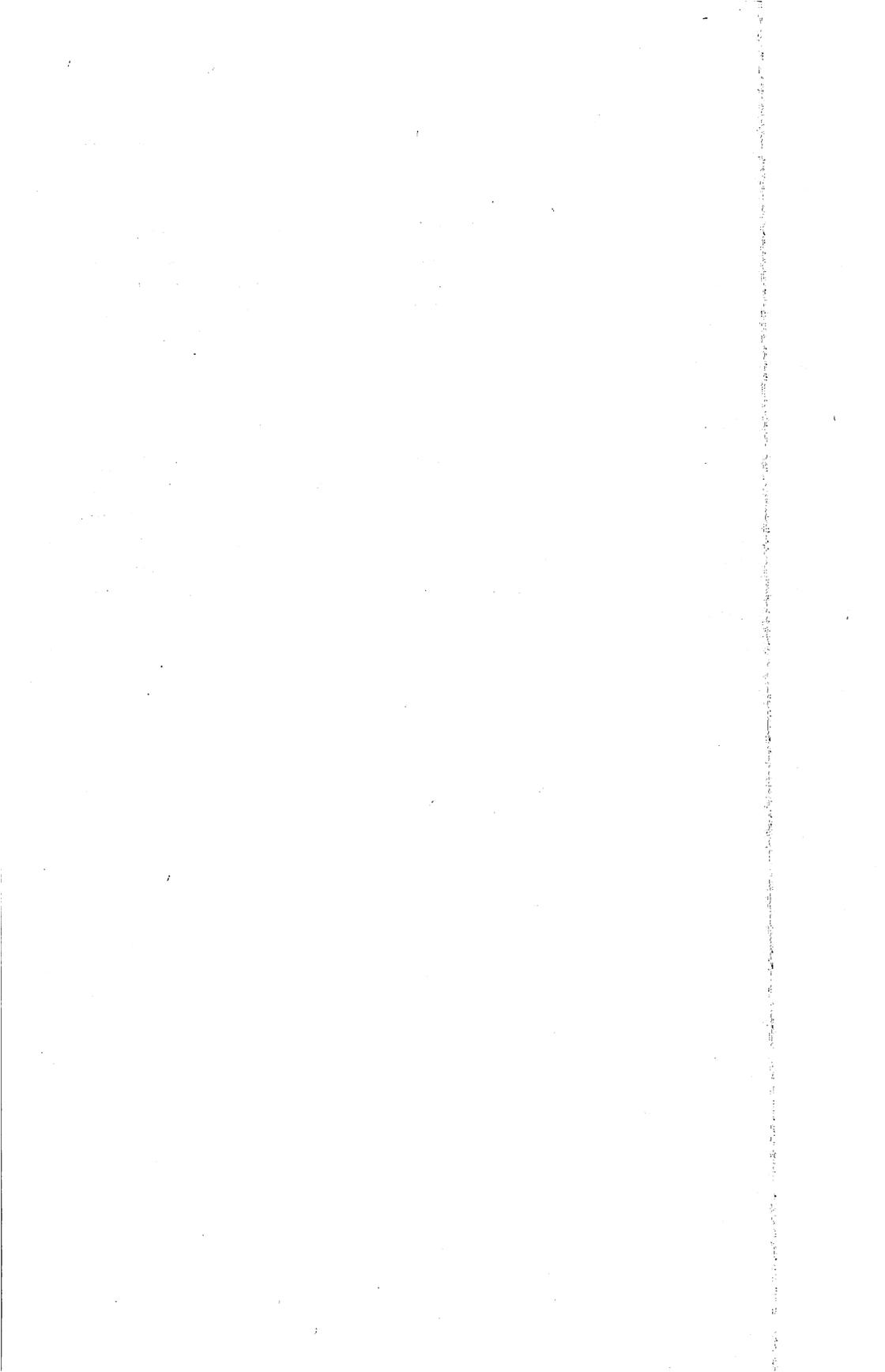
One recent example of the politically and commercially motivated protectionist pressure that can arise to threaten the relationship is the Korean boycott of U.S. grapefruit for alleged contamination by the chemical Alar. This allegation is patently false and has been so certified by U.S. authorities and a Korean laboratory. The powerful U.S. citrus industry and officials are furious because U.S. grapefruit sales have dwindled, and Korean government action to reassure consumers has not been very effective.

The economic relationship will also be affected by how closely the United States and Korea consult about a range of issues such as energy, the environment, fisheries, telecommunications, worker rights, strategic trade controls on military technology and chemical weapons, and third country military sales. Any one of these issues could flare up and damage the relationship.⁵ Close consultations on these issues should be conducted on a regular basis, either in the context of the economic consultations or in other bilateral groups.

Conclusion

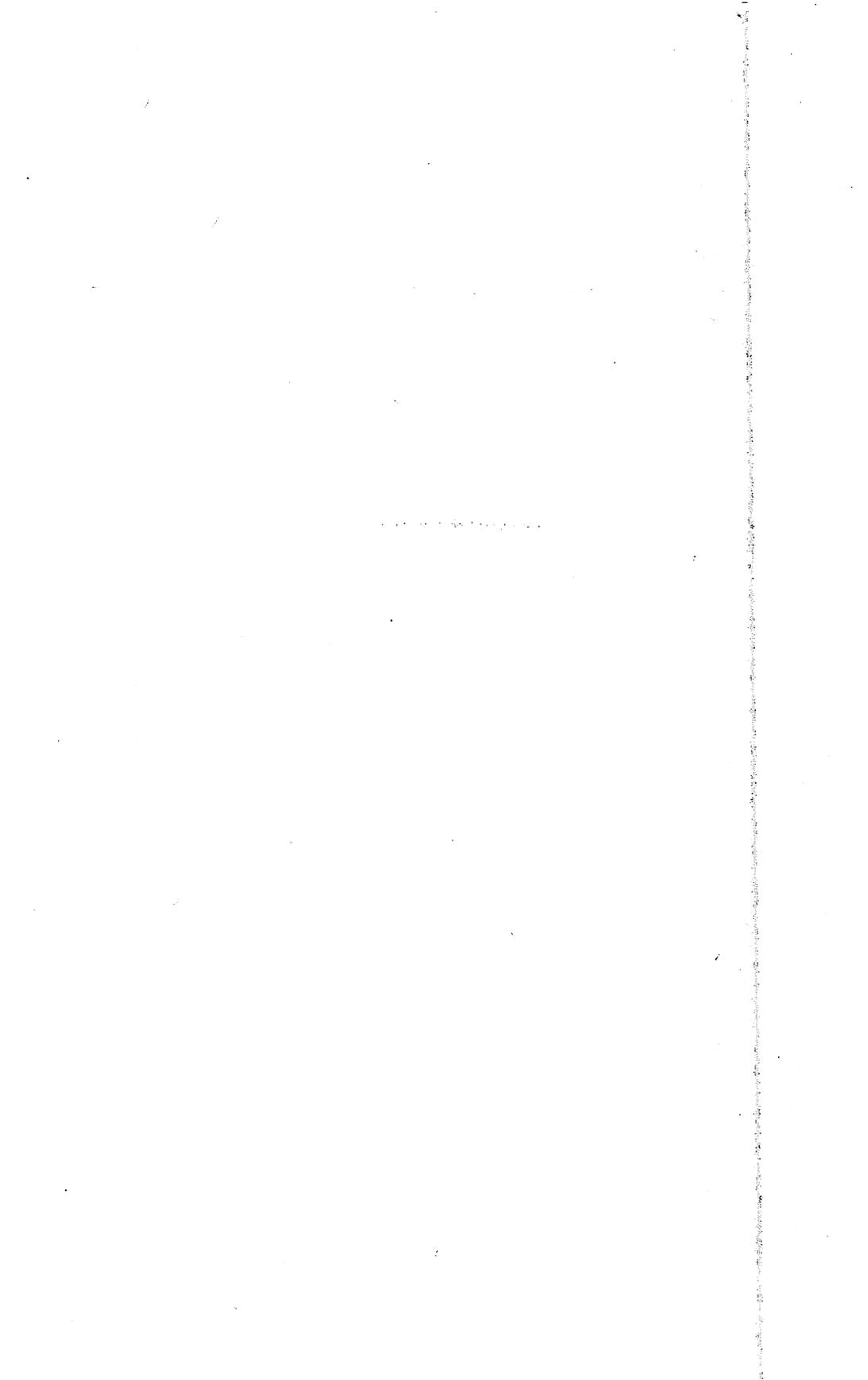
With the agreement to avoid designation under Super 301, Korea and the United States have reached a new, more positive level in a mutually beneficial economic relationship. Close cooperation and consultation will be required to maintain this level. The private sector on both sides must continue its efforts to promote greater understanding of the benefits of the relationship and the need to continue to lower barriers that inhibit its growth.

⁵In early September, a new politically sensitive issue gained attention, namely, Korea's failure to reach agreement with the United States on controlling driftnet fishing. The negative focus on Korea was intensified because the United States was able to reach agreement with Taiwan and Japan. See editorial, "Vandal Fleets of the Pacific," *New York Times*, September 5, 1989.



Part Two

Korea—U.S. Political Relations



5. U.S.—Korea Political Relations: Emerging Policy Issues

PAUL H. KREISBERG

Democracy and the greater freedom and permissiveness in public comment and debate in South Korea since 1987 have combined with a range of old and new issues in U.S.—South Korean relations to create during the last two years a number of difficulties in the relationship that are likely to continue and even intensify. There is a new sense of frankness, some growth in anti-American feeling as one aspect of a more nationalistic spirit in South Korea (although this is less intense than has frequently been described in the press), and greater nationalist assertiveness by both countries in pursuing their own interests and in stating that they are doing so. The latter is seen particularly in the U.S. Congress and in popular and intellectual circles in South Korea.

Reflecting these trends, the United States has increasingly emphasized sharing responsibility—for defense and for economic well-being, including in sensitive trade areas. Although Washington has focused less heat on South Korea than on Japan regarding defense burden sharing, Seoul is being asked to pay a greater share of the costs of stationing American forces in South Korea and to contribute virtually all the costs of moving the U.S. military headquarters out of Seoul over the next few years. Meanwhile, economic issues continue to generate the bulk of U.S. congressional and executive branch pressure on South Korea.

The United States has leaned hard on Seoul in several areas: to open its beef and other agricultural markets, to reduce subsidies or preferences for domestic manufacturers, to adjust currency values to avoid giving Korea what U.S. negotiators see as an unfair advantage, to protect intellectual property more effectively, and to make a special effort to reduce its trade balance with the United States, which soared to \$8.6 billion in 1988. U.S. negotiators have been tough and unrelenting, and South Korea has felt compelled to concede substantial ground on virtually every issue.

The new emphasis on national interest has not yet overtaken earlier popular perceptions in South Korea that its economy is still very fragile, its

security position remains dangerous, and as a consequence South Korea is deserving of special U.S. consideration. A sense of moral indignation and frustration over U.S. pressures has frequently been visible through the press, official speeches, private conversations, and students' and workers' use of anti-American slogans in demonstrations as one method of attacking South Korean government policies.

Frustration with the United States has, however, spread far beyond the university campuses to become part of the daily conversation of Koreans in every sector of society, although in more muted fashion than in student slogans. It has become more visible than ever before as a result of South Korean press openness to political and social debate after the inauguration of the Sixth Republic late in 1987. Much of the appearance of friction in the relationship since then in particular has stemmed from the greater public exposure of differences in South Korea. These frictions are likely to continue to surface even though, after Seoul's "escape" from the U.S. trade bill's "Super 301" axe in May 1989, there was a wide perception in Seoul that "anti-Americanism" had peaked and was clearly on the decline, at least for the time being.

A Korean sense of greater responsibility for their own interests and policies is growing, along with recognition that policy divergences with the United States are more likely in the future. One Korean observer describes the current situation as a "halfway point in changing [of] relations from 'subordinate' to 'reciprocal'."¹ Korea will have to do what it sees as in its own interests, and the United States will follow its own best judgments. U.S. officials for the most part profess to welcome this and see it as a vital passage on the road to development of a new U.S.–South Korean relationship built on greater equality. It is much less likely they would do so if the Koreans genuinely began to "go their own way."

Koreans emotionally welcome the concept of greater self-reliance and recognize that they have no alternative but to adjust to the recent trends, even if they do not like them. But they are understandably uneasy about what "equality" between their small state and a giant superpower really means.

It is unwise to exaggerate the potential problems of the changing U.S.–Korea relationship. The real interests of the two countries are likely to continue to mesh in many respects—particularly on the need for continuing cooperation to assure mutual security in Northeast Asia, on the long-term importance of finding a solution to the division of the Korean peninsula, on strengthening the international economic system in which

¹*Yonhap*, February 23, 1989, Foreign Broadcast Information Service (FBIS), *East Asia–Pacific Daily Report* (EAS)-89-035, p. 36.

both have a heavy stake, on broadening regional cooperation in Asia and enabling South Korea to play a more active role in the area, and on reenforcing democratic institutions within Korea. The policy challenge for leadership in both countries will be to prevent friction at the broad margins of all these issues from setting fire to emotions aroused in special interest groups domestically. That will often not be easy.

The flavor of the changing atmosphere in the relationship was conveyed quickly by former Secretary of State George Shultz's blunt response on trade issues to a press conference question in Seoul in July 1988. His answer could as easily have been given to a query about any aspect of the bilateral relationship:

I understand there is a lot of resentment and anti-Americanism connected with our efforts to open your markets to tobacco, for example, and in the case of beef. . . . Are you aware that you sell more tobacco in the United States than we sell here? Would you like us to take action to stop that? . . . Let it be so. And if my saying that causes anti-Americanism, so be it. I'm going to stand up for the principles I believe in. . . . You can't say, I want the good aspects, but if something happens I don't like, I'll reject that. That's not being part of the system. So, if my saying that means you become anti-American, so be it. . . .

We know every country has forceful, political, special interests. We have them. Do you think that we don't have any farmers that notice when they can't penetrate other people's markets? And that they don't raise Cain? . . . So, it's got to work both ways if it's going to work.²

For decades, the focus of Korean political debate and concern revolved around national security, achieving political stability with greater popular consent and participation, and building a strong and viable Korean economy. And these were also the primary U.S. concerns in South Korea. The changing relationship between Washington and Seoul since 1987 in particular has come about in large measure because of success in managing and resolving these concerns.

Today the United States confronts a new set of both global and domestic challenges, particularly the following:

- Its international economic trading and financial dominance has declined, its domestic economy is beset by serious fiscal and structural problems, and the strategic environment has changed in terms of the urgency and magnitude of the threat from the Soviet Union and other Communist states.

²U.S. Policy in East Asia and the Pacific, Selected Document No. 30, United States Department of State, Bureau of Public Affairs, Washington, D.C., p. 14.

- The domestic U.S. political constituency has disappeared for continuing special benefits for other countries, like South Korea, which are perceived as capable of standing on their own and which have become strong competitors within the U.S. market. Sales of South Korean automobiles, electronics, computers, and numerous other products in the United States have strongly reinforced this trend.

Although a consensus has grown in the United States that these are all real problems, there is little agreement on how to confront and change policies to deal with them. U.S. relations with South Korea, and with many other countries, are likely to be subject to growing irritability and friction as the adaptation process proceeds over the coming decade.

In South Korea, the terms of the national debate about domestic priorities have also gradually been shifting from national gross economic growth, restoration of democracy and human rights, and assuring an adequate defense. Reunification of the Korean peninsula has been given new vitality as other domestic priorities have been achieved. One prominent Korean Christian activist recently expressed concern at the breakdown of moral values in South Korea and at the absence of a “spiritual” basis for restraining the people from excesses. For many students and others, the new emphasis on “reunification” has become a moral issue and in that sense is to be welcomed.³ Similar expressions of concern about the breakdown of morality, if not the relationship to “reunification,” are heard widely in Korea, including from senior officials like former Deputy Prime Minister Cho Sun.⁴

Security Issues

The U.S.–Korean security relationship remains largely unaltered in its essential elements. Nevertheless, both sides have begun quietly to explore how this relationship might gradually change over the next decade in the light of the changing circumstances noted earlier. Unease in Seoul about the potential security threat from North Korea remains. At the same time, the strength (and self-confidence) of the South Korean military has grown steadily to the point where discussion of “self-reliance” at some point in the late 1990s, or at least by the beginning of the twenty-first century, has

³Conversation in Seoul with Rev. Kim Kwan Suk, Christian Broadcasting System, June 1989.

⁴Interview reported in *Hanguk Ilbo*, February 12, 1989, FBIS-EAS-89-029, pp. 18–19. “Q: [T]here is a left-leaning trend in our country. What is your appraisal of this? Cho Sun: I think one reason . . . is that the growth of morality has failed to keep up with the rapid growth of our country. . . . this anachronistic confusion will naturally end when both politics and the economy overcome this lack of morality. Q: [What about anti-U.S. sentiment in Korea?] Cho Sun: Setting fire to a U.S. cultural center and burning a U.S. flag should never happen in a civilized country even if that country is a hostile nation unless we are at war with it.”

become acceptable.⁵ A continued U.S. military presence, however, is still seen as preferable and even as necessary.

South Korean relations with both Beijing and Moscow have gradually improved in the last year, and this has substantively contributed to easing the security environment around the peninsula. Seoul was careful in criticizing the Chinese authorities for suppressing student demonstrations in June 1989, both because it wanted to preserve the burgeoning trade and other economic relations that have been developing rapidly in the last few years (with trade rising to \$3.5 billion in 1988) and because of South Korean sensitivity about using force against Korean students in the past.

The South Korea–China relationship has not been a source of concern in Washington. Even though South Korea has not followed the United States in imposing sanctions against China, there are no signs this raised serious problems between Washington and Seoul, at least as far as security considerations are concerned.

A more strategic issue is the relationship between South Korea and the Soviet Union. The official U.S. position is that there is no American objection to Seoul's developing its relations with Moscow. In 1989, Seoul accepted NATO constraints on technology transfer to the Communist countries by formally adhering to the criteria set by the western Coordinating Committee (COCOM) for military technology for exports to the Soviet bloc, China, and other socialist countries worked out in that forum. Both Seoul and Washington share the view that South Korean economic relations with the Soviet Union and the establishment of semiofficial, and perhaps ultimately formal, relations between the two countries will contribute to stability in the region and on the Korean peninsula.

Nevertheless, high South Korean officials remain skeptical that the United States really would want to see South Korean contacts with the Soviet military, for example, through meetings or invitations to retired Soviet general officers. Conceivably, some Koreans are using alleged U.S. objections for their own purposes inside the Korean government, or some Americans are pursuing their own private policy on this issue. No one on either side, however, appears to seriously believe that any Soviet–Korean military contacts would jeopardize U.S.–Korean security ties or lead South Korea to look to the Soviet Union as an alternative deterrent against North Korea.⁶

⁵“I think that to maintain our military capability at the same level as that of North Korea we have to continue efforts until the year 2004 or 2006. . . . [U.S. Secretary of Defense Cheney said, however,] that the United States should change its role in the defense of South Korea from the leading role to one of support some 6 or 7 years from now.” Seoul TV interview with Defense Minister Yi Sang-hun, July 20, 1989. Reported in FBIS-EAS-89-144, pp. 25–26.

⁶Conversations with senior South Korean and U.S. government officials in June 1989.

Koreans are aware of the economic strains in the United States and the ongoing American debate over budget reductions. They read with care articles by American scholars and proposals by members of Congress, observed with great attention the U.S. decision in May 1989 to consider withdrawal of thirty thousand troops from Europe, and paid particular notice to Senator Carl Levin (D-Mich.) the next month and to Senator Dale Bumpers and five other senators in July when they suggested a gradual reduction in U.S. troops in Korea both because South Korean capabilities are growing and to ease U.S. budget pressures. There may as yet be no overwhelming U.S. domestic pressure for immediate troop withdrawal from Korea. Secretary of State James Baker and Secretary of Defense Richard B. Cheney reaffirmed U.S. military commitments shortly after Senator Levin's proposal.⁷ But the South Korean government is conscious that the "clock is ticking" on at least some changes in U.S. force presence in the region, and it is unlikely that Koreans failed to note that Secretary Baker reaffirmed U.S. commitments, not an unchanging level of U.S. forces in South Korea.

Few Koreans, however, are willing to relinquish the sense of military reassurance that U.S. forces and the U.S. security umbrella provide. Polls consistently show that even among university students, all but a small percentage overwhelmingly are opposed to troop withdrawal in the near future, even when these students are otherwise strongly critical of the United States.⁸

Opposition national assemblymen take the same view for the foreseeable future. One Party for Peace and Democracy representative, for example, argues that even though a "neutral" Korea would be ideal, until the international and peninsular situation permits such an ideal, U.S. forces in Korea are necessary. And political opposition leader Kim Yong Sam reaffirmed his support for a continued U.S. troop presence in Korea during a visit to Washington in June 1989.⁹ A Reunification and Democracy Party

⁷"We will maintain fully our security commitment to Korea to facilitate such progress and prevent armed conflict." "A New Pacific Partnership: Framework for the Future," speech by Secretary Baker at the Asia Society, New York, June 26, 1989.

⁸In a May–June 1988 poll of 3,486 students from 37 universities all around South Korea by the Research Institute of Modern Society, only 16 percent agreed U.S. troops should "withdraw without delay," and 82 percent thought they should remain either "for the time being" or "for a long time." Nevertheless, 85.3 percent of respondents agreed that "responsibility for national division rests with U.S. policy," and more (29.5 percent) thought responsibility lay with the U.S. for failing to achieve reunification than with their own country (24.7 percent) or North Korea (26.5 percent).

⁹As reported in *Yonhap*, June 17, 1989, Kim said that "a pullout of U.S. forces" might reasonably be discussed "after a non-aggression pact is signed by Seoul and Pyongyang, after

representative suggests it would be easier to defend long-term basing of U.S. forces in Korea if their mission was part of a broader U.S.–East Asian security and deterrent policy rather than only to defend Korea.¹⁰ His party leader, Kim Tae Jung, acknowledged in an NBC-TV interview in the fall of 1988 that “most Korean people don’t want the withdrawal” of U.S. forces and that this would be possible only in the event of peace between North and South Korea. After the Levin resolution was reported in June 1989, Kim Tae Jung said that the Korean government should “study” an eventual U.S. reduction in forces.¹¹

Ruling party politicians argue that the presence of U.S. forces in Korea can be politically defended only as long as they *are* seen as necessary for the defense of Korea itself. They strongly insist troops remain necessary, not only, as the Korean defense minister said recently, because they serve as “an essential on-the-spot deterrent to war,” but because defense expenditures would have to be increased 150 percent, to 8 percent of the current Korean gross national product (GNP) and because the term of South Korean conscription would have to be extended from two and one-half years to over four years if South Korea were to substitute its own military power for that of the United States.¹²

From the Korean vantage point, however, the main element lost from the bilateral security relationship over the past few years is a sense of American *noblesse oblige* toward South Korea. This is summed up in pungent terms in a recent editorial in the influential newspaper *Tong-A Ilbo*:

[S]ince the end of World War II the U.S. forces have played the role of vanguard in carrying out the so-called Pax Americana, as the champion and as a guardpost of liberal ideology. . . . It was an ideological passion for the defense of freedom and democracy that brought U.S. troops to Korea during the Korean war. But now the U.S. keeps its forces stationed abroad based on a cold calculation. . . .

In considering this issue in terms of national interests, we are no exception. . . . [C]alculating [our] defense burden should be based on

military confrontation on the peninsula is lessened, and after various inter-Korean exchanges . . . are realized.” FBIS-EAS-89-116, p. 14.

¹⁰Conversations in Seoul in June 1989.

¹¹Reported in the *Korea Herald*, September 25, 1988, FBIS-EAS-88-186, p. 16. Also see *Kyonghyang Sinmun*, July 17, 1989, p. 2, in FBIS-EAS-89-137, July 10, 1989, p. 19.

¹²Press report on briefing by Defense Minister Yi Sang-hun to the National Assembly Defense Committee in response to Senator Levin’s proposal for reducing U.S. forces in Korea, in *Yonhap*, June 13, 1989, FBIS-EAS-89-112, pp. 14–15. This appears to be the first time a Korean official has estimated the alternative costs of a “South Korean only” defense policy, and it is unclear what factors Minister Yi included in his estimates.

comparing these facts coldly. There is no room for emotion or ideological passion.¹³

This viewpoint is increasingly seen since 1989 in Korean and United States comments on virtually all issues. Most Korean students would go further and argue the “revisionist” historical view that the United States has always pursued its own selfish, national interests in Korea, and there are hints that this view is spreading. One reason the government is resisting current efforts by South Korean teachers to unionize may well be concern that this would reduce the Ministry of Education’s control over the content of education on such sensitive issues in Korean history.

Meanwhile, although the U.S.—South Korean security relationship continues to work well on a day-to-day level, nationalist pressures are pushing to change the Combined Forces Command structure to give a Korean general leading responsibility, at least for all ground forces. No one is quite sure when or precisely how this should be done. Neither the U.S. nor Korean military appears to place it very high on their priority lists for the next year or two.

The U.S. military role in Korea is regularly debated in the press and government. The presence of U.S. nuclear weapons in Korea and whether they should be withdrawn pops up fairly regularly as an issue in debate, stimulated in part by comments by U.S. officials or former officials. In a break with the general U.S. refusal to comment on nuclear weapons use policy, the current U.S. military commander in Korea, Gen. Louis Menetry, observed in 1987 that he could not envisage a situation in which nuclear weapons would have to be used. A year later, former U.S. Army Corps Commander in Korea, Lt. Gen. John Cushman, told a conference in Seoul that “nuclear weapons are no longer necessary for the defense of [South] Korea,” and the United States “should dismantle the obsolete structure of weapons storage, special-weapons support teams, emergency-action consoles, and permissive-action links which have been put in place over the past 30 years.”¹⁴

The unilateral withdrawal of nuclear weapons would remove one weapon from the sheafs regularly brandished by anti-U.S. groups, but arguments against it ask why give away the nuclear “card” without any quid pro quo from North Korea? Moreover, the whole nuclear issue could become more contentious if recent suspicions that North Korea may be

¹³“Bearing a Share of the Defense Burden Between Korea and the United States Should be Based on Cold Calculation,” *Tong-A Ilbo*, March 14, 1989, FBIS-EAS-89-052, pp. 25–26.

¹⁴*Far Eastern Economic Review*, September 29, 1988, p. 35.

developing a nuclear weapons capability prove to be true.¹⁵ The issues associated with United States nuclear weapons and Korea may then cut in different ways:

- The left may intensify its current demands that any U.S. nuclear weapons in South Korea be removed, its support for discussion of a nuclear-free zone on the Korean peninsula, and its placing of responsibility on the United States for putting South Korea at nuclear risk.
- The center may stress the need for a continued U.S. nuclear deterrent for Korea.
- The right may call for reviving Korean interest in the early 1970s in a nuclear capability of South Korea's own.

Routine U.S. military exercises in Korea, like those in Europe, Japan, the Philippines, and elsewhere, continue periodically to raise hackles among farmers whose lands are strafed, bombed, or dumped on or whose livestock is affected by air activities. And the annual Team Spirit joint U.S.–South Korean exercises provide a pretext for anti-U.S. protests and demonstrations each year on the grounds that they obstruct North–South Korean negotiations. (North Korea has often used the exercises as a reason for canceling ongoing talks with South Korea.) But neither of these issues is central to the U.S.–Korean political dialogue at this moment, even though they have the potential to become increasingly abrasive.

Local South Korean elections in 1990 may have the effect—as they regularly have had in Japan—of leading local interest groups and politicians to focus on specific irritants coming from U.S. military activities. Severe economic setbacks in Korea also could intensify Korean resistance to increased burden sharing, although there is little sign of such resistance at present. Or sharp conflicts over trade and currency issues, which intensify among workers or farmers fears of loss of markets or of unemployment, may produce a backlash against U.S. military activities in South Korea.

Some modest slimming down of U.S. forces by 1995 is likely and probably even useful and would be logical in the context of the relocation of U.S. headquarters discussed later in this chapter or the adjustment of command responsibilities. Team Spirit exercises could be reduced in size (the one in 1989 was in fact somewhat smaller than in the previous year)

¹⁵*Nuclear Fuel*, April 3, 1989, p. 5, and testimony by Adm. Thomas Brooks (JCS) before the Seapower, Strategic, and Critical Materials Subcommittee of the House Armed Services Committee, February 22, 1989, p. 47.

and organized on an irregular basis every few years (rather than annually), if this seemed necessary. Both the American and Korean governments would prefer that any more serious force reductions occur only in the context of significant progress in North–South discussions on confidence building and force reductions or the steady increase in South Korean military capabilities that the Korean army anticipates over the coming decade.

Few Koreans expect real progress in talks with Pyongyang in the near future or indeed while Kim Il Sung is alive. And U.S. support for Roh Tae Woo's initiatives toward the North and the modest U.S. openings to North Korea have been seen as helpful by virtually all except extremist elements in South Korea. The two unofficial North Korean academic delegations that visited the United States in 1989 were followed with great interest but no protest in Seoul.

The United States has made clear that North–South negotiations are the only way toward a substantive improvement in U.S.–North Korean relations. Some U.S. critics would like to see a more active and direct Washington–Pyongyang dialogue and even a permanent U.S. representation in Pyongyang. This is hard to envisage in the absence of major improvement of North Korean–South Korean relations, despite President Roh Tae Woo's July 1988 indication that he had no objection to U.S. or Japanese contacts with the North.

U.S. officials have consulted closely with Seoul on every step taken in the limited relaxation of U.S. restrictions on contacts and travel with North Korea. If the United States were to go its own independent way with the North, the effect on morale and confidence in South Korea would be serious. One Party for Peace and Democracy (PPD) national assemblyman believes it would be likely to precipitate a sharp economic crisis, including a major capital outflow.¹⁶ Although not all politicians share this dire view, all agree it would be extremely unsettling.

Those U.S.–North Korean exchanges that have occurred suggest virtually no change whatsoever in North Korean positions on any substantive issues. Nevertheless, they are marked by an absence of ideological vitriol and amicable personal interchange. Conceivably, they could at some point expand in ways that would be helpful to the North–South dialogue and to the stability of the peninsula. Should there be a major breakthrough between North and South, however, this will open a floodgate of new issues and challenges in U.S.–South Korean relations that—like the question of South Korean defense policy in the event of gradual reductions of U.S. forces in Korea—either country has barely begun to explore.

¹⁶Private conversation in Seoul in June 1989.

Both the South Korean and U.S. governments hope the reduction of a huge U.S. military presence in the center of Seoul will help remove a symbol of U.S. dominance in Korea without substantively weakening the defense of the country. Plans to gradually close the huge U.S. (and Korean) military headquarters in Seoul at Yongsan by the mid-1990s and to move them roughly 125 miles south near Taejon are slowly, even laboriously beginning to take shape. Other sensitive symbols of "special" American privilege in South Korea are also being quietly renegotiated, including the use of regular Korean TV channels (rather than dedicated cable or UHF channels) for U.S. Armed Forces Television Network programs.

Inevitably, U.S.–South Korean negotiations over these changes will create their own bilateral frictions. It is a source of embarrassment to many in the U.S. government and of disdain for many Koreans that the U.S. military's first priority in the negotiations has been to insist on constructing a new golf course (to maintain troop morale) near Seoul to replace the Yongson golf course.¹⁷ The latter will then be turned into a public park. Budgeting for this has not yet occurred in the National Assembly, but when it does, it is sure to raise a number of questions. (Admittedly, the question may not come from those Koreans who represent about 50 percent of those who play on the current course.) Moreover, one might speculate that the eventual obsolescence of the projected suburban Seoul military golf course will in turn lead to further military negotiations for another golf course near Taejon later in the 1990s!

The total cost of transferring the Yongson facilities to Taejon or elsewhere must, the United States argues, be borne by South Korea.¹⁸ Other issues to be discussed will engage fundamental questions of command responsibility and the Status of Forces Agreement, which governs relationships between the Korean authorities and the U.S. military. It is also easy to see how questions of burden sharing and land use will become contentious politically, both in Korea and between the two governments. The two governments agreed in July 1989 on a gradual increase in South Korean direct military burden sharing (by an additional \$90 million in 1992). The question of whether Seoul will directly buy 120 F-16s or F-18s to modernize its air force over the next decade (as the U.S. Congress would like to see) or insist on substantial co-production of one of these aircraft in Korea remains unresolved. Like the FSX issue between the United States

¹⁷One senior South Korean official involved estimated in a private conversation in June 1989 that the cost of the golf course will ultimately be close to \$200 million.

¹⁸A senior Korean official involved estimated the total cost of the move at roughly \$1–\$1.5 billion in a private conversation in June 1989. This would entail replicating in its entirety all the facilities currently in existence in Seoul, including schools, clubs, housing, and recreational facilities, for the same number of Americans currently in South Korea.

and Japan, it is a potentially explosive issue that links economic and security policy problems.¹⁹

Politics and Human Rights

Military rule and repression, democratic government and political freedom, and civil and political rights were the issues around which political debate and struggle in Korea revolved for years. Inevitably, U.S. policy toward Korea was often at the center of these debates. The elections at the end of 1987 marked a fundamental change in the domestic political environment. But South Koreans still view the United States as a major player in their domestic politics.

The current political debate centers on consolidating and strengthening new democratic institutions, adjusting to the turbulence and diversity engendered by democracy, and the Korean ability to function in the new atmosphere, as well as how to ensure that the new institutions *cannot* be overthrown by violence from any quarter. The United States has been totally supportive of this change. But it remains caught up in political debate about the past, a fact that is enormously frustrating to most Americans, who are generally “ahistorical” and for whom “past is past.” But in Korea, history and current politics seem virtually inseparable.

For many Koreans, American “intervention” (or refusal to intervene) in the political life of South Korea has for decades been a cause for fierce tension and argument in the relationship.²⁰ American ignorance of events in Korean–U.S. relations of deep concern to Koreans, particularly young Koreans, is interpreted as arrogance and an absence of understanding of Korean national pride and aspirations.²¹ The openness of public discussion and debate about many issues that previously were beyond the pale of legitimate argument has, not surprisingly, often led some Koreans, particularly university students, to define their nationalism, independence, and freedom in terms of “anti-Americanism,” although this is usually not directed at individual Americans.

¹⁹*Yonhap*, July 19, 1989, FBIS-EAS-89-138, p. 32, and “2 Senators Attack South Korean ‘Son of FSX’ Plan,” *Washington Post*, July 18, 1989, p. C-1.

²⁰See Richard L. Sneider, “Political Institutions and Values: Commonality and Diversity in U.S.–Korean Relationships,” pp. 52–67, and Han Sung-joo, “Korean Political Development and U.S.–Korean Relations,” pp. 68–80, in Robert A. Scalapino and Han Sung-joo, eds., *United States–Korea Relations* (Berkeley: Institute of East Asian Studies, University of California, 1986). Also David I. Steinberg, “Sociopolitical Factors and Korea’s Future Economic Policies,” *World Development*, vol. 16, no. 1 (1988), pp. 19–34.

²¹Koreans frequently comment on the massive attention given U.S.–Korean relations in the Korean press and the scant coverage in the United States as an example of asymmetry in relations. For example, the security cooperation meeting between defense ministers in July

Even though the most radical students by general account constitute no more than 5 percent of most student bodies, the influence of their views extends widely. This is particularly true on the charges of U.S. responsibility for a divided Korea and for sustaining military governments in Korea in the past and on the priority that national policy should give to reunification. Discussion of U.S.–Korean relations in university circles often starts with the Taft-Katsura agreement of 1905, moves swiftly on to General Hodge and U.S. administration of South Korea between 1945 and 1948, and then turns to U.S. “responsibility” for the division of North and South Korea. A full-fledged discussion extends through U.S. support for Syngman Rhee and American “failure” to prevent General Park Chung Hee from seizing the presidency or to prevent General Chun Doo Hwan from grabbing it in turn.

No issue has aroused greater fervor than the alleged U.S. role in “permitting” the use of South Korean troops to crush popular demonstrations in Kwangju in May 1980.²²

This issue remains a fiery one for politicians and students throughout South Korea, particularly, of course, in the opposition-dominated southwestern Cholla area and in Kwangju itself. The new Korean National Assembly in the summer of 1988 quickly set up a special committee to investigate the incident, and eventually the committee agreed on fifty-eight questions, which were put to the U.S. government in March 1989. Direct testimony was sought from key American officials who had been in Washington and Seoul at the time, but the U.S. government agreed—as a matter of general diplomatic principle—only to provide written replies (although Ambassador William Gleysteen offered to meet as a private citizen with Koreans to respond to any further queries).

Not surprisingly, the U.S. responses in June 1989 failed to satisfy those who had already reached their own conclusions. The United States stressed, as it had earlier, that it had opposed the use of lethal force in Kwangju, had not approved or authorized the use of any Korean forces, and had bitterly criticized the Korean authorities responsible (particularly Chun Doo Hwan), and that the government official accounts had purposely distorted the U.S. role.

1989 was front page and editorial grist in Korea for days. It was scarcely mentioned in the Washington and New York press and totally absent from TV news.

²²A roundtable discussion, “Why Does Anti-Americanism Grow More Clamorous by the Day?” in the February 19, 1989, Seoul *Chugan Choson* (FBIS-EAS-89-046, March 10, 1989, pp. 24–32) among four Koreans—Assemblyman (PPD) Cho Sun-sung, Ministry of Trade and Industry official Hwang Tu-yon, Korea Institute of Defense Analysis Director Cha Yong-ku, and Chonminnyon Plans and Policy Director Kim Kun-tae—admirably sums up many of the arguments about the U.S. role in Korea from differing Korean viewpoints.

Even if the U.S. answers did not end the political controversy once and for all, they blunted the intensity of the debate over American prior knowledge and responsibility and may gradually contribute to moving the U.S. further from the center of the political debate in Korea.²³ One current U.S. policy objective is to reduce the U.S. role in urging this or that political reform. In the absence of effective domestic Korean political institutional pressures in the past, such U.S. advocacy was occasionally seen as necessary, although the Kwangju incident clearly indicates the limitations of U.S. pressures. It has become both less important and more inappropriate now that the South Korean press and public debate in the National Assembly are as free as they are. Nevertheless, it would be an illusion to think that, in the event of a resurgence of repression or military intervention in South Korean politics, the U.S. public, Congress, or president could or would remain silent.

The fall 1988 Olympic Games served to reenforce the pride of many Koreans, but they somehow fell short of expectations that they would do for South Korea what the Tokyo games had done for Japan a quarter century earlier—give South Korea “world class.” It was easy for some Koreans to pass on some of their resentment toward to the United States as NBC-TV cameras and broadcasters focused on boxing incidents that Koreans felt put them in a bad light, paid scant attention to successful Korean athletes, and all too frequently trivialized their coverage of Korean culture and life.

The subtle changes in Korean attitudes toward the United States can be seen in the growing used of pejorative terms widely found in the Korean press in describing American behavior: “bullying” on trade, “insensitive” on the problems of Korean farmers, “repressive” on the policies of some U.S. companies toward labor unions, “haughty” on negotiations over Yongsan, unwilling to “readjust their point of view . . . in a humble manner.”

President George Bush’s brief stopover in Seoul in February 1989 irritated rather than gratified Koreans. The trip was obviously an “add-on” to priority visits to Tokyo and Beijing, and many saw its five-hour duration as a slight. His remarks before the National Assembly were described as “cold” and the visit, “disappointing.” The reaction was symbolized by the hostile demonstrations that forced the president to move about by helicopter rather than by limousine through what had been hoped to be warm crowds. A commentator in the the *Korea Times* summed up the Bush visit

²³See U.S. Department of State, *U.S. Government Statement on the Events in Kwangju, Republic of Korea in May 1980 and Appendix* (Washington, D.C., June 19, 1989).

and U.S.–Korean relations in terms with which most members of the U.S. Congress could also agree: “No favorable treatment can be expected of the U.S. . . . The U.S., now staggering under a hefty trade deficit, may well be thinking that it will no longer sit around like a bonanza for all to dig up.”²⁴

If one toted up individual instances of hostile actions against American facilities and symbols—the Chamber of Commerce in Seoul, USIS offices in Seoul and Pusan, American company premises, the American flag laid out to be walked on at the entrance to several Korean colleges, complaints about appointment of a former CIA officer, Donald Gregg, to be the new U.S. ambassador—it would be easy to see a massive and rising torrent of anti-Americanism in the country. One Korean-American did see this in summing up complaints about the United States that he found among young Koreans during a visit home in early 1989. These included an image of mounting U.S. impotence in foreign policy (particularly in Iran and Central America), immorality (homosexuality, drugs, crime, AIDS) in the United States itself, and meanness on economic and trade issues.²⁵ These views are widely heard in South Korea and elsewhere in Asia, as well as in the United States.

Nevertheless, these incidents and perceptions have not necessarily critically undermined long-term U.S.–South Korean relations, although they are changing their character from dependency to greater balance and equality. Indeed, some of the more radical actions within Korea produce their own backlash. The burning and defiling of the U.S. flag by students in late May 1989 produced a sharp popular reaction in the public and from some newspapers that are rarely willing to defend U.S. actions.²⁶

What is most significant is the generational change in both the United States and South Korea that is bringing into increasingly important positions in both countries persons who do not remember from their own experiences the Korean War and the early years of U.S.–South Korean relations. This is inevitably accompanied by different perceptions of the bilateral relationship, some helpful and some potentially damaging. Many

²⁴Chong Un-pung, “News in Review,” March 5, 1989, FBIS-EAS-89-042, pp. 21–22. For other essentially parallel commentary on President Bush’s trip, see editorial, *Tong-A Ilbo*, March 1, 1989, all in FBIS-EAS-89-040, pp. 24–26. See also the review of editorials in *Hangkuk Ilbo*, *Choson Ilbo*, *Seoul Sinmun*, *Chugang Ilbo*, and *Kyonghyang Sinmun* in FBIS-EAS-89-043, March 7, 1989, pp. 24–25.

²⁵Sung-Chull Junn, “Why Koreans Think We’re Jerks,” *Washington Post*, April 9, 1989.

²⁶“There are certainly more effective and more appropriate ways of expressing our perceptions and emotions than attacking the stars and stripes, even if the other ways may seem to be far less active.” *Hangyore Sinmun*, FBIS-EAS-89-110, June 9, 1989, pp. 24–25.

Korean political observers believe there may be a growing political polarization in the country, with important middle-class elements who were active in pressing for democracy moving into the conservative camp as they see increasing labor unrest and link that with North Korean influence in unions and on campuses. Others, close to labor and student movements, believe that anti-American sentiment rises when the government uses “anticommunism” as a rallying cry against labor and student unrest. There is a wide span of opinion in the last year on the degree of North Korean influence on campuses and in labor unions. Some business and government leaders are convinced North Korean influence is growing and dangerous. Other observers who are familiar with but not part of the campus or labor movements are equally persuaded that even radical activists among these groups are for the most part idealistic and naive rather than hardened agents.

Central to the future U.S.—South Korean relationship, most Koreans and Americans seem to agree, is the continued strengthening of the South Korean political system and avoidance of any return to military rule. There is a danger that a combination of democratic openness and conservative paranoia, of weak political leadership and rootless political parties, of immobility in the National Assembly, together with mounting and genuinely intractable economic problems, could produce a “crisis” in which once again the military feels impelled to seize control in order to prevent chaos, and thereby to bring down the democratic Sixth Republic. Other Koreans are convinced that after the experience of the last decade and in Kwangju, and after seeing the U.S. and European reactions to events in China in 1989, the Korean military would not risk such a gamble. It is important for senior U.S. military and diplomatic officials in Seoul to underscore, at least in private to appropriate South Korean military and civilian leaders, U.S. opposition to military intervention in South Korean politics.

Economic Relations

Economic prosperity has spread to the point where virtually all South Koreans are either benefiting or see how they can benefit in the future. The key question now is how to spread the equity of prosperity more broadly rather than focusing only on brute growth, in developing new institutions and laws for labor-management relations, and in restructuring the economy to adjust for higher wages, higher consumption, and higher technology.²⁷

²⁷For a fuller discussion of this set of issues, see Paul H. Kreisberg, “Democracy Adds to Strife Over Korean Economy,” *Los Angeles Times*, July 3, 1989, CC, Part II, p. 5.

Frictions with the United States in this process are likely to continue and will reverberate back on the politics of the relationship, as occurred frequently in 1989. A U.S. poll in early 1989 found the same percentage of Americans judging Korea as a "fair" partner in business with the United States as Japan (30 percent South Korea, 29 percent Japan), although far fewer (42 percent) saw Korea as "unfair" than Japan (60 percent).²⁸ Nevertheless, South Korea is the only U.S. trading partner in Asia other than Japan to be viewed this critically.

The Korean perception is different. A moderate Korean opposition critic says: "The U.S. is right that if one looks only at 'fairness,' it is reasonable for the U.S. to exert pressure on the Korean economy to be more open, for revaluation of the won, for greater access to the Korean market for agricultural products, and so forth. But in reality the Korean economy, while appearing prosperous, is too fragile to operate in a really fair way. Partly this is a consequence of deep gaps between 'haves' and 'have nots' which are intensified by the pressures the U.S. brings to bear."²⁹

A Seoul editorial echoed the same theme in describing the United States as "an incomprehensible ally," asking, "how can they be so insensitive about the situation of the nation. . . . [O]ur government has been dragged here and there and has practiced a begging diplomacy. . . . [T]he U.S. side should demonstrate composure and magnanimity in more sincerely considering the position of its trade partner."³⁰ And Minister of Trade and Industry Han Sung-su warned that the United States "should consider the impact on the political relations between the two countries, such as anti-American sentiment which would grow, if our country is designated a priority foreign country."³¹

The issues are not all trade. U.S. pressure on South Korea to appreciate the value of the won brought strong complaints from businessmen of lost markets. At least two U.S. companies pulled out of Korea as labor costs rose, and their sudden departures generated sharp new anti-U.S. demonstrations by workers who had not been paid their termination salaries or bonuses. Much of the intensity in public opinion and press commentaries went out of the trade issue once it became clear in June that South Korea would not be designated a "priority" country under the Super 301 provisions of the

²⁸A private, proprietary poll. My thanks to William Watts of Potomac Associates for access to the report.

²⁹Conversation with Kim Kwan Suk, president of the Christian Broadcasting System, Seoul, June 7, 1989.

³⁰"There Is a Limit to Accepting U.S. Pressure," *Kyonghyang Sinmun*, April 24, 1989, FBIS-EAS-89-080, April 27, 1989, pp. 29–30.

³¹Interview in *Seoul Sinmun*, April 25, 1989, FBIS-EAS-89-081, April 28, 1989.

1988 U.S. trade legislation. But the issue has almost certainly only been deferred, not ended.

The most sensitive political problem has been posed by U.S. demands for access to agricultural markets in South Korea. The view of South Korean technocrats is that over the next decade, demographic changes will reduce the agricultural population to levels that will make market opening far easier, and the United States should be able to adapt to this. The political perspective is that local elections in 1990 will make it almost impossible for the political parties to accede to any new agricultural concessions over the next year or two. There is a lot of sympathy for these concerns in the U.S. government, where it is felt the Koreans made reasonable efforts to compromise on agricultural issues in negotiations in the spring of 1989. But it is uncertain whether that sympathy will carry over into Congress.

Ideally, South Korea would like to be much less dependent on the U.S. market, and indeed it has been striving valiantly to diversify its markets for the last few years. The U.S. share of South Korean exports is down from over 40 percent to nearly 30 percent. As long as that level of dependence continues to exist, the South Korean economy's vulnerability to curbs in U.S. market access and to the state of the American economy will remain high. And because of that vulnerability, there will remain a high degree of potential anti-U.S. sentiment capable of being tapped in Korea among businessmen, workers, officials, and students in the face of any new U.S. efforts to increase American exports and reduce Korean imports.

Prospects

Considering the range of changes, challenges, and complexities that have confronted both Korean and American policymakers in dealing with their domestic and foreign policy agendas since 1987, it is remarkable how sound the political relationship between the two countries has remained. The pace of change is unlikely to slacken in the next few years:

- There will almost certainly be continuing frictions over economic relations, which may be even harder to deal with in the future, particularly if they come at times of recession in either country. American priorities are increasingly focused inward, and there is declining tolerance for the political and economic problems faced by other countries, particularly when these are seen as prospering. Koreans will see this as American indifference and arrogance. Recurrent flares of anti-American sentiment are likely to result.
- The operation of democracy in South Korea in the election climate of 1990 and the period leading up to the next presidential elections two

years later is likely to intensify South Korean nationalism and generate sporadic—or even continuing—criticism of U.S. policies.

- Some reduction of U.S. forces in Korea is likely in the next few years, and this is likely to generate considerable bilateral U.S.–South Korean debate about both the terms and the character of the relationship, as well as the impact of change on North–South Korean relations.
- Social and political unrest in South Korea is likely to grow as Korea experiences the consequences of lower growth and of a more open society. There will be new challenges to the government in dealing with demonstrations and rising concern about possible human and civil rights violations and even the stability of democratic government in South Korea.
- Geopolitical relationships in the region will remain in continuing flux as the countries of Asia adjust their mutual security relationships in ways that are bound, over the next decade, to affect U.S.–South Korean relations.

The development—which many countries of the region have now suggested and which was given a cautious push by the July 1989 post-ASEAN ministerial discussions—of a larger regional set of institutional forums in Asia, of which South Korea and the United States are both part, may help ease some of the tensions that are produced by the heavy emphasis on bilateral negotiations and relations between the two countries. South Korea's gradual expansion of economic relations with ASEAN through both investment and trade and its modest anticipated participation in the international economic aid program for the Philippines will gain it allies and friends in the region, which will help balance its relations with the United States. South Korea was quietly disappointed when it was accepted by ASEAN in mid-1989 as only a "limited" partner for future discussions on economic issues, but this is a significant step forward and may be open to broadening subsequently.

The approach of the final period of negotiations on the Uruguay GATT round could provide an opportunity to insulate the United States and South Korea politically on some of the harder issues in their trade negotiations over the coming year. Both countries are likely to be under economic pressure in 1989–90, however, and great restraint may be needed by leaders on both sides to prevent these from damaging relations.

In conclusion, the basic guidelines for the political relationship on both sides should be (1) a realization among legislators and policymakers on both sides that the long-term interests of Korea and the United States will be served by ensuring that mutual relations remain good, even if they

become less intimate than in the past, (2) a firm determination to deal with the problems that arise through private and quiet negotiation rather than public and political confrontation, and (3) a greater willingness on the part of the United States to look back at history and make some critical judgements about the past and for Koreans to understand that at some point historical grievances must be put to one side.

6. Korean Perceptions of the United States

TAIK-SUP AUH

Korea's exceptionally rapid and extensive industrialization during the last quarter century has drawn considerable worldwide attention. The economic leap has been so impressive in the eyes of other nations that it has generally overshadowed the accompanying social and political changes. But these changes are intriguing for the social scientist. Although the economy has blossomed into a giant of production, the government has retained its paternal position both economically and socially. At the same time, many Koreans are shunning the traditional role of submissiveness. The result is a nation that functions efficiently but not always smoothly. A great deal of tension exists among political, economic, and social sectors.

In this atmosphere of tension and conflict between the affluent and the poor, the politically privileged and the underprivileged, Korea is now experiencing a new wave of nationalism, which often manifests itself in the form of anti-Americanism. On numerous occasions United States Information Service (USIS) buildings have been occupied or bombed by student attackers, and "Yankee Go Home" slogans and burning of the stars and stripes occur in every student rally.

Exactly what triggered an anti-U.S. campaign of such magnitude and intensity is hard to determine. Some trace its origin to the romantic peace movement in Western Europe, characterized by the antinuke, and anti-pollution campaigns. Others call it a historical reawakening on the part of the young radical intellectuals who find fault with America's past relations with Korea. Still others label it an expression of protesters' overconfidence in their own future, shared by the affluent middle class. There are also suggestions that the anti-Americanism is, to be more accurate, an anti-pro-Americanism. The absence of a clear-cut diagnosis is sufficient to warrant empirical research.

One of the most useful surveys addressing the Korean perception of the United States and other big powers has recently been completed by the

Institute for Peace Studies at Korea University. I was responsible for research design, questionnaire construction, and data analysis. The survey was administered to some fifteen hundred randomly selected people across Korea and a total of seven hundred fifty respondents in five booster samples of one hundred fifty each during April 1989. It measured, among other things, the seriousness of anti-U.S. attitudes to provide an understanding of the underlying structure of the feeling exhibited by the Korean people vis-à-vis the United States.

Foreign Image Survey Items

Country Closest to South Korea

As would be expected, 80 percent of the respondents selected the United States as the country closest to South Korea. Both males (79 percent) and females (80 percent) overwhelmingly selected the United States as the country closest to South Korea. Older people selected the United States at the highest percentage (85 percent) and people under twenty-five at the lowest percentage (74 percent); the percentage of selection of the United States increased as age increased. As education level increased, the percentage selecting the United States as the country closest to South Korea decreased (87 percent to 76 percent). There was no significant difference between respondent groups except by age and occupational level (students matched the highest socioeconomic level group in having the lowest level of perception of the United States as the country closest to South Korea [74 percent]).

Country Closest to North Korea

Unsurprisingly, 81 percent of the respondents selected the USSR as the country closest to North Korea.

Country Most Responsible for the Korean War

Two countries were mainly identified as responsible for the Korean War: the USSR (40 percent) and the United States (28 percent). Others included none (11 percent), Japan (11 percent), and China (9 percent).

There were significant differences by sex, age, education level, occupation, residence area, and region. Males identified the USSR (45 percent), the United States (29 percent), and Japan (9 percent) as most responsible; females identified the USSR (36 percent), the United States (27 percent), and Japan (14 percent). Another difference was the selection of no country by 8 percent of the males and 14 percent of the females; they listed China's responsibility as 8 percent and 9 percent, respectively.

The older the respondent, the more he or she blamed the USSR for

starting the war. The youngest group blamed the United States and the USSR equally.

By educational level, the USSR was selected as more responsible for the Korean War than the United States by primary school graduates (44 percent to 27 percent), middle school graduates (38 percent to 24 percent), and high school graduates (41 percent to 28 percent). University graduates had the lowest difference in selecting the USSR (38 percent) over the United States (33 percent).

By occupational category, the students were the exception in blaming the United States (45 percent) rather than the USSR (34 percent). The southwest region of Korea also went against the trend by identifying the United States (38 percent) over the USSR (30 percent) as the aggressor. Big city residents showed a narrow margin of difference between the USSR and the United States, 38 percent and 30 percent respectively. All other groups overwhelmingly considered the USSR the guilty country.

Country Contributing Most to Peace in Northeast Asia

The United States was identified by 54 percent of the respondents; none was selected by 36 percent. Both males (54 percent) and females (57 percent) selected the United States as the country contributing most to peace in Northeast Asia.

Selection of the United States generally decreased as the age of the respondents decreased, with middle-aged (63 percent) and older (62 percent) people being the highest groups and young people the lowest (47 percent). Primary school graduates were the highest in selecting the United States (62 percent) and university graduates the lowest (47 percent), with middle and high school graduates being around 58 percent.

By income level, the middle group (62 percent) was the highest in selecting the United States, with the lowest group having the lowest rate of selecting the United States (51 percent). Students were the lowest group in selecting the United States (35 percent), followed by the high occupational group (46 percent). Villagers were the largest residence group selecting the United States (64 percent).

Country Providing Most Economic Aid to South Korea

Eighty-four percent of the respondents selected the United States as the country providing the most economic aid to South Korea. Young people were the lowest group (78 percent) identifying the United States, and the middle-aged group was the highest (91 percent), followed closely by the older people (88 percent).

Both high school and university graduates (83 percent) were behind middle (88 percent) and primary school (89 percent) graduates in

selecting the United States. Both students and the high occupation group (80 percent) were the lowest in selecting the United States.

The southwest region was the lowest region in identifying the United States (75 percent), about 10 percent lower than the other regions.

Country Contributing the Most to Korean National Security

Seventy-nine percent of the respondents thought the United States contributed the most to Korean national security. Young people under twenty-five had the lowest percentage (73 percent) in selecting the United States; middle-aged people were the highest (85 percent), followed by older people (79 percent). University graduates (76 percent), students (74 percent), and the southwest region (67 percent) were all low in selecting the United States.

Country with the Most Cultural Impact on South Korea

Three countries were mainly identified as having a cultural impact on South Korea: the United States (40 percent), China (28 percent), and Japan (23 percent).

Males identified the United States (35 percent) and China (34 percent) as having about equal impact on Korea; females considered the United States twice as important (45 percent). There was minimal difference between the sexes about Japan (males, 21 percent; females, 24 percent).

Age was important in identifying the cultural effect on Korea. Each progressively older group had a larger percentage identifying the United States as having the most cultural effect on Korea, from 32 percent for young people to the high of 52 percent for older people. The percentages naming Japan were the opposite, decreasing from the younger people (26 percent) to the older people (14 percent). Young people ranked the cultural effect of the United States (32 percent) almost the same as that of China (31 percent).

Primary school graduates were much more inclined to select the United States (57 percent) and less inclined to select Japan (15 percent) and China (14 percent). University graduates considered the cultural effect of the United States (37 percent) and China (36 percent) to be about equal.

As income level increased, selection of the United States increased (37–42 percent). The two lowest income groups considered Japan and China to be equal (25 percent) but considerably behind the United States. The middle and two highest groups considered the cultural effect of Japan to be much higher than that of China, although much lower than that of the United States.

The southwest region of Korea was the highest (46 percent) in selecting the United States for its cultural effect on Korea.

Country Most Important for Future Economic Development of South Korea

The United States was identified as the country most important in South Korea's future economic development by 46 percent of the respondents; 22 percent selected Japan and 19 percent selected China.

Males selected the United States significantly less often (41 percent) than did females (54 percent).

As respondent age increased, so did the percentages identifying the United States, from young people (31 percent) to older people (63 percent). As education level increased, the percentage selecting the United States decreased, from primary school graduates (66 percent) to university graduates (35 percent).

Students were the lowest group in selecting the United States (26 percent) and the only group to rank the United States behind China (33 percent) and Japan (29 percent). Villagers were the largest group in selecting the United States (55 percent).

Country Contributing the Most to Korean Reunification

The largest group of respondents (44 percent) selected no country as contributing to Korean reunification. The United States was next (33 percent), followed by the USSR (13 percent), China (8 percent), and Japan (2 percent).

There was a significant difference between males (27 percent) and females (39 percent) in selecting the United States as contributing the most to Korean reunification.

Selection of the United States doubled from those under age twenty-five (25 percent) to the over fifty-one age group (51 percent). By education level, the selection of the United States dropped systematically from primary school graduates (54 percent) to university graduates (18 percent). Students (9 percent) and the high occupation group (14 percent) were the lowest in selecting the United States. Villagers had the highest percentage of selecting the United States (41 percent), followed by small city residents (32 percent) and big city residents (29 percent).

Country Most Responsible for Easing World Tensions

Questioned about the country most responsible for easing world tensions, fifty-two percent of the respondents identified the United States and 38 percent, none.

Selection of the United States increased from those under twenty-five (38 percent) progressively to those over fifty-one (62 percent). As the level of education increased, selection of the United States dropped systematically from primary school graduates (63 percent) to university graduates (37 percent).

By occupational level, students were significantly lower in selecting the United States (18 percent) from the next lowest group, the high occupation group (44 percent). The southwest region of Korea and Seoul were at the same low level of selecting the United States (45 percent).

Country Meddling the Most in Other Countries' Domestic Political Affairs

The most meddlesome countries were identified as the United States (49 percent), the USSR (19 percent), none (16 percent), Japan (14 percent), and China (0.7 percent).

There is a significant difference between males (54 percent) and females (44 percent) in selecting the United States as interfering in domestic politics. By age, the twenty-six to thirty age group identified the United States the most (58 percent), followed by those under twenty-five (53 percent), those thirty-one to forty (50 percent), those forty-one to fifty (43 percent), and those over fifty-one (37 percent).

By educational level, the group selecting the United States increased progressively from primary school graduates (34 percent) to university graduates (66 percent). By occupation, students were highest in selecting the United States (77 percent), followed by the high occupation group (61 percent). By residence area, the big city category selected the United States significantly more (53 percent). By region, Seoul (61 percent) and the southwest region (56 percent) were highest in selecting the United States.

Country Having Highest Cultural Level

Two countries were most often identified as having high cultural levels: the United States (51 percent) and Japan (29 percent).

Males differed significantly from females, selecting the United States 47 percent to females' 56 percent, but both sexes ranked the United States (52 percent) much higher than Japan (29 percent).

As the age of the respondents increased, so did their selection of the United States, from young people (36 percent) to older people (66 percent). Their selection of Japan decreased as age increased, from young people (32 percent) to older people (18 percent).

As the educational level increased, selection of the United States decreased from primary school graduates (59 percent) to university

graduates (49 percent). By occupation, students were considerably lower in selecting the United States (27 percent) than the next lowest group, the low income group (42 percent). The high occupation group (51 percent) was nearer the highest group, housewives (59 percent), than the students.

Country That Seeks Its Own National Self-Interest

Japan was ranked highest as the country pursuing its self-interest with 64 percent, followed by the United States (29 percent), the USSR (3 percent), none (3 percent), and China (1 percent).

University graduates were the highest in selecting the United States as most concerned with its own national interest (33 percent); high school graduates were the lowest group. The southwest region (39 percent) and Seoul (32 percent) were highest in selecting the United States.

Country Possessing Able Political Leadership

The United States (44 percent) was far ahead of the other countries as having able political leadership; none (21 percent), Japan (15 percent), the USSR (14 percent), and China (5 percent) followed.

There was a significant difference between males (40 percent) and females (50 percent) in identifying the United States. As age increased, the percentage selecting the United States increased progressively from young people (32 percent) to older people (59 percent). The percentage of both the USSR and China, although quite low to begin with, progressively decreased by age.

By educational level, the identification of the United States decreased from primary school graduates (56 percent) to university graduates (37 percent).

The number of students identifying the United States (18 percent) was about half of the next group, the low occupation group (37 percent). Less than half the high occupation group (45 percent) identified the United States. The other three regions were similar (42–43 percent), and the southwest region was the highest (51 percent) in identifying the United States.

Country Extending Economic Aid to Needy Countries

Asked which country ranked highest in extending economic aid to needy countries, respondents overwhelmingly selected two categories: United States (75 percent) and none (22 percent). By age, those under twenty-five were the lowest in identifying the United States (63 percent). As age increased, the percentage increased to those over fifty-one (87 percent).

Primary school graduates were the highest in selecting the United

States (86 percent). As education level increased, the percentage selecting the United States decreased to university graduates (68 percent). As socioeconomic standing increased, the percentage of respondents selecting the United States decreased. By occupation, students were the lowest group selecting the United States (58 percent), and high occupation people were the next lowest group (66 percent). Villagers were the highest group (83 percent), and small city and big city residents were equal (72 percent) in identifying the United States as extending economic aid to needy countries. The southwest region was the lowest (66 percent), followed by Seoul (73 percent) in identifying the United States.

Country Having the Most Patriotic Citizens

Japan was selected by 71 percent of the respondents as the most patriotic country; the other answers were grouped together: none (9 percent), United States (9 percent), and China (6 percent).

All groups overwhelmingly identified Japan by a factor of four or more over the United States as having more patriotic citizens. As Korean respondents became younger, they considered Americans less patriotic. Primary school graduates had the highest percentage (17 percent), and high school graduates were the lowest group (6 percent). University graduates were second lowest (9 percent).

Country Having Diligent, Hardworking People

Seventy-eight percent of respondents identified Japan as the country with the most diligent population, followed by the United States (8 percent), China (7 percent), none (6 percent), and the USSR (2 percent).

There was a significant difference between the responses of males and females in regard to the United States and Japan. Males identified Japan (83 percent) sixteen times more diligent than the United States; females identified Japan (74 percent) as more than seven times as diligent as the United States.

Japan was the country overwhelmingly selected by all education levels, but the lowest selection of the United States was by university graduates (5 percent), with the highest selection by primary school graduates (16 percent). All occupation groups selected Japan (78 percent). Students and high occupation people had the lowest percentages (5 percent); housewives had the highest in selecting the United States. All residence groups selected Japan (78 percent), and villagers had the highest selection of the United States (11 percent).

Country Having the Most Reliable Allies

Almost half the respondents (49 percent) deemed no country as having reliable allies; 37 percent chose the United States.

Young people had the lowest percentage selecting the United States (28 percent), and the percentage increased as age increased, to the older people's 48 percent.

As educational level increased, the percentage of respondents selecting the United States decreased from primary school graduates (48 percent) to university graduates (29 percent). By socioeconomic standing, the middle low group had the highest selection of the United States (39 percent), with the other two groups at 35 and 36 percent. By occupation, students were significantly lower in identifying the United States (11 percent) than the next lower group, the high occupational group (31 percent). By region, the southwest (28 percent) was the lowest in selecting the United States.

Country Having the Highest Educational Level

Fifty-four percent of the respondents identified Japan as having the highest educational level; 30 percent chose the United States.

There was a significant difference between males and females in comparing the United States to Japan. Males selected Japan as having a higher educational level than the United States (60 to 26 percent), and females also selected Japan (47 to 35 percent).

By age, all groups except older people selected Japan over the United States, the older people being in favor of the United States by only 1 percent. Those twenty-six to thirty had the largest difference between Japan and the United States (61 to 23 percent), and those under twenty-five favored Japan over the United States (59 to 21 percent).

By educational level, primary school graduates were the only group to select the United States (49 percent) over Japan (31 percent). All other groups selected Japan over the United States, with percentages increasing for Japan and decreasing for the United States as respondents' education levels increased.

By socioeconomic level, all three groups selected Japan over the United States, with the percentages decreasing as socioeconomic status (SES) increased.

All religious groups and all occupation groups selected Japan over the United States. Students had the lowest percentage (15 percent) selecting the United States, and housewives had the highest (38 percent).

The three residence areas selected Japan over the United States, with the villagers having the highest rate of selecting the United States. All regions selected Japan over the United States, and the southwest had the lowest percentage for the United States (26 percent).

On every question pertaining to U.S.–Korean relations, students demonstrated a less favorable image of the United States and greater disapproval of its role in Korean affairs (political, economic, cultural, etc.).

In the absence of baseline data, it is hard to determine if the percentages representing Korean responses to a set of nineteen interrelated questions indicate any changes in Korean perceptions of the United States and, if indeed the changes did occur, whether they are positive or negative. However, the data confirm that the United States fares rather favorably on every account and that anti-American sentiments, if they exist at all, are not as widely distributed through the general public as is widely suspected by the media and political observers. But Korean students differ radically from the rest of society in terms of their perceptions of stated U.S. policy and U.S. actions toward Korea.

The data indicate that most Koreans hold generally favorable perceptions of the United States, but there are differences across demographic categories such as region, age, education level, and occupational status, with younger, university educated, and higher occupation groups being significantly less favorable toward the United States.

Discriminant Analysis

On a more methodological note, one may wish to identify individuals who are generally pro–United States and those who are critical of that country based on the respondents' sex, age, income, education, and so forth. There are two ways to approach this task. The first is to dichotomize the total sample into pro-U.S. and anti-U.S. groups and cross-tabulate the frequencies by the demographic characteristics, one at a time. The second is to consider simultaneously the effects of the many demographic variables (such as age, sex, and education) upon the division of the respondents into pro-U.S. and anti-U.S. groups. This latter technique, known as cononical discriminant analysis, involves deriving the best linear combination of the two or more independent (demographic) variables that will discriminate best between a priori defined groups (pro- and anti-U.S. groups).

The results of the discriminant analysis show that the demographic variables and the personality factors account for much of the variance in Koreans' attitudes toward the United States. The degree and the directionality of contribution of these variables were found to vary from one item to another.

Of all the demographic characteristics of the respondents, education level was the key factor delineating them into pro-U.S. and anti-U.S. groups based upon their responses to the political questions (country most responsible for Korean War, country meddling in other countries' domes-

tic political affairs, and country that seeks its own self-interest). When it comes to the economic aspects of the bilateral relationships, the group delineation was clearly made on the basis of respondents' age.

The role of the U.S. troops stationed in the Republic of Korea was viewed more positively by the older and higher SES groups with lower income and education and those with a religion. Here the respondents' sex alone was found to play no discriminant function in distinguishing between pro-U.S. and anti-U.S. groups.

The belief that the United States is most responsible for the Korean War—shared by 27.9 percent of the total sample—is particularly deep rooted among better educated, younger people, which reflects the current anti-American movements by Korean students. The most striking finding is that the “Honam factor” is one of the strongest of all the discriminant variables dividing the pro-U.S. and anti-U.S. groups. That is, the residents of Honam provinces (in southwestern South Korea) were found to be more anti-American than the rest of the country, and such a tendency manifested itself in the discriminant analysis.

Conclusion

The fundamental change in Korean attitudes toward the United States currently occurring can be discussed under three separate headings: the middle-class, conservative viewpoint; the leftist orientation; and the Korean media response.

The middle class, as a whole, shares the prevalent belief that Korea should be more assertive both against the United States and in the world community. As the status of each country has changed over the years, the reasoning goes, the direction and the ability to direct and control others' behavior are changing, with Korea no longer unilaterally or blindly adopting and adapting to America's influence, but instead becoming more critical and assertive and beginning to demonstrate some autonomy. Such a tendency became even more pronounced among middle-class Koreans with the successful completion of the 1988 Seoul Olympics.

In terms of the leftist orientation, the younger generation in Korea today tends to be very nationalistic compared with those who preceded them by a decade or two. This nationalistic tendency can be readily observed in university students' obsession with traditional Korean culture and is exhibited in songs, dances, and even costumes and reexaminations and reevaluations of Korean history, especially in relation to bilateral relations of Korea with Japan and the United States.

Concomitantly, the place of the United States vis-à-vis Korea, which has variously been labeled as savior, liberator, ally, and partner, is being critically scrutinized from nontraditional perspectives. With Marxist and

neo-Marxist oriented books and pamphlets freely available on university campuses, students nowadays have almost unlimited access to these publications, which certainly instill a viewpoint that explicitly contradicts the traditionally held beliefs regarding the interrelationship of Korea and the United States.

The historical “reawakening” on the part of Korean students is responsible for generating a host of questions that had previously been considered taboo on topics such as the responsibility for the territorial division of the Korean peninsula, the dubious role of the American military government as an occupation army, and the designation of the United States as the main culprit of the Korean War. Here already many students consider the United States to blame for many of the sufferings of the Korean people.

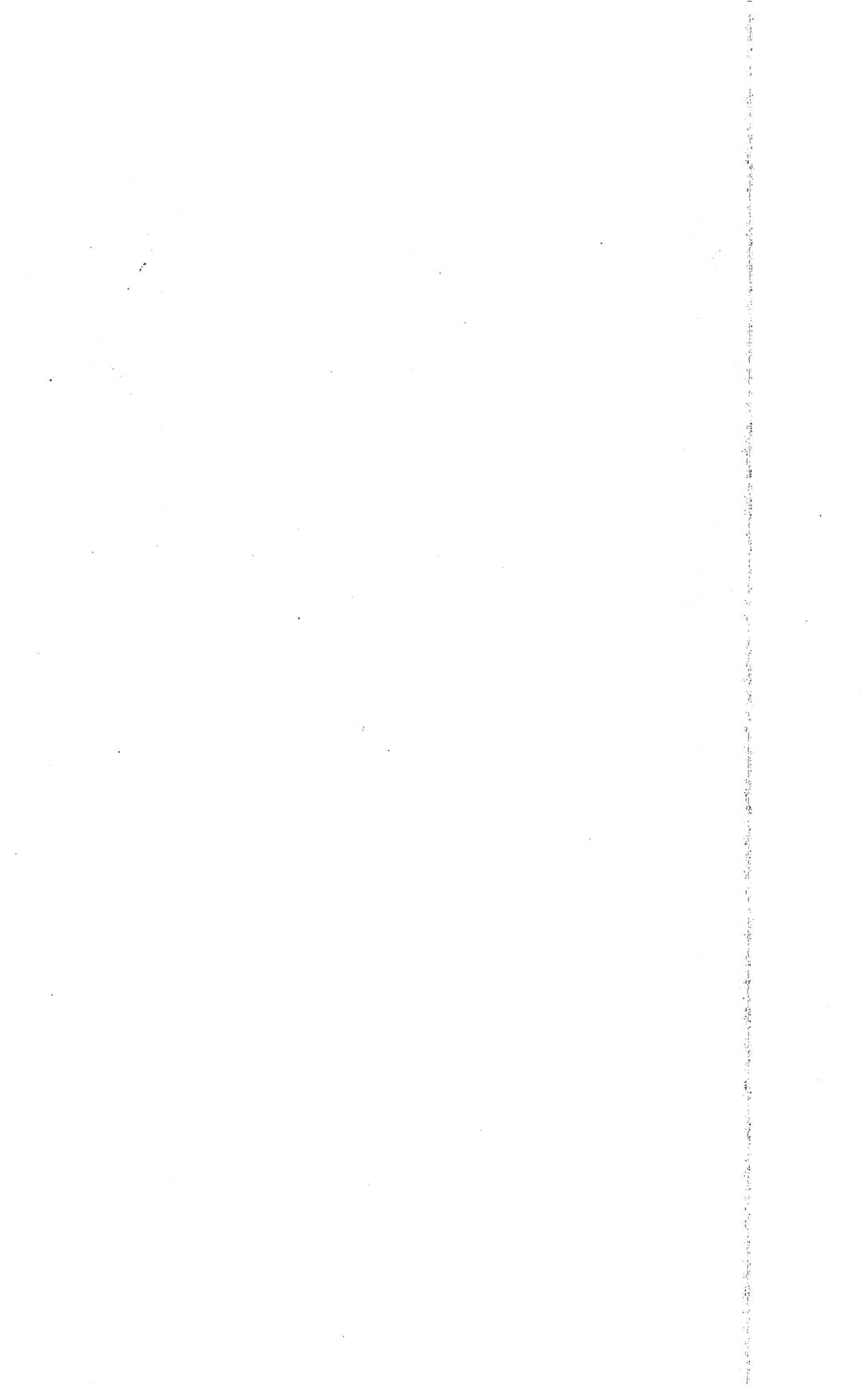
To add to the long list of “unhappy events” stemming from the Korea–United States relationship, the more recent episodes involving the U.S. role in the so-called Kwangju massacre and the consistent policy of the United States government to extend its support for a “stable” South Korean government of any political orientation have become the rallying points of the anti-American movement, not as an abstract slogan but as a political anchor for concrete action. The anti-American sentiments in the universities seem to be expanding their constituency from hard-core, leftist oriented radicals into the more moderate student body whose primary political cause in the past was antigovernment activities at best.

The Korean mass media, which in the past have traditionally been stoutly pro-U.S. in their coverage of South Korean–U.S. relations, are increasingly demonstrating in their reportorial stance a critical if not anti-American attitude. On numerous sensitive political issues, including Reverend Moon’s unauthorized visit to Pyongyang and radical student demonstrations, the Korean press, especially the editorials, makes no secret of its proconservative positions. However, on issues concerning South Korean–U.S. relations—trade, politics, and culture—seldom does the Korean press show support for the U.S. position. The United States has apparently lost its broad-based constituency in the Korean media.

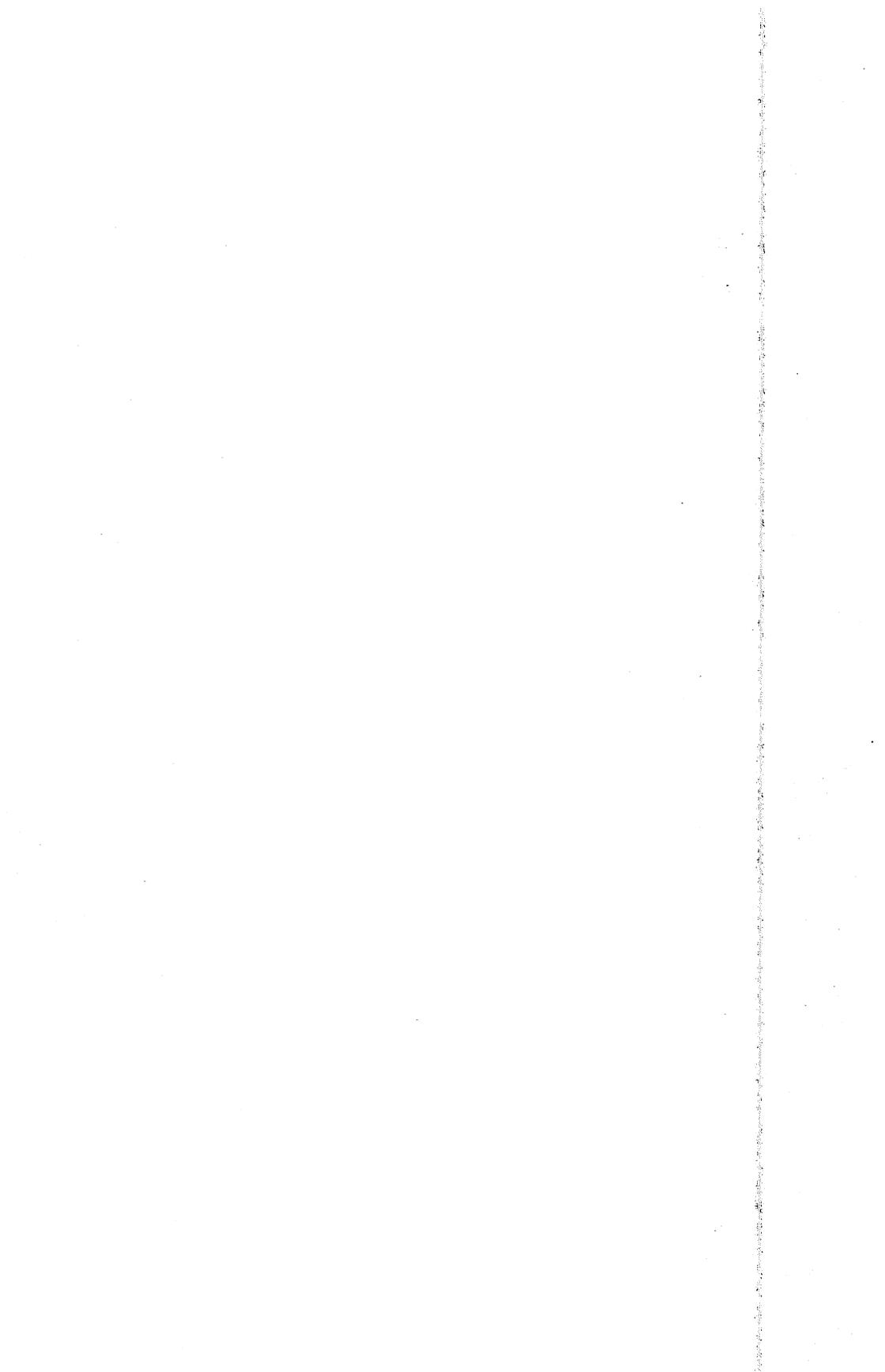
The anti-American sentiments likewise have different origins. For the young, better educated class of people, the anti-U.S. position comes from a historical reawakening based upon the critical reevaluation of the bilateral relations between Korea and the United States. The students repudiate America’s old colonial intentions, present role of military intervention, and political and economic domination. For older, middle-class people a sense of national pride stemming from the country’s economic growth gives more room for them to become increasingly independent from and critical of the United States. In short, the critical attitudes that an increasing

number of Koreans do hold these days are the result of both a *cognitive* response (in the case of the student perception of the United States) and an *affective* response (in the case of the older people).

Looking to the future, one may find little hope of correcting the “religiously” held anti-American attitudes of the hard-core young radicals. It is the middle-class stratum—which occupies 80 percent or more of the entire Republic of Korea—whose skeptical attitudes toward the United States are vulnerable to change. Their opinion can be more easily swayed when and if political democratization and social justice come about with the strong moral support of the United States. The U.S. role, real or perceived, in these processes is an important factor contributing to an improved image of the United States in the eyes of the Korean people. Such an attitude change will probably come haltingly rather than in one dramatic break; but when and if it comes, it must have a profound impact on the opinions held by the younger and better educated minorities in Korea.



Part Three
Defense Issues



7. U.S.–Korea Defense Issues: Survey and Comment

JAMES A. KELLY

The rate of change in the relationship of the United States and the Republic of Korea (ROK) over the past two years has outpaced the ability of officials to deal with problems, which have been multiplying. That is vividly apparent in the security relationship between the two allies. The mechanisms that were used to smooth the alliance for so many years have been suddenly overtaken by progress. Democracy and economic growth in the ROK and economic realities in the United States are part of the reason. At the same time, signs of profound change manifest themselves in the Communist countries. (North Korea, however, shows the fewest such signs.) But as intractable as some of the new issues are, their very existence can be celebrated by both sides as measures of success for past choices and sacrifices.

Some problems are easier now. Finding a Korean defense policy interlocutor other than the country's president during the years of Presidents Park or Chun was difficult. For example, the principal joint forum for discussion of military issues between the two countries has been in existence since 1968. The Security Consultative Meeting (SCM), which brings together officials and uniformed leaders at the most senior levels (the American secretary of defense, the Korean defense minister, and the respective chairmen of the joint chiefs) has been, for most of its history, a useful but sterile dialogue. Elaborate staff presentation of solved issues and minimal discussion of basic policy have been the practice. For most of those years, only the Blue House was permitted to speak on such matters, and Korean defense leaders had no such SCM brief. Some consideration of defense policy issues began in the mid-1980s, but major issues such as force structure or disposition, burden sharing, and regional security concerns were avoided or only brushed.

To a degree, the problem may now be the reverse. Rather than the frustration of needing to address complex problems that could only be the province of the head of state (on the Korean side), both sides have now

been flooded with new players whose considerations must be heard. These players include economic and trade officials, the respective members of Congress, business leaders, environmentalists, opposition politicians, and ordinary citizens. The desire of formerly reticent bureaucrats to seek new turf in a situation of diffused power is also manifest. This is particularly noticeable on the Korean side, as bureaucratic power arrangements among the ministries are still shaking down.

For some in this milieu, it may be hard to think of this situation as a great victory. But that it is. Political and economic maturity—prosperity and democracy—are what Americans and Koreans died for in 1950–53 and what many have worked for since. When other factors are considered (the worldwide eclipse of Communist ideology, striking East Asian economic growth, vast changes under way in the Soviet Union and China, and the spread of Asian democracy beyond Japan), a sense of achievement and hope is justified.

The points that follow are intended to provide an American view, in varying depths, of the defense issues facing policymakers from South Korea and the United States.

The North Korean Threat: The Essential Issue

As economic and various nationalist and political concerns impinge on the security relationship of the United States and its Korean ally, the basic nature of the threat to peace on the Korean peninsula must be kept clearly in sight. Kim Il Sung, and to some unknown extent, his son, Kim Chong Il, remain in command of the world's most controlled society. Now, as for 43 years, Stalin's Korean protégé is in complete charge in North Korea. Despite Pyongyang's suggestions of interest in rejoining the world order, the 1989 World Festival of Youth and Students being notable in that respect, there is little reason to suggest that real reform is being seriously contemplated. In fact, very little information is available from Pyongyang that permits anything more than speculation on North Korea's intentions. Recent events in China have only convinced the Kims of the dangers of encouraging any form of opening or liberalization. As student demonstrations waxed in Beijing in April 1989, there is ample reason to speculate that Pyongyang's visitor from China, party General Secretary Zhao Ziyang, was no more able to convince the Kims of the benefits of reforms than he subsequently was able to sway his elderly Chinese colleagues.

Less ambiguously, North Korean military capabilities remain most substantial. Recent accounts state (in spite of propaganda declaring a reduction of 100,000 troops) that Pyongyang may now have an army of one million. Its superbly concealed forward disposition with plenty of self-

propelled heavy artillery continues to pose a threat of sudden attack southward. New air defense weapons, including Soviet provided MiG-29s (to go with the 40-odd MiG-23s provided two years ago) and SA-5 surface-to-air missiles that can reach far across the demilitarized zone (DMZ) provide a more credible threat against U.S. and ROK airpower—long considered the strategic “equalizer.” Commando forces that are the world’s largest and about two score submarines provide North Korean military planners with even more flexibility.

These conventional threats, however, differ only in degree from those successfully deterred for many years. The future is complicated by some new elements. The fading days of the Iran-Iraq war have provided indirect evidence of some chilling North Korean capabilities. Apparently, Pyongyang emerged as Tehran’s leading supplier of 300-kilometer SCUD-type ballistic missiles.¹ Little information is available about these missiles in North Korea, but SCUDs with large explosive warheads could reach essentially anywhere in the South. It can be assumed that some substantial number of these missiles are in a ready condition. Less is known about North Korean chemical or nuclear weapon capabilities, but the importance of chemical weaponry in the Iran-Iraq war, and the relative ease of acquiring it, could not have been lost on North Korean military planners. On the nuclear side, the good news of North Korea’s 1985 action in joining the world nonproliferation regime has been tempered by the essential inability of the International Atomic Energy Agency to conduct any inspections.²

The “crossover” phenomenon also requires discussion. Measures of North Korean military spending have historically been even less precise than measures of its military capability. For years, however, it has been clear that the larger population of the ROK and its much faster growth will cause a crossover of military spending. Five percent of the ROK economy (military spending as share of gross national product [GNP]) has exceeded or will soon exceed 18, 22, or 27 percent of the North Korean economy (among various estimates made of Pyongyang’s military cost burden). Shares of military spending are an imprecise yardstick of military capability, but it is not without logic to project, as many have, that the military balance is shifting in favor of the ROK. This prospect of the crossover moves some to argue that the Democratic People’s Republic of Korea (DPRK) may become more amenable to verifiable arms control in the

¹W. Seth Carus and Joseph Bermudez, Jr., “Iran’s Growing Missile Forces,” *Jane’s Defense Weekly*, July 23, 1988.

²John McBeth, Nayan Chanda, and Shada Islam, “Nuclear Jitters,” *Far Eastern Economic Review*, February 2, 1989.

North–South talks. This should be carefully tested within the dialogue. But it must also be kept in mind that Pyongyang could choose an alternate path and seek weapons of mass destruction—chemical or even nuclear—to keep the military initiative in its hands.

Another irony emerges. Decades of propaganda efforts by the Park and Chun governments emphasizing the menace from the North have so devalued the coin that many South Koreans are unwilling to accept dispassionate, factual analyses of northern military capabilities and past behavior. There is a real military threat, but Seoul faces increasing difficulties obtaining the public support now essential to meeting it.

It is not alarmist to call the DMZ the world's most dangerous border, although in the DMZ's long history, the present is *not* a particularly tense period. But it is a measure of how little has been accomplished in North–South dialogues that the military capabilities arrayed along it remain so formidable and political differences so little diminished. Of course, South Korean military capabilities are not minor. The defensive nature of these forces and the economic success of the ROK—the foundations of which could be destroyed in even minor fighting—argue against any possibility of attack northward. In sum, the military balance on the Korean peninsula is adequate to deter attack if the critical assumptions of rational opponents and known conventional weaponry are accepted.

The Northeast Asian Strategic Context

Although the North Korean threat remains serious, both Koreans and Americans are now more willing to deal with strategy for the Korean peninsula in the larger context of Northeast Asia or beyond. For many years, South Korean strategists, politicians, and military leaders (not always the same!) had been almost exclusively fixed on North Korea and on relations with the American ally. American strategists claimed a much broader focus. But that focus has had remarkably limited effect, excepting the negative impact of the proposed withdrawal of U.S. ground forces in 1977, which can be argued to have resulted from a combination of flawed strategy and intrusive domestic politics. American forces deployed in Korea, reflecting the duties and orientation of their immediate commanders, have been almost exclusively dedicated to deterring warfare on the Korean peninsula and have been little used for regional security tasks, despite contrary claims from some Korean nationalists.

A “peninsular” focus among military leaders charged with defending South Korea is no flaw. But a changing strategic environment in Northeast Asia, especially changes in the resources available for defense, requires a new strategy. Koreans and Americans may hold differing views of the meaning of expanded Soviet Far East military capabilities and also keep in

mind the existence of modern and more capable Japanese Self-Defense Forces.

On the American side, budget pressures will almost certainly lead to force reductions. How wisely these will be made is in question. Senator Levin's 1989 amendment to compel reductions in U.S. forces in Korea was intended to prompt the Bush administration's thinking. If enacted, it would be a case of domestic political and economic factors unwisely driving—or overriding—national strategy. Bureaucratic factors may also emerge in the debate over the appropriate number of U.S. ground forces in Korea. The majority of U.S. Army and Air Force assets are in or dedicated to NATO and Europe. Forces there are also facing the midterm prospect of difficult reductions and restructuring. Trade-offs of much more limited U.S. forces in Asia to “protect” larger European units could occur. Any trimming of American forces in East Asia or the western Pacific will require maximum flexibility for the application of the forces that remain. Planners will wonder whether U.S. forces in Korea can realistically be counted on for use elsewhere. The result will, of necessity, be a greater regional importance for U.S. Army and Air Force assets in Korea.

On the Korean side, such considerations have also taken on new dimensions. Concerns for what North Korea may do and the powerful desire of every Korean for unification remain preeminent. But a growing, economically and militarily strong country has begun to look outward in ways that go beyond trade. From the beginning of his term, President Roh called for a greater role for Korea in the region and beyond.³ There has already been movement in that direction. The policy of *Nordpolitik* has led to important new relationships based on trade and economic ties with Hungary, the Soviet Union, and China. As a result, regional strategy—even aspects that seemingly concern U.S. forces only—has new importance. What should the regional role of U.S. forces in Korea be? How would such a role affect expanding Korean interests? Is there a regional role for Korean military forces in matters not directly affecting the American ally?

Mutual Security Arrangements

U.S.–Korean security arrangements are based formally on the Treaty of 1954.⁴ Backed by the continued presence of U.S. forces in Korea and the stark reality of life along the DMZ, the treaty is little questioned in the United States. Its form was not threatened, for example, during the

³President Roh Tae Woo, inaugural address, Seoul, February 25, 1988.

⁴The Mutual Defense Treaty between the United States and the Republic of Korea was signed in Washington on October 1, 1953, and entered into force upon exchange of ratifications on November 17, 1954.

proposed withdrawal of U.S. ground forces in 1977–78, and it has been reaffirmed by every American president. The language is more “mutual,” that is, requires more of the Korean partner than treaties with other Asian allies, such as Japan. For example, Korea is, in effect, pledged to join the United States if it is attacked anywhere in the “Pacific area.” With the ROK forces now in existence, this language clearly means more than it did when the treaty was written.

Complex details for the organization of both U.S. and Korean forces are important to the security arrangement. The United Nations Command, established during the 1950 Soviet walkout from the UN Security Council, remains in effect to administer the armistice, which was signed by neither Korean state. Thus, the Military Armistice Commission (MAC) remains the forum for discussion of DMZ and related issues. The UN Command also remains useful in terms of symbolic third country participation and for logistic matters in Japan.

The establishment in 1978 of the Combined Forces Command (CFC) was most important. The CFC was designed for operational control of both countries’ forces needed for the defense of Korea. It was also intended as a mechanism for returning control of ROK armed forces to Koreans. The CFC includes the Combined Field Army (CFA), which constitutes the forces disposed along the crucial western sector of the DMZ. Both CFC and CFA commanders are U.S. officers, with Korean deputies, although the United States provides but one ground division and the ROK many more. Both staffs are evenly divided. The CFC commander, a general (four star) in the U.S. Army, is the simultaneous commander of the combined forces, the U.S. forces, the United Nations Command, and the U.S. Eighth Army.

It is tempting to dismiss all this detail as a technical matter, which it is. But serious misunderstandings have arisen and persist on the Korean side. The most notable center on the 1980 Kwangju uprising and its suppression by ROK army units separate from the CFC and thus not under American operational command. Other confusion has been based on misunderstandings of the CFC commander’s limits. Nationalist sentiment among those aware of the improved abilities of ROK military units raises the question of the need for a foreign commander at all. But this detail is part of a complex mutual security arrangement that continues to face a potent threat from the North. Accordingly, any changes in the CFC structure should be carefully and thoroughly considered. For example, if, as many suggest, a Korean officer becomes Combined Forces commander, the change would be a clear recognition of the ROK’s growth, maturity, and the great share of its own defense burden that it bears. But such a move might also encourage those in America who are less concerned with the requirements for effective deterrence than with quick fixes for the federal budget deficit.

Economic issues are now major problems in U.S.–Korean relations.

The rise of democratic politics in South Korea, strong indigenous military forces, and relative national affluence suggest to Koreans that mutual security arrangements can stand updating or greater change. Weariness in the United States for supporting distant forces that protect an economic competitor, budget pressure, the perception of a less threatening Soviet Union, and backwash from changes in European security arrangements equally suggest to some Americans that the arrangements with Korea are superannuated or worse. Neither position carefully considers the objective military situation. As a result, changes in details of the security arrangements could have unintended, even disastrous, effects. The point is not that changes cannot or should not be made, but that they must be made only after reflection and consideration of their likely effects by both sides.

Korea, Japan, and the United States

The military situation in Korea always impinges on the interests and perceptions of Japan. These, in turn, are of major significance to U.S.–Japanese relations, which many believe, for better or worse, to be the most important bilateral relationship in the world. As basic as these statements are, neither is fully accepted or grasped by many American policy officials or members of Congress. Because of a close relationship with each ally, too many Americans somehow assume that the relationship of the two allies to each other and to the United States is “more of the same.” Or the interrelationships are simply not considered at all. For example, the 1977 announcement of planned troop withdrawals from Korea did not consider the effects on Japan, which was not consulted, barely averting another *shokku* or foreign policy shock like that felt in 1972 when U.S.–Chinese relations were normalized without prior notification given to Tokyo.

Although Japanese and Koreans know each other well, individually as well as governmentally, their positions are often asymmetrical. History and politics make working directly together extremely difficult, at least in any public sense. In this situation, the United States plays a critical role if it skillfully manages its security relationship with both. Opportunities are presented for the United States to facilitate helpful cooperation in the security area that can benefit each partner and by extension all three states. But the process must be handled carefully and patiently. Quick results will not be obtained, even on smaller matters. The obverse is even more important. Consultation with each partner is essential before changes in the security relationship with the other can be undertaken.

Problems of an Alliance Relationship

Broad issues of strategy and the maintenance of deterrence through mutual security give Korean and American policymakers a full agenda, but they may find little time to consider such larger questions. The day-to-day

problems of an alliance of dynamic countries provide a large set of contentious matters that demand regular attention from senior officials. Worse, these sets of problems, which are rarely solved for all time, are capable of coloring the atmosphere in which more basic questions are to be addressed. I note five of the more troublesome U.S.–Korean defense related problems. Each set has a long history that I do not cover. I also omit trade and economic issues that are entirely separate from defense issues, even though such problems are fully capable of spilling bad feeling, or even sanctions, onto the defense side.

First, defense production issues are the inevitable fruit of each country's having a defense industry with political clout and excess capacity. Ironically, some of these issues are another legacy of the abortive 1977 troop withdrawal plan. To sweeten the day's medicine, technical packages for manufacture of U.S. designed weapons were provided. Korean self-sufficiency was fostered, but potent competitors were established and strengthened. Given the sweeping authority asserted in U.S. law over exports of U.S. origin military technology to third countries and numerous license/royalty issues, a large set of problems has been generated.

Second, technology and strategic trade issues go beyond production questions. Efforts to protect critical free world technology from Soviet theft and military exploitation have been a multilateral issue for years but are more recent as a U.S.–Korea question, sometimes paired with the very contentious matter of protection of commercial interests in intellectual properties. A major new issue touches technology, trade, and defense production concerns. This issue is the FX (now called the KFP) fighter aircraft, in which the development of an ROK military aircraft industry became a major goal. Relatively straightforward technical questions like the importance of an existing military aircraft industry in developing a commercial aircraft industry clash with politically charged issues like the most efficient use of limited defense funds or policy on "offset" requirements (mandatory purchases of unrelated Korean products despite a large U.S. trade deficit).

Third, bases and base rights for U.S. forces generate another set of problems. In a very crowded country on a small peninsula, land use questions can be hard fought. National Assembly members have to answer to newly vocal constituents over space, noise, and budget concerns. Status of forces—the agreement establishing rights for allied personnel in many areas, including high emotion criminal jurisdiction questions—is also an issue. Practical base and status problems can become heated political issues as changing circumstances require adjustments. Finding a site and funding for relocation of high-profile U.S. military facilities in downtown

Seoul is a continuing example. The problems can also affect strategic issues such as locating new forces with improved capabilities.

Fourth, "burden sharing," the term in vogue in the U.S. Congress to suggest the need for greater effort from allies in support of mutual defense efforts, reflects frustration over the combination of American allies' trade successes and U.S. budget constraints. Most American allies should do more to match the substantial U.S. contribution to their defense. But there is no definable line demarcating which U.S. defense expenditures primarily serve American interests and which expenditures primarily serve to protect an ally. The problem is much more complex than usually portrayed. To make it worse, with the limitations of language, the phrase translates very badly in Japan and Korea. "Responsibility sharing" or "cost sharing" seem to translate more positively, but even then the basic problem remains.

For the United States and Korea, the issue is one on which considerable agreement may be possible if quiet consultation is pursued. Korea spends on its defense, especially when costs of conscription are included, an amount proportionate to what the United States does. The United States does contribute to Korea's security, and much of its effort is focused on specifically Korean defense concerns. Korea has grown much more wealthy, though not rich, under the security and stability the alliance has provided. What is needed then is not some dramatic new payment to the United States, but some adjustment of steps already begun. Construction of operational and support facilities for U.S. forces in Korea should continue, with a steadily rising share of the costs paid by Seoul. Contributions of both military and civilian labor by Koreans can be a part. And Korea can assist in meeting mutual objectives by providing assistance money and business talent to countries in the region that have not been as successful in economic development.

Fifth, the U.S. "profile" in Korea has become more of an issue. The prominence and conspicuous nature of U.S. forces were for years believed to be desirable reassurance to the population, but it is now less necessary. Armed Forces Television, which brings a distant culture to Korea's capital in a way that nothing else could, and a headquarters presence in that very overcrowded city are the most conspicuous manifestations. That high profile is a problem should not be read as ingratitude by Americans, for such a presence cannot be found, in such prominence, in any other ally's capital. The reaction is natural, and a lowered profile can only help the overall relationship. Therefore, because the United States has acted to remove obstacles to the relocation of at least some headquarters units, Korean officials should promptly finance the changes. For Koreans who

might object to the last, it is not a question of which side should or should not be responsible. It is a fact, however, that the prospects of U.S. congressional funding of such an intangible benefit are very slim. High profile U.S. presence served Korean needs for years, and lowering it promptly is much in the mutual interest.

Political Problems

It is inevitable in a democracy that domestic politics will affect security policy. This influence is basically healthy, although it can complicate the lives of those who are responsible for the formulation, execution, and oversight of policy and negotiations. This impact is old news in the United States, although particular manifestations never fail to surprise affected officials. In Korea, the bureaucracy is less practiced in handling such considerations.

One set of problems is now more strongly affecting U.S. security policy with Korea. No agenda can now be prepared without explicit inclusion of U.S. economic concerns. The day of U.S. political and security policies isolated from economic policies is gone. There were those who believed that permitting economic or commercial interests to affect a superpower's actions was unfitting or worse. U.S. trade and budget deficits, however, have made such attitudes unviable. There are dangers, of course, in indulging narrow economic concerns. Such dangers, and the issues behind them, have to be recognized and faced.

On the Korean side, political concerns will impinge on a wider range of issues, including land use and those (such as status of forces) that touch nationalistic feelings or suggest any inequality. Higher construction standards applied to facilities built for Americans could be such an issue. Matters that affect the attitudes of those who believe themselves disadvantaged—such as protected agricultural interests—will also be more difficult to touch. Finally, Korean leaders have to reestablish the national consensus on North Korean military capabilities and possible hostile intentions. Even with the variable credibility of the post-Chun government and deeply held wishes for unification, North Korean behavior is sufficiently obvious to make this task a manageable one.

Suggested Approaches to Policy

One approach is adjusting the American role. Even taking a long-range view, there is no basis at this time to plan for the disappearance of the threat to Korean and American security. If a millennium occurs, defense resources can be reapplied quite readily. Given the greater likelihood of a

continuing threat, planning is essential to make good-sense adjustments about how that threat is to be met.

The present is a particularly appropriate time for both nations to begin joint planning. For Korea, strong albeit single-digit economic growth continues in the third year of a fully democratic republic. The next elections, which make consideration of any change in security policy difficult, are many months away. And the convulsions in China may have tempered optimistic notions about the ease of political reform in an Asian Communist state that, unlike North Korea, has been dedicated to economic renewal. For the United States, the Bush administration has found its stride although mid-term elections are approaching. The economy is strong and basically healthy, and a surprising amount has been accomplished on trade and economic problems.

Planning should begin soon at both policy and working levels, with the involvement of a broad set of officials at the top. Detailed support planning should be the lead responsibility of defense ministries and military services. Some of the policy goals to be achieved should include the following:

- lowering the profile of American forces, especially those in Seoul, as noted
- studying the nuclear issue thoroughly, especially the underlying strategy any changes that are made
- studying whether present numbers and disposition of U.S. ground forces are essential (What are the implications for deterrence of smaller numbers of U.S. ground troops, and what effects would a reduction have on the perceptions of regional players?)
- Studying the nuclear issue thoroughly, especially the underlying strategy (That a nuclear deterrent umbrella is available to each U.S. ally is unquestioned. In Europe, however, NATO strategy has frankly recognized that weakness in conventional forces requires a nuclear capability that warns Soviet leaders that a quick victory without escalation to the use of nuclear weapons is impossible. Now, of course, voices call for that strategy to be rethought. In Korea, a small, crowded country, the nuclear strategy question has not been explicitly addressed. It should be, and the focus should be on the comprehensive nature of American deterrent strategy and not on where or whether nuclear weapons are located. At a minimum, however, it would seem wise for the Republic of Korea to seek a U.S. nuclear umbrella for deterrence of nuclear attack—from North Korea as well as the Soviet Union. It may wish to extend that umbrella to some other weapons of mass destruction.)

U.S. policies in Korea, perhaps more than elsewhere in Asia, have been most successful. As President Bush reassured listeners during his February 1989 visit to Seoul, the United States is a Pacific power and is determined to remain one. Its commitment to the ROK is as strong as ever. Now more equal than ever, this is a good basis for facing the problems and challenges that exist.

8. Future Challenges and Prospects in ROK Defense Issues

CHUNG MIN LEE

As the Republic of Korea (ROK) and the United States mark four decades of defense cooperation, both sides can claim some major achievements. Akin to the U.S.–NATO relationship, which has preserved peace and stability in the European theater since the end of the Second World War, the U.S.–ROK alliance on the Korean peninsula has done the same since the culmination of the Korean conflict in 1953. Specifically, this bilateral trans-Pacific alliance has enabled South Korea to undertake a series of technological and doctrinal modernizations of its armed forces that may well enable it to attain parity with the North Korean armed forces by the mid to late 1990s. For the United States, South Korea has also contributed vitally to the alliance as an important trading and security partner in Northeast Asia, particularly in the face of a sustained Soviet military buildup in the region since the 1970s.

And yet, despite the overall success of this alliance, it is entering into a new phase earmarked by a series of changes with still uncertain ramifications. The changes range from new requirements for overall alliance management, defense technology transfers, operational control in the Combined Forces Command (CFC), defense cost sharing, regional defense, prospects for inter-Korean arms control, and the future status of the U.S. forces in Korea (USFK). Such a transformation has been exacerbated by the rapid transition to democracy in South Korea with the inauguration of the Roh Tae Woo administration in February 1988. Whereas security or defense issues in the past were almost entirely dominated by the government—particularly the national security community—they are becoming increasingly politicized with a corresponding diminution in the defense consensus within South Korea. In brief, South Korea may well be entering into an era of “NATO-ization”—a process of a gradual change in the threat perception coupled with the diversification of defense options.

Seen from these perspectives, the relatively routinized form of alliance

management between the United States and Korea must seek new approaches to meet the challenges in the 1990s and beyond. Externally, the utility of military alliances—specifically the need to sustain a credible deterrent posture—has been said to have been diminished in light of the series of arms reduction proposals and counterproposals put forth by Moscow and Washington. Moreover, the first step toward a Sino-Soviet rapprochement indicates that although this relationship will not return to the period of solidarity prior to the Sino-Soviet break of the 1960s, neither will it return to one of intense rivalry.

Internally, democratization has resulted in a reexamination of key assumptions on defense and security affairs, particularly on the Korean-American alliance. To be sure, such a trend has been visible for some time, given the perceptions of an “unequal” alliance created by the physical presence of U.S. forces in Korea. Nevertheless, it is no longer possible to confine sentiments reflecting anti-Americanism to the political extreme or the student movement.

Taken together, therefore, a paradox symbolizes the U.S.–ROK relationship as it enters the final decade of the twentieth century. Although the alliance can be justifiably proud of its achievements, ritual communiqués issued at the annual Security Consultative Meeting (SCM) are no longer sufficient to meet the complex requirements of alliance management into the 1990s and beyond. In a nutshell, success does not always breed success, and both Seoul and Washington have to reassess their partnership in order for this critical relationship to flourish in the years ahead.

Pending Defense Issues in the ROK

As the Roh Tae Woo administration nears its halfway mark, a series of defense issues has arisen with potentially far-reaching implications for the future of the ROK's defense strategy and policies well into the 1990s. Of more immediate concern, however, are ongoing negotiations between the United States and the ROK over such areas as modifications of defense technology transfer terms from the United States to South Korea, the planned relocation of the headquarters of the U.S. forces in Korea from Seoul to another city, operational command within the CFC, and defense burden sharing issues.

At the same time, it is prudent for the ROK to seriously ponder a security blueprint that takes into account a gradual withdrawal of U.S. forces from South Korea or, at a minimum, a reduction in the number of U.S. ground forces in Korea. Seen from this viewpoint, the continuing development of Korea's defense technology base is crucial for the longer term sustainability of a credible conventional deterrent posture into the 1990s.

The Korean Defense Industry

Korea's defense industry initially relied heavily on the United States for the acquisition of almost all classes of its weapons systems. It is difficult to imagine how the Korean defense industry would have flourished without U.S. support. In addition, it is a typical case of industrial targeting policy in Korea with potentially far-reaching implications for the future of U.S.–Korean defense technology cooperation. In short, just as the ROK government took the lead in promoting the defense industry, it may also take the lead in prodding the private sector to look into a diversification of the defense technology base (i.e., reducing the ROK's technology dependence on the United States).

After modest beginnings, the ROK defense industry currently satisfies almost all its domestic requirements and has also become the fifth largest arms exporter in the Third World.¹ Analysts in Korea do not believe that any wholesale transfer of defense cooperation will take place between Korea and selected Western European countries any time in the very near future. For all the talk of defense industrial diversification, the central role of the United States in Korea's defense means that Washington can exercise, at its discretion, certain leverage that Western European governments simply do not have.

Nevertheless, as the Korean defense industry as a whole enters the third phase of its growth period—in particular, the increasingly sophisticated areas it is looking into, such as avionics and tactical battle management systems—there is bound to be increasing pressure on the United States from South Korea to further liberalize its defense technology transfer packages to the ROK. Should progress in this critical area be forestalled by political difficulties, more and more Korean firms may move into the Western European market in search of new partners.²

Although the defense industry expanded rapidly throughout the 1970s, it was confronted with overcapacity and a vulnerable technology base for design and materials. This overcapacity could have been overcome through a vigorous export program, but a major stumbling block was (and still remains) the joint memorandum of understanding (MOU) signed by Washington and Seoul on technical data package transfers that places strict restrictions on the transfer of weapons systems to third countries (3CAS). Several medium-sized firms that depend on defense contracts have been closed, and although certain companies have attempted to diversify their

¹Manwoo Lee, Ronald D. McLaurin, and Chung-in Moon, *Alliance Under Tension: The Evolution of South Korean–U.S. Relations* (Seoul: Kyungnam University Press, 1988), p. 81.

²As a case in point, the ROK and French defense ministers agreed in June 1989 in Seoul to enhance areas of defense technology cooperation.

product line so as to penetrate the commercial market, only a limited number of firms has succeeded in this area.

Some of the problems are built-in, such as design deficiencies and lack of indigenous research and development. This is not to suggest that the current state of the Korean defense industry is in a downspin, only that unless the export market is expanded, the industry as a whole will continue to operate at undercapacity. As a result, given the protracted negotiations currently taking place between Korea and the United States, analysts have called for an expansion of joint ventures, licensed productions, and co-production with major defense firms in Western Europe and fewer restrictions on defense technology transfer terms than with the United States.

The Korean defense industry as a whole has matured to the point where it no longer can count on relatively low labor costs and the production of essentially non-high-tech items based on U.S. technology transfer packages. It has successfully developed such items as the K-2 rifle (the standard issue for the ROK army), the Type-88 Main Battle Tank, a variety of armored personnel carriers (APCs), naval vessels, short-range missiles, command and communications hardware and software, and combat helicopters. Capability now realistically extends as well to include the next generation of helicopters.

Unlike other domestic manufacturing industries, where the financial picture has generally been healthy (with the exception of such heavy industries as shipbuilding), the defense industry has depended on borrowed capital for most investments in facilities and equipment. However, with profitability improved by increased foreign exchange earnings and capital resources, the situation is turning around. Overall economic recovery since 1985 has resulted in increased technical exchange with foreign countries, investment in research and development (R&D), plus the construction of new facilities.

Although the defense industry has grown remarkably in terms of quantity, it falls far short in qualitative terms. For example, as of 1986 (the last period when figures are available), based on the industry's supply price, the average localization rate was 53.1 percent; with the exception of guns, ammunition, and standard issue material, the overall is more like 40 percent.³ As a result, Korea's defense industry is highly dependent on foreign supplies.

In the Third Force Improvement Plan (1990–1995), the ROK armed forces have targeted a number of areas, particularly in emerging technology systems. In order to meet this demand, Korean defense industries are

³*Dong-A Ilbo*, June 19, 1989.

looking into new areas of potential cooperation in such areas as aircraft, guided missiles, advanced theater battle management systems, telecommunications, and automatic weaponry. For its long-term development, the Korean defense industry plans to expand the existing framework by increasing the use of domestically made products and parts and outfitting itself with state-of-the-art equipment, which will enable it to become one of the leading defense industrial powers in the Pacific Asian region in the 1990s.

As for R&D, the average annual budget for the 1974–1981 period was around 2.4 percent of the total defense budget; and during 1982–1987, it slipped to 1.6 percent. (The defense ministry plans to increase this figure to about 5 percent per year by 1996 according to the Defense White Paper issued in November 1988.)⁴ The defense community within the ROK plans to increase interoperability and standardization of its weapons systems, but at the same time, it is also planning to move away from a high dependence on the United States. For instance, around 41 percent of the total investment for Korean defense enhancement has been for the purchase of weapons from overseas. Of this figure, 85 percent was of U.S. origin. Some of the more important joint programs with the United States have included the 155mm self-propelled howitzers, F-5E/F combat aircraft, 500MD helicopters, and the 88 MBT. After intense negotiations within the ROK government, a decision was made in December 1989 to procure some 120 FA-18 aircraft from the United States. (This program is referred to as the Korea Fighter Program or the FX and will ensure the ROK's air combat capability well into the 1990s and beyond.)

Although the United States has been providing the ROK with defense technologies ever since the late 1960s under Technical Data Packages (TDPs), the number has fluctuated from year to year, and there is increasing U.S. apprehension of a boomerang effect should it continue to transfer advanced defense technologies to the ROK. U.S. reluctance to transfer advanced technologies to the ROK rests in part on the proprietary rights issue and, hence, the need for a stringent approval procedure. Nevertheless, this impedes some 90 percent of Korea's chances to compete in export bidding, and the twin constraints of nontransfer assurance and royalty payments are restrictive elements in the further development of Korea's armaments industry.⁵ (Korea's arms exports amounted to approximately U.S. \$125 million in 1987.)

For instance, of 853 TDPs transferred to the ROK in the 1971–1984 period, 534 TDPs (62.6 percent) had been transferred by 1979. In other

⁴*Kukbang Bekseo* (Defense White Paper), (Seoul: Ministry of National Defense, 1988), p. 167.

⁵*Korea Business Week*, May 12, 1989, p. 24.

words, the United States provided a fair number of TDP transfers in the 1970s, although the number dropped significantly in the 1980s.⁶ From 1981 to 1984, only 176 TDPs were introduced, or 20.6 percent of the total in the 1971–1984 period.

In May 1988 and in subsequent discussions of the ROK–U.S. Defense Industry Conference, it was suggested that co-development programs are an effective means of transferring technologies. Although the broader framework for a closer relationship between U.S. and Korean firms is not in doubt, many industry analysts have noted that early harmonization of requirements and active government participation were cited as two basic conditions for any long-term cooperation between the two countries' defense industries.

A second set of issues involves offsets and trade barriers. In view of the existing trade imbalance between the United States and Korea—the trade deficit is expected to be lowered this year to about \$8 billion—the U.S. Congress has expressed the opinion that it is difficult to justify offset conditions vis-à-vis the Korean market. Another set of issues that has already been mentioned is third country arms sales, and in this area, both Korean and American industrial analysts have noted the need for implementing the following steps:

1. Shorten the time span required for approval for third country sales, given that it is currently made on a case-by-case basis, and thus the need to incorporate the market identifications in the licensing agreements rather than addressing this issue at a later date.
2. Create parallel licensing agreements—in both the public and private sectors—on co-production programs that concern both government and private company intellectual property rights. The preferred option in many cases would be for the private company to receive a license from the U.S. government and then act on its behalf in negotiating one overall agreement with the co-producer.

Potential Areas for Cooperation

According to defense analysts in Korea, the ROK army needs a number of new systems to successfully complete its Third Force Improvement Plan. Although the application of emerging technologies (ET) is still limited in the ROK armed forces, some of the more pertinent fields have included the following area: (1) advanced sensors and delivery systems for application in forward defense, particularly for precision deep strikes

⁶Dong Joon Hwang, "ROK–U.S. Defense Industrial Cooperation: A New Step for Security Enhancement," paper presented at the CSIS/KIDA conference, September 12–13, 1988, Seoul, Korea, p. 9

without the use of manned aircraft; (2) a range of weapons that could be developed to supplement or even supplant aircraft on counterair missions against North Korean airfields, particularly against heavily defended main operating bases (MOBs) as well as "hardened" air bases; (3) so-called smart weapons that would have a role on the battlefield itself, enhancing the inventories of tanks and artillery of both the USFK and ROK armed forces, given the current imbalance of artillery and tank rations in favor of the North.

Although all these target areas have yet to be fully integrated into the official procurement program, the ROK has defined four major areas for the potential use of these systems, such as anti-air operations, deep strike systems, antisubmarine warfare (ASW), and anti-armor. Korean defense analysts have pointed out the main advantages of using ETs in such areas as (1) improved detection ability prior to a North Korean attack, (2) increased ability to deflect an armored assault across the demilitarized zone (DMZ), (3) improved ability to conduct air operations over North Korean territory and the ability to forestall North Korean air operations into South Korea, and (4) neutralization of the North Korean air threat.⁷

Some of the more specific systems that might be introduced include new generation multiple-launch rocket systems (MLRS), various types of submunitions and mining systems, standoff missiles and cratering submunitions, and early warning systems. Given that the North Korean strategy is premised on a blitzkrieg assault, early warning systems are particularly vital for the successful defense of the ROK. (At the present time, the United States operates an Early Warning Air Defense Center out of Osan Airbase, U.S. Air Force Korea headquarters, which is integrated with AWACS, naval E-2Cs, Hawkeyes, and the Japan/Okinawa air defense systems. Efforts are under way to modernize this outfit, and the ROK Air Force is also moving toward further development of its own early warning C2.)⁸

Technical requirements for conducting the deep battle are principally threefold: (1) rapid and accurate detection of enemy force deployments and intentions as soon as possible; (2) systematic fusion and correlation of data, intelligence, situation reports, and projections to the commander and his planning staff; and (3) delivery of weapons to the target. (In a potential future conflict scenario when the ROK armed forces would have, at best, from 12 to 24 hours early warning, the ability to target enemy assets quickly is important in conducting the initial counteroffensives, especially

⁷Robert A. Brooks, "U.S.—Republic of Korea Security Cooperation and the Impact of Emerging Defense Technologies," paper presented at the fourth annual Conference of the Council on U.S.—Korean Security Studies, November 17, 1988, Honolulu, Hawaii, p. 13.

⁸Ibid., p. 15.

when advancing operational maneuver groups [OMGs] of the North Korean forces would have to be destroyed before they are able to create breakthroughs to Seoul. Therefore, given the USFK's superior technical intelligence [TECHINT] and surveillance techniques, as well as communications, one key area of interoperability lies in the swift transmission of key information to the ROK forces' field commanders and their staffs.)

In such an environment, ETs can play an important role. Clearly, evolutionary—indeed, revolutionary—change in some technological fields holds potentially far-reaching military applications in the near to mid term. Nevertheless, these emerging technologies may not, in the final analysis, prove decisive in a modern battlefield environment. In the case of the ROK armed forces, dependence on ETs at this time is still limited; more emphasis has been given to developing advanced, but not too complex, weapons systems, except for such major items as combat aircraft. Although not denying the potential inherent in high-technology systems, South Korea has to spend its procurement resources wisely and invest in those reliable, cost-effective, and rapidly producible systems.⁹

However, deployment changes in the current USFK would impact any wide-ranging accommodation of ET systems in Korea. Over the mid to long term, therefore, the wider use of ET systems in Korea would have to consider the strategic implications of a graduated withdrawal of the USFK presence in South Korea in that as greater responsibility is handed over to the Korean side, the ROK's overall combat power could be enhanced with the adaptation of wider ET systems. However, ET systems in Korea should be construed not as an alternative, but as a supplement for a credible conventional deterrent posture.

Although smallest of the three services, the ROK Navy is also beginning to place a greater emphasis on fleet modernization. Initially, the ROK Navy (ROKN) received the bulk of its needs through FMS programs in areas of ASW aircraft, missiles, ammunition, and training programs. The size of annual FMS grants (phased out completely in January 1987) grew from a mere \$38,000 in 1971 to an annual average exceeding \$30 million in the early 1980s. Weapons systems purchased through FMS were mainly those that have been in operation for a long time or that were being phased out in the U.S. Navy (USN). The purchase of the then newly developed Harpoon missiles, for instance, was an exception to the rule.

According to data provided by the USFK, the USN transferred to the

⁹For additional details, see Chung Min Lee, "Holding the 'Hollingworth Line': Conventional Deterrence in the Korean Peninsula," in Harold Hinton et al., *The U.S.-Korean Security Relationship: Prospects and Challenges for the 1990s* (New York: Pergamon-Brassey's, 1988), pp. 55–81.

ROKN some 264 vessels and crafts of 36 different types from 1945 to 1988 in the forms of leases, free transfer, or FMS. Of these, only 56 ships (21 percent) are in ROKN service at this time.¹⁰ These surplus USN ships formed the backbone of the ROKN fleet from the mid-1950s to the 1970s. Although most of them had to be scrapped after a few years of service, such USN ship transfer assistance was valuable for the initial growth of the ROKN.

ROKN ship development capability has increased since the 1970s with the refinement of small patrol craft used primarily for anti-infiltration and high-speed counterforce missions. Lately, the ROKN has exhibited the capability to design sophisticated patrol ships and frigates, supervise their detailed design and construction at civilian shipyards, and put them into service rapidly.

After the twentieth SCM in June 1988, both navies agreed that further cooperation was needed and outlined potential areas of collaboration. Analysts in Korea have noted that the ROKN could play an important part in the protection of the Korea Strait because the ROKN can detect and track Soviet and North Korean submarines in order to safeguard friendly sea lanes of communication (SLOC). War fighting capabilities should also be increased, particularly in tactics and weapons systems areas. The importance of early warning in a possible conflict has already been noted, and the two navies should continue to collaborate on ECM/ECCM, underwater environment survey and data exchange, and evaluation of ECM systems.

Perhaps most important, however, is the need for the ROKN to grow from the present coastal defense posture vis-à-vis the North Korean Navy into a blue water navy capable of protecting its own SLOC.¹¹ USN experience and advice are needed for this growth process, particularly if the United States is trying to form a regional defense system involving the ROK, Japan, and the United States to counter Soviet naval expansionism in the North Pacific. To this end, the Republic of Korea has been urged to establish closer ROK-Japan security cooperation, particularly in the area of joint naval security. Nevertheless, such a move—if it is seriously being planned—will face fierce political opposition in both Korea and Japan; and prospects for any significant naval cooperation between these two countries seem limited, not to mention the practical constraints on any wide-scale coordination of maritime security by American, Korean, and Japanese naval assets.

¹⁰Dong-woon Cho, "ROK-U.S. Naval Cooperation: History and Prospects," paper presented at the fourth annual Conference of the Council on U.S.-Korean Security Studies, November 17, 1988, Honolulu, Hawaii, pp. 21-22.

¹¹Ibid., p. 26.

Defense Burden Sharing: Issues and Challenges

Burden sharing first became an issue in the U.S.–ROK relationship in 1971 when 20,000 U.S. ground troops (the Seventh Division) were withdrawn from South Korea. Since that time, South Korea has been asked by the United States to contribute a larger share of the common defense burden, especially owing to the ROK's spectacular economic growth since the 1960s. The burden (or cost) sharing debate has gained particular ascendancy in the last few years in the United States given the prevailing impression that allied forces of the United States should contribute a larger share to defense spending. At the same time, as Senator Carl Levin's April 1989 report indicates, there will be increasing moves on the part of the U.S. Congress to curtail its military presence in Korea and elsewhere as a cost-cutting measure.¹²

The rationale for withdrawing additional U.S. forces from South Korea has remained fairly consistent. For instance, at the time of the 1971 withdrawal, the troop reduction was justified on the following grounds: (1) The United States should not be automatically involved in another land war in Asia. (2) South Korea's strategic importance, though considerable, was less than that of Japan. (3) The Soviets and the Chinese would place pressure on North Korea to take on a more flexible and less belligerent posture toward the South. (4) South Korea's growing economic performance could well pick up the slack in terms of weapons systems needed by the ROK armed forces. (5) The United States could still support the ROK with aerial and naval forces.

Although these points were made nearly two decades ago, similar arguments have been made more recently, and several analysts in the United States have argued that it is economically unsound for the United States to continue to maintain some 40,000 U.S. forces in South Korea. As Senator Levin has noted: "The question we face is not whether to reduce some U.S. forces abroad, but how and where to start, and how to proceed without damaging our security in the process. . . . I believe we could start to withdraw forces in small, modest increments quite soon, so long as it is clear that we will leave in Korea sufficient forces to demonstrate our

¹²In addition to Senator Levin, Senators Dale Bumpers and Bennet Johnston have also called for a phased reduction of U.S. forces in Korea. They introduced a bill in September noting that 10,000 U.S. troops should be withdrawn by the end of 1992. This bill, however, was voted down in favor of a resolution sponsored by Senator Ted Stevens and Daniel Inouye adopted September 27, 1989, wherein the Bush administration was asked to submit a detailed report on the status of the USFK by April 1990.

continuing security commitment to South Korea. I am also convinced there is a possibility to accelerate the withdrawal of U.S. forces.”¹³

At the same time, the CATO Institute issued a report in November 1987 calling for the immediate withdrawal of U.S. forces from South Korea and noted also that Korean security could be enhanced with greater collaboration with Japan.¹⁴ Nevertheless, such an assessment fails to take into serious consideration the overriding political obstacles in any formalization of Korean–Japanese security policy.

Turning more specifically to the cost sharing issue between the United States and the ROK, the direct cost to the United States for stationing its forces in the ROK is about \$2.6 billion per year, which includes the costs of maintaining and equipping the forces and bases throughout South Korea.¹⁵ What is usually not mentioned, however, is that South Korea assumes additional direct and indirect costs for the USFK. For instance, the USFK bases throughout Korea comprise about 0.33 percent of the total land in the ROK; and although the ROK government owns this land, under the conditions outlined in the SOFA, the lease is free of charge. (Estimated cost in terms of loss of revenues from this area alone comes to \$1.2 billion per year.)¹⁶

In addition to the free lease of the USFK bases, the ROK also assumes a number of other costs in the form of manpower, maintenance, contributions to the Combined Defense Improvement Program (CDIP), use of ROK armed forces bases, and tax exemptions. All told, according to Seoul’s calculation, South Korea contributes some \$2.1 billion. At the same time, the United States has continued to point out that of the \$2.1 billion the ROK government insists it uses for the overall presence of the USFK, only \$350 million is provided by the ROK government from its central budget. Nevertheless, “rather than being identified as a wealthy ally, freeloading on the American taxpayer, South Korea sees itself as a conscientious partner in the alliance, meeting its share of the burden.”¹⁷

The cost sharing issue first emerged as an important agenda item in the aftermath of CFC creation in 1978 when military grant assistance was terminated and the ROK was being supported by the FMS program (which,

¹³Report of Senator Carl Levin, U.S. Information Agency, Seoul Office, June 9, 1989, pp. 3–4.

¹⁴Dong Bandow, “Korea: The Case for Disengagement,” *Policy Analysis*, no. 96 (December 8, 1987), p. 11.

¹⁵Based on figures cited by Larry Niksch of the Congressional Research Service.

¹⁶*Dong-A Ilbo*, March 1, 1989.

¹⁷General Jack A. Merritt (USA Ret.), “ROK–U.S. Defense Burdensharing,” paper presented at the CSIS/KIDA Conference, September 11–13, 1988, Seoul, Korea, p. 14.

in turn, as noted, was phased out in January 1987). At the present time, the cost of maintaining the CFC is kept at a roughly 6:4 ratio, with the United States assuming the larger share. (From time to time, this arrangement extends to the extreme because all Korean members attached to the CFC have to use Korean-made office supplies, and U.S. members use American-made supplies.)

With the termination of the FMS grant in 1987, the United States began to apply more pressure on the ROK to assume a more equitable share of the defense burden, although a number of factors contribute to whether the ROK government is willing to undertake a greater financial contribution. On the occasion of the twentieth SCM meeting, which was held in early June 1988 in Seoul, the United States called on the ROK to undertake specific steps to enhance the ROK's share, including the two following areas: (1) to increase the ROK's share of the defense burden by \$40 million per year from 1989 to 1991 and (2) to provide an annual \$50 million for U.S. naval air attachment in Northeast Asia for maintenance fees.

During the more recent twenty-first SCM, which was held July 17–20, 1989, in Washington, the ROK government noted that, for its part, South Korea would continue to bolster its share of the common defense responsibility. However, the Korean delegation also pointed out that any future increase in the ROK's financial contribution would be based also on the performance of the economy.¹⁸

There is also a difference in perception between Korea and the United States on the defense burden or cost sharing issue. Koreans view the issue primarily from an economic perspective and have consistently maintained that they do not foresee a greater regional defense role; the United States has signalled the desirability for ROK forces to assume a more positive role on regional defense. Washington's request that Korea contribute to the peacekeeping mission in the Gulf, together with the extension of economic aid to the Philippines—which Seoul turned down—suggests that the United States is more eager for the ROK to expand its security role. At the same time, Seoul continues to abide by a more narrow definition of defense cost sharing.

The United States thus maintained that the ROK should increase its share in the CDIP to \$600 million over the next four to five years, eventually to contribute some \$200 million for servicing U.S. air assets in Northeast Asia. The initial request from the U.S. side for Korea to undertake a larger share in the servicing of its aircraft based in Japan and Korea was based on the connection of the U.S. contribution to the protection of sea

¹⁸*Korea Herald*, July 20, 1989.

lanes of communication, particularly with respect to the Middle East region, given that Korea receives the bulk of its oil from the Gulf states. After protracted negotiations, the ROK finally agreed to undertake greater costs for U.S. air attachments in Northeast Asia.¹⁹

As noted, the cost of maintaining the USFK is not prohibitively expensive, especially when compared to the NATO and U.S. forces in Japan costs. At the same time, as General Louis C. Menetrey, CINCUNC and CINCUSFK, stated before the U.S. Senate Subcommittee on Defense, Committee on Appropriations in February 1989, "In macroeconomic terms, the ROK's contribution to our common mission compares favorably with the best efforts of our NATO allies and Japan. . . . In real terms, the ROK defense budget has increased during the last 10–15 years far more than that of any other ally of the U.S."²⁰ However, a more important consideration lies in the new constraints U.S. policymakers face, such as the overall reduction in U.S. defense outlays along with defense cuts already introduced during the second term of the Reagan administration, as well as a cut in foreign military assistance.

In May 1988, then U.S. Deputy Secretary of Defense William Taft met with his ROK counterparts in the Ministry of National Defense to discuss a number of issues, including the possibility of Korean contributions to the U.S. peacekeeping effort in the Persian Gulf. More important, the ROK was forced to agree to examine ways to increase its contribution to the combined defense costs. As of 1987, the ROK defense cost sharing was 12 times as high as that of the Federal Republic of Germany, 4 times as high as that of the United Kingdom, and 6 times as high as that of France. In 1988, the ROK also posted a larger portion of the host nation support burden in relative terms in comparison with much wealthier countries such as Japan and West Germany. Beyond such essentially economic considerations of the defense burden, the ROK has been increasingly asked by the United States to look into "strategic defense burden cost sharing." This aspect focuses on an enhanced security cooperation program among the ROK, Japan, and the United States.

With a predicted decline in U.S. power projection capabilities in the Pacific Asian region, it is only a matter of time before the United States formally proposes some form of more direct security collaboration between Korea and Japan. At its heart, such a proposal presupposes that there

¹⁹*Dong-A Ilbo*, March 7, 1989.

²⁰Statement by General Louis C. Menetrey (U.S.A.), CINC United Nations Command and U.S. Forces Korea, U.S. Senate Subcommittee on Defense, Committee on Appropriations, February 23, 1988, p. 16.

currently exists enough political support in both Japan and Korea to move incrementally toward a more consolidated common defense posture. Nevertheless, it remains very much in doubt whether the ROK and Japan's defense and political elites would ever seriously ponder such a direct and bilateral framework.

The OPCON Issue within the CFC

With increasing vigor and frequency, the ROK has called for changes in the operational control between the two forces. To date, negotiations have been extremely slow, given the multiple dimensions of any changes in the existing command structure. Although there are certain justifications for the gradual transfer of operational control to the ROK, the greatest stumbling block is a political/legal one in that the United States at the present time considers it untenable to have its forces under the operational control of an allied commander.

The CFC, which was set up in 1978 to offset the declining role of the United Nations Command (UNC) in the ROK as well as to better coordinate the combined operations of the two forces in peace and wartime, has been built institutionally for a semblance of equality rather than efficiency. For example, the head of the CFC is always an American general with a deputy commander, and this Korean–American bicommand structure is evident throughout the various CFC offices and bureaus.

On the Korean side, a key consideration in recent years has been the rising political sentiment against the prolongation of the American operational control of Korean forces earmarked to the CFC. This problem has been compounded by the increasing anti-American sentiment within Korea, most pronounced in the student movement and the opposition forces both within and outside of the National Assembly. Beyond such political issues, the Koreans have long insisted that it is no longer appropriate for the United States to retain full operational control over ROK forces when South Korea has evolved into a major regional presence. Such nationalist sentiments are very much in evidence even within the armed forces, although it is also a truism that should the United States eventually transfer operational control to the Korean side, other outstanding issues would remain to be solved.

For example, officials in the Ministry of National Defense have asserted that one of the most critical elements of the CFC is the intelligence provided to the ROK armed forces. In the event that the ROK assumes a greater share of the command responsibility, it is logical that the United States would be less willing to share highly sensitive and necessary intelligence information with the Koreans. Of particular importance is the need for U.S. surveillance intelligence in the context of assessing North

Korean troop movements and intrusion of Korean airspace (Korea Air Defense Integrated Zone) by North Korean aircraft.²¹

Based at Osan, the USFK operates the Tactical Air Control Center (TACC), which is responsible for aerial surveillance around the Korean peninsula. For the Koreans, a step-by-step gradual transfer of operational control to its side would begin a gradual diminution of intelligence assets it receives from the United States. Furthermore, even if the United States would maintain the intelligence platform in the hands of the ROK, analysts in the defense ministry have noted that the ROK simply does not have the trained personnel to fully utilize such a site.

At the present time, the CFC has three field armies deployed along the DMZ, each with two or three ROK army corps. The Third ROK Army and First ROK Army are commanded by Korean four-star generals and have only ROK forces on a day-to-day basis. Between these two ROK flank armies is the ROK/U.S. Combined Field Army (CFA) commanded by an American three-star general commensurate with his role as commander of the U.S. Second Infantry Division.

The Air Component Command (ACC), whose commander is also the commander of the U.S. Seventh Air Force and the nominal air component of the USFK, in time of war consists of all USAF and ROKAF wings operating from bases in Korea. The Naval Component Command (NCC), consisting of the ROKN's three coastal fleets and the ROK's Marine Corps Divisions, is commanded by an ROK vice-admiral; the latter may come under one or the other field armies or corps in peace or war. There is also an ROK/U.S. Combined Unconventional Warfare Task Force (CUWTF) and an ROK/U.S. Aviation Force.

The ROK government has agreed that CINC CFC has a day-to-day operational control of the ROK forces for the mission of defense against a North Korean invasion. Not under the CINC CFC operational control but supporting his forces in war would be the U.S. Seventh Fleet, B-52 bombers of SAC in Guam, the Second ROK Army, which is responsible for rear defense, the ROK Army's Logistics Command, the U.S. and ROK military intelligence apparatus, and various other military, paramilitary, and civil forces.

In 1978, the CFC was created to supplement the "jointness" of U.S.-ROK combined forces operations.²² Beyond the military rationale for

²¹Lieutenant General John H. Cushman, "Command Arrangements in Korea: Issues and Options," paper presented at the CSIS/KIDA Conference, September 11-13, 1988, Seoul, Korea, p. 14.

²²For additional details on the CFC, see Taek-Hyung Rhee, *US-ROK Combined Operations: A Korean Perspective* (Washington, D.C.: National Defense University Press, 1986).

creating the CFC, another major factor was the declining utility of the UNC, which was created during the outbreak of the Korean War. Although the UNC still functions, its role has been virtually superseded by that of the CFC. With the creation of the CFC, the Third ROK Army's Capital Corps was assigned the westernmost section of the DMZ, the area covered by the I Corps (ROK/U.S.) Group Sector. Two years later, I Corps was redesignated as the Combined Field Army (CFA); and in 1984, in an effort to enhance the Third ROK Army's role, the commanding general of the Third ROK Army was made responsible for fully half of the former western sector. Therefore, the former I Corps Group sector was now split between two field armies, and three field armies today defend the DMZ.

With the formal launching of the CFC in 1978, Seoul and Washington agreed to converge all operational staff under the wing of the CFC over the UNC. The CINCCFC reports jointly to the senior national command military authorities (NCMAs) of the two countries, each nation's president, and the secretary minister of defense. A mechanism known as the ROK/U.S. Military Committee provides strategic guidance to the CINC, responsive to the basic decisions of the two presidents and their respective defense ministers. In addition to the positions of CINUNC and CINCCFC, the U.S. commander in Korea is also (1) commander, Ground Component Command of the CFC; (2) commander, Ground Component Command of the UNC; (3) commander, U.S. Forces Korea (the USFK is a U.S.-only "sub-unified command" of the U.S. Pacific Command under CINCPAC); (4) commanding general, Eighth U.S. Army (EUSA); and (5) senior U.S. military officer in the ROK.

The complex command structure and operational arrangements have been shaped by essentially three channels of communication. Two of these are the Korean and American political-military decision-making structures—their respective defense ministries and joint chiefs of staff and their military services. Within each nation, the parties to decision making each have their own agendas and interests, which must be reconciled. The third forum, and an important bilateral decision-making authority, is the annual SCM. After the twenty-first SCM in July 1989, a dozen agenda items on the command arrangements were reported to have been discussed, and only a few were resolved, with the rest deferred for further study.

Over the longer term, another tricky variable lies in the future direction of South–North negotiations, as well as the future status of the USFK. Under the assumption—although unlikely any time in the near future—all ground component elements of the USFK are withdrawn, it is possible that only the USAF tactical air and some logistics command and control (including intelligence) would remain. The United States could then

create a "Northeast Asia Command," a subunified command, more autonomous perhaps than most such commands, headed by a four-star officer who holds the title of CINC but still under CINCPAC.

Some of the steps that could be taken include placing the bulk of the American forces based in Korea, including all USAF squadrons and the Second Infantry Division, under the operational control of the CINCCFC because this would eliminate the most evident inequity in the ROK/U.S. command arrangement. The next step—which was already considered by the 1988 SCM but its decision deferred—would be to enlarge the responsibilities of the ROK deputy commander by making him the commander of the Ground Component Command.

At the same time, the Third ROK Army could be assigned the entire western sector, and CFA could be dismantled. This may be much sounder operationally than the present arrangement, in which the western sector of the DMZ is split between the two field armies. The CFA commander and the ROK/U.S. staff could become part of the new GCC's staff, and the CFA commander could become deputy to the ROK GCC commander. In summary, it seems as though the command issue will not be resolved in the near future. Analysts in and out of South Korea have looked into four options: (1) continue at present with CINCCFC directing the defense of the Republic of Korea; (2) maintain the CFC as war fighting headquarters, but with an alternating ROK–U.S. commander; (3) convert the CFC to a planning headquarters with an alternating U.S. and ROK commander, which would become operational during exercises and contingency situations; (4) eliminate the CFC, and place the USFK in a support role to the ROK armed forces.²³

The operational control issue could also be impacted by any future movements between South and North Korea regarding the armistice agreement. Should this accord be replaced with a peace treaty between the two Koreas, it is logical that the United Nations Command and its peace-keeping mission would be nullified. Under this condition, only the binational U.S.–ROK command structure would remain, with the possibility of greater ROK control over its forces. Politically, however, the United States has also come under increasing pressure to clarify the current U.S.–ROK operational control status, particularly in light of the recent inquiry to the U.S. government by the South Korean National Assembly on the role of the U.S. commander during the Kwangju incident of May 1980.²⁴

²³Karl D. Jackson, "The Republic of Korea–U.S. Security Relationship: Evolution and Endurance," *Korean Journal of Defense Analysis*, vol. 1, no. 1 (Summer 1989), pp. 52–53.

²⁴*Chosun Ilbo*, October 23, 1989.

In summary, the ROK government is likely to continue to insist on a greater role in the CFC structure, such as rotating the CFC command, although the specific components of the forces under the CFC could be put under the control of either an American or Korean commander or under a joint command structure. Given the very nationalistic outlook of the Korean officer corps, there is going to be an increasing call for greater operational participation in the CFC structure. For the ROK, it stands to reason that over the long run, it will retain more operational control over its own forces as a step toward a greater "Koreanization" of its defense posture. Nevertheless, the United States will not easily transfer operational control at the present time until and unless there is a perceived need for such a move within the U.S. Department of Defense and/or the respective services. Discussions on this subject will gather increasing momentum in the period ahead, but no solution that would fully satisfy the demands of both countries is in sight.

Implications for Future Korean Security

Over the next few years, the presence of U.S. forces in Korea is likely to emerge as a major political issue based on three broad trends. First, as democracy takes root in South Korea, the overall security issue will come under greater scrutiny in the National Assembly, the media, and the public at large. Second, as South Korea continues to post a favorable economic growth rate together with a trade surplus vis-à-vis the United States, the U.S. Congress will apply more pressure for a graduated withdrawal of U.S. forces, if not a substantial increase in the South Korean contribution for the maintenance of the U.S. forces in the ROK. And third, there will be calls for arms reduction measures between South and North Korea, especially as arms control emerges as a potent political issue in South Korea. Although a mass-based peace movement (inclusive of an antinuclear movement) akin to the demonstrations in West Germany or England in the early 1980s has yet to unfold in South Korea, such a development—albeit on a reduced scale—may well emerge within the next decade.

Based on these parallel trends, pressure will also be exerted on the ROK as its ties with the Soviet Union, the PRC, and Eastern Europe begin to increase with specific gains made on the basis of South Korea's policy of *Nordpolitik*—otherwise referred to as "northward diplomacy" or "northward policy"—such as the establishment of diplomatic relations with Hungary in February 1989 and Poland in November 1989. However, it remains to be seen just how South Korea's enhanced ties with the socialist bloc will contribute to its security. Although there are positive aspects to South Korea's northward diplomacy, there are also risks entailed in any rapid and significant expansion of ties with the USSR and the PRC.

The ROK's efforts to increase all levels of contacts with Moscow and Beijing are a welcome trend. Given the Soviet and Chinese interests in preserving stability on the Korean peninsula, it stands to reason that as South Korea seeks to broaden its discussions with the two Communist powers, it may well serve to lessen the tension on the Korean peninsula. Nevertheless, it would be naive to assume that Soviet strategy under Gorbachev does not seek to strengthen Soviet interests globally as well as regionally.

For instance, Soviet–North Korean military cooperation since the mid-1980s has increased significantly with the delivery of up-to-date weapons systems such as the SCUD (subsonic cruise unarmed decoy)-B SAM (surface-to-air missile), MiG-29 combat aircraft, as well as North Korea's greater adaptation of Soviet military doctrine such as the role of the operational maneuver groups (OMG). Seen from this perspective—not to mention the overflight rights the Soviets have secured from North Korea—it stands to reason that the USSR's overtures to South Korea are but one aspect of Soviet strategy on the Korean peninsula. As the domestic political situation fluctuates within South Korea, particularly in terms of the defense consensus, the Soviets are likely to take advantage of such a transitional phase. Although Soviet policy under Gorbachev has undergone a sea change, it remains to be seen whether his initiatives in Europe are applicable to the Pacific theater.

What, then, are the implications for the U.S.–ROK alliance in general and the status of U.S. forces in South Korea? First, Moscow will exploit to its full advantage the fluctuating political environment in South Korea in an attempt to contribute to a cleavage between Seoul and Washington. Second, as security and defense issues in South Korea become increasingly politicized, the defense consensus within South Korea cannot but become pluralized. Third, although none of the current political parties has called for a major diminution in the U.S.–ROK alliance (especially the status of the USFK), this is also bound to change with the potential emergence of more radical and progressive political parties. Fourth, alliance management requirements between Seoul and Washington will be impacted by the developments noted previously, which may have the residual effect of an increasing call on behalf of the U.S. Congress to reduce the presence of U.S. forces in the ROK.

Such an assessment may appear to be particularly pessimistic, but the evolving political environment certainly does not retain the characteristics of the alliance of years past. However tempting it maybe to criticize the presence of the USFK, it has clearly contributed vitally to South Korea's peace since the end of the Korean War. The alliance has matured across all fronts, and it is a political imperative for both parties to seriously address

some of the issues that have emerged over the last few years. At the same time, if the domestic situation evolves to such a point that the United States will feel compelled to withdraw its forces in an incremental process, there is little doubt that Japan will eventually fill the vacuum left by the United States. Such a turn of events cannot but be perceived with anxiety on the part of South Korea.

Just as the U.S.–NATO relationship has matured to the point where political give-and-take is now a routinized form of the trans-Atlantic alliance, the U.S.–ROK alliance is also moving in that general direction. A key consideration, therefore, lies in the ability of the policy-making community in Seoul and Washington to prepare for the changes already evident in the bilateral relationship. Into the 1990s, the inter-Korean strategic balance is expected to reach parity; assuming that South–North Korean relations improve (particularly in the post–Kim Il Sung leadership), there may no longer be a need for a substantial presence of U.S. forces in the ROK.

In an effort to resolve some of the more outstanding issues between the two countries, President Roh embarked on a five-day visit to the United States from October 15 to 20, 1989. Although the Bush administration reaffirmed its pledge not to undertake any hasty troop withdrawal, press reports noted that several high-ranking U.S. officials had remarked that the U.S. security guarantee to Korea should not be construed solely on the basis of the troop level.²⁵ In other words, although President Bush remains firm in his belief that a substantial reduction in the strength of the USFK is unjustified at the present time, it was inevitable for a token reduction to take place in the near term, particularly in order to assuage pressures from the U.S. Congress.

A Department of Defense report, *A Strategic Framework for the Asian-Pacific Rim: Looking Toward the 21st Century*, presented to the U.S. Congress in April 1990 noted that the USFK would be “streamlined” (i.e., there would be a phased-out withdrawal within the next ten to fifteen years). Specifically, this report stipulates the desirability of greater mission specialization by the ROK forces and the withdrawal of some 2,000 USAF and 5,000 U.S. Army personnel during the first phase (1991–1993). By the end of the first phase, the North Korean threat would be reevaluated and a restructuring of the U.S. 2nd Infantry considered in the second phase (1993–1996). Finally, during the third phase—assuming that planned withdrawals are completed on schedule—a limited number of U.S. forces would remain in the ROK for deterrent missions. All told, the Bush

²⁵*Dong-A Ilbo*, October 22, 1989.

administration has clearly indicated that the USFK will have to be restructured quite significantly.

At the same time, with the visit of former Assistant Secretary of State Gaston Sigur to Pyongyang in late October 1989, the United States seemed to signal its willingness to continue to meet North Korea at least halfway. Should a trend in the thawing of North Korean–U.S. relations continue, Washington will probably feel the need to reassess the strategic value of the USFK. To be sure, Washington has also expressed concern over the potential development of nuclear weapons capability by North Korea, and the Bush administration will certainly not take any measures counterproductive to the maintenance of a credible deterrent posture on the Korean peninsula. However, given Pyongyang's desire to seek direct talks with the United States, even a marginal improvement in ties—coupled with a more flexible response from the North Korean leadership—may not necessarily augur well for the longer term presence of the USFK.

In the final analysis, until a politically viable framework of inter-Korean relations can be formed, the rationale for maintaining a credible deterrent posture by the ROK will not be diminished. A fundamental breakthrough in South–North relations may ultimately result in a diminution of the role of force in the inter-Korean balance, but prudence—and ample historical evidence—dictates that any attempt to unilaterally downgrade one's defense capabilities, whether through external coercion or internal pressure or a combination of the two, cannot but lead to discord and, ultimately, capitulation.

9. The Question of U.S. Forces on the Korean Peninsula

SUNG CHUL YANG

Major changes in mutual perception and policies in South Korean and American relations are occurring. They may be called “growing pains,” “a little buddy grows up” syndrome, or simply the necessary and natural readjustment process in response to rapidly transforming political, economic, and military relations, not only in bilateral contexts but also in regional and global milieus. Not all the signs and symptoms are positive; some are explosive and may even be perilous unless they are handled with prudence and care. The issues and problems besetting the two nations are wide ranging. Some chronic and recurrent controversies (like U.S. responsibility for Korean division) are still highly charged emotionally. Worse still, allegations of U.S. responsibility for perpetuating the division and supporting military dictatorship in South Korea as a part of “the U.S. imperialist scheme” are die-hard. South Korea’s inordinate military, academic, and intellectual dependence on the United States are also polemical in the same vein.¹ There are also more immediate and pressing matters, including the following:

- U.S. concerns over the speed and the scope of South Korean pursuit of *Nordpolitik*
- the withdrawal (or, more accurately, reduction) of U.S. forces in South Korea

My deep appreciation is extended to Mr. Kim Kwang Ho, USIS Library in Seoul, for supplying me with pertinent materials for this chapter. I also acknowledge the prompt assistance of my assistant, Kim Chang Hee.

¹For example, according to a survey of 13 Seoul universities, including Seoul National, Yonsei, and Korea universities, there were 171 economics professors. Among the Ph.D. holders, 116 or 72 percent received their degrees from the United States. Similarly, there are 145 senior researchers in the five government research institutes, including the Korean Development Institute (the KDI) and the Korean Land Development Institute. Of the 117 of these with doctorates, 90 or 77 percent obtained their degrees from the United States. The KDI’s 38

- the controversy over U.S. tactical nuclear weapons deployment in South Korea²
- the question of the Combined Forces Command (CFC) U.S. commander's power of operational control over some South Korean military forces³
- the revision of CFC organization and function
- the revision of the 1966 Status of Forces Agreement (SOFA) between the U.S. and the Republic of Korea
- the revision of the U.S.–Republic of Korea (ROK) Mutual Defense Treaty
- the revision of the Korean War Armistice Agreement

doctorates, for instance, received their degrees from the United States. According to the Republic of Korea Ministry of Education statistics, from 1952 to 1980, 53,128 Korean students went to study abroad, of whom 35,394 or 67 percent went to the United States (quoted in *Hangjuk Ilbo* in February–March, 1989). As of 1988, the Korean Political Science Association had 743 members, of whom 433 responded to the association survey. Out of 333 doctorate holders, 139 or 41.7 percent received their degrees from the United States; 151 or 45.3 percent received their doctorates from universities at home. For details, see Sung Chul Yang, “The Current State of the Korean Political Studies,” *Korean Political Science Review* (in Korean) (1987), pp. 95–110.

²According to Gregory Henderson, there are some “600–700 nuclear warheads under U.S. control, notably at the Kunsan Air Base. Most warheads are for artillery or airborne weapons, but 21 are atomic mines (‘dirty’ weapons), which must be placed south of the DMZ.” He also warned of the dangers of South Korea’s growing number of nuclear power plants—12 completed or under construction. See his column, *Far Eastern Economic Review* (September 24, 1987), pp. 36–38. See also Doug Bandow, “Korea: The Case for Disengagement,” *CATO Policy Analysis* (1987), p. 5. Meanwhile, the *Korea Times* (July 6, 1989) reported, “Judging from the nuclear facilities detected by [U.S.] satellite cameras, the experts were quoted as saying that the North is preparing for the production of nuclear weapons in several years.”

³Recently, Karl Jackson proposed four alternative modes of operation for CFC:

Option 1: Continue as at present with CINCCPC directing the defense of the Republic of Korea.

Option 2: Maintain CFC as the warfighting headquarters, but with an alternating ROK–U.S. commander.

Option 3: Convert CFC to a planning headquarters with an alternating ROK and U.S. commander that would become operational during exercises and contingency situations. Under such an arrangement, the forces of both countries would be chopped to CINCCFC at some agreed-upon defense condition.

Option 4: Eliminate CFC and place USFK in a support role to the ROK armed forces.

For details, see Karl D. Jackson, “The Republic of Korea–U.S. Security Relationship: Evolution and Endurance,” *Korean Journal of Defense Analysis* (Summer 1989), pp. 43–58.

Senator Carl Levin (D-Mich.) suggested that the United States should “create a new Ground Forces command under the CFC (to complement the Naval Forces Command and Air Forces Command) and place the Korean general in charge of that position.” For details, see Senator Levin’s “Report on U.S. forces in ROK,” June 9, 1989.

- the controversy over the Team Spirit exercises⁴
- the relocation of U.S. military facilities from Seoul, including the Yongsan golf course and bowling establishments and the shopping and entertainment areas of Itaewon⁵
- American Forces Korea Network (AFKN) TV broadcasts
- a more equitable defense burden sharing of the roles, risks, and responsibilities⁶
- alleged U.S. implications in the May 1980 Kwangju uprising⁷
- trade issues and the “Super 301” section of the U.S. Omnibus Trade and Competitiveness Act of 1988

In this chapter only the South Korean–U.S. mutual perception and policy changes with respect to U.S. troops on the peninsula will be closely and extensively probed. In so doing, some objective factors as well as South Korean people’s shifting perceptions of the image of America in general and U.S. forces in Korea will be examined. Also, varying perceptions and conflicting interests on the presence of U.S. forces in Korea held, respectively, by both North and South Korea and four major powers—the United States, the Soviet Union, China, and Japan—will be identified and compared. Finally, a set of policy recommendations will be proposed for better and improved Korean–American relations.

⁴For number of Korean and U.S. forces involved in the Team Spirit exercises, see data released by the U.S. Eighth Army and quoted in *Hankuk Ilbo*, February 28, 1989.

⁵U.S. and Korean military authorities have reached a formal agreement to transfer a U.S. military base from central Seoul to an outlying area by the mid-1990s. They also agreed that the Eighth U.S. Army golf course (264,000 square meters) will be returned in 1990. The total areas headquartered by the U.S. military forces since February 24, 1952, are about 2.8 million square miles (270 hectares or 755 acres). For details, see the *Korea Times* (May 3, 1989).

⁶According to a report, South Korea’s latest total cost sharing amounts to \$1.9 billion per year in direct and indirect support. Direct support amounts to \$300 million in budget expenditures, much of it for logistics services, operations, and maintenance for combined headquarters and other activities and construction projects. Indirect support amounts to about \$1.6 billion, consisting of approximately 100 square miles of land. From 1974 through 1988, the ROK government has provided \$768 million in Combined Defense Improvement Projects (CDIP) (“every dollar Korea spends, the U.S. spends about 16 cents in CDIP”). For details, see statement by General Louis C. Menetrey before the Subcommittee on Defense, Committee on Appropriations, United States Senate, February 23, 1989.

⁷The U.S. government statement for the South Korean National Assembly special Committee on Kwangju released on June 22, 1989, reported, among other things, that “the U.S. had no prior knowledge of the deployment of Special Warfare Command forces to Kwangju nor responsibility for their actions there.” For details, see *United States Government Statement on the Events in Kwangju, Republic of Korea, in May 1980—Background* (June 19, 1989).

External and Internal Political Parameters

Globally, whether it is called an advent of the post-cold war era or new détente, U.S.–Soviet, U.S.–Soviet–Chinese, and NATO–Warsaw relations are changing for the better. The successful conclusion of the Intermediate Nuclear Forces (INF) Treaty, the progress made in Conventional Forces in Europe (CFE), and the recent resumption of the Strategic Arms Reduction Talks (START) are cases in point. A new paradigm change from the cold war era to that of post-cold war globalism is indeed in the making. The Soviet Union's internal nationalistic upheavals in the Baltic and Soviet Asian republics and China's recent bloody suppressions of the democracy movement notwithstanding, Soviet and Chinese external relations are basically intact, although American and Western European relations with China in particular have cooled considerably after the recent turmoil.

Perhaps, despite this paradigm change, the Korean peninsula continues to be the lone island of the cold war. It is true that under the tacit agreement, especially in light of President Roh Tae Woo's July 7, 1988, announcement, the ideas of cross-contact and cross-recognition are being actively yet cautiously tested by the United States and Japan vis-à-vis North Korea.⁸ Meanwhile, under the banner of *Nordpolitik*, South Korea has been much more aggressive and active in improving its relations with China, the Soviet Union, and the Eastern European countries.⁹ In 1989, Hungary and South Korea established full diplomatic relations, and other Eastern European countries will soon follow suit.

Domestically, these global and regional readjustments notwithstanding, political and policy changes in North Korea have been minimal. As long as the Kim Il Sung–Kim Chong Il father-son succession line persists, major shifts in North Korean politics and policies comparable to Gorbachev's *perestroika* and *glasnost* and Deng Xiaoping's economic reform are almost unthinkable (the short-term and long-term effects of the recent Thirteenth World Youth Festivals held in Pyongyang, in which some

⁸In his recent testimony before the U.S. Senate Foreign Relations Committee, Richard Solomon acknowledged that "in support of Roh's policies, and with the aim of reversing the North's isolation, we ourselves have begun modest contacts with North Korea, including three meetings in Beijing between political counselors and an easing of trade restrictions." See his "The Challenge of Success: An American Agenda for East Asia in the 1990s," June 12, 1989.

⁹For example, South Korea's trade with China in 1983 was \$122 million. Five years later in 1988 it was estimated to be \$3.1 billion. South Korea's trade with the Soviet Union, including Eastern European countries, in 1983 was \$119 million, but in 1988 it was estimated to be \$550 million. North Korea's trade with China was \$524.6 million in 1983 and \$513.2 million in 1986. North Korea's trade with the Soviet Union was \$870 million in 1983 and \$1.72 billion. Data from KOTRA (Korea Trade Promotion Corporation), JETRO (Japan External Trade Organization), and the Economist Intelligence Unit.

20,000 foreigners participated, are worth close scrutiny because it was the first such massive foreign visitation since the founding of the “encapsulated” Democratic People’s Republic of Korea).

By contrast, South Korea is undergoing a transition from authoritarian rule to more democratic and increasingly pluralistic politics. Specifically, South Korea’s democratic development lies somewhere between an anti-authoritarian (the “shouting”) stage and a deauthoritarian (the “experimental”) stage. Thus, the country is still far away from reaching the final democratic stage. A full-fledged democracy in South Korea will be realized only when both the governing group and the opposition forces, including the so-called Coalition for a National Democratic Movement, formed on January 22, 1989, meet three minimal conditions: (1) to uphold democratic belief systems (or, to use the political science parlance, when they become *socialized* democratically), (2) to advocate democratic values and ideas, and (3) to act in accordance with their democratic belief systems and advocacy. Unfortunately, they do not at present. Both the governing and the opposition groups advocate democracy, and there are indeed some signs of the opening up of their authoritarian closed minds, not to mention a number of moves toward democratization. But such signs and moves are still tentative and experimental. In essence, what we are witnessing now is not party politics but “party boss politics,” not parliamentary politics based on popular representation but extraparliamentary politics run by party bosses’ personal political associates and protégés.

To put it another way, the present Roh Tae Woo regime confronts a kind of double jeopardy (i.e., its governmental authority and leadership in maintaining law and order are low and ineffective; at the same time, South Korean people’s confidence and trust in the regime are also very low). If both the governmental authority and the people’s trust in government are either absent or dangerously low, such a political situation may precipitate political anarchy. If the governmental authority alone is effective, and the people’s trust in government is low or absent, then the rule tends to become dictatorial and authoritarian, thereby severely lacking legitimacy. Conversely, if the governmental authority is ineffective, and the people’s trust in government is relatively high, such rule tends to be weak and adrift. A regime is democratically strong and healthy only when both the people’s trust in government and the governmental authority’s upholding of legality and public safety are high. Ideally, in democracy, the two (people’s trust and political authority) should go in tandem and reinforce each other. The present Roh regime, however, lies somewhere between weak rule and anarchy. Chun Doo Hwan’s Fifth Republic and Park Chung Hee’s Fourth (“Yushin”) Republic were prime examples of dictatorship.

The Roh regime’s double jeopardy can be interpreted in two ways.

Positively, some analysts argue that the Roh regime must go through its current stage and that the present seemingly weak political steering is almost inevitable, if not necessary, to break away from South Korea's long-standing and deeply rooted authoritarian rule. Negatively, however, others contend that Roh's present political predicament is his own making. Specifically, he critically lacks political leadership. It appears that he has not, thus far, demonstrated a clear and convincing vision to lead the nation during his tenure as the "captain of the ship *Korea*." He has not convinced himself, let alone the people, that he is in charge and that he has a clear sense of history and of historical judgment as the ultimate decision maker, not just the crowd pleaser or a day-to-day political popularity contestant. He has not demonstrated his firm, decisive resolve. Worst of all, his recruitment and appointment of key political advisers and associates have been largely unsatisfactory. Being still surrounded by the key members of Chun's Fifth Republic, he has thus far failed to cut his umbilical cord off from the Fifth Republic.

Consequently, he has not resolved the two most critical political legacies of the Chun regime—the Kwangju uprising and the Fifth Republic's irregularities. In resolving these issues, one can raise the question: Can rats catch rats, while in China students and people claimed that even cats were too old to catch mice? Without dealing directly with these two problems, if the Roh government tries to divert or delay them by either pushing its foreign policy (*Nordpolitik*) or using security issues (North Korean military threats and political infiltration into the South), no matter how true and real they may be, such diversions may succeed temporarily; but the two unresolved issues will resurface to haunt him until they are dealt with. In short, Roh's northern policy toward China, the Soviet Union, and other Eastern European nations and his inter-Korean security politics should be an extension of his domestic politics or an external element of his overall political agenda. He must not use *Nordpolitik* or security issues or both to divert attention from, or delay the resolution of, the aforementioned critical domestic problems.

Korean-American Relations: A Backward and Forward Glance

Politically, as much as North and South Korea show a classic case of contrasts and contradictions, so do South Korean and American relations. America represents a textbook case of domestic political stability with the exception of a few periodic political turmoils such as the civil rights movement in the 1960s, the Watergate scandals, the Iran-contra hearings, and the internal political upheavals during the Vietnam War years. By contrast, South Korean politics has been more like a "politics of shocks"—

its domestic political stability has been an exception, its instability, the rule. The fact that after 202 years the first American republic (1787–1989) continues to exist while in just 40 years (1948–1988) six republics have been attempted in South Korea confirms this point. Even in France, it took 169 years (1789–1958) for the five republics.

America has only *amended* its constitution 26 times in 200 years, but South Korea has *adopted* entirely new constitutions 6 times (actually 9 revisions have been made thus far on the South Korean constitution). In 40 years, South Korea declared 12 martial laws and staged 2 military coups; but in over 200 years, America has had none, although the latter, too, experienced a bitter and destructive Civil War (1860–1864) like North and South Korea's fratricidal war (1950–1953). In short, South Korea's monoethnic politics of shocks, typified by a high degree of extremity, unpredictability, and instability, is a stark contrast to America's polyethnic politics of stability, characterized by a strong propensity toward moderation, predictability, and regularity.

Economically, South Korea has also been exceptional. Positively, whether it is called "the miracle of the Han River" or one of the four dragons or tigers, South Korean economic development has been phenomenal, at least since the mid-1960s. It has been one of the fastest growing economies in the world; and since the late 1980s, it has become a trade surplus nation. It may soon become a creditor donor nation. Negatively, however, South Korea's rapid economic transformation has also created a series of concomitant problems such as urban overcrowding and squalor, traffic congestion, pollution, crime, labor-management disputes, regional and sectoral disparities, and student radicalism.¹⁰

In terms of physical size, America (9,363,000 square kilometers) is nearly 96 times bigger than South Korea (98,000 square kilometers). The population of America was 7.3 times larger than that of South Korea in

¹⁰According to a recent survey by Korea University's Peace Research Institute and the *Hankuk Ilbo* (July 2, 1989), the South Korean public's perceptions of conflicts or conflictual factors in present-day Korea are as follows (the number is the percentage of people surveyed who identified each item):

- confrontation between workers and capitalists: 88.1 percent
- rich-poor gap between high income earners and low income workers: 87.8 percent
- gap between major cities and farming and fishing area: 84.4 percent
- confrontation between the governing party and the opposition: 78.5 percent
- confrontation between Yongnam and Honam regions: 78.4 percent
- discrimination gap between the well educated and those with little education: 74.3 percent
- ideological confrontations between the rightists and the leftists: 71.5 percent
- generational conflict: 55.7 percent
- sexual discrimination: 37.7 percent
- distrust between civilians and the military: 36.7 percent

1949, but it was 5.8 times larger in 1987. Above all, South Korea's economic growth, relative to America's, is conspicuous. In 1949, for example, America's national income was nearly 310 times bigger than South Korea's; in 1962, in terms of gross national product (GNP), it was 175 times bigger; in 1972, it was 119 times bigger; in 1982, it was 50 times bigger; in 1987, it was just 37 times bigger; and the trend has been South Korea's steady economic gain relative to the United States. This trend is also reflected in per capita income changes for both nations. In 1949, America's per capita national income was \$1,453; South Korea's was \$35. Thus, America's per capita national income in 1949 was almost 42 times greater than South Korea's. In 1962, America's per capita GNP (\$2,691) was 24 times bigger than that of South Korea (\$110). In 1972, it was 18 times bigger; in 1982, it was just 7.5 times bigger; and it is now about 6 times bigger. The trend again seems favorable to South Korea vis-à-vis the United States. Along with the changing political and economic relations between the two countries already delineated, South Korean people's perceptions of America have changed markedly in recent years, as reflected in various survey data.

According to the survey conducted by the Research Institute of Media and Culture at Sogang University (December 10–12, 1988) on the question of South Korea's economic relations with foreign nations (With which country should South Korea maintain the closest economic relationship?), China, not the United States, topped the list. Out of 1,504 respondents, 602 identified China (40 percent), and 425 people or 28.3 percent picked the United States. Although this survey was conducted before the 1989 Chinese upheaval, it is interesting to note that Korean people no longer perceived America as the closest economic partner, despite the fact that America *was* still Korea's biggest trading and economic partner.

On the question of South Korea's security relations (With which country should South Korea maintain the closest relationship for its national security?), 676 people or 44.9 percent chose America; thus, America is perceived to be South Korea's closest security ally. The question on South Korea's image of America is particularly noteworthy. The largest number (675 people or 44.9 percent) stated that America was once a good country, but it is not any more. Those who believe that America was and still is a good country constituted only 18.9 percent (284 people). On the question of U.S. forces withdrawal from South Korea, the respondents are fairly evenly distributed among three groups. Those who answered that U.S. forces should withdraw gradually from South Korea comprised about 38.1 percent (573 people); 33.8 percent (508 people) responded that they may stay if the United States turned its operational command control authority over to South Korea and paid rent for leasing its military bases.

The third group, who supported the maintenance of current troop levels, constituted 23.9 percent (359 persons), and those who supported the immediate withdrawal of U.S. forces from South Korea are only 3.6 percent (54 persons). On the question of South Korea's most serious economic problems, America's trade pressure ranked fourth—14.1 percent.

Although the phrasing of questions differs slightly from the Sogang data, the following *Joongang Ilbo* survey results (September 22, 1988) are comparable. On the question of improving North and South Korean relations (What is the most urgent task in improving North and South Korean relations?), only 1.9 percent indicated U.S. forces withdrawal. On a slightly varied question (What is the most important condition for the realization of genuine progress in North and South Korean dialogue?), U.S. troop withdrawal again constituted only 3.3 percent. Political stability, maintenance of South Korea's economic superiority, and democratization occupied 32.1 percent, 20.4 percent, and 20.2 percent, respectively. On the question of U.S. troop withdrawal, though phrased somewhat differently, the *Joongang* data differed little from the Sogang survey. Those who said that U.S. troops should not withdraw as long as hostile confrontations between North and South continue constituted 44.7 percent. Those who stated that American forces should withdraw someday even if hostile confrontations between the two continue were 34.3 percent. Those who believed that U.S. forces should withdraw gradually, beginning now, were 18.2 percent. Those advocating that American forces withdraw immediately were only 1.7 percent. America is also rated as the country that Korean people like the best, that influences South Korea the most culturally, and that South Korea needs the most for its national security and economic prosperity.

The data collected by the Institute of Peace Studies are also relevant. On the question of South Korea's relations with the United States, those who indicated that the relations between the two countries are somewhat optimistic and very optimistic were 30.3 percent and 12.1 percent, respectively. But the largest number of respondents—42.5 percent or 1,087 persons out of 2,539 interviewees—believed that there will be no substantial changes in the two countries' relations. Those who indicated both countries' relations are very pessimistic and somewhat pessimistic accounted for 2 percent and 12.5 percent, respectively.

On the question of the least liked country, the trend is rather disturbing. Among college students in 1977, the order was North Korea (61.3 percent), Japan (28.9 percent), China (4.2 percent), the United States (3.0 percent), and the Soviet Union (2.6 percent). But in 1986, the order changed dramatically. Japan topped the list (53.7 percent), followed by the United States (16.1 percent), North Korea (14.6 percent), the Soviet Union

(11.6 percent), and China (0.4 percent). Among Korean citizens, the ranking of the same questions differs substantially. In 1987, the order was Japan (35.8 percent), North Korea (34.9 percent), the Soviet Union (20.0 percent), the United States (4.1 percent), and China (2.1 percent). But in 1988, the order changed. Japan and North Korea, 39.6 percent and 32.9 percent, respectively, topped the list, followed by the United States (13.2 percent), the Soviet Union (12.4 percent), and China (1.8 percent). Moreover, a proportionately high number of people aged 21 to 30 tends to identify America as the least liked country. Likewise, in terms of education, high school and college students occupy a proportionately greater number of those identifying America as the least liked nation.

On the question of U.S. troops withdrawal, those who insist on the immediate troop withdrawal tend to be on the rise, from 5.5 percent in 1987 to 12.1 percent in 1988. Those who advocate the troops remaining until both Koreas reach military balance are on the decline, from 33.5 percent in 1987 to 25.9 percent in 1988. Particularly noteworthy here is the question dealing with South Korea's relations with the four major powers in the year 2000. America trails, having the least optimistic prospect of the four—China (73.2 percent), the Soviet Union (49.5 percent), Japan (44.5 percent), the United States (42.4 percent).

The most recent survey, by the *Hankook Ilbo* in cooperation with Korea University's Peace Studies Institute (March 15–April 30, 1989), reveals a number of interesting points. Of 2,250 respondents polled, 27.9 percent believed that America was primarily responsible for the outbreak of the Korean War, and America is still the most culturally influential in Korea (39.8 percent). America (33.3 percent) and the Soviet Union (12.6 percent) were perceived as the two most helpful countries for Korean reunification. The United States (48.8 percent) and the Soviet Union (19.4 percent), took the top two spots on the list in interfering with the internal affairs of other countries. On the question of U.S. troop contributions to keeping peace on the Korean peninsula, 57.8 percent believed that American troops make positive contributions, 23.7 percent thought that they made no difference, and 18.4 percent stated that they made no contribution to keeping peace on the Korean peninsula. On the question of U.S. troop contributions to Korean reunification, 39.5 percent agreed that they would contribute, 30.5 percent thought that they made no difference, and 29.2 percent perceived that they would hurt instead. (For details, see the *Hankook Ilbo*, June 9, 1989.)

In short, America still is South Korea's only formal military ally, its largest economic and trading partner, and its closest political friend. But the survey data are rather perturbing. South Korean people's positive image of and perception toward America are steadily eroding. South

Korean people's perceptions of and prospect for America being their closest military ally, largest economic partner, and most reliable political friend are steadily, though not precipitously, on the downturn. Particularly, the question of U.S. forces in South Korea is no longer a political taboo.

One crucial point is that the idea of a phased withdrawal of U.S. forces from South Korea is slowly yet steadily gaining momentum among the South Korean populace. The correct assessment and the prudent handling of the U.S. forces issue will be one of the most important concerns (if not the most important one) for South Korean and American relations in the next few years. Treating this matter in a hasty and perfunctory manner may result in irreparable harm to the relationship, not to mention doing fatal damage to South Korea's security.

The U.S. Troop Withdrawal Question

During the Korean War, the U.S. troop level peaked at 360,000. In 1957, only two divisions totaling about 60,000 troops remained. In 1971, U.S. President Richard Nixon withdrew the Seventh Army Division of some 20,000, leaving behind 40,000 soldiers. In 1978, President Jimmy Carter pulled out an additional 3,600 soldiers from South Korea as a first step toward his plan to remove all but 14,000 U.S. personnel and logistics specialists by 1982. However, Carter scrapped his withdrawal plan under congressional pressure.¹¹ In 1981, President Ronald Reagan reaffirmed America's commitment to South Korea's defense, and the 40,000 troop level has continued ever since.

More recently, Defense Secretary Caspar W. Weinberger pledged in 1986 that American troops would remain "as long as the people of Korea want and need that presence." In the joint communiqué of the nineteenth annual U.S.-R.O.K. Security Consultative Meeting (SCM), Weinberger cited "the continued U.S. troop presence and its continuing efforts to improve their capabilities, such as the recent deployment of a Lance Battery to Korea, as signs of the U.S. commitment to the defense of the Republic of Korea."¹² At the twentieth SCM in Seoul, June 8-9, 1988, Defense Secretary Frank C. Carlucci remarked, "As long as there is a military imbalance on the peninsula and as long as North Korea continues

¹¹For example, Senator John Glenn's report, "U.S. Troop Withdrawal from the Republic of Korea: An Update, 1979," to the Committee on Foreign Relations, United States Senate, urged reversal of Carter's withdrawal policy and maintenance of the Second Infantry Division, because of a new intelligence estimate reappraising North Korean force strength.

¹²Minister Lee and Secretary Weinberger also reaffirmed that "the security of the Republic of Korea is pivotal to the peace and stability of Northeast Asia which, in turn, is vital to the security of the United States." See the text of the Joint Communiqué of the nineteenth annual U.S.-R.O.K. Security Consultative Meeting issued on May 7, 1987, in Washington, D.C.

to exhibit aggressive behavior, and as long as the Korean people wish us to be here, we will stand by their side as we have done for 35 years.”¹³ Most recently, at the twenty-first SCM in Washington, July 17–19, 1989, South Korea Defense Minister Lee Sang-hoon and U.S. Defense Secretary Richard B. Cheney announced an essentially similar pledge: “U.S. forces should remain in Korea as long as they are needed for deterrence against the North Korean military threat, and as long as the governments and peoples of the United States and the ROK believe the U.S. troop presence serves the interests of peace and stability on the Korean peninsula.”¹⁴ A subtle yet significant change in these recent pledges is the point that American troop commitment to South Korean defense has become *conditional*.

Once again, however, the troop withdrawal question has come to the forefront. As early as in 1979, when Senator John Glenn recommended reversing Carter’s withdrawal policy and maintaining the Second Infantry Division, he pointed out, “At some future time, of course, a ground troop withdrawal is desirable.”¹⁵ At one extreme, Doug Bandow, a fellow at the Cato Institute, even proposed in 1987 that the United States should execute a five-year phased military withdrawal from South Korea and sever its defense guarantee once all the troops have been removed.¹⁶ In his column in the *Far Eastern Economic Review*, Gregory Henderson contended, among other things, that the U.S. military presence should be shifted from the riflemen of the U.S. Army’s Second Division—unnecessary in a manpower-rich South Korea—to a brigade. Concentration should then be placed on air and technical support, well back from the provocative armistice line.¹⁷ There are others, such as Robert Mrazek (D-N.Y.) who sponsored an amendment in early 1987 requiring the Defense Department to develop a plan for the “orderly reduction” of U.S. troops in South Korea.¹⁸ The National Council of the Churches of Christ, too, has supported a phased withdrawal.¹⁹

On May 12, 1989, in his Senate confirmation hearing, Donald Gregg, U.S. ambassador-designate to South Korea, stated, “We are at the point where

¹³See the text of the joint press conference by U.S. Secretary of Defense Frank C. Carlucci and South Korea Minister of Defense Oh Ja Bok at the conclusion of the twentieth SCM in Seoul, June 8–9, 1988.

¹⁴*Korea Times*, July 20, 1989.

¹⁵The U.S. Senate Foreign Relations Committee report of Senator Glenn (see n. 11). A detailed background analysis of this report and more is found in Kerry Dumbaugh, “Korea and Congress, 1950–1990” (April 15, 1988), especially CRS-5-8.

¹⁶Bandow, “Korea.”

¹⁷Henderson *Far Eastern Economic Review*, September 24, 1987, pp. 36–38.

¹⁸Bandow, “Korea,” p. 10.

¹⁹*Ibid.*

we can begin to think about sitting down with the Koreans and negotiating . . . eventual reduction of our troops.”²⁰ On June 9, 1989, Senator Carl Levin (D-Mich.) outlined a phased, partial reduction in U.S. troops in Korea.²¹ Four senators—Dale Bumpers, Bennett Johnston, Jim Sasser, and Patrick Leahy—introduced a bill, United States Forces in Korea Realignment Act of 1989, in which they proposed, *inter alia*, “funds appropriated to or for the use of the Department of Defense may not be obligated or expended after September 30, 1992, to support or maintain more than 21,000 United States Army personnel in the Republic of Korea.” They stipulated that the phased reduction of approximately 10,000 United States Army personnel stationed in the Republic of Korea “should begin no later than October 1, 1990.”²²

As expected, the U.S. military commanders are far more cautious on this issue. Admiral Huntington Hardisty, Major General Royal N. Moore, Jr., and General Louis C. Menetrey are in unison in their position: “We [U.S.] should not consider reduction of this presence until such time as we see visible and measurable tension reductions and a diminished threat.”²³ On June 12, 1989, Richard H. Solomon, as the State Department’s assistant secretary nominee for East Asian and Pacific Affairs, testified before the Senate Foreign Relations Committee that the United States would be responsive to such confidence-building measures as the adoption by Pyongyang of policies of military “reasonable sufficiency,” a pullback of forces concentrated near the demilitarized zone (DMZ), the removal of all North Korean assault and bridging and other units equipped to attack on very short notice, as well as North Korea’s end to terrorism and its commitment to the safeguards regime of the Nuclear-Non-Proliferation

²⁰*Korea Times*, May 14, 1989.

²¹Senator Levin proposed a two-track approach. The slower track would be timed to make partial, gradual force withdrawals over an extended period, which would allow South Korea to build up its defense with substitute forces. The faster track would be pursued if the North Koreans took such confidence building steps as lowering the threat of surprise attack. He stated that at the outset, the United States should announce that America is prepared to leave a residual force—perhaps one brigade—as a symbol of its continuing treaty commitment to South Korea. “The remainder of the forces would be withdrawn and their equipment placed in storage. This would parallel the repositioning program we have in the Federal Republic of Germany today.” For details, see Levin, “Report.”

²²U.S.I.A. E.A. No. 310, June 23, 1989.

²³For details, see Admiral Huntington Hardisty, Commander in Chief, U.S. Pacific Command, written statement for the House Appropriations Committee, Defense Subcommittee, February 2, 1989; remarks by Major General Royal N. Moore, Jr., USMC Director for Operations, U.S. Pacific Command, before the House Armed Services Committee, Readiness Subcommittee, March 2, 1989; testimony before the Senate Appropriations Subcommittee on Defense by General Louis C. Menetrey, Commander of U.S. forces in Korea, May 25, 1988.

Treaty.²⁴ Meanwhile, the U.S. State Department noted that President George Bush said in his speech to the South Korean National Assembly that the U.S. government has no plan to reduce its troop strength in Korea.²⁵

South Korean official responses to these withdrawal proposals are far more negative. South Korean Defense Minister Lee Sang Hoon stated on June 12, 1989, that should the United States withdraw troops from South Korea, military spending must increase 60 percent, which means increasing its military expenditure from 5 to 8 percent of its GNP. In addition, the length of service for enlisted men would have to be extended from the current 30 months to 50 months.²⁶ Likewise, Prime Minister Kang Young Hoon remarked on June 29, 1989, that U.S. forces should remain at the present level until peace and stability completely settle on the Korean peninsula.²⁷

Thus, the presence of U.S. troops in South Korea is no longer a sacred cow. The partial reduction, if not the complete withdrawal, of troops is increasingly open to debate by officials and specialists alike in both countries. But in any debate on this issue, one must address the implications of the following factors:

- fundamentally different strategic and security implications of the North and South Korean alliance systems (i.e., North Korea's two territorially contiguous continental allies—the Soviet Union and China—and South Korea's one territorially noncontiguous maritime ally across the Pacific—the United States) (Even if Japan were included, it still is a territorially noncontiguous maritime power.)
- the terms of North Korea's alliance treaties with China and the USSR, which are far more binding than those of South Korea's Mutual Defense Treaty with the United States²⁸

²⁴Solomon testimony before the Senate Foreign Relations Committee.

²⁵*Korea Times*, June 15, 1989.

²⁶*Korea Times*, June 13, 1989.

²⁷*Korea Times*, June 30, 1989. Note also that among South Korea's four parties, three—the ruling Democratic Justice Party, the New Republican Democratic Party, and the Reunification Democratic Party—oppose U.S. troop withdrawal from South Korea; and only the Party for Peace and Democracy considers it to be debatable. For a summary of the positions held by the four parties on this question, see *Hankook Ilbo*, June 18, 1989.

²⁸For example, North Korea's Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union and with China (concluded on July 7 and July 11, 1961, and entered into force on October 9, 1961) have an identical clause: "Should either of the Contracting Parties suffer armed attack by any State or coalition of States and thus find itself in state of war, the other Contracting Party shall *immediately* extend military and other assistance with all the means at its disposal." By contrast, South Korea's Mutual Defense Treaty with the United States

- invalidity of North Korea's insistence that the withdrawal of U.S. forces from South Korea must be the first and foremost *precondition* for beginning any serious talk on reunification, which has been amply confirmed by significant progress achieved by East and West Germany, despite the presence of Soviet and Allied forces (American, French, and British) (The partial reduction and the complete withdrawal of U.S. forces from South Korea are only the secondary agenda to be dealt with in the *process* of actual tension reductions in the both halves.)
- invalidity of North Korea linking U.S. forces in South Korea with "U.S. imperialism," unless North Korea is willing to renounce the Soviet forces in East Germany as "Soviet imperialism" (There are twice as many Soviet troops [380,000] as East German troops [170,000] in East Germany, as compared with 40,000 American troops versus 640,000 South Korean troops in South Korea.)
- a clear distinction between North Korea's verbal peace offensive and its actual militant moves and revolutionary southern strategy (i.e., the militantly offensive nature of its level and type [modes] of force structure as well as its strategy to subvert and communize the South. Note a metamorphosis of North Korean forces from basically defensive units in the 1960s to units sized, prepared, and postured to take offensive action.)²⁹
- the North's extensive tunneling, largest commando force in the world, forward deployment strategy, and hardened military facilities
- North Korea's recent negotiation proposals for agreements on military

(concluded on October 1, 1953, and entered into force November 17, 1954) has an article (III): "Each Party recognizes that an armed attack in the Pacific area on either of the Parties in territories now under their respective administrative control . . . would be dangerous to its own peace and safety and declares that it would act to meet the common danger *in accordance with its constitutional processes*." For details, see T. B. Millar and Robin Ward, eds., *Current International Treaties* (New York: New York University Press, 1984), pp. 473 and 453.

²⁹Senator Glenn's report, "U.S. Troop Withdrawal," p. 8. The North enjoys a nearly 300,000-man advantage in personnel strength, a 2.5 to 1 advantage in tanks, a 1.8 to 1 superiority in artillery, and a massive advantage in multiple rocket launchers (numbering 2,000). The North also has some 80,000-strong Special Operations Force, and it acquired MiG-23 Flogger aircraft in 1985, MiG-29/Fulcrum in 1988, SU-25/Frogfoot, SA-2 medium range, high altitude SAMs, SA-3s (short-range, low-to-medium altitude), SA-5s (long-range, high altitude SAMs), and ZSU-23-4s in 1985. For details, see General Menetrey's testimonies on forces in Korea before the Senate Appropriations Subcommittee on Defense, June 2, 1988, and his statement to the same committee on February 23, 1989. Also see Karl Jackson, "The Republic," pp. 46-47.

and political issues and U.S. troop withdrawal (“old formulas based on old objectives but wrapped in new ribbons”)³⁰

- a highly, if not the most, explosive nature of North and South Korean settings (i.e., almost 1.5 million troops face each other across the 155-mile border, in contrast with only 2 million across the 4,600-mile Sino–Soviet border, not to mention that the two Koreas are technically still at war—since 1953, more than 1,000 South Koreans and 90 Americans have died in border skirmishes)³¹

With these caveats in mind, I explore differing roles and positions of the two Koreas and the four major powers regarding the U.S. troop presence on the Korean peninsula.

U.S. Missions and Functions

The missions and functions of U.S. forces in South Korea may be looked at two ways, one arguing for their continued presence by invoking various reasons and objectives and the other contending their reduction or even complete pullout by countering the former’s rationales.

Those who argue the former contend that the presence of U.S. troops serves

1. to help South Korea deter North Korean adventurism (or, conversely, to prevent South Korea from military adventurism as well) while remaining prepared to defeat any North Korean attempt to subjugate South Korea³²
2. to serve the strategic interests of the United States in maintaining stability in Northeast Asia in relation to Japan, the Soviet Union, and the People’s Republic of China³³ (U.S. security interests in Northeast Asia are

³⁰Larry A. Niksch, “Political Change in South Korea and Its Impact on U.S.–Korean Relations,” *Asia Pacific Review* (Spring 1989), p. 32.

³¹Bandow, “Korea,” p. 6.

³²Admiral Huntington Hardisty, General Moore, and General Menetrey stated, “Our force presence will continue to be required as a proven deterrent to North Korean adventurism.” For details, see their statements and testimonies.

³³*Ibid.* Acting Assistant Secretary of State Michael Armacost at an open session of the House Foreign Affairs Subcommittee on Asia, June 25, 1980, remarked, “The nature of the local military balance and the persistent risk of renewed conflict in Korea has[ve] required a continued U.S. troop presence, a buildup of ROK military capabilities, and the development of an integrated command structure. Failure to maintain these elements of deterrence could heighten the dangers of hostilities involving not only the two Koreas but also the PRC, the USSR, Japan, and the U.S., with unpredictable but profound consequences for the East Asia power balance.” Note also that Larry Niksch defined “strategic burden sharing” as the direct assumption by South Korea of regional defense and security responsibilities.” For details, see Niksch, “Political Change,” p. 34.

treated in a regional rather than bilateral perspective. The peninsula is the center of great power rivalries and would offer the United States an advanced base in the event of hostilities with either the Soviet Union or China. Japan can be kept from rearming.)

3. to maintain the U.S. leadership role in the Pacific and to preserve U.S. influence and protect U.S. access to the region³⁴

4. to help achieve U.S. foreign policy objectives such as developing an expanding economic relationship, encouraging a more democratic system of government, and fostering an improved human rights climate (differently put, to use the U.S. troop presence as U.S. leverage in South Korea's political, economic, and military affairs)³⁵

5. to ensure that no misleading signals about unwavering U.S. commitments are conveyed to any player—North, South, or beyond the peninsula; to ensure that North Korea not take advantage of the situation and seek to exploit it for its own ends³⁶

6. to provide a training ground for U.S. forces and test sites for new weapons³⁷

7. to fill the deficiencies in the U.S.–South Korea Mutual Defense Treaty, which does not guarantee automatic redeployment of U.S. forces in the event of a renewed armed conflict after their complete pullout (“a trip-wire effect”)

8. to use the U.S. troop presence as an American card in dealing with North Korea

They further argue that withdrawing troops from Korea is unlikely to save the U.S. Treasury any money and that withdrawal will ultimately

³⁴See Hardisty and Moore's aforementioned statements and testimonies.

³⁵Kerry Dumbaugh, “Korea and Congress, 1950–1990,” INTR pamphlet (August 15, 1985), CRS-11. See also Paul Wolfowitz, “The U.S. and Korea: Auspicious Prospects,” *Current Policy*, no. 543 (January 31, 1984). Edward A. Olsen, for example, contends that U.S. leverage over South Korea may well decline in coming years as two trends materialize. One is the prospect of greater bilateral economic frictions, and the other is the likelihood of increased regional burden sharing. For details, see his “Constraints on the Political Use of U.S. Military Forces in South Korea,” delivered at the 1984 annual meeting of the Association for Asian Studies, Washington, D.C., March 23.

³⁶“... the withdrawal from the Republic of Korea remains a telling signal of U.S. resolve.” See Senator Glenn's report, “U.S. Troop Withdrawal.” See the statement by General Louis C. Menetrey, U.S.A. Commander in Chief, United Nations Command/U.S. Forces Korea, before the Subcommittee on Defense, Committee on Appropriations, United States Senate, February 23, 1989, p. 23.

³⁷Team Spirit in Korea, along with Orient Shield in Japan and Cobra Gold in Thailand, according to Hardisty and Moore, “provide confidence in our ability to fight in a combined manner” See their statements and testimonies.

require the American taxpayer to shoulder an even greater fiscal burden, unless the troops withdrawn are demobilized.³⁸

Those calling for withdrawal argue that

1. U.S. intervention in a Korean conflict would be very unpopular (American roles in supporting China against the Soviet Union, Saudi Arabia against Iran, and El Salvador against the Communist guerrillas are all backed by larger percentages of the public than enforcement of the U.S.–South Korea Mutual Defense Treaty)³⁹

2. no justification exists for continuing to provide a defense guarantee to the South (since 1953, American military aid to Seoul has been triple the combined amount of Soviet and Chinese assistance to Pyongyang),⁴⁰ whose GNP is five to seven times larger than that of the North

3. the troop withdrawal pressure can be used as a leverage to increase South Korea's defense burden sharing

4. the United States should encourage Seoul to formulate a bilateral security arrangement with Tokyo

5. withdrawal would eliminate a persistent roadblock to Seoul's improved relations with Pyongyang (withdrawal would facilitate cross-contacts and, ultimately, cross-recognition of both Koreas vis-à-vis the United States, Japan, and the Soviet Union and China, respectively).

6. South Korea's aircraft, transportation system, and military industrial capability are superior to North Korea's (Seoul has outspent Pyongyang since the mid-1970s, although estimates of the military spending differential vary widely. By almost any measure, the South is approaching military parity with the North.)⁴¹

7. withdrawal would lessen anti-American sentiments among radical Korean students and others⁴²

³⁸As of 1979 estimates, the withdrawal will result in additional outlays of \$1.5 to \$2.4 billion. For details, see Senator Glenn's report, "U.S. Troop Withdrawal," p. 11.

³⁹Bandow, "Korea," p. 9.

⁴⁰Ibid., p. 18. His logic is not so persuasive or consistent. For example, in the case of two Germanies, the West's economic capability has been nearly ten times that of the East, but the U.S. forces still remain in West Germany, as the Soviet forces stay in East Germany.

⁴¹Ibid., p. 14.

⁴²This argument is only partially right, that is, anti-Americanism may fade among those who associate the presence of U.S. forces with "U.S. imperialism" and with being the roadblock to Korean reunification; but they are still a tiny minority compared with the majority that regards it as the deterrent to North Korean militant adventurism and see it as the catalyst through which the North someday will abandon its dream of reunification on its own term by force, subversive revolutionary and/or other nonpeaceful, unilateral means. For instance, Niksch categorized nationalism in South Korea into three strains—the nationalism of success, the demand for greater independence from the United States, and the anti-Americanism of

8. with U.S. troop withdrawal, South Korea could reach a military parity with North Korea by investing more extensively in its force improvement

South Korea's Needs and Positions

South Korean needs for and positions on the presence of U.S. forces on the Korean peninsula have changed over the years. South Korea's pursuit of *Nordpolitik* and rapidly expanding contact and cooperation with China, the Soviet Union, and other Eastern European countries have opened up a new dimension in its foreign policy, not to mention its enhanced position vis-à-vis North Korea. Even today South Korean needs and positions on the U.S. troop question are not all positive.

Those who think U.S. forces should remain believe that such forces

1. help deter the North's military adventurism
2. help prevent the inordinate influence in South Korea in particular and in the region in general of the other three major powers (the Soviet Union, China, and Japan)
3. help fill South Korea's security gap by combining U.S. high tech oriented and most sophisticated communication, control, command, and intelligence (C3 I) mechanism⁴³
4. provide the trip-wire effect by making up the deficiencies in the South Korea–U.S. Mutual Defense Treaty
5. subsidize, though indirectly, South Korea's defense outlays by shouldering the additionally needed personnel, equipment, and other military soft and hardware (Otherwise, South Korea must spend more on its military expenditure, and its draftees must serve longer in the military.)
6. help the local economies as one of the sixth largest employers in South Korea⁴⁴

On the other hand, many think that the U.S. forces

1. give the impression that South Korea is the United States' junior military partner at best or "U.S. imperialists' client" at worst, as some radical elements claim

radical students. From this standpoint, the argument in question is relevant only to the third kind. See Niksch, "Political Change," pp. 21–22.

⁴³Under the CFC arrangement, the United States also holds the C3 (operations), C4 (logistics), and C5 (plans and policy positions); South Korea holds C1 (personnel), C2 (intelligence), and C6 (communications) positions. For details, see Jackson, "The Republic," pp. 50–53.

⁴⁴In addition to some 5,700 KATUSA (the Korean Augmentation to the United States Army) and 3,200 Korean Service Corps, U.S. forces in Korea employ 24,800 civilians, of whom 22,000 are Korean nationals; but only 16,000 of these employees hold appropriated fund positions. See General Menetrey's statement of February 23, 1989.

2. introduce U.S. vulgarism, rather than its refined culture, to the Korean public
3. raise the possibility of larger conflicts involving four major powers in case an outbreak of hostilities occurs in the region
4. can be used by the U.S. government as leverage in its involvement in South Korean governmental affairs
5. give the impression, rightly or wrongly, that the U.S. troop presence is the biggest roadblock to North–South dialogue and their eventual reunification

North Korea's Uses and Abuses

One of the political tragedies in postwar Korean politics has been the adamant persistence of *Idealpolitik*, in which the North continues to regard the South as the area to be *liberated* from “the yoke of the Fascist cliques and the US imperialists (and the resurgent Japanese militarists).” The South has been far more flexible and ideology free than the North; yet the former, too, is still a hostage to *Idealpolitik* amid constant and unbending ideological and militant assaults from the latter. Over the years, the North’s strategy to liberate the South has changed, but what has not changed is its ultimate goal to communize the South under the banner of Kim Il Sung’s so-called *Juche* (self-reliance) idea.⁴⁵

Ever since Chinese troops (“the Chinese volunteers”) left North Korea in 1958, Kim Il Sung and his ruling elite have been capitalizing on the question of complete withdrawal of foreign forces (meaning U.S. troops) from the Korean peninsula as the first and foremost precondition for any serious engagement in dialogue with either the South or the United States. As previously noted, however, U.S. forces in South Korea should not be the precondition for the inter-Korean dialogue toward their eventual reunification. To the contrary, the progress in such dialogue and reduction of tension will, in due course, render the presence of American troops unnecessary and irrelevant. Only then must the American forces withdraw. North Korea’s uses and abuses of U.S. forces in South Korea are rather intriguing. In brief, North Korea’s position is ambivalent at best and

⁴⁵North Korea’s terrorist acts are noteworthy in this regard. The commando raid on the Blue House and attempted assassination of President Park Chung Hee in 1968, the capture of the *Pueblo* in 1968, the shooting down of an American EC-125 aircraft over the Sea of Japan in 1969, the failed attempt to kill President Park in 1975, the axe murders of two U.S. officers at Panmunjom in 1976, the Rangoon Bombing in 1983, and the destruction of KAL 858 in 1987 are some notable examples. For an excellent discussion of North Korea’s changing unification strategy and unchanging unification goal, see Nam-shik Kim, “North Korea’s Unification Policy” (in Korean), paper presented at the seminar held by the Social Science Research Institute, Seoul National University, May 29, 1989.

contradictory at worst. On the one hand, the presence of U.S. forces in South Korea provides Kim and his son with the best rationale for their prolonged rule, although it still presents the biggest obstacle to reunification on their terms. At the moment, Kim's dilemma is acute because the task of his and his son's continued rule becomes increasingly more urgent and immediate while the chance of realizing his reunification goal becomes more remote. The following are some of North Korea's uses and abuses:

1. to regard the presence of U.S. troops in South Korea as the biggest obstacle to reunification

2. to use the troops as the best propaganda weapon at home and abroad (Kim Il Sung and his ruling elite have used the troops as the tool to rationalize their prolonged regimented rule and justify the North Korean people's garrison state-like life. To that extent, they have helped rather than hurt Kim Il Sung's demigodlike dictatorship.)

3. to use the troops as the best propaganda tool in arousing the South Korean people's anti-American political atmosphere, which, they believe, will eventually force U.S. troops off the Korean peninsula

4. to use the troops as bait in inducing their two continental allies' military assistance and cooperation (Specifically, they invoke the presence of the troops to receive more sophisticated military weapons and other aid from the two.)

China's Postures and Policies

Although in its official rhetoric China still supports North Korea's advocacy of U.S. troop withdrawal from Korea, its real interests and intentions on the matter are far from clear and simple. China's political and security calculations on the withdrawal or the presence of U.S. forces in South Korea are at best mixed and at worst confusing. Also, China's economic relations with South Korea are growing rapidly and now far surpass its ties with North Korea.⁴⁶

In brief, China's position is to maintain the current status quo in the region, including the presence of U.S. forces in South Korea and Japan, so that no one power, be it the United States, Japan, or the USSR, will dominate Korea and/or Northeast Asia. China's positions and policies regarding the presence of U.S. forces on the peninsula may be identified as follows:

⁴⁶See n. 9. As Ralph Clough states, "Cross-contacts by the big powers will increase until cross-recognition exists in all but name." See chap. 11, below. Also, Deng Xiaoping reportedly told Japan that the division of Korea was "acceptable." Myung Chay, "China in American-Korean Relations," quoted in Bandow, "Korea," p. 17.

1. to regard it as the countervailing force against Soviet influence in the region
2. to prevent non-Communist control of unified Korea (China regards U.S. forces in South Korea as the guarantor of the status quo on the peninsula and in the region.)
3. to prevent Soviet control of unified Korea (China and the United States agree on this matter.)
4. to prevent the resurgence of Japan's new militarism in Korea as well as in the region (Again, China and the United States—and South Korea, North Korea, and the Soviet Union, for that matter—agree on this Japanese question.)⁴⁷

Soviet Views and Actions

Although China officially pays lip service to the North Korean position on the matter and prefers the current stalemate on the Korean peninsula, including the presence of U.S. forces in South Korea, the Soviet Union's position is far more inconsistent.⁴⁸ There is a general consensus that China is urging moderation on North Korea and will continue to be a stabilizing force in the region. By contrast, the Soviet peace rhetoric has not been substantiated by its military deeds in the region, let alone its upgrading of North Korean military capabilities with a steady infusion of modern Soviet technology and military hardware.⁴⁹

One may argue, of course, that the Soviet military help to North Korea is not to intensify the tension on the Korean peninsula but merely to respond to the substantial enhancement of South Korea's military capability, supplied and supported by the United States. Moreover, the relations between the Soviet Union and the Republic of Korea are rapidly expanding. There is even a report that the Soviet Union is urging, by way of East Germany, North Korea to follow the two Germanies model, which, if it were true, is much closer to the South Korean approach than that of North Korea in resolving the inter-Korean question. In any case, a wide gulf still exists between Gorbachev's peace offensive and military action. At the present, the Soviet views and action on the matter may be summarized as follows:

1. to regard U.S. force presence in South Korea as a countervailing force against China's (or, for that matter, the United States' or Japan's) dominant influence on the peninsula

⁴⁷Senator Glenn's report, "U.S. Troop Withdrawal," p. 6.

⁴⁸See Hardisty's and Moore's statements and testimonies.

⁴⁹Ibid. Since 1986, the Soviets have added 3 divisions to the Far East Military District, bringing the total to 57. And there is no evidence that Soviet capability has diminished.

2. to tolerate the U.S. force presence as long as it is not used to create a pro-U.S., or a pro-U.S. and Japan, non-Communist unified Korea, that is, as long as an anti-Communist, anti-Soviet regime does not emerge on the Korean peninsula⁵⁰

3. to regard it as a U.S., U.S.–South Korea bilateral, U.S.–South Korea–Japan trilateral, and even U.S.–South Korea–Japan–China quadrilateral strategic military outpost against the USSR, the USSR–DPRK bilateral, the USSR–DPRK–Outer Mongolia trilateral, or the USSR–DPRK–Outer Mongolia–Vietnam quadrilateral military alliance

4. to consider it as one of America's military outposts against the Soviet Union in their mutual strategic rivalry in the Pacific⁵¹

Japan's Interests and Perspectives

Japan has undoubtedly benefited the most from the Korean division, the subsequent outbreak of the Korean War, and the persistence of a hostile stalemate between the two regimes on the Korean peninsula. During the critical three years under the Soviet and the American occupations in both halves, the artificial and arbitrary division led the Korean people and their political leaders alike to direct their precious and limited energies and resources to mutual internecine infighting, thereby creating a breathing space for the vanquished Japan to recover from the war without being bogged down by the Korean people's legitimate acrimony and entitlements.

The Korean War provided Japan not only another breathing space but, more important, the momentum for its quick economic recovery and prosperity while a bloody war was going on in Korea. Worse still, the persistence of the mutual hostilities between the two Korean regimes has

⁵⁰In his Krasnoyarsk speech (September 16, 1988) Gorbachev proposed, among other things, a multilateral conference: "The USSR suggests that the question of lowering military confrontation in the areas where the coasts of the USSR, the People's Republic of China, Japan, the Democratic People's Republic of Korea, and South Korea converge be discussed on a multilateral basis, with a view to freezing and commensurately lowering the levels of naval and air forces and limiting their activity." Two things are noteworthy. First, for the first time, the highest official in the Soviet Union included South Korea in the proposed multilateral conference, although he used an unofficial name of "South Korea" and the official title for North Korea (i.e., the DPRK). Second, in this speech, he also said, "In the context of general improvement of the situation in the Korean peninsula possibilities could open up for forming economic relations with South Korea as well." The full text of his speech in English is found in *News Release Communiqué*, no. 78 (September 19, 1988). Note also Glenn's analysis: "Both the Soviet Union and China seek to avoid non-Communist control of Korea." See Senator Glenn's report, "U.S. Troop Withdrawal," p. 5.

⁵¹For a discussion of the U.S. forward basing (deployment) strategy to deter Soviet expansion and aggression, see Hardisty's and Moore's statements and testimonies.

made Japan an almost uncontested economic actor in the region for many years, not to mention providing the ability to manage the Korean reparation question and other demands to its advantage.

Even now if the Korean people, especially the Korean leaders in both halves, are really sincere about Korea's present predicament and its future reunification, they must watch Japan first and learn from it instead of acting like mortal enemies, which they are not.

In any case, Japan's interests and perspectives on the question of U.S. troops in South Korea are rather complex and intriguing:

1. The presence of U.S. forces on the Korean peninsula helps indirectly, if not directly, Japan prevent any other power, be it a unified Korea, China, or the Soviet Union, from threatening it from the peninsula.

2. Because a unified non-Communist Korea is disturbing to Japan, as its potential rival, economically or otherwise, it prefers the continued presence of U.S. forces as the guarantor of the current stalemate. Although it is not usually acknowledged, Japan prefers the peninsula to remain divided, for a reunified Korea, with a population of 64 million, could be its major economic and political rival in eastern Asia.⁵²

3. Because a unified Communist Korea is threatening to Japan, as its potential security danger, it prefers the current status quo on the Korean peninsula, including the continued presence of U.S. troops.

4. A reunified Korea, irrespective of its ideology, is disturbing and even threatening to Japan, for the former, along with China, may resurrect old power rivalries among the three.

5. The withdrawal of U.S. forces from Korea will pressure Japan to rearm faster than it is presently doing.⁵³

Conclusion and Policy Recommendations

The U.S. troop withdrawal question is a more complex and complicated issue than it appears at first glance. The parties involved hold different views about the impacts and implications of withdrawing the U.S.

⁵²Bandow, "Korea," p. 19. See also Senator Glenn's report, "U.S. Troop Withdrawal," p. 6: "Even a unified non-Communist Korea would be disturbing to Japan given the economic competition and military potential of such a state."

⁵³In his Krasnoyarsk speech, Gorbachev comments on Japan: "One percent of the gross national product being spent for military purpose looks quite modest. But its actual weight, together with the country's growing economic might, makes one think seriously about it. The Japanese seem to have proved that in the present-day world it is possible to advance to the status of a great power without relying on militarism. Why then discredit this unique achievement which is so instructive to the whole of mankind? Why burden the unusual vigour of Japan's economic presence almost everywhere in the world by historical associations of pre-war and war times?" English text by the Unification Board, Republic of Korea.

forces completely, reducing them, or retaining them at their present level. Generally speaking, any serious talk on this issue must include two factors: the groundwork and the linkage. The groundwork means here that, in conjunction with South Korean and American confidence building measures (CBMs) and risk reduction regimes (RRRs), North Korea's persistent demand for U.S. troop withdrawal as well as the Soviet Union's peace offensive in this region must be substantiated by a set of their concrete deeds in advance, including demonstration of North Korea's sincere and concrete efforts to reduce tensions along the DMZ through measures such as military disengagement, reduction of force levels, agreement on joint inspection of the DMZ by both sides, suspension of its lethal arms imports from the Soviet Union and others, and shifting of its offensive modes of deployment and of its offensive military strategy.

The linkages here refer to a kind of reciprocity that every North Korean demand must be matched by South Korea's counterdemand and vice versa. For example, a partial reduction in the number of forces involved in the U.S.–South Korea annual Team Spirit military exercises must be matched by a similar measure of North Korea's joint naval exercises with the Soviet Navy. North Korea's demand for the conclusion of a peace treaty with the United States must be juxtaposed with South Korea's similar normalization treaty with China and the USSR. By the same token, North Korea's alliance treaty with China and the Soviet Union must be dealt with in conjunction with South Korea's defense alliance with the United States.

North Korea's call for a nuclear free zone on the Korean peninsula and its actual efforts for developing nuclear capability must be examined jointly along with the similar developments in South Korea. Doubtless, a unilateral peace move such as the Graduated Reciprocation in Tension-reduction (GRIT) may work initially. But a continued one-sided move would be abortive amid the other side's unchanging and unresponding inflexibility. South Korea's July 7, 1988, announcement to the North is the prime example. Peace, tension reduction, or even ultimate reunification require two sides. From this standpoint, the behaviors of both Koreas for the last 40 years have been little different from those of Dr. Seuss's two unbudging dullards, North-going Zax and South-going Zax.

North Korea's ideological and political immobilism notwithstanding, the world is in rapid flux, and the Koreas cannot remain forever a lone bastion of the cold war amid this global metamorphosis. South Korean–American relations, too, therefore, deserve redefinition to meet the new challenges stemming from their bilateral transformation in particular and from regional and global realignment in general. In so doing, as Nixsch correctly pointed out, the Americans must end their view of South Korea as an ally that “receives nothing but benefits from the United States.” South

Koreans must mix pragmatism and greater maturity into their new pride and nationalism in dealing with the United States.⁵⁴

Specifically, the following set of policy changes and organizational redefinitions in bilateral relations may be considered seriously:

1. On the speed and scope of South Korea's pursuit of *Nordpolitik*, more coordination and cooperation between the two nations are called for. American (and Japanese, for that matter) experiences with Eastern bloc nations are long-standing and cumulative, whereas South Korea is just entering this new territory with relatively little experience and knowledge. To that extent, American assistance and advice are essential for South Korea to maximize gains while minimizing the forerunners' mistakes (i.e., maximize the latecomer's advantages).

2. On the question of U.S. forces withdrawal, again, caution as well as a close bilateral coordination is vital, along with careful analysis of the aforementioned caveats and the varying positions and perspectives held by North Korea, China, Japan, and the Soviet Union.⁵⁵

3. The controversy over U.S. owned tactical nuclear weapons in South Korea must be dealt with seriously. As Ralph Clough correctly points out, although nuclear weapons theoretically could be useful in halting a North Korean attack, they are not indispensable either in a conflict or as a deterrent, and their use against a small, nonnuclear Asian state is hardly credible. Worse still, the political cost to the United States if they were used would be extraordinarily high. (Japan, for instance, might react by denying use of U.S. bases in Japan to support the U.S. military action in Korea.)⁵⁶ Most important, the kind of extremely unfavorable security environment in the 1970s that might have necessitated such installation has now largely been dissipated. In short, the United States should withdraw nuclear weapons from Korea, but with one condition. Namely, the aforesaid linkages must be applied here. The U.S. withdrawal of nuclear weapons must be coordinated with North and South Korea's verifiable assurance and devices by the third parties that they will not develop their own nuclear capability. In other words, the United States may use its nuclear

⁵⁴Niksich, "Political Change," p. 42.

⁵⁵General Menetrey outlined the key issues regarding the withdrawal question (relocation costs, cost and availability of basing facilities and training areas, increased strategic air and sea lift requirements, implications of a lower U.S. profile in Northeast Asia, and the signal such a move would send to U.S. allies worldwide). For details, see his testimony on February 23, 1989. Menetrey in his interview with the *New York Times* projected that if certain trends continue (such as South Korean economic progress and Soviet and Chinese restraints of North Korea), "there should be stability on the peninsula without the United States being part of the equation in the mid-1990s." *New York Times*, August 13, 1989.

⁵⁶See chap. 11.

weapons withdrawal as a card to prevent both Koreas from developing nuclear weapons.

4. On the question of the South Korea–U.S. Combined Forces Command operational control issue, among the four options suggested by Karl Jackson in his recent article, options 2, 3, and 4 need to be seriously considered.⁵⁷ Options 2 or 3 seem to be easy to implement, and either would be mutually satisfactory. In addition, the revision of CFC organization and function may also be deliberated to realize more equitable bilateral relations. Similarly, the revision of the SOFA, which would give Korean courts more jurisdiction over U.S. servicemen involved in criminal acts, should be expedited without further delay.

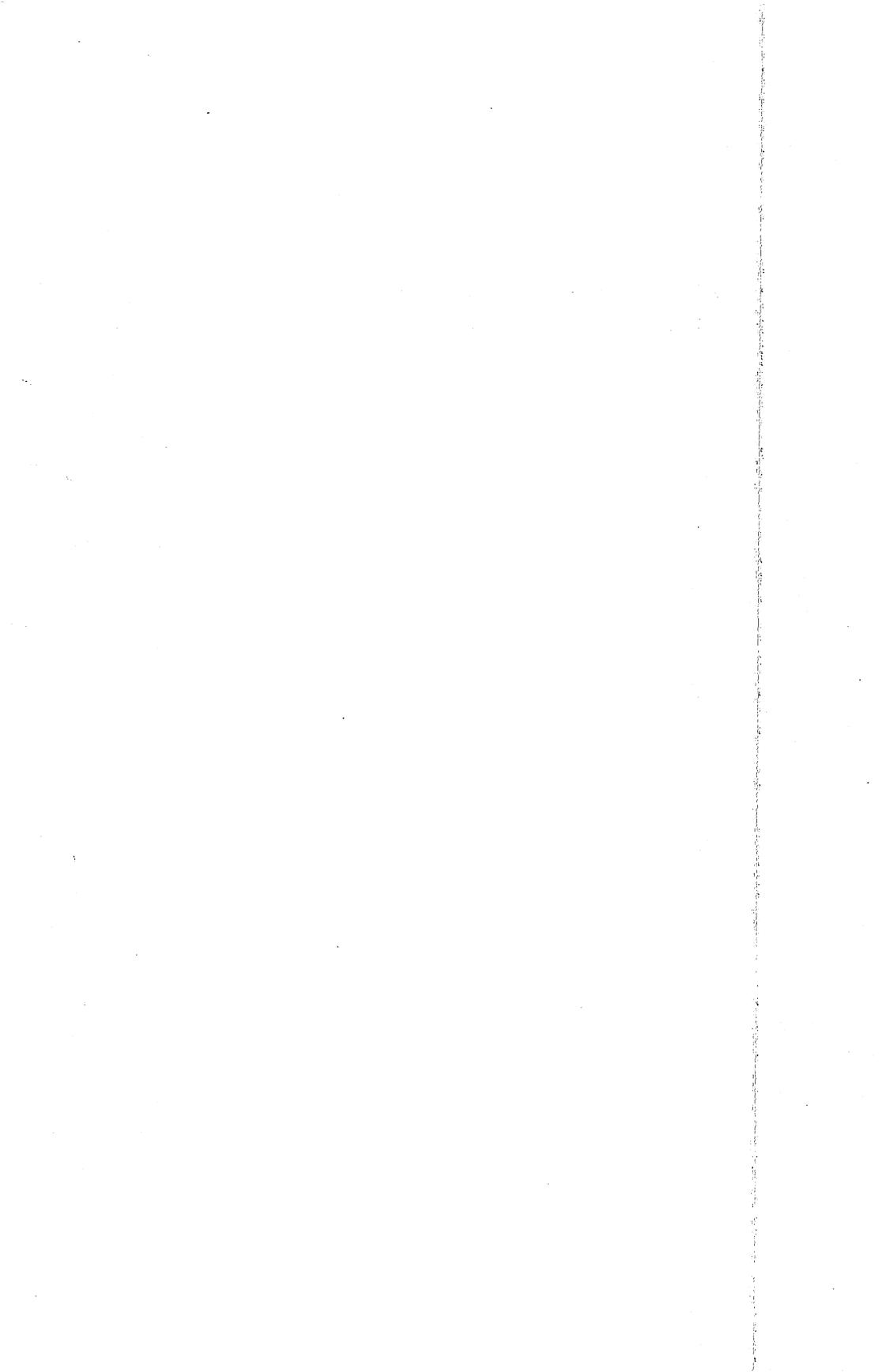
5. The transfer of the AFKN-TV and radio networks to cable or UHF should be seriously considered in order to avoid offending Korean people's sensitivities.

6. The size of the annual Team Spirit exercises should be reduced as a concrete implementation of the GRIT. Waiting for the North Korean response to such a move may be one CBM that can be easily put into practice.

7. The present South Korea–U.S. Mutual Defense Treaty has two options. One is to strengthen the existing clause, commensurate with North Korea's treaties with China and the Soviet Union. The other is to initiate the five-nation conference for the dissolution of the said treaties with their collective guarantee against any resort to force either by two Koreas or by the parties involved. The second option is more desirable but less realizable than the first.

⁵⁷See n. 3.

Part Four
North–South Korea Relations
and Implications for U.S. Policy



10. South Korea's *Nordpolitik* and Its Impact on U.S.–Korean Relations

YOUNG C. KIM

The purpose of this paper is to specify various ways in which South Korea's pursuit of *Nordpolitik* may influence the state of U.S.–South Korean relations and to speculate on the likely direction of such an influence. The present paper is primarily a conceptual “think piece” rather than an empirically grounded analysis.

The term *Nordpolitik* is used here to refer to the whole range of policies the South Korean government pursues vis-à-vis the Soviet Union, the People's Republic of China (PRC), and North Korea. (The term is sometimes used to encompass policies toward other Soviet bloc countries such as Eastern Europe, and it does not always include North Korea.) By policies and their impact or influence, I mean primarily those in political, economic, and military spheres. The next section specifies the diverse ways in which the impact of South Korea's *Nordpolitik* may conceivably manifest itself. Following that, I deal with the objectives and motivations that may underlie South Korea's *Nordpolitik* and identify several hypothetical tendencies of *Nordpolitik*. The final section is concerned with the impact of South Korea's pursuit of these objectives on U.S.–Korean relations.

Possible Paths of Impact

List A indicates the various paths that the eventual impact of South Korean policy toward the Soviet Union could take in influencing the state of U.S.–South Korean relations.

List A

1. Soviet policy toward the United States and U.S. policy toward South Korea
2. South Korean policy toward the PRC and PRC policy toward South Korea

3. South Korean policy toward Japan and Japanese policy toward South Korea
4. South Korean policy toward North Korea and North Korean policy toward South Korea
5. Soviet policy toward the United States and U.S. policy toward the Soviet Union
6. PRC policy toward the United States and U.S. policy toward the PRC
7. Japanese policy toward the United States and U.S. policy toward Japan
8. North Korean policy toward the United States and U.S. policy toward North Korea
9. North Korean policy toward the Soviet Union and Soviet policy toward North Korea
10. North Korean policy toward the PRC and PRC policy toward North Korea
11. North Korean policy toward Japan, Japanese policy toward North Korea, and U.S. policy toward North Korea
12. Soviet policy toward the PRC and PRC policy toward the Soviet Union
13. Soviet policy toward Japan and Japanese policy toward the Soviet Union
14. Japanese policy toward the PRC and PRC policy toward Japan

Items 2–14 in list A may in turn affect U.S. policy toward South Korea. List B demonstrates different paths that the eventual impact of South Korea's policy toward the PRC could take in influencing the state of U.S.–South Korean relations.

List B

1. South Korean policy toward the United States and U.S. policy toward South Korea
2. South Korean policy toward the Soviet Union and Soviet policy toward South Korea
3. South Korean policy toward Japan and Japanese policy toward South Korea
4. South Korean policy toward North Korea and North Korean policy toward South Korea
5. Soviet policy toward the United States and U.S. policy toward the Soviet Union
6. PRC policy toward the United States and U.S. policy toward the PRC
7. Japanese policy toward the United States and U.S. policy toward Japan

8. North Korean policy toward the United States and U.S. policy toward North Korea
9. North Korean policy toward the Soviet Union and Soviet policy toward North Korea
10. North Korean policy toward the PRC and PRC policy toward North Korea
11. North Korean policy toward Japan, Japanese policy toward North Korea, and U.S. policy toward North Korea
12. Soviet policy toward the PRC and PRC policy toward the Soviet Union
13. Soviet policy toward Japan and Japanese policy toward the Soviet Union
14. Japanese policy toward the PRC and PRC policy toward Japan

Items 1–14 in list B in turn may affect U.S. policy toward South Korea.

List C shows the diverse paths that the impact of South Korea's relations with North Korea might take.

List C

1. South Korean policy toward the United States and U.S. policy toward South Korea
2. South Korean policy toward the Soviet Union and Soviet policy toward South Korea
3. South Korean policy toward the PRC and PRC policy toward South Korea
4. South Korean policy toward Japan and Japanese policy toward South Korea
5. Soviet policy toward the United States and U.S. policy toward the Soviet Union
6. PRC policy toward the United States and U.S. policy toward the PRC
7. Japanese policy toward the United States and U.S. policy toward Japan
8. North Korean policy toward the United States and U.S. policy toward North Korea
9. North Korean policy toward the United States
10. South Korean policy toward the Soviet Union
11. North Korean policy toward the PRC
12. North Korean policy toward Japan

Items 1–12 in list C may in turn affect U.S. policy toward South Korea.

In addition to the paths of influence identified in lists A, B, and C, one needs to take into account other paths of influence that preceded or

precipitated developments in U.S.–South Korean relations. These are *reactive* measures that were taken in response to actions (paths) of influence initiated by external sources. Lists A, B, and C are based on the assumption that South Korea's policies toward the Soviet Union, the PRC, and North Korea were initiated by South Korea at the time of my analysis. Put another way, these policies are considered separate from any external stimuli that may have preceded them.

It may be more realistic, however, to assume that a substantial portion of South Korea's policies may be reactive ones. Thus, for example, changes in U.S. policies toward South and North Korea may have prompted certain changes in South Korea's policies toward the Soviet Union, the PRC, and North Korea as well as toward the United States.

Of those *external* sources of change likely to have affected South Korea's *Nordpolitik*, the following set appears important:

- trends in U.S. policies toward South Korea (including trends in U.S. domestic politics)
- trends in U.S. policies toward North Korea
- trends in policies of the Soviet Union, the PRC, and Japan toward South Korea
- trends in relations among the United States, the Soviet Union, the PRC, and Japan (i.e., Soviet–PRC relations, Soviet–Japanese relations, PRC–Japanese relations, U.S.–Soviet relations, and U.S.–PRC relations)
- trends in the policies of the PRC, the Soviet Union, and Japan toward North Korea

To complicate the matter further, one must take into account the *domestic* sources of change as perceived to be relevant by South Korean policymakers. Thus, the rising nationalistic and anti-American sentiments; an increasingly articulate demand for a reunited Korea; the polarization and the intensity of the domestic power struggle; the relative power positions of various political parties, factions, and personalities; and the increasing democratization, pluralization, and vitality of social institutions and groups are among the domestic factors that affect South Korea's *Nordpolitik* not only directly but also indirectly by affecting the perceptions of reality and the formulation of policies on the part of major powers vis-à-vis South Korea.

Objectives of *Nordpolitik*

South Korea's specific objectives toward the Soviet Union and the PRC might include expansion of trade, economic cooperation (including joint ventures), academic and cultural exchanges, political exchanges at var-

ious levels (multilateral and bilateral), establishment of nongovernmental trade offices, establishment of liaison offices, and establishment of diplomatic relations.

South Korea's policy toward the Soviet Union and the PRC seems to have been influenced by seven broader considerations. The first is to reduce any sense of hostility the Soviets and the Chinese might harbor and to induce their friendly behavior toward South Korea. South Koreans are conscious that the nature of the U.S.–South Korean alliance makes South Korea an integral part of U.S. strategy against the Soviet Union. Some groups view such a role as not necessarily in South Korean interest.

The second is to provide the Soviet Union and the PRC with incentive for exerting a moderating influence on North Korea's behavior, thus reducing the degree of North Korea's threat. As South Koreans perceive it, China and particularly the Soviet Union are the only countries that could render significant support for North Korea in economic, military, and/or diplomatic spheres.

A third consideration is to diversify and expand sources of supply and markets and to promote economic interests, and a fourth is to demonstrate the image of an independent actor pursuing an omnidirectional diplomacy. It is intellectually defensible for South Korea to forge a linkage with major powers other than the United States, such as China and the Soviet Union.

The fifth is to use the evolving ties with the Soviet Union and China as leverage in South Korea's dealings with other countries, such as North Korea, Japan, and perhaps the United States.

To demonstrate in the eyes of the domestic audience the foreign policy accomplishments of the present government leadership, which contributes to the enhancement of its legitimacy and claim to leadership and the consolidation of political power, is a sixth consideration. The flurry of undertakings associated with *Nordpolitik* conducted in recent years by President Roh's assistant is probably related to the then operative requirement of domestic politics regarding the "interim evaluation" of the Roh presidency.

The seventh is to induce the Soviet Union, the PRC, and their allies to participate in the Seoul Olympics, an objective that has already been attained.

In addition to the set of objectives and motivations already identified, five others might affect and be reflected in South Korea's policies toward the Soviet Union and the PRC: (1) South Korea's decision to conclude an agreement somewhat akin to a friendship treaty or a good neighborly relations treaty, which would stipulate consultation between the parties on certain matters, (2) establishment of a regular governmental mechanism for consultation in sensitive spheres, (3) South Korea's decision to adopt a nonnuclear stance à la New Zealand, (4) South Korea's decision to

allow Soviet naval units access to South Korean ports (this could take varying forms and degrees), and (5) South Korea's support for Soviet proposals on arms control in the Pacific Asian region.

These developments are of course hypothetical and unlikely in the foreseeable future. Indeed, any such development in itself would presuppose a severe deterioration in U.S.–South Korean relations and indicate an incipient or imminent reorientation of fundamental character in political-security ties between the two countries. However, specifying such hypothetical developments is a useful exercise in that it sensitizes us to a set of theoretical options that South Korea could consider in the future. In particular, it highlights the parameters within which South Korea's *Nordpolitik* must operate if U.S.–South Korean relations are not to be impaired seriously.

South Korea may be seeking specific objectives toward North Korea to reduce tensions between the two, to minimize the threat from the North, to enhance its security, to avoid the recurrence of war, and to normalize relations. These objectives may include the revival/continuation of various forms of North–South dialogue (i.e., economic, Red Cross, and parliamentary) and the conduct of various exchanges; high-level political talks (such as prime ministerial talks) and especially a summit to discuss a wide range of issues (the reduction of tensions, a *modus vivendi*, reunification, and military questions); minimizing North Korea's propaganda offensive regarding such issues as operational control, the U.S. military presence, and a nuclear free zone; agreement on continental ballistic missiles (CBMs); conclusion of trade and economic cooperation projects; conclusion of a nonaggression declaration; establishment of trade/liaison offices in each other's capital; agreement on the UN membership question; and agreement on the issue of cross-recognition.

Such objectives are related to much broader and more fundamental purposes and considerations on the part of South Korea: South Korea seeks a relaxation of tensions and the avoidance of war between the two Koreas and hopes to have North Korea eventually reconcile itself with and accept the validity of the two governments/states of Korea.

South Korea operates under the assumption that North Korea is determined to use all means at its disposal, including military, to overthrow a regime in South Korea in order to realize a reunification on its own terms. Trends in domestic politics are such that the government leadership in South Korea feels compelled to show some forward movement in its declared goal of pursuing a policy of reconciliation and unification with the North. The stance on this issue is perceived to have a significant impact on domestic political stability and the course of the power struggle.

Aside from the question of feasibility, in theory South Korea *could*

pursue six alternative courses of action toward North Korea. The first is an acceptance and agreement on CBMs and a nonaggression declaration, especially those that address North Korean sensitivities.

Second is an agreement to hold political-military talks of the kind North Korea has proposed either in bilateral or trilateral format.

A third alternative is an agreement to issue a joint communiqué following the conclusion of a nonaggression declaration or a summit meeting in which the desirability of, if not the demand for, the eventual termination of the U.S. military presence in South Korea is mentioned. (There are various alternative formulations regarding the issue of the U.S. military presence in South Korea that the South Korean government could embrace.)

Fourth is an agreement to disavow the policy of seeking cross-recognition and to declare South Korea's support for and willingness to explore the North Korean proposal for a Confederal Republic of Koryo.

Fifth and sixth alternatives are an agreement to seek an independent, neutral, and nonaligned Korea, either singly or in association with North Korea, or one to seek severance of respective defense treaties, especially one accompanied by specification of a deadline.

None of these alternative courses of action is likely to be adopted by the South Korean government in the near future, but they illustrate a range of options theoretically available to South Korea that might have a significant impact on U.S.–Korean relations.

The Impact of Various Objectives on U.S.–South Korean Relations

Even a cursory review of the South Korean objectives associated with its *Nordpolitik* suggests that some objectives are relatively easy to judge as being either consistent or inconsistent with U.S. interests and thus favorably or adversely affecting U.S.–Korean relations, and others are ambiguous in the nature of their presumed impact.

A judgment as to whether or not a particular South Korean objective would have a deleterious impact on U.S.–South Korean relations would naturally depend on the dominant conception of U.S. national interest at a given time (i.e., the criteria as applied by the politically powerful for determining the national interest) and on the circumstances or situational contexts in which such a judgment is called for. These criteria, and especially the circumstances, could change over time. Even if the criteria remain relatively stable, the various situational contexts may lead to different judgments about the nature of the impact that South Korea's pursuit of an objective would have on U.S.–Korean relations. A few illustrations are in order.

A decision by the South Korean government to support a nuclear free zone for the Korean peninsula would affect U.S.–South Korean relations adversely under the present and perhaps foreseeable circumstances. The same policy would have no negative impact if the United States has, for whatever reasons, strategic or otherwise, adopted a different nuclear weapons policy.

A significant rapprochement between South Korea and the Soviet Union—as reflected, for example, in the conclusion of a friendship treaty—would undoubtedly affect U.S.–South Korean relations adversely under the present and foreseeable circumstances. However, the same behavior might not have a similar impact on relations between the United States and South Korea if different situational contexts are assumed, such as a radical improvement in the triangular relations among the United States, the PRC, and the Soviet Union. (NOTE: I shall refrain from discussing the issue of the short-term versus the long-term impact and the varying conceptions of U.S. interest entertained by different political groups in the United States.)

We will now proceed to note, albeit in highly abstract terms, some criteria for determining the impact on U.S. interests and on U.S.–South Korean relations. Stated in the most abstract terms, U.S. interest in Korea is said to be served by preventing the establishment of hegemonic influence in Korea by a third country, particularly a hostile one. To what extent this conception, based on balance of power, can be useful in a concrete case that calls for a judgment is a separate question. A slightly less abstract formulation often speaks of the protection of ideological, political, economic, and military/strategic interests. Aside from suggesting a classification of interests, this formula does not provide meaningful criteria for distinguishing or identifying interests.

Moving down the ladder of abstraction, one notes references to such concepts as maintenance of political stability; avoidance of war; promotion of American economic benefits; containment of threats to and preservation of the security, independence, and well-being of a friendly government, as well as other allies; safeguarding of an open and liberal democratic regime committed to free trade, interdependence, and cooperation; respect for human rights; and the principle of pacific settlement of international disputes.

One can go on enumerating the substantive contents of presumed interests, national or subnational, and different aspects thereof. And these items, or concepts so designated, might serve as criteria for assessing the nature of the impact of a particular policy on U.S.–South Korean relations.

Having discussed the problems in establishing criteria for judgment, let us move on to speculate on the direction (favorable or unfavorable) of the

likely impact that South Korea's pursuit of selected objectives would have on U.S. interests and thus on U.S.–South Korean relations.

None of the objectives I have specified would have a negative or unfavorable impact. The decisions, which reflect and embody certain objectives, however, would have an unfavorable impact under the present circumstances and those likely to prevail in the foreseeable future.

As for the policy objectives that South Korea may pursue vis-à-vis North Korea, with a few possible exceptions, none would probably have a negative or unfavorable impact on U.S.–South Korean relations under the current circumstances or under those likely to obtain in the short range. Even those few exceptions might not exert an unfavorable impact of a substantial magnitude on U.S. interests, and thus on U.S.–South Korean relations, if fundamental transformations in the situational context are assumed. The occurrence of such a transformation is conceivable, if not highly likely, in the mid range and the years beyond.

Many constraints or impediments operate as South Korea attempts to pursue various objectives associated with *Nordpolitik*. To realize that these constraints are formidable is not to say that South Korea is without a choice. One may disagree on the range of realistic or feasible options available to South Korea in any time frame and the wisdom of such options, but South Korea does have a considerably wider range of options than most policymakers and analysts in South Korea and the United States appear to think. Political will to pursue alternatives, should it exist on the part of the political leadership on either or both sides of the Pacific, could help alter the selection of choices of objectives and the situational contexts.

11. North–South Relations in Korea and Implications for U.S. Policy

RALPH N. CLOUGH

During most of the past 40 years, the two Koreas have confronted each other with unremitting hostility, maintaining powerful armies along the border dividing them, competing relentlessly for international support, and uttering harsh reciprocal vilifications. Unlike in other divided countries, such as Germany or China, where trade, travel, and other forms of contact have moderated the hostility between the two parts, the people of the two Koreas have been almost entirely isolated from each other. The pattern of total isolation was interrupted for three short periods: 1972–73, 1984–85, and 1988–89.

North–South Contacts—Past and Present

In 1972–73 secret high-level contacts brought agreement on three broad principles for unification, but a dispute on the interpretation of the principles broke out immediately; and talks through two channels, a South–North Coordinating Committee and the Red Cross societies of the two sides, were broken off by the North Koreans in mid-1973 without any significant progress.

The dialogue in 1984–85 made marked advances over the first dialogue, both in variety of channels and in accomplishments. North Korea delivered flood relief supplies to South Korea through Red Cross channels. Delegations of 151 persons each—journalists, performers, support personnel, and members of separated families—actually crossed the demilitarized zone (DMZ) under the auspices of the two Red Cross societies to visit Seoul and Pyongyang. Dramatic meetings occurred between family members who had not seen one another for 35 years or longer. The two sides also opened three new channels for dialogue: delegations headed by officials of vice-ministerial rank to work out an agreement on economic cooperation; delegations composed of legislators from each side to agree on a joint parliamentary meeting; and sports officials, who in meetings

arranged by the International Olympic Committee discussed North Korean participation in the Olympic Games to be held in Seoul in 1988.

Early in 1986 the North Koreans suspended the talks through the Red Cross, economic, and parliamentary channels on the ground that the annual Team Spirit military exercise by U.S. and South Korean forces spoiled the atmosphere for dialogue. Talks on the Olympics continued but failed to reach agreement, and North Korea did not participate in the Seoul Olympics.

Despite their failure to reach agreement on some forms of continuing interaction between the two Koreas, the 1984–85 talks were notable for establishing precedents for talks between official representatives of both the executive and legislative branches of the two governments.

Official negotiations between representatives of the two governments resumed in 1988. In August, five-member delegations from the National Assembly in Seoul and the Supreme People's Assembly in Pyongyang met at Panmunjom to discuss arrangements for a joint meeting of the two legislative bodies. Six subsequent preparatory meetings made some progress in agreeing on a format for joint meetings, but the eighth preparatory meeting, scheduled for February 10, 1989, was postponed by the North Koreans in protest against the 1989 Team Spirit military exercise.

A second channel for dialogue opened on February 9, 1989, when delegations headed by vice-minister level officials met at Panmunjom to discuss arrangements for high-level political and military talks by delegations to be headed by the prime ministers of both governments. A second preliminary meeting on March 2 failed to make progress because the chief North Korean delegate devoted most of his remarks to a denunciation of the Team Spirit exercise. The third round, scheduled for April 26, was postponed by the North Koreans to July 12 because of the South Korean government's arrest of the dissident Presbyterian minister, Moon Ik-hwan, who had visited North Korea and met twice with Kim Il Sung without authorization from the South Korean government.

Sports officials from the two governments opened a third channel for dialogue on March 9, 1989, discussing the possibility of forming a joint team for the Asian Games in Beijing in September 1990. The two sides agreed on the adoption of *Arirang*, a traditional Korean folk song, as the official anthem for the joint team but were unable to agree on its official name or flag. These talks were not marred by disputes over the U.S.–South Korean military exercises, but the third round, scheduled for April 18, was postponed by the North Koreans to July 18 because of Moon's arrest.

The North–South dialogue of 1988–89 was accompanied by South Korean efforts to open trade with North Korea. In October 1988 the government in Seoul announced that private firms would be allowed to

engage in trade with North Korea and that imports from North Korea would be admitted duty free. The government also appealed to North Korea to reopen the economic talks that had been suspended in 1986. A flurry of activity by South Korean firms followed. Hyundai imported North Korean seashells, Daewoo imported art objects, and Hyosung imported electrolytic copper cathodes. Other companies, anxious to climb aboard the bandwagon, announced plans for trade with North Korea and applied for permits to import a wide variety of goods.

Contracts for the purchase of North Korean goods were signed with third parties in Japan, Hong Kong, or Singapore; and the goods were usually shipped to South Korea by indirect routes. In February 1989, however, 21,000 tons of anthracite coal purchased by Hyosung was loaded at Nampo on a freighter registered in Panama that sailed directly to Inchon. Excitement over this first direct shipment soon cooled when Hyosung discovered that over 70 percent of the coal was pulverized, not lump coal, as specified by the contract. Hyosung sued the Hong Kong intermediary for \$250,000 damages, and the South Korean government announced that it would suspend the importation of coal from North Korea unless the Pyongyang government admitted the breach of contract.¹ Applications for permission to import North Korean goods, which had been a flood in January, declined to a trickle by March.²

North Korea responded to reports in the South Korean press of burgeoning imports from North Korea with denials that any such trade had taken place. Yi Song-nok, head of the North Korean delegation to the suspended economic talks, declared: "It is only too clear that such materials as our coal and porcelainware cannot be transported to a South Korean port because there had been no contact between the North and South in regard to economic dealings, nor has any contract been signed." Yi blamed "the South Korean puppet Agency for National Security Planning" for fabricating rumors of direct trade with North Korea and called for an immediate halt to Team Spirit so that economic talks could resume.³

Optimism in South Korea concerning trade with North Korea had been stimulated by several factors: the South Korean government's announcement that such trade would be encouraged; the enthusiastic response of South Korean businessmen; and the startling news that Chung Ju Yung, honorary chairman of Hyundai, had visited Pyongyang in January 1989 in response to an invitation from Ho Tam, a member of the politburo of the

¹*Korea Times*, March 24, 1989, p. 8; *Korea Newsreview*, March 11, 1989, p. 22.

²*Korea Newsreview*, April 8, 1989, p. 16.

³Foreign Broadcast Information Service, *East Asia and Pacific* (hereafter, FBIS), January 23, 1989, pp. 10–11.

Korean Workers Party, and had signed an agreement with the president of North Korea's Taesong Bank for the development of the area around Mount Kumgang as a tourist attraction. Chung, who came from a place in North Korea near Mount Kumgang, was recommended to Kim Il Sung by a Korean-born naturalized Japanese citizen as an appropriate person to build a hotel at that site. Chung had declined two earlier invitations from Ho Tam after being advised by the South Korean government that the time was not ripe, finally making his January trip with official blessing.⁴

Moon Ik-hwan traveled to Pyongyang without government authorization, and the security authorities apparently had no advance knowledge of his plans. He had been one of seven South Koreans invited by Kim Il Sung in his New Year's 1989 speech to meet with leaders in the North. The others were Roh Tae Woo, in his capacity as head of the Democratic Justice Party, the leaders of the three other parties represented in the National Assembly, and two other prominent dissidents, Paek Ki Wan and Cardinal Kim Su Hwan. The South Korean government had rejected Kim's overture as a transparent maneuver aimed at undercutting Roh's authority as the elected president of the country. By arresting Moon on his return, the government sought to demonstrate its determination to keep negotiations with North Korea in its own hands.

Newspapers in South Korea also carried reports of a secret dialogue between the two Koreas, in addition to the negotiations through the several channels previously described, which are acknowledged by both governments. Pak Chol-on, a national assemblyman and senior aide to President Roh who participated in the successful negotiations to establish diplomatic relations with Hungary, was alleged to have had talks in Singapore in January with North Korean vice-foreign minister Han Si-hae, a report the government categorically denied.⁵

Favorable Environment for Negotiations

The 1988–89 dialogue took place in an international environment favoring such negotiations. Hostility between the two principal cold war antagonists, the United States and the Soviet Union, had moderated substantially. Regional conflicts in which Washington and Moscow backed opposing sides, such as those in Angola, Afghanistan, and Cambodia, seemed to be moving toward resolution. Tension in the Taiwan Strait had declined as contacts across the strait multiplied. Increasingly, people

⁴FBIS, February 15, 1989, pp. 22–23.

⁵*Chungang Ilbo*, February 11, 1989, p. 1, quoted in FBIS, February 13, 1989, pp. 23–24; *Chungan Chosun*, February 19, 1989, pp. 10–13, in FBIS, March 2, 1989, pp. 19–21.

around the world had been taking the view that differences should be resolved by dialogue, not by military conflict.

In the immediate vicinity of Korea, the long-standing antagonism between the Soviet Union and China had been diminishing. Both governments were primarily concerned with economic reform, which required a peaceful international environment and greater openness to the outside world. Mikhail Gorbachev stressed the importance of developing Siberia and the Soviet Far East, making the Soviet Union both a contributor to and a beneficiary of the economic dynamism of the Asian-Pacific region. The achievement of Soviet and Chinese economic development goals depended on the Korean peninsula remaining peaceful. Hence, both powers were strongly motivated to use such influence as they had on North Korea to induce it to pursue negotiation rather than conflict with South Korea.

The South Korean government had moved to take advantage of the international trends that it perceived as favoring negotiation. Its policies toward North Korea also reflected a new confidence, derived from the successful Olympic Games, continued high economic growth, and the first peaceful transfer of political power from one top leader to another in modern Korean history. Soviet and Chinese responses to South Korea's promotion of trade and other contacts, although not as far-reaching as the South Korean leaders would like, had been extensive enough to considerably weaken Pyongyang's confidence in the steadfastness of its big power allies. Roh Tae Woo considered South Korea's position strong enough to justify greater flexibility than in the past, both in negotiating with North Korea and in encouraging South Korea's allies to expand their contacts with North Korea. In seeking dialogue with the North, Roh not only was conscious of the timeliness and the potentialities of such a move, but was under considerable pressure from the South Korean public to make progress. Increased freedom of publication and debate in South Korea focused public attention on the unification issue to a much greater extent than ever before.

North Korea was also under pressure to engage in dialogue. Kim Il Sung was growing old, and Pyongyang was steadily falling further behind Seoul in economic development and in status in the world community. Reconciliation between Moscow and Beijing lessened North Korean leverage on its allies. The North Koreans hoped to recoup ground lost in the struggle over the Olympics by focusing world attention on Pyongyang when it hosted the World Youth Festival in July 1989. At least the appearance of a willingness to negotiate with South Korea was an essential element in the peaceful image that North Korea desired to project.

South Korean Strategy and Tactics

From the time of his inauguration in February 1988, Roh Tae Woo was under pressure to formulate a new policy toward North Korea. His first priority was a successful Olympics in October, but he could not afford to wait until after the games to set out his views on policy toward the North. Unification had become the subject of unprecedented public debate and had been adopted by the radical students as their chief issue. They denounced the presence of U.S. forces as the main obstacle to unification and announced their intention to march in thousands to Panmunjom to hold talks on unification with North Korean students.

In order to retain the initiative in government hands, Roh issued a declaration on July 7, 1988, outlining a new, more flexible policy toward North Korea. He urged that the two Koreas cease treating each other as adversaries, recognize that the people on both sides belong to a single national community, tear down the barriers to exchanges between them, and discontinue confrontation on the international scene. Specifically, he proposed:

1. active promotion of exchanges between North and South, including politicians, businessmen, journalists, religious leaders, academics, students, and others
2. assistance to members of separated families in finding, communicating, and visiting one another
3. promotion of North–South trade, to be regarded as internal trade
4. acquiescence in trade with North Korea by nations friendly to South Korea, except for military goods
5. an end to North–South competition and confrontation internationally and cooperation in pursuing the common interests of the whole Korean nation
6. cooperation with North Korea in improving its relations with countries friendly to South Korea, including the United States and Japan, and continuing efforts to improve South Korean relations with the Soviet Union, China, and other socialist countries.

The South Korean government followed this general declaration with more specific proposals. The head of the Red Cross Society called for a resumption of the talks on separated families, which had been suspended since 1985. The Speaker of South Korea's National Assembly proposed a meeting of the legislative bodies of the North and South. Reacting to attempts by radical students to march north to meet North Korean students at Panmunjom, which had been interdicted by the police, the South Korean Minister of Education proposed that 1,000 students from each part of Korea cross the DMZ and march to the summit of Mt. Paektu in the North and to the summit of Mt. Halla on Cheju Island in the South. He

asked for a North Korean counterpart to meet him at Panmunjom to discuss the organization of such a march and athletic meets between teams from the two sides.

In a speech to the UN General Assembly in October 1988, Roh reiterated some of the themes from his July 7 declaration. He urged socialist countries that were developing relations with South Korea to maintain even better relations with North Korea in order to accelerate its development and prevent its isolation. He offered to visit Pyongyang to meet with Kim Il Sung and hold frank, unrestricted discussions on all issues raised by both sides.

South Korea's strategy consisted of two main strands: its "northern policy," aimed at improving relations with socialist states, especially China and the Soviet Union, and renewed efforts to draw North Korea into a dialogue. Relations with Beijing and Moscow were improving at a good pace, particularly in the economic sphere; and the South Koreans hoped that this trend would compel North Korea to negotiate seriously with South Korea and also to seek better relations with the United States and Japan, thus opening up Pyongyang more to the outside world. The formulators of South Korea's softer, less confrontational policy toward North Korea hoped that it would not only brighten the South Korean government's image in the eyes of its own people and the world, but also would encourage the emergence of moderate voices in North Korea.

A new element in South Korea's policy toward North Korea was to ease the tight restrictions on the circulation of materials on communism and North Korea. The reasoning was that the ban on these materials drove them underground and helped to create illusions, particularly in the minds of students, concerning conditions in North Korea and the virtues of communism. Now that Communist ideology was in decline throughout the world and living conditions in North Korea were markedly inferior to those in South Korea, the government believed it important to give people access to some of these formerly forbidden materials in order to give them a truer picture of North Korea and the Communist world.

In July 1988 the government lifted the ban on works by Korean authors who had gone to North Korea after 1945. On September 3, 1988, the minister of culture and information announced that "all general materials on Communist countries will be open to the public except for data which obviously go against our Constitution, such as propaganda materials published by North Korea and antistate organizations."⁶ The government's intention was not to throw the doors wide open to materials on communism and North Korea, but to admit such materials selectively and to

⁶*Korea Newsreview*, September 10, 1988, p. 4.

maintain a considerable degree of government control over access to the most sensitive items. Officials were not prepared for the enterprise of publishers and book importers, who began indiscriminately providing quantities of these materials, including the works of Kim Il Sung and other books that the government did not want freely circulated. Consequently, the police mounted a series of raids on bookstores and publishing houses, seizing thousands of publications, arresting some of the principal persons involved, and charging them with violating the National Security Law.

The moderate tone of Roh's July 7 declaration, particularly the radically new concept of no longer treating the North Koreans as adversaries and tearing down the barriers between the peoples of the North and South, stimulated the ongoing public discussion of unification and created an atmosphere of hope. Lee Hong-koo, the Seoul National University professor who had been appointed minister of unification, consulted with a wide range of people on unification policy and spoke encouragingly to legislators of the prospects for replacing the armistice agreement with a peace pact.

The government, however, encountered a legal and public relations problem in promoting its policy. On the one hand, Roh had called for the active promotion of North-South exchanges, but on the other, the National Security Law made contacts with North Koreans and travel to North Korea a crime. Technically, even Chung Ju Yung's visit to North Korea was a violation of that law, although he had cleared it in advance with the security authorities and President Roh himself. The government announced that it was preparing new laws to govern North-South exchanges and trade that would legalize visits to North Korea, provided they had government approval, but as of late May 1989 the new laws had not been passed. In the meantime, the National Security Law was invoked to punish those, mostly well-known dissidents, who tried on their own to promote people-to-people exchanges with the North.

North Korean Strategy and Tactics

North Korea's policy toward South Korea operated at two levels. On one level Pyongyang pursued official negotiations with the South Korean government. On another level it sought out individuals and groups opposed to the South Korean government, endeavoring to draw them into talks, thus undermining the South Korean government's effort to keep all negotiations in its own hands.

North Korea showed little interest in South Korean proposals for officially sponsored exchanges of persons, trade, and other step-by-step methods of lowering tension and improving relations. As in the past, Pyongyang stressed the importance of politico-military talks aimed at a

peace treaty, reduction of forces, and withdrawal of U.S. troops. In November 1988 the Democratic People's Republic of Korea (DPRK) put forward a more detailed version of a 1987 proposal for the United States and the two Koreas to agree on the total withdrawal of U.S. forces by 1991 and a phased reduction of the forces of both Koreas to 100,000 by 1992. When the South Koreans proposed a meeting of foreign ministers at the United Nations, the North Koreans wanted the U.S. secretary of state to participate. In July 1988 the Supreme People's Assembly wrote to the U.S. Congress proposing a meeting of the two legislatures.

Proposals for tripartite talks and direct DPRK-U.S. talks having repeatedly failed to bring a favorable response from South Korea and the United States, the North Koreans unexpectedly accepted the South Korean proposal in July 1988 for a meeting of the two Korean legislatures. In the preparatory talks the North Koreans, as on previous occasions, exhibited their preference for mass meeting over serious negotiations. They proposed that, in addition to the full membership of each legislature (299 from the South and 655 from the North), the conference be attended by 100 additional participants from all walks of life on both sides. The prime agenda topic was to be a joint declaration of nonaggression. During the seven preparatory meetings, however, Pyongyang made significant concessions, dropping the demand for participants from outside the legislatures and agreeing to working meetings of only 50 legislators from each side with all members of each legislature attending only the opening and closing sessions. While insisting on a nonaggression declaration as the first item on the agenda and opposing the South Korean proposal for discussion of a summit meeting as an agenda item, the North Koreans accepted the South Korean proposal to discuss exchanges and cooperation in various fields.

At the seventh preparatory meeting in December 1988 the chief North Korean delegate devoted much of his address to an attack on the Team Spirit exercise, which South Korea had announced would be held as usual early in 1989. The North Korean delegate warned that Team Spirit would jeopardize not only the parliamentary talks, but also the proposed high level political and military talks and the talks on forming a single team for the Asian Games. Consequently, he proposed that the question of suspending Team Spirit be placed at the top of the agenda for the parliamentary conference.

When the Republic of Korea (ROK) declined to place Team Spirit on the agenda and went ahead with the military exercise, the North Koreans declared that further talks would have to be postponed until the exercise ended. They accused the South Korean authorities of paying "greater attention to the military exercise with foreign troops to annihilate

the fellow countrymen than to dialogue with the same people for national unity.”⁷

In both the February and March preparatory discussions of high level political and military meetings, the North Korean chief delegate took much time condemning Team Spirit and calling for its suspension, but did not break off the talks. He agreed to meet again in April. In the two meetings on forming a single team for the Asian Games, the North Koreans presented a detailed and businesslike proposal and refrained from political propaganda. The notification postponing until July 1989 further meetings in both these channels attributed the action to the arrest of Moon Ik-hwan, not to Team Spirit.

While meetings were taking place in the three official channels, North Korea was reaching out to the opposition in the South. Pyongyang's proposals included nine suggestions.

Political Consultative Meeting

This meeting would include leadership level people from North and South. This proposal was initiated by Kim Il Sung's New Year's invitation to Roh Tae Woo (as head of the ruling party) and six opposition figures, followed up by a letter to each from Ho Tam, chairman of the preparatory committee for this meeting.

South Korean Student Participation in the World Youth Festival

Pyongyang hoped through hosting the World Youth Festival in July 1989 to attract widespread favorable world attention, as Seoul had through the Olympic Games. It built a 150,000-seat stadium and a 105-story hotel to impress the thousands of visitors expected from 170 countries. The North Koreans also sought to take advantage of the growing desire among students in South Korea to actively promote reunification through talks with North Korean students. On four occasions, in June and August 1988 and March and April 1989, South Korean police blocked attempts by South Korean students to go to Panmunjom to meet with North Korean students. The South Korean government insisted that negotiations for attendance at the festival be handled by the officially established South-North Student Exchange Promotion Committee, but Pyongyang preferred to deal with the independent National Council of Student Representatives (Chondaehyop), which was highly critical of the South Korean government and tried persistently to open its own unofficial dialogue with the North.

Chondaehyop finally succeeded in sending one delegate to the festival

⁷FBIS, February 8, 1989, p. 10.

surreptitiously via Japan and East Germany, a Miss Yim Su-kyong from Hanguk University of Foreign Studies. Claiming to represent the one million university students of South Korea, she signed a “joint declaration of youth and students in the North and South,” which supported the standard North Korean position, including replacement of the armistice by a peace agreement, phased withdrawal of U.S. forces, a North–South nonaggression declaration, and the conduct of North–South dialogue through nongovernmental as well as governmental channels. The declaration also rejected cross-recognition and the admission of both Koreas to the United Nations.⁸

National Congress on Unification

The Committee for the Peaceful Reunification of the Fatherland, headed by Ho Tam, has corresponded with the National Alliance for a Democratic Movement (Chonminnyon), a coalition of dissident organizations in South Korea, concerning a national congress of delegates from all walks of life in the North and South to discuss reunification. Arrangements for representatives from each organization to hold preparatory meetings at Panmunjom fell through when the police prevented the Chonminnyon representatives from reaching Panmunjom. The authorities later arrested Lee Jae-o and Lee Pu-yong, co-chairmen of Chonminnyon, for violating the National Security Law.

Cultural Exchanges

A group of writers and artists in South Korea, dissatisfied with the Federation of Artistic and Cultural Organizations of Korea, set up a competing organization, the Federation of National Artists of Korea (Min-ye-chong) in December 1988 and announced their intention to promote exchanges of visits by artists between North and South. A representative of this organization, Hwang Sok-yong, arrived in Pyongyang with Moon Ik-hwan and signed an agreement with the vice-chairman of the central committee of a North Korean organization, the General Federation of Unions of Literature and Arts of Korea, providing for exchanges of artistic works between North and South and visits back and forth by writers and artists. As of this writing, Hwang had left North Korea but had not returned to South Korea. Presumably he will be arrested, like Moon, for having travelled to North Korea and having held talks on reunification without government approval.

Another overture to an unofficial South Korean organization was an open letter from the Korean Writers League in North Korea to South

⁸FBIS, July 7, 1989, p. 19.

Korea's National Literature Writers Association endorsing the latter's proposal for a meeting between writers in the North and South. A preparatory meeting scheduled at Panmunjom failed to take place because of South Korean government intervention. The poet Ko Un, a leading promoter of the meeting, was subsequently arrested.

Media Exchanges

The topic of travel by media representatives to the other side of the DMZ attracted public attention when the South Korean government in April 1989 arrested Lee Young-hee, a professor at Hanyang University and editorial adviser to the radical newspaper *Hangyore Shinmun*. Lee was accused of violating the National Security Law by trying to arrange a trip to North Korea by a group of reporters from that newspaper. The *Tong-Ailbo* pointed out that the government allowed overseas Koreans to visit North Korea, so long as they reported their visit to the appropriate South Korean authorities, and that some local newspapers had even sent to North Korea reporters who had U.S. citizenship or were permanent U.S. residents. The newspaper argued that free discussion of reunification, which the government encouraged, required freedom of the press to report on North Korea.⁹

Labor Exchanges

The General Federation of Trade Unions of Korea in Pyongyang sent an open letter on March 31, 1989, to the Council of National Workers Movements Organizations in South Korea proposing a working meeting of delegates from North and South at Panmunjom to discuss a joint commemoration of May Day in Seoul and Panmunjom.

Religious Exchanges

North Korea has modified its hitherto rigorous antireligious stance in order to improve its international image and encourage contacts with South Korean religious leaders. It invited a Vatican delegation (including a South Korean priest) to the nonaligned conference in Pyongyang in 1987, sent a delegation to the Vatican during Holy Week in 1988, and has constructed a Catholic and a Protestant church in Pyongyang. Moon Ik-hwan conducted a church service during his visit to North Korea.

Representatives of the Korean National Council of Churches have promoted meetings with North Korean Christians. A first meeting was held at Glion, Switzerland, in November 1988 under the auspices of the World Council of Churches and a second in Chevy Chase, Maryland, in April 1989

⁹FBIS, April 18, 1989, p. 23.

under the auspices of the National Council of Churches of Christ of the U.S.A.

Some 60 church leaders in South Korea, including Buddhists, Catholics, Protestants, Confucians, and the Korean religious movement Chondogyo, adopted a declaration in March 1989 promoting free exchanges and conferences of religious people from North and South.

Ho Tam's Meeting with Kim Young Sam

Ho Tam made a special trip to Moscow in early June to meet with Kim Young Sam, president of the reunification Democratic Party, who was visiting the Soviet capital at the invitation of the Institute of World Economy and International Relations. Ho's primary mission to persuade Kim Young Sam to visit North Korea failed, as Kim held firmly to the view that the North–South dialogue should be conducted through governmental channels.¹⁰

So Kyong-won's Visit to Pyongyang

Pyongyang's cultivation of nongovernmental channels of dialogue produced its greatest shock to South Korea when National Assemblyman So Kyong-won, a member of Kim Dae-jung's Party of Peace and Democracy (PPD), confessed in late June to having travelled secretly to Pyongyang in August 1988 to see Kim Il Sung and Ho Tam. Kim Dae-jung publicly apologized for So's "reckless act," and the PPD expelled him. So was jailed, and others were arrested on charges of failing to report his trip to the authorities or receiving money from North Korea for his use.¹¹

The priority given by North Korea to establishing links with opposition individuals and groups in South Korea angered government leaders in the South. They were particularly disturbed by the clandestine trip of National Assemblyman So. So was suspected of having received money from Pyongyang to set up an espionage network in South Korea. The Agency for National Security Planning, embarrassed by its failure to detect So's visit to North Korea, launched a hard-hitting investigation of his colleagues and contacts. The atmosphere for North–South dialogue, which had been so promising early in the year, had deteriorated badly. Consequently, the South Korean authorities decided in early July 1989 not to proceed with the governmental talks scheduled for that month on a single team for the Asian Games and on a high-level meeting on political and military topics. They also declined to go ahead with parliamentary and Red Cross talks, which the North Koreans had indicated they were willing to resume.

¹⁰For the text of the Kim-Ho dialogue, see FBIS, June 16, 1989, pp. 18–21.

¹¹FBIS, June 28, 1989, p. 22.

Appraisal of the Dialogue

President Roh Tae Woo's July 7, 1988, declaration was widely welcomed among South Koreans as a more flexible and realistic approach to dealing with North Korea. The opening of negotiations on a North–South parliamentary meeting, the success of the Olympics, the removal of the ban on trade with North Korea, Chung Ju Yung's visit to Pyongyang, and the opening of two additional channels for dialogue created an unprecedented atmosphere of optimism concerning North–South relations. But optimism soon faded as the government encountered difficulty coordinating the many strands of policy toward the North, dissidents took advantage of the “reunification fever” to seek their own channels to the North, trade failed to live up to its early promise, and the North Koreans broke off the official dialogue.

Part of the problem grew out of the government's failure to prepare at an early date the institutional and legal structure for coordinating policy toward North Korea. Government departments appear to have gone off in different directions, creating confusion rather than taking coordinated actions. Roh was criticized in some quarters for relying too heavily on Pak Chol-on in the Blue House for the conduct of policy toward North Korea and the socialist states.

Not until March 1989 was the government preparing regulations for the establishment of an interagency committee chaired by the prime minister. Two subcommittees composed of vice-ministers were to be established, one on relations with China, the Soviet Union, and Eastern Europe, headed by the foreign minister, the other on policy toward North Korea, headed by the national unification minister.¹² Moreover, as of early May 1989, bills to establish a legal basis for inter-Korean exchanges and cooperation had not passed the National Assembly. A proposed softening of the provisions of the National Security Law banning travel to North Korea was dropped as a result of the furor following Moon Ik-hwan's unauthorized trip.¹³

Managing policy toward North Korea was difficult for the government. It lacked a majority in the National Assembly, which made it dependent on opposition parties to pass laws. In general, the leaders of the opposition supported Roh's North Korea policy. They agreed with him that dialogue with the North should be kept in government hands, but they wanted to be consulted. Hence, they were irritated when they were caught by surprise with the announcement of Chung Ju Yung's secret trip. Hardliners within the military and security establishment questioned the wisdom of easing

¹²FBIS, March 23, 1989, p. 25.

¹³*Korea Newsreview*, April 8, 1989, p. 4.

policies toward North Korea and the socialist countries while left-wing dissidents did their utmost to evade the government's efforts to keep dialogue with the North in its own hands. Clashes between students and police over this and other issues, coupled with demonstrations by workers over labor matters, produced demands for tougher government treatment of troublemakers. The environment within which the government pursued its North Korea policy was already becoming more difficult when Pyongyang broke off the last two dialogue channels.

Suspension of the official dialogue by North Korea turned public attention in South Korea to the government's efforts to prevent the opening of private channels of dialogue. Debate over the government's handling of North–South dialogue obscured the significance of the changes that Roh had made in policy toward North Korea. The latter included Roh's aiming at drawing Pyongyang out into the world community rather than isolating it, recognizing the importance of political negotiations in addition to economic and other nonpolitical exchanges, and expressing willingness to discuss military issues along with other issues at a summit meeting.

The unwillingness of the North Koreans to take advantage of South Korea's more flexible official approach to negotiations created doubts in the South Korean government as to whether they genuinely wished to enter into serious dialogue with the government of the ROK. Invitations to dissidents to visit North Korea, some initiated by North Korean organizations, others in response to proposals originating with South Korean opposition figures, together with suspension of the official dialogue, suggested that the principal North Korean objective was to maximize dissatisfaction with the South Korean government's management of the dialogue.

Vituperative attacks on the South Korean government in North Korea's official press seemed certain to strengthen the views of those in South Korea who most deeply mistrust North Korean intentions. For example, the *Nodong Sinmun* condemned the National Assembly in Seoul as "nothing but a puppet organ that puts a democratic embellishment on a military dictatorship." The article declared that "the South Korean youth, students and people should firmly unite themselves, rise up nationwide in eradicating the No Tae-u [Roh Tae Woo] military, fascist regime, and cut off the aggressive tentacles of the U.S. imperialists who manipulate it."¹⁴ South Korean officials, noting the extent to which the North Koreans' official rhetoric and actions aim at stirring up political trouble in the South, not unreasonably doubted their sincerity in pursuing an official dialogue.

¹⁴*Nodong Sinmun*, April 13, 1989, in FBIS, April 17, 1989, p. 14.

North Korean tactics are difficult to interpret. The authorities there may believe that their bargaining position in the dialogue can be strengthened by encouraging dissidents in South Korea to put pressure on the ROK government to accept North Korean demands. Or they may expect that the anti-Roh, anti-U.S. sentiment in South Korea will grow and that Roh will eventually be overthrown and be replaced by someone more disposed to accept Pyongyang's proposals. In this scenario, negotiations with the Roh administration would not be seen as a dialogue leading to agreement, but as a way of temporizing until Roh fell. Another possibility is that North Korean authorities regard bilateral negotiations with South Korea as a necessary sop to the United States while awaiting U.S. agreement to direct negotiations on troop withdrawal either in a bilateral or trilateral format.

Pyongyang's behavior indicates that it continues to hold firmly to its long-standing position that easing the military confrontation must be given priority over any other methods of lessening tension and building confidence. If that is the case, why did the North Koreans break off the talks intended to set up a meeting of prime ministers at which military issues could be discussed? The most probable explanation is that they hold little hope for easing the military confrontation by talking to the South Koreans without U.S. participation.

Implications for the United States

Responding to Roh Tae Woo's encouragement of countries friendly to Seoul to improve their relations with North Korea, the United States announced in October 1988 that it would encourage unofficial visits from the DPRK, take steps to facilitate the travel of American citizens to North Korea, permit commercial shipment of goods to North Korea to satisfy basic human needs, and reopen substantive discussions between U.S. and North Korean diplomats. Following this decision, exchanges of visits between North Korean and U.S. scholars occurred, and four meetings took place between the counselors of the U.S. and North Korean embassies in Beijing.

North Korea has indicated a desire to step up private contacts with Americans. For example, members of a newly established Institute for Disarmament and Peace under the Foreign Ministry approached Chinese scholars in Beijing to obtain the names of American scholars who would be useful for them to meet. Three scholars from this institute attended a conference at the University of Hawaii. Four scholars from other North Korean institutions participated in a conference at the Carnegie Endowment for International Peace in Washington, D.C.

North Korean authorities may have decided that the expansion of contacts with American scholars will be helpful in gaining a better

understanding of U.S. policy, as well as providing channels for attempting to influence U.S. policy. Yet they are aware that the growth of cross-contacts—including South Korean contacts with Soviets and Chinese over which they have little control—will inexorably increase the risk of cross-recognition, which they oppose as perpetuating the division of Korea.¹⁵ Apparently, they are determined to accept such risks as they leave no stone unturned in the effort to draw the United States into official negotiations on the withdrawal of U.S. forces.

In its public statements, as well as in private conversations with the Soviets and Chinese, the U.S. government has stressed the centrality of the North–South dialogue for lowering tension on the peninsula. The United States has an important but ancillary role to play. A channel for official exchanges of views between the United States and North Korea has now been opened. Although the content of these exchanges has not been made public, it can be assumed that the United States is emphasizing that progress in North–South talks is an essential condition for the improvement of U.S.–North Korean relations. The door has also been opened for the expansion of unofficial exchanges of persons between the United States and North Korea. Such exchanges have begun to increase but lag far behind those that South Korea has developed with China and the Soviet Union. Because the ROK no longer opposes such exchanges, there is ample scope for cultivating them as fully as Pyongyang will permit.

In talks with North Korea the United States should continue to emphasize that little progress can be expected in U.S.–North Korean relations until substantial results have been achieved in bilateral talks between Pyongyang and Seoul. The United States should seek to convince the North Koreans, both in direct talks and through the Chinese and the Soviets, that interfering in domestic South Korean politics by inviting opposition figures or groups to Pyongyang can only have a detrimental effect on North–South governmental talks.

The North Koreans need to be convinced by Americans and others that negotiations on the military-political issues to which they would give priority require a trade-off. They must demonstrate willingness to include in the agenda of a prime ministerial level meeting with South Korea not only these issues, but also the discussions of trade and family reunions desired by the South Koreans.

The Soviets, who have long experiences in negotiating confidence-building and arms control measures with NATO and who are the principal military supplier of North Korea, may be in a position to impress on the

¹⁵*Nodong Simmun*, February 1, 1989. "Under No Circumstances Should the Fabrication of Two Koreas Be Tolerated," FBIS, February 9, 1989, pp. 9–11.

North Koreans that their arms reduction proposals are highly unrealistic at the present time because the distrust between the two sides is so deep. In Europe more than 30 years of trade, travel, and other forms of interactions between members of NATO and of the Warsaw Pact were required to create the level of confidence that permitted the recent reciprocal proposals for sizeable reductions in armed forces. Through the Soviets, the Chinese, NATO countries that have diplomatic relations with Pyongyang, and U.S. scholars who have developed contacts with North Korean officials and scholars concerned with arms control (e.g., Professor John Lewis at Stanford University), the United States should seek to convince the North Koreans that building confidence through interchange between the two Koreas is an essential prerequisite for serious talks on arms reduction.

Military confidence-building measures would serve to reduce the danger that clashes along the DMZ might escalate into large-scale military conflict in Korea, a concern voiced by both Korean governments. If the South Korean government were willing, consideration of such measures could be undertaken by U.S., South Korean, and North Korean military authorities, a tripartite format long favored by North Korea. Confidence-building measures might include advance notification of large-scale military exercises, exchange of observers, and expansion of the peace-keeping functions of the Neutral Nations Supervisory Commission. The ROK is now in a strong enough position internationally, particularly in its growing relationships with China and the Soviet Union, to enter into a tripartite negotiation at the military level without appearing to cede significant ground to North Korea in their international rivalry. The presence in Korea of forces from each of the three countries justifies the tripartite format for dealing with military issues.

U.S. actions to promote relaxation of tension in Korea can only supplement the North–South dialogue. That dialogue has been suspended, but not broken off. The pressures that produced the dialogue in 1988–89 are still present and probably will cause it to be resumed before the end of the year. If it is to produce results, however, Kim Il Sung must be prepared to negotiate seriously with the South Korean government rather than prejudice the negotiations by stimulating opposition forces in the South. The South Korean government, in order to be an effective negotiator, must be able to muster a popular consensus behind its policies in the dialogue. World trends are such that a waiting game is unlikely to work in North Korea's favor, either by producing a government in South Korea more responsive to its demands or by winning concessions from the United States without progress in the North–South dialogue.

12. Inter-Korean Détente and the Desirable Role for the United States

RHEE SANG-WOO

Inter-Korean conflict cannot be resolved immediately. Mutual antagonism between the two Koreas has persisted for more than forty years. Except for sporadic contacts, no agreement has been made between the two contending governments. Neither government even recognizes the other's *de jure* status. In this situation no fundamental solution can be expected.

Design for Inter-Korean Détente

Both Koreas are pursuing political unification. North Korea is determined to liberate South Korea's proletariat from "exploitative class enemies" supported by the U.S. "imperialists" and to install a unified socialist state throughout the entire Korean peninsula. South Korea sets a goal of establishing a unified Korea in which all members of the Han (ethnic Korean nation) community, disregarding their class status, religion, and beliefs, will enjoy political freedom, the right to determine their own destiny, and common prosperity.¹ The ideas of proletariat dictatorship envisioned by North Korea and universal liberal democracy being pursued by South Korea are mutually incompatible. Thus political unification through negotiation is logically impossible. Unless one side or both sides make fundamental changes in their proposed goals, no compromise can be worked out. And at this moment no such change is expected.

Peace means "voluntary agreement for coexistence" among people. Peace is possible only when all are ready to tolerate differences of opinion, belief, and mode of life. Peace does not mean imposition of one's will over others by force. So far as inter-Korean peace is concerned, no such

¹For the goals of the People's Democratic Republic of Korea (North Korea) and that of the Republic of Korea (South Korea), see Yi Sang-U (Rhee Sang-Woo), "Nambukhan Tongil Chôngch'aek-ui Nonrikujo Bikyo" (Comparative Study on the North and South Korea's Unification Policy), *Tong-a Yônku* (East Asian Studies), vol. 18 (June 1989), pp. 79–111.

agreement has been made. North Korea persistently refuses to acknowledge the existence of South Korea as an independent political system and to agree to coexist with it. Between the two Koreas a state of nonviolence is maintained only by military balance. Until North Korea changes its policy and decides to accept peace with South Korea, no genuine peace will be installed on the Korean peninsula.

If political unification through negotiation is not achievable in the foreseeable future, we have to set up an intermediate goal. If we are destined to live in a divided Korea for the time being, we have to adopt "better management of division" as a primary goal. Putting aside political unification as a long-term objective to be pursued when system compatibility between the Koreas has matured through evolutionary changes in the existing systems, we have to concentrate our efforts on improving the current status of division. Beyond the political division line, we have to develop nonpolitical cooperative systems so the people of the two Koreas are relieved of the sufferings produced by division. Divided families should be reunited. Social, cultural, and economic ties should be restored. A sense of unity among the people should be promoted through increased interchanges. A system to prevent war should be worked out between the two Koreas so that people of both sides will no longer live under its threat. More important, division should be managed so that mutual trust among the Koreans who have been separated from one another for nearly half a century can be enhanced because mutual trust is a sine qua non for later negotiations for political unifications.

Both political unification and division management require North Korea's cooperation. The extent to which we can expect such cooperation remains a big question. Considering internal and external environmental changes, however, we are confident that our sincere efforts will induce North Korea's positive response.²

Internally, North Korea is losing the power edge over South Korea. Economically, North Korea is lagging behind South Korea. Because of the rigidity of the centrally controlled socialist economy, North Korea cannot catch up to the rapid economic growth of South Korea.³ Now it is proven that North Korea cannot be a match with South Korea economically.

²Rapid transformation of Eastern European Communist states into pluralistic democratic ones must have a strong influence on Pyongyang, and North Korea will inevitably initiate its version of *perestroika*. For such observation and reasoning, see Rhee Sang-Woo, *Chungang Ilbo*, November 15, 1989.

³In terms of gross national product (GNP), South Korea is six times stronger than North Korea. In 1987 the GNP of North Korea was \$19.37 billion U.S., and that of South Korea was \$118.6 billion. National Unification Board, *Bukhan Gyŏngje Kaekwan* (An Overview of North Korea Economy) (Seoul, 1988), p. 162.

Militarily, North Korea has maintained superiority over South Korea. North Korea has larger armed forces and better and more weapons than South Korea.⁴ North Korea's superiority, however, is ebbing rapidly as South Korea enhances its fighting capabilities. This means that, on the military dimension, too, time is against North Korea. These adverse trends will force North Korea to readjust its ambitious goal of South Korean liberation.

The external environment also discourages North Korea's militant policy toward South Korea. Thanks to Gorbachev's *perestroika* and Deng Xiaoping's reform politics, a multilateral détente system is settling down in East Asia. At least for the time being, the two North Korean allies will not eagerly support North Korea's adventurous policy. Both Communist superpowers want to improve relations with nonsocialist nations, including South Korea.⁵ They pursue economic cooperation with the nonsocialist nations. They do not want to be involved in another Korean War. In this circumstance North Korea cannot take provocative measures against the will of its Communist neighbors.

Against this backdrop, North Korea will probably seek its own version of détente with its former adversaries, namely South Korea and the United States. If South Korea approaches North Korea wisely, it will not be too difficult to induce a positive response. This line of reasoning is the source of cautious optimism for inter-Korean détente and for the agreement of better management of division.

In order to induce North Korea's agreement for détente, South Korea should take several initial measures. First, it should precipitate its own political reform. The South Korean government is consolidating its political legitimacy by democratizing its political institutions and political decision-making processes. The success of this reform is essential to initiate inter-Korean détente because only a government strongly supported by its people can assure North Korean leaders of South Korean sincerity. A policy not based on national consensus will not be reliable.

Arms control negotiation should be started promptly. The threat of war

⁴See Chung Byung-Ho, "Nambukhan Kunsaryök" (Military Capabilities of North and South Korea), paper presented at the 1989 annual conference of the Korean Association of International Relations, June 1-2, 1989.

As of the end of 1988, North Korea maintained a million men on active duty, and South Korea had 650,000. North Korea has more infantry divisions (30) than South Korea (21), more tanks (3,500 vs. 1,500), more naval combat ships (358 vs. 137), and more combat airplanes (1,020 vs. 480).

⁵The Soviet Union and South Korea signed an agreement to allow consular functions to their existing trade missions established in Moscow and Seoul in December 1989. A similar agreement is being negotiated between Beijing and Seoul.

makes serious negotiation impossible. The core objective of inter-Korean arms control should be "elimination of chances of outbreak of another war." In order to achieve this objective, the fighting capabilities of both Koreas should be balanced. This means that neither side should have sufficient superiority of armed forces to override the other. Theoretically, the control should be started to eliminate disparity of forces by reducing the fighting capability of the superior side. Will North Korea accept this formula while it enjoys military superiority? Under what circumstances will it agree to arms control? When South Korea becomes stronger than North Korea, this event will be more probable. Thus, ironically, in order to start serious talk for arms control, South Korea should improve its war deterring capability.

South Korea should also go ahead with its *Nordpolitik* vis-à-vis China and the Soviet Union. Putting politics aside for the moment, South Korea is trying to expand economic and cultural contacts with these two Communist nations with the hope that improved relations will reduce military tension on the Korean peninsula because these two are North Korea's military allies and suppliers of weapons. Without harnessing the two socialist neighbors, it will not be possible to settle inter-Korean détente because one of them can easily upset the fragile balance of power between the two Koreas.

Direct dialogue with North Korea is important. It should eliminate mutual mistrust, which culminated after the Korean War and still dominates the minds of North and South Korean leaders. Incessant dialogue will break the ice, and nonpolitical interactions and interchanges between the two Koreas should be promoted for the same purpose.

Worldwide Trend of Détente and Inter-Korean Relations

An era of ideological fanaticism is passing. A new wave of realism is replacing that of abstract ideological rhetorics. The era of superpowers' competition for ideological dominance is ebbing. The new era of worldwide détente is dawning.

The messianic gospel of communism that has haunted the minds of the less privileged people of the world for the past hundred years is losing attractiveness. Communism may have improved production relations in the industrialized societies, but its inability to enhance productive forces in less developed nations is also proven. New thinking is growing out of the necessity to rescue the crippled economies of the socialist nations. *Perestroika* has become an imperative for the Communist nations. De-emphasis of ideology in the socialist nations has lowered ideological

barriers that prohibited interactions and intersystem cooperation between socialist and nonsocialist nations and has made intersystem détente possible.

Paradoxically, technology has contained military might into a tantalus box. Most superpowers are equipped with formidable weapons with which they can annihilate their adversaries. With such overkilling weapons, no state can wage a war. Thus war is no longer an effective measure for a nation to impose its will on its enemies. Military might is gradually yielding to economic prowess. Imposition of will by military force has become outmoded. Instead, a nation's ability to provide economic benefits to other nations is now regarded as the real power of international relations because a nation complies with another nation's demand more obediently when it finds greater economic benefits than when it feels a military threat. Doctrines based on the balance of power are now being replaced by those based on the balance of interest.

Soviet leaders realized it was no longer wise to maintain the mightiest military forces at the sacrifice of economic development. They saw that the Japanese yen was more influential than Soviet intercontinental ballistic missiles (ICBMs). Gorbachev's *perestroika* and *glasnost* are based on this new thinking. Gorbachev withdrew Soviet troops from Afghanistan, agreed with the United States on intermediate nuclear force (INF) reduction, and decided to push his policy of unilateral arms reduction. The Soviet Union changed its security policy from offensive defense to defensive defense and removed ideological barriers so that nonsocialist nations can approach Moscow for economic cooperation.

The Soviet Union made détente with the United States and China and moves to make détente with Japan. It even established a trade office in Seoul. Most Eastern European Communist nations followed the Soviet steps. Vietnam also decided to make détente with nonsocialist nations. Together with Deng Xiaoping's ten-year-old open door policy, the Soviet decision for détente has removed the cold war legacy from Europe and East Asia. The fall of the Berlin wall in November of 1989 was the epitaph of the cold war era.

Against this new stream of worldwide détente North Korea still remains an unopened Communist nation. Unlike the South Koreans, who have experienced revolutionary political changes frequently and are psychologically well prepared for changes, North Koreans, never having experienced a change of rulers over the past forty-five years, are not accustomed to initiating or accepting such changes. They understandably hesitate to adopt *perestroika* and *glasnost*, perhaps thinking that abrupt reform is too risky. However, some symptoms of realism appear in the recent moves of the North Korean government. For example, North Korea

quietly approached the United States and Japan for better relations and began direct trade with the United States.⁶

North Korea also prepares to accept the division of Korea as reality. For the past thirty years North Korea has persistently advocated "one Korea," to be united under the Confederation of Koryo. Though the title has remained unchanged, the content of the proposal has recently evolved. In the earlier version, North Korea's proposal emphasized federal characteristics of the Koryo Confederation by assigning strong power to the federal government, including control of the unified military forces. Recently, North Korea began to emphasize the autonomous characteristics of the two Koreas under the confederation. This implies that North Korea is retreating from its militant stance of liberating South Korea to a more defensive posture of saving the Communist system in North Korea. This reflects North Korea's realization of the worldwide trend of détente.⁷

If détente is an irrevocable general trend of the new era, North Korea shall not be able to keep its isolated position of continuing ideological war against South Korea. It may take time to bring changes in North Korea's anachronic class struggle. North Korea, however, cannot refuse South Korea's proposal for peaceful coexistence as an interim step toward political unification.

The changed international environment has encouraged South Korea to launch a new policy of improving North-South Korean relations. Ideological barriers have been removed by the Soviet Union and China. Thus South Korea enjoys direct access to socialist nations for diplomatic and economic cooperation. A new era of balance of interest has come. Superpowers can no longer dictate their will over the weak nations by military intervention. Medium powers like South Korea thus have a much freer hand in conducting foreign policy. Freed from ideological constraint and military threat by the neighboring hostile powers, South Korea may now chart its own course into the future.

The Han Commonwealth Plan

The government of the Republic of Korea under the new leadership of President Roh Tae Woo promulgated a new policy toward North Korea.

⁶*Dong-A Ilbo*, July 7, 1989. Frequent reports on U.S.-North Korean informal contacts in Beijing indicate that some measures for rapprochement are being negotiated between them, although what is being discussed has yet to be revealed.

⁷In his new year address on January 1, 1990, Kim Il Sung declared that his regime will continue to abide by its policy of *chuch'e* (self-reliance) to safeguard North Korea as the "eastern outpost of socialism" and repeated his previous proposal for "North-South consultative talks participated in by the highest-level officials and the top leaders of the political

The July 7 declaration was its formal inauguration.⁸ The new policy is distinctively different from the previous one in its guiding philosophy, policy objectives, and mode of implementation. Understanding that political unification through negotiation between two Koreas, which pursue diametrically opposing political ideals, is not feasible at the moment, South Korea decided to put its initial effort on recovery of unity (oneness) of the Han national community. With a belief that “politics is short, the nation is eternal,” the South Korean government proposed as an intermediate stage toward political unification a plan to create a unified Han (ethnic Korean community) commonwealth that is culturally, socially, and economically integrated. Once societal unity of the North and South Korean communities is recovered, political integration will definitely be easier.

Following the July 7 declaration, President Roh promulgated the more comprehensive “Korean National Community Unification Formula” on September 11, 1989.⁹ The new formula specifies the principles of unification, the form of the unified government, the implementational procedures, and the structure of the “Han Commonwealth” as the interim form of unification. According to the design, unification will be pursued through the following three major steps: (1) construction of mutual confidence on the basis of a South–North dialogue to adopt a Korean National Community Charter; (2) creation of a Han (ethnic Korean) Commonwealth, being a common sphere of national life to promote

parties from both sides,” implying that the South Korean government cannot be regarded as North Korea’s legitimate dialogue partner. This time, however, Kim did not specify who should be invited to the consultative talks, and he even added a new agenda of removing “the wall dividing the North and South.” Omission of his denouncement of the Team Spirit exercise is also noteworthy. On the whole one can detect some embryonic symptoms of softening in Kim’s address. See Naewoe Press, *North Korea News*, no. 508, January 8, 1990.

⁸The declaration includes the following six points: South Korea will (1) actively promote the exchange of visits between people in the South and the North, (2) support humanitarian measures designed to help dispersed families find family members and promote visits between them, (3) seek tariff-free trade between the two Koreas, (4) not oppose nations friendly to South Korea engaging in trade of nonmilitary goods with North Korea, (5) discontinue the counterproductive diplomatic competition with North Korea, and (6) cooperate with North Korea in its efforts to improve the latter’s relations with countries friendly to the South, including the United States and Japan.

⁹The new formula was promulgated as a presidential address to the National Assembly. For the English text, see *Korea & World Affairs*, vol. 13, no. 3 (Fall 1989), pp. 569–576. For a better understanding of the new unification formula, see *Korea & World Affairs*, vol. 13, no. 4 (Winter 1989), which was fully devoted to the new unification formula. The issue includes the following articles: Hongkoo Lee, “Unification Through a Korean Commonwealth: Blueprint for a National Community”; Sung-Joo Han, “The Functions and Limits of a New Unification Formula”; and Byung Chul Koh, “Seoul’s New Unification Formula: An Assessment.”

common prosperity and to restore national homogeneity, thereby accelerating the development of a national community; (3) creation of a unified assembly and government based on national elections as stipulated in a unified constitution so that a unified and democratic republic can be formed.

The formula is a dual track plan that calls for reuniting the Korean people, who have been divided for some forty years, on the one hand, and ultimately restoring a unified state, on the other.¹⁰ The Han (Korean) Commonwealth is an interim structure intended to promote the reunification of the people, and according to the formula, it should precede the restoration of a unified state. In short, the underlying idea of the new formula can be summarized in one phrase: “from national unification to state unification.”¹¹

To the minds of the Korean people, the concept of state is inseparable from that of nation. Koreans have lived in one nation-state more than a thousand years, and the boundaries of state and nation have always overlapped. Thus loyalty to the state and to the nation have been regarded as identical. The psychological inseparability of state from nation produces some confusion when one discusses the issue of Korean unification: Does unification mean national unification or state unification? North Korea’s unification emphasizes precedence of state unification over national unification. “Once political unification is achieved, then the unified state will promote societal integration” is the logic behind North Korea’s plan for the Confederation of Koryo. South Korea’s new policy emphasizes precedence of national unification over state unification. Unless the North and South Korean peoples share the “we feelings” of a nation, political unification cannot be expected; thus restoration of unity of one Han community should precede restoration of state unification.

Within the frame of the new unification formula, the South Korean government will promote a multidimensional integration program for national unification. Family reunion, railway connection, unified communication networks, joint research programs, development of common linguistic policy, and free traveling between the two Koreas are some examples. Once the two Koreas are culturally, economically, and socially reintegrated into one community, national unification will have been

¹⁰For the detailed structural analysis of the new formula, see Sung-Joo Han, “Functions and Limits,” p. 651.

¹¹See Rhee Sang-Woo, “From National Unification to State Unification: A Realistic Design for One Korea,” paper presented at the fourth Korea–U.S. Conference on North Korea, Seoul, August 8–10, 1989, co-sponsored by the Korean Association for Communist Studies and the Institute of East Asian Studies, University of California at Berkeley.

achieved even though state unification will not have been. National unification is a realistic compromise between the popular yearning for early unification and the insolvable political antagonism between the two existing governments.

North Korea has been claiming that South Korea's idea of establishing the Han Commonwealth is a design for perpetuation of the Korean division.¹² Gradualism is often regarded as synonymous with lack of interest, and fanaticism, with enthusiasm. Genuine sincerity, however, is found only in gradual approaches. This also applies to Korean unification. No matter how much time it may require, it must be accomplished step by step.

The U.S. Role

The Korean problem involves two closely related but distinctive issues. One is national reunification; the other is institutionalizing peace on the Korean peninsula. The task of reunification is to restore unity of the Korean national community. It is a genuine intranational issue that should be resolved by the Koreans themselves. The peace issue, however, is an international problem that can be solved only with the help of concerned neighbors. The two tasks are conceptually independent but closely inter-related. Under the threat of war no agreement of cooperation between the two Koreas is expected. But without inter-Korean agreement for coexistence, a genuine peace on the Korean peninsula is not feasible.

South Korea wishes the United States to play a leading role in maintaining peace in Northeast Asia and simultaneously to support South Korea in leading the inter-Korean détente. South Korea's ambitious new design for unification can be implemented only if there is a stable peace, which only the United States can bring about. Which nation other than the United States can maintain both balance of power and balance of interest among the three contending giant states in Northeast Asia—the Soviet Union, China, and Japan? South Korea wants to improve inter-Korean relations in a way that will eventually bring about a unified, liberal, democratic Korea. How can Korea achieve and maintain the desired initiative? One essential condition for such an initiative is an international guarantee of the legitimacy of the South Korean government. If the South Korean government is consulted and its opinion is fully honored when any alteration of the status quo on the Korean peninsula is attempted, South Korea can

¹²In response to President Roh's address of September 11, North Korea quickly made such accusations again. See Ch'oe Min Il, "Dugae Chosön-ul Ch'uguhaneun Che 2 ui Bunryöl Bangan" (The Second Design for Division Pursuing Two Koreas), *Rodong Shinmun*, September 14, 1989.

enjoy such an initiative. If the South Korean government is denied by design or by accident such consultative status, then South Korea's legitimacy will be seriously hurt, and it will not be able to carry out its peace design on the Korean peninsula. South Korea thus strongly wishes that the United States remain a supporter.

The United States has certainly played a critical role for peace keeping in Northeast Asia for the past forty-five years. It stopped Soviet military expansions in this area, deterred North Korea's war attempt against South Korea, and supported South Korea's growth into a viable nation in a hostile environment. If the United States continues to play the roles it has in the past, that will be sufficient. Whether it will do so through the 1990s is a serious question.

The United States wants to have a stable, democratic, pro-U.S. Korea. It also wants to see institutionalized peace on the Korean peninsula so that the United States will not be dragged into another war. In order to deter another Korean War, the United States maintains a security treaty with South Korea and retains its own armed forces in South Korea. So far the United States has successfully managed the peace system in the volatile environment of East Asia.

In the new era of multilateral détente, the U.S. roles of peace keeping in East Asia should be redefined because the mode of international relations has changed. Particularly for the next ten years the United States should display maximum flexibility and subtlety because in East Asia the next decade will be a transitional period from the old cold war system to a new form of international system based on the concept of balance of interest.

The Soviet military threat to China and Japan is being reduced. The U.S.–Soviet détente will last for the time being. The Soviet Union pledged to withdraw its troops from the Chinese border and indicated its intention of goodwill vis-à-vis Japan. It has, however, increased its military assistance to North Korea, as a result of which North Korea's fighting capability reached the highest peak in its history. Furthermore, North Korea is believed to be developing nuclear weapons of its own.¹³ This suggests that on the regional level a multilateral détente is taking shape in East Asia, but on the local level inter-Korean tension has increased. In this situation the United States should retain its strong commitment to South Korean defense to deter a war between the two Koreas. In order to convince North Korea of the U.S. commitment to South Korean defense, the United States should keep its minimum symbolic military presence in South Korea.

Meanwhile, the United States should persuade the Soviet Union not to

¹³See Andrew Mack, "If North Korea Is Indeed Building a Nuclear Bomb," *International Herald Tribune* (Paris), January 8, 1990.

start a war in Korea. If possible, the United States should initiate a multilateral agreement for Korean peace among the United States, China, and the Soviet Union and help South Korea approach the Soviet Union for a bilateral peace agreement.

Once the chance of war between the two Koreas has been eradicated, South Korea will precipitate its efforts to induce North Korea to agree to improve inter-Korean relations. If South Korea succeeds in this effort, peace will be restored on the Korean peninsula, resulting in stabilization of peace in East Asia. The problem is how to bring North Korea to the negotiation table. As long as North Korea thinks it can liberate the South Korean proletariat, it will not seriously negotiate a peaceful coexistence with South Korea. Thus we should prove that there is no chance for North Korean victory over South Korea in order to draw North Korea to the peace talks. North Korea will give up its dream of South Korean liberation when a viable and affluent South Korea where most people fully support the government emerges. Therefore, enhancing the viability and prosperity of South Korea and strengthening the authority of the South Korean government are important preconditions for North Korea accepting détente with South Korea. It is thus highly desirable for the United States to help South Korea maintain a democratic government and stable economic growth.

Some argue that early withdrawal of U.S. troops from South Korea will reduce military tension between the two Koreas. I suspect the validity of such arguments. Instead, I anticipate a contrary effect. Abrupt withdrawal of U.S. forces from South Korea may mislead North Korea into believing that South Korea is losing the U.S. defense commitment. While North Korea retains false expectations of possibly liberating South Korea by force, it will not eagerly negotiate with South Korea for peaceful coexistence. Furthermore, South Korea will beef up its military to fill in the gap left by the withdrawn U.S. forces. This will start the arms race between the two Koreas. The U.S. military presence in South Korea indirectly checks the arms race. When troop withdrawal is considered, this effect should not be neglected.

Nobody expects the United States to keep its forces in Korea forever. The most important issue is timing of the withdrawal. South Korea will ask the United States to take away its ground forces eventually, when there is no threat by the North. But South Korea judges that this is not the right time.

Withdrawal of U.S. ground forces should be linked with North Korea's reciprocal measures for tension reduction. For example, if North Korea will redeploy its offensive units from the demilitarized zone (DMZ) to the rear area, the United States may take one brigade from South Korea.

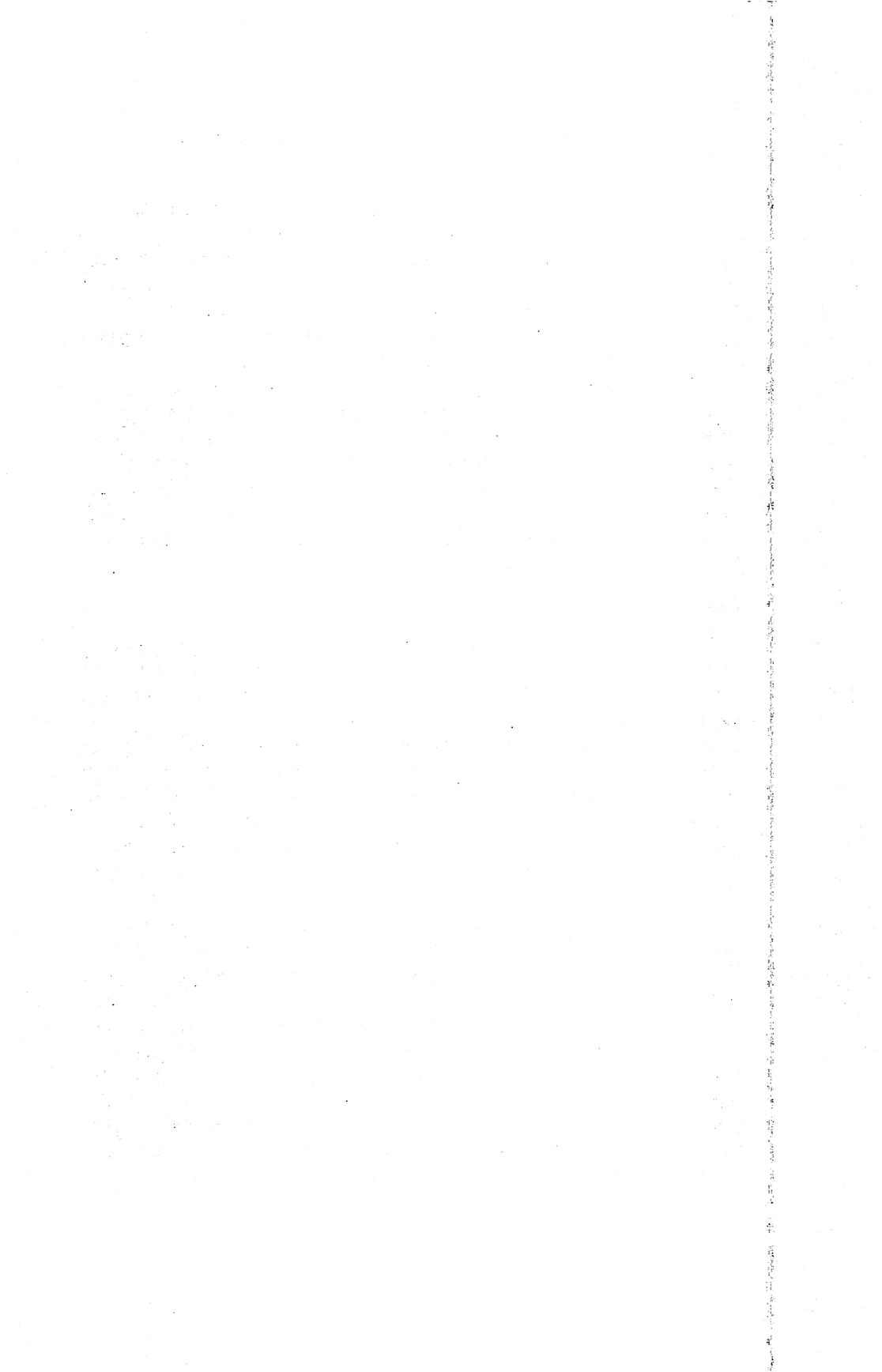
In regard to troop withdrawal, the mode of decision making is also very important. The most desirable form of policy decision would be a combination of South Korean initiation and American consent. The most disastrous one would be a unilateral American decision against South Korean opposition. By giving South Korea the chance to initiate, the United States will not be able to take out its forces without jeopardizing South Korea's bargaining position vis-à-vis North Korea.

The coming decade should be a transitional period from the old cold war era to a new era of worldwide détente. Everything will move fast; the situation may change overnight. Thus, to retain maximum flexibility in responding to this changing environment, the United States and South Korea should keep open lines of communication. The annual SCM (Security Consultative Meeting between defense ministers) alone is not sufficient. Annual ministerial meetings between foreign ministers and between trade ministers are also advisable.

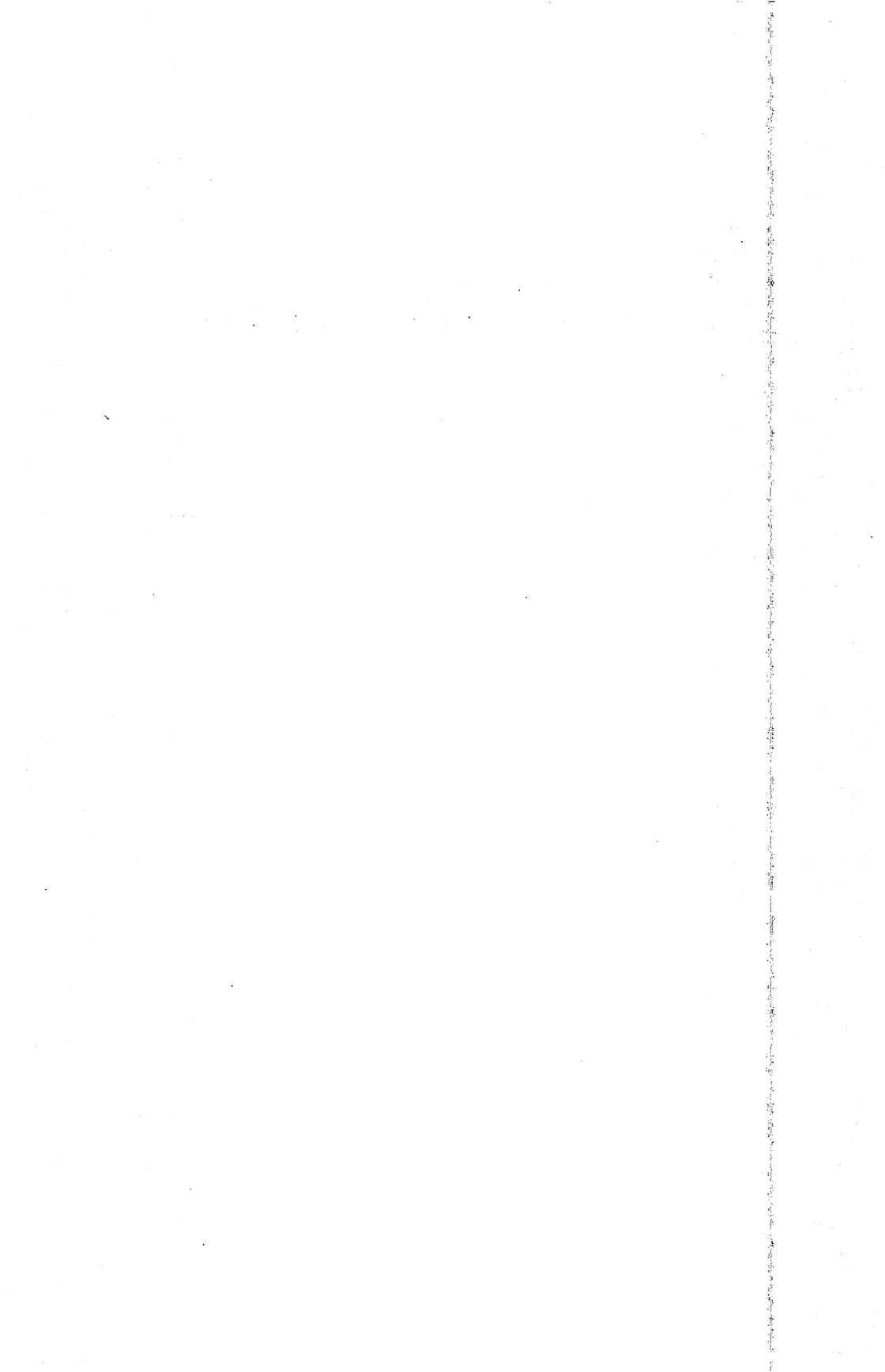
Conclusion

Since its independence from Japan, South Korea has been greatly indebted to the United States for its security and economic development. Thanks to U.S. support, South Korea has grown into a medium power that can initiate its own foreign policy and maintain a self-supportive defense capability. Surrounded by superpowers, however, South Korea cannot install a peace system on the Korean peninsula by its own force. It has to keep close relations with the United States. It needs American help to precipitate inter-Korean détente. To convince North Korea that acceptance of peaceful coexistence with South Korea is the only rational way for survival, the United States should confirm its security commitment to South Korea.

The international political system in East Asia is being restructured, and in this process alliance realignment is occurring. The hostile relationship between the Soviet Union and China is turning into a cooperative one. South Korea's relations with the Soviet Union and China are rapidly improving. Despite these changes, however, Soviet-South Korean rapprochement is not replacing the traditional U.S.-South Korean alliance. The Soviet Union shows a positive response to South Korea's *Nordpolitik* only because the latter is strongly allied with the United States. If the United States gives up its commitment to South Korean defense prematurely, its efforts over the past forty years will be to no avail. The United States should be patient for at least one more decade.



Part Five
Korea–U.S. Relations
and the Changing International Order



13. Korea as a Partner in Local Deterrence and Global Détente

AHN BYUNG-JOON

Korea is emerging as a middle-ranking power in the midst of rapid changes in its domestic and international environment. This fact has important implications for the future of Korea–U.S. relations, for both countries will have to readjust their alliance relationship to reflect these changes.

The Implications of Korea as a Middle-Ranking Power

As Korea is rising as a middle-ranking power, it and the United States must build a new partnership for local deterrence and global détente by reflecting the changes occurring in their internal and external environment. Because local deterrence on the Korean peninsula is essential to global and regional détente, Korea and the United States need to coordinate their policies to sustain deterrence while promoting détente through close consultation and cooperation.

Some additional observations are in order. First, Korea's relations with the United States and Japan will change toward a more equal partnership. Its relations with Southeast Asia will grow, especially in economic areas. As for the security relationship between Korea and the United States, a U.S. military presence in Korea is needed as long as North Korea poses direct threats, but it will take on a different pattern, with Korea assuming a more independent role in strategy and command structure while yielding more to U.S. burden sharing demands. In dealing with security issues with Japan, however, cooperation can be sought either through the United States or informal contact or exchange on intelligence, technology, and persons while maintaining common perspectives on the importance of peace and stability on the Korean peninsula for the security of Northeast Asia, including Japan.

Second, aided by several positive developments in its external and internal setting, Korea's *Nordpolitik* is slowly changing its relations with

China, the Soviet Union, and other Communist countries from what is called "cross-contact" to "cross-recognition." This has been made possible because the countries seek a de facto two-Koreas policy to accommodate the growing international status of South Korea. Korea's goals are to enhance peace, encourage dialogue with North Korea, and seek markets.

Third, so far as Pacific economic cooperation is concerned, Korea's rising power in trade, investment, and technology enables it to play the role of middleman in facilitating a multilateral forum. As a model newly industrializing country (NIC), Korea is in a better position to link the U.S.–Japanese economy with the Association of Southeast Asian Nations (ASEAN), China, and even the Soviet Union, thereby turning the triangular trade relationship between the NICs, Japan, and the United States into a more multipolar pattern.

Fourth, against this background, Korea and the United States are required to practice "decision sharing" through close consultation and cooperation. Especially in reviewing strategic postures, they must synchronize the need for local deterrence and the need for global détente by carrying out joint studies and planning.

Located at a strategic pass where the interests of four major powers (i.e., the United States, Japan, China, and the Soviet Union) are intersecting, Korea, with a population of 40 million and a gross national produce (GNP) of \$130 billion, is becoming a middle-ranking power. This has far-reaching implications for the United States, Japan, and Southeast Asian countries.

Equality and Burden Sharing in Bilateral Relations

Unlike in Europe, in East Asia there is no multilateral organization that, like NATO, combines strategy and diplomacy against a common threat, such as the Soviet Union. Korea has only a bilateral security relationship with the United States, which in turn has a similar one with Japan. Because ASEAN advocates the "Zone of Peace, Freedom and Neutrality," Korea has no formal security relationship with it; Korea maintains diplomatic relations only with each member.

Nor is there a buffer zone like Eastern Europe in Asia. Perhaps the Korean peninsula is equivalent to such a buffer, but its division remains one of the unsettled territorial disputes as a legacy of World War II.

These contrasting realities notwithstanding, as far as deterring a military provocation by North Korea and the Soviet Union are concerned, Korea, the United States, and Japan share parallel, if not common, interests. Because Korea and Japan have risen in terms of relative power while the United States has declined, there is an inevitable division of roles. The

precise form of this division will be subject to hard negotiation, but the United States will bestow more equality on Korea and Japan while they accommodate more to United States burden sharing demands for local and regional security. However, such adjustment will be made mainly through bilateral relations, in contrast to the NATO-WTO (Warsaw Treaty Organization) negotiation in Europe.

Five broad trends are discernible in the international environment that have necessitated such adjustment: First, U.S. hegemony is perceived to be declining (despite many protests by American scholars to the contrary), and the world's power configuration is diversifying into what Paul Kennedy calls "*Pentarchy*."¹ Having been unable to provide such "international public goods" as security, capital, market, and resources free of charge, the United States is now insisting on two principles in its foreign policy: burden sharing and reciprocity.²

Second, systemic crises are arising in the socialist countries as a result of long economic stagnation and generational changes. These crises are compelling these countries' leaders to be preoccupied with domestic problems and to seek reform, an open-door policy, and détente with the West. As civil society is coming back to life, the state is compelled to allow the rise of markets, pluralism, and nationalism. The more these countries do so, however, the more crises occur to weaken the very foundation of Marxism-Leninism.

Third, economically, the world is truly becoming one market as trade, investment, and technology become interdependent; but another trend toward regionalization is also apparent. The center of the world's economic and technological gravity is shifting to East Asia as Japan, the Asian NICs, ASEAN countries, and China have shown a most dynamic growth in recent decades.

Fourth, as Gorbachev sets out to take unilateral action to implement his "new thinking," the East-West relationship is turning into détente II. Because this new détente was initiated by the Soviets after having experienced a military parity and economic backwardness, it may well be more durable than détente I of the 1970s; there are signs that the cold war is ending.³

Fifth, as the Soviet Union and the United States come to realize that

¹Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), p. 538.

²Charles P. Kindleberger, "Dominance and Leadership in the International Economy, Public Goods, and Free Rides," *International Studies Quarterly*, no. 25 (June 1981), pp. 242–54.

³Michael Mandelbaum, "Ending the Cold War," *Foreign Affairs* (Spring 1989), pp. 16–36.

military power does not add up to economic well-being, there are incipient signs that the very nature of international relations is changing toward the primacy of economics and technology.

As for changes on the Korean peninsula, one can also cite five trends. First, since June 29, 1987, democratization has been set in motion in South Korea because the new president and National Assembly were elected by direct popular vote. Although confrontation and conflict still persist between the ruling party and the opposition, it is inconceivable to reverse the practice of establishing government by the consent of the people.

Second, Seoul successfully played host to the twenty-fourth Summer Olympics, attended by athletes from 160 countries. More than anything else, this spectacular event provided Korea with an excellent opportunity to demonstrate its economic and cultural achievements to the world. It also became a catalyst for articulating Seoul's *Nordpolitik* in concrete action.

Third, in the wake of a long authoritarian rule, there has been a resurgence of populism in Korea. As a result, most of the cleavages that have been latent are now exploding into manifest conflicts between regions, rich and poor, right and left, and old and young. Two conspicuous examples of these that have some bearing on Korea-U.S. relations are the rising tide of anti-Americanism and labor disputes in addition to that of trade frictions and the won appreciation.

Fourth, because of the excessive demands for freedom and justice made by individuals and groups, coupled with the labor disputes and the won appreciation, the Korean economy is facing a phase of serious sluggishness. After three consecutive years of high growth reaching over 12 percent annually, the economy is heading for a slower growth of 7 or 8 percent.

Fifth, despite these new trends, the North Korean regime is still bent on seeking a united front strategy designed to destabilize the South Korean regime. This was well publicized in its invitation to the Reverend Moon Il-hwan in April 1989 to visit North Korea. Two months later, So Kyong-won, a national assemblyman belonging to the Party for Peace and Democracy, was found to have secretly visited Pyongyang to receive funds and instructions in August 1988. More dramatic than these was Pyongyang's success in bringing Miss Im Su-kyong—a girl belonging to a student group committed to overthrowing the South Korean government and to expelling American troops—to North Korea.

These external and internal factors are prompting Korea and the United States to redefine their security relationship. If the U.S. strategic relationship with Korea remains "a pillar of peace in East Asia," as President Bush told the Korean National Assembly in February 1989, the U.S.

presence in Korea should continue as the most effective deterrent to adventurism not merely on the Korean peninsula but throughout North-east Asia.⁴ On this point the four political parties share a consensus.

Yet there have arisen voices in the U.S. Congress for either reducing or withdrawing U.S. troops from Korea. Senator Carl Levin proposed a gradual reduction of the current 43,000 troops over a few years. Echoing this, Senator Dale Bumpers introduced legislation to withdraw 10,000 troops by 1992. The Nunn-Warner amendment directs the Bush administration to report to the Congress by April 1, 1990, on the U.S. military presence in Korea and East Asia. Responding to these developments, President Roh told Congress in October 1989: "I welcome and applaud the pledge of President Bush and the American government that U.S. ground troops will remain as long as the Korean people want and need them."⁵ Any reduction or redeployment in the current status of U.S. troops, therefore, must be made conditional on Seoul's ability to defend itself and on Pyongyang's willingness to disengage from its forward deployment along the demilitarized zone (DMZ) and to seriously negotiate other confidence building measures.

In order for Korea to develop a self-reliant deterrence and defense strategy, however, it needs to exercise independence over military strategy and operational control over its land forces. In anticipation of future arms control and other negotiation with the North for confidence building measures, a Korean officer should be appointed the chief delegate to the Military Armistice Commission at Panmunjom. The purpose of these measures is to enable South Korean authorities to engage in direct negotiations with North Korean authorities so as to settle issues of peace and war between themselves. This is the essence of "Koreanizing the Korean question."⁶

As for the issue of burden sharing, it should never be used as a means for "burden shedding." When it is necessary for Korea to share the cost of maintaining deterrence by U.S. troops, Seoul cannot but assume a fair share of the cost. Such sharing, however, should be limited to those that contribute to enhancing deterrence on the peninsula.

⁴"Continuity and Change in U.S.-Korean Relations," *Current Policy*, no. 1155. President Bush's address before the National Assembly in Seoul, February 27, 1989.

⁵See President Roh's speech, "Partners for Progress," made before a joint session of Congress, *Korea Herald*, October 19, 1989, p. 11.

⁶Byung-joon Ahn, "The Korean Peninsula and East Asian Security," in Robert A. Scalapino, Seizaburo Sato, and Jusuf Wanandi, eds., *Internal and External Security Issues in Asia* (Berkeley: Institute of East Asian Studies, University of California at Berkeley, 1986), pp. 114-137.

To those burdens that are necessary for regional roles beyond the Korean peninsula, Japan should shoulder the costs commensurate with its economic power. To the extent that sustaining a local deterrence on the peninsula also contributes to regional deterrence, spending 5.5 percent of Korea's GNP for defense is also helping Japan and the United States keep peace in Northeast Asia.⁷ Seen in this light, Japan also can contribute to Korean security by offering generous economic and technological assistance to those who need them.

ASEAN is still barring Korea from becoming a member of its postministerial meeting. Its annual ministerial meeting in July 1989 decided to treat Korea, unlike such "dialogue partners" as the United States, Canada, New Zealand, and Japan, as only its "sectoral dialogue partner" for discussion on trade, investment, and tourism. In this way, ASEAN is regarding Korea as a one-half state.

Korea's *Nordpolitik*

Korea's *Nordpolitik*, its policy directed at China, the Soviet Union, and other Communist countries, is transforming its relations with them from cross-contact to cross-recognition as they come to grant either formal or de facto recognition. What makes this change possible is the meeting of mutual interests between the two sides because Korea is primarily concerned with security interests and the Communist countries, with economic interests.

Korea under the new Roh administration has actively sought to improve relations with the Communist countries with the hope that such improvement will contribute substantially to enhancing security, to triggering dialogue with the North, and to developing alternative markets for its trade and investments. In the short run, the goals of ensuring security and easing tension are more important than that of securing economic interests. As shown in President Roh's statement of July 7 and his address on October 18, 1988, before the United Nations, therefore, South Korea aimed at achieving a political breakthrough in its approaches to the Communist countries.

Initially, China and the Soviet Union tried to separate politics and economics in their contacts with South Korea in deference to their political relations with North Korea. But Hungary distanced itself from this policy when it established diplomatic relations with South Korea on February 1, 1989, thus paving the way to cross-recognition. Moscow must

⁷Byung-joon Ahn, "South Korea and Taiwan: Local Deterrence," in James W. Morley, ed., *Security Interdependence in the Asia Pacific Region* (Lexington, Mass.: Lexington Books, 1986), pp. 93-110.

have given approval to Budapest for this daring act. Yugoslavia opened a trade office in Seoul in October 1988. Poland established diplomatic relations with Korea on November 1, 1989. Yugoslavia and Czechoslovakia are expected to follow suit shortly.

China has been most faithful in adhering to the separation of politics and economics because it is committed to keeping the "lips to the teeth relationship" with North Korea and to applying the "one state, two systems" policy to Taiwan. Yet China's trade with South Korea has exceeded that of any other Communist country, reaching over \$3 billion in 1988 and 1989. Thus far, Beijing has been insisting on establishing private level offices by its China Council for the Promotion of International Trade (CCPIT) and Seoul's Korean Trade Promotion Corporation (KOTRA) and refusing to open quasi-governmental offices conducting consular affairs as demanded by Seoul.

There has been a degree of ambivalence in Beijing's attitudes toward Seoul. On the one hand, it seems to be entertaining too high expectations of Seoul's economic capabilities for investments and technology. On the other hand, it tends to downgrade Seoul politically by eschewing any formal contacts between high-level authorities. There is no doubt that Beijing is firmly committed to seeking economic transactions with Seoul despite Pyongyang's objection. Zhao Ziyang probably made this clear to Kim Il Sung when he visited Pyongyang in April 1989. Thus, China is practicing a two-Koreas policy.

By contrast, Moscow seems to be taking interests more seriously than principles. The Soviet Chamber of Commerce already set up a trade office in Seoul in April 1989. In his Krasnoyarsk speech made in September 1988, just before the Seoul Olympics started, Gorbachev himself stated that South Korea might well participate in Siberian development. Even though the volume of trade between Korea and the Soviet Union in 1988 was about \$270 million, Moscow is quite enthusiastic about attracting South Korean trade and investments. For example, its press gave positive coverage of South Korea's economic performance when KOTRA opened an office in Moscow, and a "South Korea Week" was declared to open a trade exhibition in July 1989.⁸ At the end of 1989, Seoul and Moscow exchanged "consular departments."

There is reason to believe that Moscow is ready to upgrade the current semiofficial trade office to a full diplomatic mission. Should this materialize, it will be tantamount to an act of cross-recognition. Once the Soviets take this bold step, it will make it easier for the Chinese to follow suit.

Cross-contact or cross-recognition, the more Korea's relations with

⁸*Korea Herald*, July 9, 1989, p. 6.

China and the Soviet Union deepen, the better chance there will be for Korea to diversify its foreign markets. As economic and functional exchanges accumulate, they are likely to generate further momentum to political negotiation, for large-scale investments require legal guarantees that only the responsible governments can make.

The Communist bloc can hardly substitute for Korea's Western markets, on which over 75 percent of its trade depends. Not only is Korea bound by a bilateral protocol with the United States to abide by Coordinating Committee (on Export Control) (COCOM) rules in technology transfer; more important, Korea is pursuing *Nordpolitik* on the basis of its good relations with the United States and Japan. Because both Beijing and Moscow are tempted to play Korea against the United States and Japan in particular, some measure of consultation and coordination is also necessary between Seoul and Washington in dealing with Beijing and Moscow in order to lessen misunderstandings, if any. It should be clear that some results of *Nordpolitik* cannot be used as a pretext for a diminished U.S. commitment to or protectionist pressure on Korea.

Korea's Role in Pacific Cooperation

In the quest for Pacific economic cooperation, Korea can play the role of middleman in facilitating a multilateral mechanism. The advent of growing interdependence among Pacific economies requires a multilateral mechanism to manage frictions and to coordinate macroeconomic policies. As a middle-income state, Korea is in a position to bridge differing perspectives between such giants as Japan and the United States and Southeast Asian countries because the latter fear domination by the former.

Unlike the European Economic Community (EEC) or the U.S.-Canada Free Trade Agreement, there is neither multilateral organization nor intraregional agreement in Asia. Yet the U.S. trade with the Pacific region totaled \$271 billion in 1988, far exceeding the U.S.-Atlantic trade of \$186 billion. Intra-Asian trade in 1988 approached \$200 billion. But there are no regional mechanisms to deal with the effects of this interdependence. Hence, U.S. Secretary of State James A. Baker stressed "a need for a new mechanism for multilateral cooperation" in June 1989.⁹ This idea has been endorsed by former Japanese Prime Minister Nakasone Tetsuhiro and Australian Prime Minister Bob Hawke.

The idea of forming a governmental forum has been stalled by differences over its membership, the issues it will take up, and ASEAN's worry

⁹"Toward a New Pacific Partnership," speech by Secretary of State James Baker III before the Asia Society, *Asian Wall Street Journal*, June 28, 1989, p. 6.

about a dilution of its own role. Whether such a forum should invite China, Hong Kong, Taiwan, and the Soviet Union has been a source of conflicting views. Some American leaders have advocated discussions on security issues along with economic ones, but Indonesia and Malaysia, for example, have adamantly objected to this. ASEAN is worried that a new Pacific organization may well bypass its own role.

Despite these diverging views, Australia succeeded in bringing 11 countries (the “six plus five” in the ASEAN dialogue) and Korea in November 1989 to launch a Pacific ministerial meeting. Korea is to host the third session of this meeting in 1991.

Korea as a prototype NIC can represent the views of other NICs. It should be noted here that the G-7 summit in 1988 changed the designation “newly industrializing country” into “newly industrializing economy” without securing the consent of the countries concerned and yet called upon them to display “greater international responsibilities.”¹⁰ The four Asian NICs accounted for 7.3 percent of world merchandise exports, in contrast to Japan’s 9.3 percent in 1987.¹¹ But none of them is represented at such global gatherings as G-7 or the Organization for Economic Cooperation and Development (OECD). Korea, with about 2 percent of world trade, has just been invited to be “a sectoral dialogue partner” to ASEAN!

Because many trade frictions are caused by conflicting macroeconomic policies and because a private forum like the Pacific Economic Cooperation Conference (PECC), in which Korea has been quite active, is inadequate to coordinate such policies, there is a genuine need for a governmental forum to discuss economic issues. Yet the ASEAN countries are wary of either U.S. or Japanese leadership for fear that they may dominate the region.

By championing free trade, generous investment, and technology transfer, Korea can serve as a middleman between the economic superpowers and other small countries. Unlike Japan, whose imports constitute only 6 percent of GNP, Korea’s imports constitute about 30 percent. Korea has already begun to offer economic aid as part of its Overseas Development Fund. It is ready to make some of its manufacturing technologies available to other Asian countries. By importing manufacturing goods and resources from ASEAN, China, and the Soviet Union, Korea has made its foreign economic policy conducive to breaking up the triangular trade pattern in which the NICs import intermediate goods from Japan and export manufacturing goods to the United States. By the end of this

¹⁰*Korea Herald*, June 23, 1988, p. 8.

¹¹*Far Eastern Economic Review*, August 18, 1988, p. 79.

century Korea's trade will exceed that of the United Kingdom or Italy.¹²

As the second most robust economy in Asia, Korea is bound to play a leading role in the endeavors for Pacific cooperation. Currently, however, a degree of uncertainty about its political and economic future is evident because Korea is at a crossroad between a Latin American path and a Japanese development route. Should it be able to weather the present crisis of authority, it can successfully join the rank of developed countries, including OECD. Even before this situation comes, Korea can play host to an Asian OECD-type organization.

The Need for Decision Sharing

The implications of Korea being a middle-ranking power for U.S.—Korean relations are that both countries should practice decision sharing when they review and readjust their security, economic, and political relations. For this purpose, task forces at official levels and advisory committees at private levels must be jointly created to share information and to generate new ideas for decision making.

The challenge for these traditional allies is how to strike a harmony between local deterrence and global détente, for each has somewhat different perspectives because Korea is primarily interested in its local strategy toward the North, and the United States, in its global strategy toward the Soviet Union.

Korea and the United States must sustain the alliance not only for deterrence but also for détente and possibly for further progress toward reunification. For this purpose, the U.S. troops in Korea must continue where they are deployed until the North and the South reach reconciliation and sign an agreement on a peace arrangement based on some degree of mutual trust and transparency. If some troops are pulled out for fiscal and political reasons, the reduction should be carried out only after Seoul and Washington conclude an understanding and in a manner that does not precipitously undermine the military balance.

Partnership requires that any unilateral action be avoided. An overall direction of the Korea—U.S. partnership is for Korea to enhance sovereignty and equality in strategy and command structure so that it can play a leading role and for the United States to obtain more results in burden sharing.

Korea's *Nordpolitik* is being sought as a spillover of global détente and as a potential catalyst to local deterrence. From the Korean point of view, it is an attempt to diversify its diplomatic activities by balancing its traditional ties with the United States and Japan with the new opportunities

¹²*The Times* (London), March 4, 1988, p. 34.

opening up for cross-recognition. As long as Korea undertakes consultation on technology transfer and other diplomatic negotiation, there is little likelihood of conflict between *Nordpolitik* and alliance politics. Indeed, there is room for both sides to help search for lasting deterrence and détente.

It is in the area of international economic relations that Korea commands more autonomy. With expanding ties with both the developed countries and the less developed countries, Korea fits well a middleman role, especially in instituting a new mechanism for multilateral policy coordination in the Pacific. Korea will play an active role in realizing a loose form of cooperation for sharing information and coordinating macroeconomic policies, as OECD is doing.

In order to achieve détente on the Korean peninsula in a way that does not weaken the deterrence that has kept the peace for 46 years, Korea and the United States must synchronize their military, diplomatic, economic, and political relations on the basis of common interests. To do so requires both sides to form task forces and committees of working-level officials and experts so that they can share common conceptual understandings and provide some guidelines for coordination and cooperation, not only on the North Korean problem, but also on such other vital issues as Korea's *Nordpolitik* and Pacific cooperation. Korea as a middle-ranking power deserves such a strategic, economic, and political partnership with the United States. Consistency, feasibility, and consensus must be taken into consideration in alliance management. Any change that may emerge from strategic reviews must be consistent with the ongoing goals that Korea and the United States have been seeking: security, prosperity, and unification. It must be feasible in terms of commitment and resources. It must also be based on consensus of the concerned parties. How such reviews are conducted is as important as the substance of their results. Hence, decision sharing is necessary for sustaining a healthy partnership between Korea and the United States.

14. The International Context of U.S.–Korea Relations

ROBERT A. SCALAPINO

Among the swiftly flowing currents in the contemporary world, none bears greater implications for the future than that combination of change and crisis that characterizes the Leninist nations. Having secured a firm base in Russia as a result of World War I, socialism in its Leninist form swept over major portions of the Eurasian continent in the aftermath of World War II and was heralded by many as the wave of the future. The most valid defense of Leninism in its Stalinist form was rarely made, at least by Communists. By combining ideological appeal and advanced organizational techniques with a goodly measure of coercion, Leninism ensured political conformity while mobilizing resources on behalf of speedy industrialization. In sum, it offered a route to stability and development, albeit one that disregarded certain economic realities and most human rights.

Change and Crisis in Leninist Societies

The crisis in the socialist societies occurred because the political elites of Leninist states could no longer ignore the fact that the Stalinist economic strategy had reached a point of rapidly diminishing returns. Economic stagnation had set in, and backwardness in many sectors of the economy had to be acknowledged. The competitive race with mixed economies was being lost. And although the Leninist elites, possessed of greater “inside” knowledge of affairs, came to this realization first, the informational revolution soon carried the word to an ever larger portion of their citizens.

Reform became a necessity. There have been rare exceptions, to be sure. Albania, the hermit kingdom of Europe, has thus far resisted change although rumors of unrest occasionally appear. North Korea, its Asian counterpart, also remains somnolent, encased in isolation, fortified by ultranationalism. However, it is exceedingly doubtful whether these states and other laggards can live in the past indefinitely. The principal questions

are when and how they will enter the new era, and how many twists and turns change will take. China provides clear evidence that the path will not be easy.

The reform-oriented Leninist nations now face two interrelated dilemmas of a grave nature. How can one successfully combine a command and market economy? Not a single Leninist government has yet accomplished this vital task. Thus, most economies of Eastern Europe seem frozen in midstream, with difficulties promoting political unrest. The proportions of the economic crisis in the Soviet Union are now apparent to everyone, including the Russians. Certain Soviet supporters of Gorbachev assert that economic conditions are sufficiently bad to place both the leader and the reform effort in jeopardy, with the average citizen thoroughly disillusioned. In China, after the early successes achieved in the break with Maoism, economic problems have accumulated in the agrarian as well as the industrial sectors of the economy. Indeed, these problems have provided the foundation for growing political unrest, manifested in the spring 1989 student demonstrations. And in Vietnam, despite some evidence of economic reform, conditions remain generally deplorable, with a familiar litany of complaints: massive corruption, low productivity, waste, and scarcity.

The second dilemma is equally serious. What degree of political openness can or must go with greater economic openness, or put differently, how can one combine stability and development? We are now witnessing a series of extraordinary dramas centered upon this vital issue. In an increasing portion of Eastern Europe, the movement is toward a multiparty system, albeit not without trauma and uncertainty. Although at first, Gorbachev ruled out any such development for the Soviet Union, finding that events were getting ahead of him, he rushed to embrace the idea that to face competition would assist the Communist Party to reinvigorate itself. Political disputation and intellectual freedom are currently at new heights in the USSR. Some extraordinary things are being written, said, and done—posing the government party with an unending series of problems. Gorbachev faces two supreme challenges. He must find the path to economic progress, and this requires not only correct economic policies, but fundamental changes in Russian culture. It is the latter requirement that causes justifiable apprehension because it cannot be accomplished quickly or easily. Second, he must preserve an empire, one of the last great empires in the world. Perhaps the Baltic states can be allowed independence, but the secession of other Soviet Republics would almost certainly provoke a huge crisis. Given these challenges, how much freedom can be tolerated and in what form? Yet can the creativity and innovation essential to economic advancement emerge without sustaining greater political openness?

The crisis in China may be more immediate. There, in contrast to the Soviets, Chinese leaders opted for putting the priority on economic change, permitting political change to proceed slowly. Yet the more articulate Chinese, given a little freedom, became increasingly aware of the broad global trends: Gorbachev's *glasnost*, the democratization movements in South Korea and Taiwan, and the dynamism characterizing most of the Pacific-Asian economies. As economic difficulties deepened, grievances mounted, especially among the urban classes. It was natural to express grievances in political form, even though student calls for freedom and democracy may have lacked specific content. As massive demonstrations spread to most of China's major centers, the government—wracked by internal disputes at the top—responded at first indecisively, then brutally.

Calm now prevails, with power still resting largely upon the threat of coercion. There are also signs that the Beijing government, recognizing how unpopular it is, is making efforts to meet some of the populace's specific grievances, with what success remains to be seen. But ahead lie the twin problems of leadership and policy. A first generation of revolutionaries is passing from the scene. It is unclear as to who if anyone among the second and third generations has—or can achieve—the reach into the military, party, and bureaucracy possessed by a man like Deng Xiaoping. Can China create a workable collective leadership, or will the nation require a paramount figure as in the past? In China, as in all Leninist societies, governance is fundamentally by men, not by law. Institutions are weak, and thus *who* governs is vitally important.

The June 4 massacre tarnished Deng, and it also damaged China in the eyes of the world. How to rebuild China's image and how to strengthen China's foreign policy thus loom ahead as major challenges. As that policy evolved in the 1980s, it served China's interests well. Proclaiming itself nonaligned, Beijing steadily improved relations with the USSR while maintaining its tilt toward the United States and Japan for both strategic and economic reasons. It also ignored ideological-political boundaries to rapidly expand its economic and cultural intercourse with such countries as South Korea and Taiwan, even while averring its comradely solidarity with North Korea.

Is that foreign policy still viable? There is every current indication that China wants to keep all economic doors to the market societies open. It must have trade, investment, and technology transfer if it is not to flounder. Thus, the present refrain is "Bring your money, goods, and technology—but keep your political ideas home." This message is reminiscent of Zhang Zhidong's views of nearly a century ago, when he called for the acquisition of Western science and technology but the retention of Chinese values. Countless leaders have wished that such a separation were possible!

The immediate issues begin with Hong Kong. That colony has been lost politically to China, and how to regain it will constitute a major headache for Beijing (and London). Recent events have also estranged Taiwan still further and may have strengthened the independence movement there. Throughout the Pacific Asian region, moreover, China has lost face, and more important, the government's actions have raised additional questions about its viability under current leaders and policies. This is not likely to affect previously made decisions about diplomatic relations by Indonesia and Singapore. Those decisions were based on a careful calculation of national interests. Moreover, while the economic restrictions placed upon China by the advanced industrial nations will probably be lifted in due course, it is the estimates by the private sector of such countries as Japan, the United States, and South Korea of the economic risks involved in investment in China that will be crucial, as Beijing's leaders know.

Implications for U.S. Policy and U.S.–South Korean Relations

The great upheaval within most Leninist states provides both opportunities and complexities for other nations. Given the serious internal problems (paralleled as I shall soon indicate by those in the major democratic nations), the chances of a major power conflict are less at present than at any time in the twentieth century. Virtually every major state—and many smaller ones—are seeking a lower cost, lower risk foreign policy. At the same time, this very fact produces new issues. First, the advent of a flexible Soviet Union (and some other Leninist states) raises among allies difficult issues relating to the nature and timing of responses. On the one hand, there is the danger of “prematurism,” namely, policies that may have intrinsic merit but are initiated before they can elicit the desired responses and may risk being misinterpreted, possibly being taken as a sign of weakness. On the other hand, there is the risk of “tailism,” namely, delaying beyond the optimal time for the type of responses that can lead to a steady process of tension deescalation and constructive relations. Such issues were far less troublesome when Moscow was Stalinist. If it is determined that Gorbachev is good for the world, not just for the USSR, moreover, one question is inevitable: Can and should we help him? The reverse question is equally logical. When Leninist regimes revert to repression, as in the case of China, should efforts be made to punish them, and how?

Policy toward the Soviet Union

The issues involved in such questions are not new, but they have acquired additional salience as events in the Communist world take one dramatic turn after another. In the past several years, a debate has raged

within the United States over whether Gorbachev was truly serious about reform or merely attempting to make the system work better. After a consensus formed supportive of the thesis that he was serious, the more recent questions have revolved around his chances of survival and whether American assistance is possible. Given the desperate Soviet need to cut military expenditures, should the United States be more forthcoming in arms negotiations, or should further Soviet deeds, especially in the Pacific-Asian region, be awaited? Given recent Soviet emigration policies, is the Vanik-Jackson amendment an unnecessary anachronism, or could there be slippage in Soviet performance without such U.S. mechanisms? Given the serious straits in which the Soviet economy finds itself, would it be appropriate for the United States to support or sponsor assistance, its own and that of others, or should it go no further than permitting trade and investment in nonstrategic items by the private sector? Would a substantial increase in U.S.–USSR cultural relations be desirable?

Essentially, the U.S. government position thus far has been one of caution, but with a growing interest in extending assistance in varying forms to those European states seeking a peaceful shift from Leninism. Modest economic aid to East Europe is being proffered, together with encouragement to private sector trade and investment. Progress on most arms negotiation fronts with the USSR has taken place, with growing evidence that the Warsaw Pact is dead, and the threat to West Europe is greatly diminished. Indeed, a reunified Germany worries some West Europeans more than the Soviet Union. More relaxed Soviet emigration policies have been applauded, as are advances on many other issues involving human rights. Unquestionably, the political atmosphere surrounding American-Russian relations is better than at any time since World War II, and Gorbachev's personal popularity among the American people is high, as it is elsewhere.

Yet a wariness is discernible in the Bush administration's policies; the uncertainty as to what lies ahead for the USSR—and for East Europe as well—remains a worry. Nor is it totally clear as to whether the Soviet objective of weakening America's ties with its European and Asian allies has been abandoned. Lying ahead is the U.S. reaction to Moscow's efforts to participate in the economic integration of Europe, namely, will Washington be supportive, neutral, or fearful? Meanwhile, increased cultural relations with the USSR as well as East Europe are being encouraged, but with limited official funding.

If the United States wrestles with itself in seeking to establish and constantly revise a policy toward the USSR befitting the times, it also seeks to expand the dialogue with the major states of Europe and with Japan on this and related matters. The move toward a greater measure of coopera-

tive or collective decision making is a difficult one to effectuate. For nearly a half-century, the United States has been prone in its role as global leader to make unilateral decisions and accept unilateral responsibility for carrying them out, naturally hoping for support from its allies. Now that Washington wants a greater degree of collective responsibility, it must share the beginning as well as the end of the policy process. The necessary adjustments will come, but with considerable strain.

Meanwhile, the U.S. government has given no sign of disapproval of South Korea's *Nordpolitik*, including Seoul's efforts to widen its relations with the Soviet Union. On the contrary, Washington sees this as a means of strengthening Seoul's international status and at the same time providing increased opportunity for a peaceful resolution of North-South relations on the Korean peninsula. Thus, the prospects of South Korean involvement in Siberian development or the steadily expanding cultural-political relations between the Republic of Korea (ROK) and the USSR do not cause concern within the U.S. government. It is known, incidentally, that despite its public loyalty, Moscow has never rated Kim Il Sung or the Pyongyang government highly. In an effort to forward the Korean peace process, the United States for its part has reopened the channels for an unofficial dialogue with the Democratic People's Republic of Korea (DPRK) and, at the same time, permitted North Korean scholars to take part in meetings in the United States. Thus far, the North Korean response has been disappointing. While seeming to welcome the semiofficial dialogue, its views on key issues remain relatively inflexible and its reach into American society exceedingly limited. The combined fears of "spiritual pollution" and the appearance of supporting cross-recognition vies with the desire to have greater contacts economically and politically.

Policy toward China

Current U.S. relations with China illustrate those aspects of American policy that are relatively unique, in degree if not in kind. In contrast to Europeans as well as Asians, the American people have long demanded a moral foundation for U.S. foreign policy. It is easy to point out inconsistencies or seeming evidence of hypocrisy. U.S. acceptance of the Chun Doo Hwan government is viewed by some as one instance. Nevertheless, Americans have always rested uneasily with sheer balance of power politics in the international arena. Consequently, when units of the People's Liberation Army shot sizable numbers of their own people after the highest governmental authorities had given the order to use force, an overwhelming majority of Americans was outraged, especially because they saw these acts on their television screens.

Subsequently, the Bush administration attempted to walk a narrow line.

Indignation was expressed, and certain sanctions, both in the military and in the economic fields, were applied. But Bush and his associates did not want to take such drastic actions as a trade embargo, the severance of cultural relations, or the recall of the American ambassador. Congress, however, overwhelmingly signaled its disillusionment with the present Chinese government. Thus, it registered its desire to impose further sanctions. And as in the issue of Tibet, China responded indignantly that such actions constituted an unwarranted interference in China's internal affairs.

In point of fact, human rights have been accepted as a legitimate international issue via such actions as the Helsinki Agreement, and discussions on these matters now frequently take place between the United States and the Soviet Union. That does not impress PRC leaders, however. China is presently governed by old men who are at once tough and worried. Stability is the supreme desiderata, and the symbols most appealing those of the anti-imperialist era, an era in which they still live.

Once again, although no one can foretell the precise course of events in China, developments there could place a strain on U.S. relations with certain allies. The initial response of the Japanese government to the June 4 massacre, for example, was regarded in Washington—even by the Bush administration—as excessively mild, and some pressure was applied to strengthen Tokyo's official disapproval. Subsequently, the American media depicted Japanese entrepreneurs as rushing back to China, anxious to pick up their business and that of others if they were tardy. This fortifies the image of a Japan for whom business is the only value—an image, it should be noted, that Americans also apply to certain Europeans, although in this instance, European reaction was no less negative than that of the U.S. government. The Group of 7 (including Japan) approved a resolution strongly critical of PRC actions. Whether South Korea will acquire a negative image in U.S. eyes remains to be seen and probably depends upon a number of variables. In any case, it was announced in August 1989 that the ROK and the PRC would open trade offices in each other's capitals, and after a period of coolness, South Korean–PRC relations appear to be gathering strength again as 1990 opens.

In reality, officially applied economic sanctions rarely work, because there are almost always other countries prepared to fill the breach. Moreover, it can be argued that to deliberately damage the Chinese economy is to dim the hope for greater political as well as economic openness. Similarly, it can be asserted that to curtail cultural relations is to harm the very groups upon whom future liberalization depends. Such arguments, however, do not fully offset the feeling that meaningful protest

measures going beyond words are necessary to signal to Chinese hard-liners that suppression has its external as well as internal costs.

It seems likely that the pendulum in China will swing back toward greater political openness at some point in the future, although the years immediately ahead promise to be delicate and difficult ones for this massive society. In any case, sufficient coordination of China policy on the part of the nonsocialist countries to permit harmony among them may be difficult to achieve. Yet the United States may take a relaxed attitude toward continued South Korean economic, cultural, and political overtures to Beijing, cognizant of the ROK geopolitical position. The United States is also anxious for China's cooperation with respect to reducing tension on the Korean peninsula. Indeed, the low-level contacts with North Korea are in part a response to repeated Chinese urgings.

Policy toward North Korea

Will events in China—and in the Soviet Union—deter North Korean leaders from taking the risks of reform at home and increased intercourse with the market economies abroad? At some point, the problems besetting the DPRK economy—and the restiveness of a younger, better educated, more curious generation (including elements of the elite)—will make themselves felt. Already, there are stirrings in the Mongolian People's Republic in response to *perestroika* and *glasnost*. And despite its new, harder political line, the Vietnamese government is almost desperate in its efforts to get the United States as well as Japan and others to return (with money). North Korea cannot stand alone in the socialist world indefinitely.

In the extraordinarily difficult times that lie ahead for the Leninist societies, there will be numerous twists and turns. Nevertheless, the broad trend will be from the Leninist-Stalinist past toward an authoritarian-pluralist future. The signposts do not point to Western-style parliamentarianism for these states except in a very few instances. Rather, they will have a constricted but somewhat more open political system combined with a rising degree of pluralism in such social institutions as religion and in the economic sector. Political institutions, moreover, will gradually acquire greater meaning. Indeed, this has been the broad strategic pattern of most successful developing societies in the past.

Challenges Facing Democratic Societies

The problems in adjusting to the ongoing technological-informational revolution do not lie only with the Leninist states. The mixed economies, whether those of developing states or advanced industrial nations, whether accompanied by an authoritarian or liberal political system, also

face major problems. Can required structural changes in the economy keep up with the accelerating pace of this revolution? Will various nations climb the technological ladder at the appropriate time, fitting into the international division of labor?

Never before in history have the repercussions of domestic policies, especially those of the major nations, been as swiftly and decisively felt in the international arena. And equally, there has never been a period when the timing of domestic policies, particularly those in the economic realm, have been so important to the outcome at home and abroad. This places a special burden on democratic societies because in such states, coalitions from within the citizenry must be built to support policy change. Often, this requires not only time but a fairly high level of crisis. There is rarely a reward for the politician in a democratic society who anticipates future problems. Further, the thrust toward more popular participation in the political process that can be seen throughout much of Asia today is not necessarily supportive of greater internationalism. As the power of bureaucracies (or autocrats) declines and that of private interest groups from the grass roots rises, decisions supportive of economic openness are often made more difficult.

The struggle between the forces of interdependence and those of nationalism will probably encompass virtually every nation from the most advanced to the least developed. Moreover, the struggle is certain to be protracted, extending beyond our capacity to foresee its end. We shall witness an enlargement of integrated economic systems via free trade regimes and regional economic organizations. To make the situation more complex, the power of private forces that are increasingly moving across national boundaries already challenges the ability of any individual state to control those forces. The tendency will be for the larger private economic units to develop their own forms of exclusiveness or privilege. At the same time, the nation-state, still the supreme source of political authority, will fight to retain as much of its sovereignty as possible, appealing to all available nationalist symbols, including that xenophobia that is latent in people everywhere.

U.S.–Japan Economic Relations

The results of these general trends can already be seen in the most important economic relationship of this age, that between the United States and Japan. In the first place, domestic economic policies in each country carry with them enormous implications for the rest of the world, especially U.S. policies. At this point, for instance, speculation is rife as to whether or when the United States will enter a recession, and the degree of its severity. In larger terms, when will the U.S. budget and trade deficits be

rectified, and will the landing be soft or hard? And at what point will a combination of political evolution and changes in the demographic structure of Japan bring about new policies, possibly in a context of greater political instability?

The basic pattern of U.S.–Japan economic relations in recent years has been one of American pressure, reluctant and usually belated Japanese response, followed by a new wave of pressure and another similar reaction. Behind the difficulties lies a combination of culture, timing, and policies that has put the two societies on different tracks. The psychology implicit in the recent U.S.–Japan interaction is negative, but alternatives seem unavailable. Thus, although the marriage is troubled, there will be no divorce. A combination of economic interdependence and strategic dependence serves to make the relationship vital to both nations.

Whatever the degree of accommodation achieved, the United States and Japan will resort simultaneously to bilateral negotiations, participation in regional associations of various types, and involvement in global instrumentalities such as GATT (the General Agreement on Tariffs and Trade) in dealing with their mutual problems. Some would have it otherwise. They point out that bilateral agreements are frequently discriminatory against others and, in certain cases, pose a direct challenge to GATT. They see regional associations as potentially protectionist enclaves and worry about the newly unified European market set to begin in 1992 as well as the potential of the Canada–U.S. free trade agreement or a Pacific–Asian economic community. But given its uneven and uncertain performance to date, GATT is likely to be only one of various instrumentalities in the handling of economic issues as this century draws to a close.

U.S.–South Korean Economic Relations

Certainly, this is a difficult period for the ROK, although its problems pale in comparison with those of the North or of most developing societies. From within, labor presses for a larger share of the economic pie. From without, the United States demands a more rapid opening of Korea's markets as well as further evaluation upwards of Korea's currency. Dependence upon the U.S. market remains uncomfortably high despite diversification efforts. Will the relationship follow the Japanese model? Thus far, the worst aspects of the Japanese scenario have been avoided, as witnessed by the recent U.S. decisions regarding application of the so-called Super 301 clause. But given the internal pressures working upon both societies, it will take great skill to avoid recurrent, possibly heightened, friction.

Korean authorities insist that the ROK is not another Japan, and in certain respects, this is true. But its actions at home and abroad will be scrutinized by Washington with parallels in mind. To plead for special

consideration, moreover, will yield ever more limited results, partly because of Korea's recent economic record, partly because every nation now uses its particular circumstances in requesting special treatment. It is easy to prescribe measures for both parties: for the United States, a rectification of macroeconomic policies and basic changes in the mode of operations in the private sector; for the ROK, rapid market diversification and greater U.S. economic accessibility to Korea. Most of these requirements are under way, but will they be sufficiently pursued and in time to avoid higher levels of tension?

Changing Security and Political Concerns

There remain two broad trends in global affairs that affect all relationships, especially those that involve nations closely connected in multiple ways—economically, politically, and strategically. First, concurrently with the political changes under way, we are witnessing startling new developments in both the technological aspects of military power and the priorities that must be assigned by a given nation in its allocation of resources for security, broadly defined. Despite the threat of further proliferation, the importance of nuclear weaponry has declined, primarily because such weapons have become less and less credible, at least for major powers. But the advent of ever more sophisticated conventional weapons allows even small states to acquire a highly destructive capacity. Moreover, tremendous power can be concentrated in a few hands, including those of terrorists. Military power can also be projected over great distances very rapidly.

For political and economic reasons outlined earlier, the threat of major power conflict is at a low ebb; hence, a strategic balance at a lower level becomes more feasible. Correspondingly, however, the temptation to use force below the superpower or major power level may be greater. Certainly, the factors encouraging a resort to force at these levels are proliferating. Thus, violence in the coming era will probably be exclusively domestic or regional—and among the smaller, generally neighboring states.

The causes of domestic violence—or civil war—range from deeply rooted ethnic, religious, and regional conflicts to the problems of drugs, family disintegration, and large, unassimilated subcultural groups that are a troublesome part of many societies, including the United States. Such violence requires a governmental response, including the use of organized force, sometimes involving the cooperation of several nations, as is now in effect against the international drug traffic. Inevitably, issues of human rights become entwined with concerns over stability and legality. Increasingly, the attention—and concerns—of our citizens are drawn to

these grave problems. The security front line, in sum, is at home. This war is now—and here.

To this picture one must add the economic realities. Most large states, especially the United States and the Soviet Union, can continue the massive expenditures on behalf of a global order only at serious risk to their domestic security. It is thus not surprising that they are asking allies to do more, especially because the conflicts previously sketched are ones in which the direct involvement of major powers is rarely feasible. Clearly, a strategic balance globally and in key regions is still necessary, with the primary burdens falling upon the United States and the USSR. But it is now possible—indeed, essential—that that balance be reciprocally lowered while the threshold of major power military intervention in localized conflicts is raised. To be sure, intervention techniques that fall far short of full-scale involvement, thereby limiting the risks of escalation, have been devised. Nevertheless, the costs of such intervention are extremely high and the possibility of failure, not to mention the domestic repercussions, significant.

In addition to the changing nature of security concerns and the economic realities confront the superpowers, the political atmosphere of today is different from that of forty years ago. Fixed foreign bases exact a rising political cost, although that cost varies greatly with locale. In Eastern Europe, the memories of Soviet military intervention in Czechoslovakia and Hungary remain vivid, as the rehabilitation of Premier Imre Nagy illustrated so poignantly. The stated intention of the Gorbachev administration to avoid interference in the internal affairs of Eastern Europe has now been repeatedly tested, and to date has held. It is now clear that intervention would create strong opposition in the Soviet Union itself, as well as in all of Europe, and is likely only under the most dire circumstances.

The Western Europeans, faced with Russia's massive land forces, have had fewer qualms about American bases and troops. Here, as in Asia, the key issue has been American credibility. The question has been whether the United States would really defend Western Europe if the consequence might be a nuclear war. But with the dramatic force reductions proffered by the USSR, new issues have arisen, including the proper negotiation strategy for the NATO nations and the respective defense responsibilities of the United States and its European allies. Major reductions in the American forces stationed in Europe are now en route, and current indications that the Warsaw Pact is dead change the strategic map of Europe in a truly major way.

In Asia, the political cost of American bases in Japan has been relatively slight, in major part because Japan's relations with the Soviet Union have

remained difficult to date and Japanese antipathy to the Russians high. Moreover, Japan's own defense capabilities are circumscribed by the 1947 constitution, and there is no strong disposition among the Japanese people to change that constitution. In the Philippines, the political costs of American bases are relatively high, and rising. For nationalist politicians—and not all of them are on the left—it is a convenient issue. The sense of threat from an outside power is minimal; the security problems are internal, not external. The bases represent the uncut umbilical cord with the Philippines' colonial past. Thus, the general sentiment within the Association of Southeast Asian Nations (ASEAN) community that these bases contribute to the security of the region as a whole evokes a mixed response in Manila. The likelihood is strong that when the base agreement is renegotiated, a timetable for the scale-down and ultimate removal of the American presence will be established. In this connection, some redistribution of American military facilities will occur, with primary but not exclusive reliance upon those lands under American jurisdiction such as Guam.

Future U.S.–South Korean Security Relations

The base issue and related security matters are of rising importance in the U.S.–Korean relationship. Recent evidence from polls indicates that over 70 percent of the Korean people desire the continued presence of American security forces in the ROK for the present. Because a powerful hostile force lies just to the north of the DMZ and no agreement with the DPRK has been reached, this attitude is understandable. Even among a generation once removed from the Korean War, the knowledge of Communist aggression in 1950 is not lacking. However, there are issues connected with the American military presence that are troublesome. U.S. command of Korean forces for certain purposes has rankled, and with reason. The presence of U.S. headquarters in downtown Seoul, replete with a nearby golf course, has become a living anachronism, but among certain American military commanders there is a reluctance to change with the times.

These issues are now en route to being resolved. Of more far-reaching consequence is that North Korea has chosen to use the American military presence—and the annual U.S.–ROK Team Spirit military exercises—as an excuse for avoiding serious bilateral negotiations with the South. Among a minority but growing number of South Koreans, anti-Americanism has taken a variety of forms. Primarily, this sentiment affects portions of the younger generation. It reflects the new self-confidence that, together with lingering traces of xenophobia, serves to shape one type of contemporary Korean nationalism.

In early 1990, the United States announced a modest 5,000 force reduction in its 43,000 military personnel stationed in South Korea together with plans to close three air bases. It is certain that in the years ahead, further reductions and relocations will be undertaken, the timing and extent dependent upon the nature of the perceived threat from the North, the strength of ROK forces, and the status of North–South relations. There is no reason why such a development should affect the status or credibility of the U.S. pledge to share in the defense of South Korea if external aggression takes place. Full consultation in advance regarding security matters, however, is essential, and a timing appropriate to the circumstances of critical importance.

In responding to security issues, one should note certain important trends. Although the small American ground forces currently in South Korea may serve as a trip wire guaranteeing the U.S. commitment to ROK defense, the nature of the American presence in Korea has long been undergoing a sea change—from one that has been essentially military to one that is overwhelmingly economic and cultural. As the ties between the United States and the ROK have strengthened and the American stake in a free, democratic South Korea has grown, it has become less necessary to guarantee the U.S. commitment by keeping a small ground force in the country. As long as North Korean leaders know that massive U.S. sea and air forces are available to repel an attack, they are likely to be cautious. As for the broader regional balance, that can be maintained by other means.

Second, North Korea's need for a reasonable settlement with the ROK and with other market economies, including the United States, can only grow with time, as noted earlier. Its autarkic economy and primitive political system are so out of step with the broad trends of this age that the question is not whether but when change will come. For the present, South Korea must be militarily strong, but equally critical, it must continue to display the ability to combine stability and development in both the political and economic spheres, thereby serving as a model for its northern compatriots.

Finally, the nature of alliances is changing. The tight, all-encompassing relations of the immediate postwar era reflected those extraordinary times. Power was concentrated in very few nations, primarily the United States and, to a lesser extent, the Soviet Union. Hence, these nations gave far-reaching guarantees of military and economic assistance to allies, who, in turn, made commitments of strong political allegiance. When reference was made to “two camps,” these facts were being taken into consideration. Today, there are very few genuine patron-client relationships. Relations between the two global “superpowers” and those associated with them are looser and more flexible. Guarantees of assistance are conditional, not

absolute. Pledges of political obedience are equally couched in caveats. Correspondingly, the element of independence on both sides is higher. Many alliances have become alignments. These alignments, moreover, being porous, permit ties with states formerly in the opposite “camp.” Exclusiveness has largely disappeared. But by the same token, given the economic interdependence characterizing this era and the end of isolation in all its forms, pure nonalignment is impossible. Even Burma has begun to change, despite recurrent repressive actions at home.

Here, too, there are implications for U.S.–Korea relations. The ROK is becoming a partner of the United States. On the part of the United States, this requires greater attention to consultation and joint decision making. On the part of the ROK, it requires a greater sense of responsibility, not only for the bilateral relationship, but for the regional order in Asia. South Korea is no longer a backward nation. It is a medium-sized power, and its future depends very much on the peace and development of the region of which it is a part. It is in this spirit that American–Korean relations must go forward.

15. Beyond the Cold War: The Future of Korea–U.S. Relations

KIM KYUNG-WON

Korea and the United States face a historic watershed in their mutual relations as the cold war that largely shaped that relationship finally comes to an end. It was the post–World War II confrontation between the Soviet Union, seen as expansionist by the West, and the United States, seeking to contain Communist expansion, that led to the making of a close security alliance between the southern half of the divided peninsula nation and the most powerful nation on earth. The needs of the two allies, never completely identical but sufficiently overlapping, drove the Republic of Korea and the United States to one of the closest and most successful relationships over the last four decades.

That relationship now faces challenges from both within and without. Fundamental and dramatic changes, both internal and external, are creating a vastly altered context for the relations between the two allies.

The end of the cold war does not mean the end of all forms of competitive interaction between the United States and the Soviet Union. But the condition of international relations, both in terms of the pattern of power distribution and the level of tension, is no longer what it was at the height of the cold war. Profound and irreversible changes have been occurring in the power resources of the major nations, the ideological beliefs of leaders, and the dynamics of interstate relations. If the cold war meant a bipolar rivalry at an extraordinarily heightened level of tension, world politics can no longer be described in those terms.¹

Domestic changes in Korea and the United States pose further challenges to their bilateral relations. Rapid industrialization, recent democratization, and generational change have had the combined effect of

¹For a somewhat optimistic but rather well-balanced account of the recent changes in U.S.–Soviet relations, see Seweryn Bialer and Michael Mandelbaum, *The Global Rivals: The Forty-Year Contest for Supremacy Between America and the Soviet Union* (New York: Knopf, 1988).

transforming South Korea into a practically new society. The old domestic consensus that lay at the base of the Korean–U.S. alliance is being increasingly called into question, and public opinion is playing a much more important role than in the past. Management of the alliance can no longer be considered the exclusive province of a small foreign policy elite, as it used to be. Political pressures from below inevitably impinge upon the policy-making process in an increasingly democratic South Korea.

The United States too has gone through profound change. Burdened with the much talked-about twin deficits and concerned about the “threat” of foreign economic competition, the American people seem to be in a mood for reexamining their domestic and foreign priorities. It is certainly not necessary to predict retrenchment. But greater sobriety (i.e., greater willingness to raise the question of cost and other consequences) characterizes the current American approach to issues involving old and new commitments abroad.

The End of the Cold War

The ending of the cold war has been a long process that resulted from a number of interrelated causes, but the single most dramatic event is what Zbigniew Brzezinski calls “The Grand Failure” of communism in the Soviet Union and elsewhere in the world.² Economic stagnation, political decay, and international isolation have compelled the Soviet Union to lower its foreign policy expectations and redefine its relationship to the rest of the world.

It was an act of considerable imagination and courage for Soviet leader Mikhail S. Gorbachev to turn what was clearly a situation of systemic failure into a powerful resource for what looks like a series of foreign policy initiatives. He has succeeded in convincing a large part of the Western public that the policies forced on him by the objective circumstances of his country are the initiatives born out of an idealistic vision. For all the charm he exudes, however, it is only common sense to assume that Mr. Gorbachev’s foreign policy initiatives are motivated by considerations other than those of charity.

Given the difficult, if not desperate, conditions in the Soviet Union, its leaders can only seek to cut down military expenditure.³ It also makes sense to try to erode the perception abroad of the USSR as a source of

²Zbigniew Brzezinski, *The Grand Failure: The Birth and Death of Communism in the Twentieth Century* (New York: Scribner, 1989).

³Recently, Soviet Prime Minister Nikolai I. Ryzhkov told the Congress of People’s Deputies that the Soviet Union intended to cut the military budget by as much as a third within the next five or six years (*International Herald Tribune*, June 8, 1989, p. 1). For Gorbachev’s view on

expansionist threat. If the former is necessary to allocate more resources to the stagnant economy, the latter effort is required to break and prevent an anti-Soviet coalition possibly consisting of the United States, the People's Republic of China, and Japan. The Kremlin's singleminded pursuit of military power, accompanied by crude diplomatic behavior in the past, tended to drive Asian powers as well as Atlantic nations into what may be described as a tacit, soft form of anti-Soviet coalition.

Gorbachev's diplomatic courtship of America's NATO allies is well publicized. His efforts to woo away Asian powers from de facto coalition with the United States are equally obvious. The Sino-Soviet rapprochement, consummated during Gorbachev's visit to Beijing in May 1989, is clearly a product of carefully orchestrated efforts on the part of the Soviet Union. Although the new Moscow-Beijing relationship will not even approximate the close anti-Western alliance of the 1950s, it certainly gives Moscow much greater diplomatic leverage than the Kremlin enjoyed in the past.

For this diplomatic success, Gorbachev deserves due credit. His decision to meet China's "three conditions" could not have been an easy one. From a strictly military viewpoint, his commitment to reduce the size of the Soviet troops along the Sino-Soviet borders could not have been too difficult because the excessively large deployment gives the Soviet Union considerable room for reduction without affecting the military balance in Northeast Asia. But the same military realities did not allow the Soviet leaders before Gorbachev to do what is so obviously in the Soviet interest. Plainly, rationality in foreign policy does not necessarily coincide with imperatives of domestic politics.

So far, Gorbachev has been less successful with Japan. If China is important for geostrategic reasons, Japan is important for economic-technological reasons as well. But Gorbachev's dilemma is that, although he has much less to offer Japan than China, the Japanese are not likely to be moved by anything other than tangible concessions. Sentimentalism has never been a Japanese weakness in foreign policy. In the meantime, Japanese industrialists were the first to take active interest in the Siberian development potential two decades ago and therefore the first to become sober about possible costs and benefits. Deep-seated historical memories also contribute to the lack of warmth in Tokyo's response to Moscow's overtures.

Despite all such negative considerations, however, it is probably premature to conclude that the Soviet-Japan relationship will remain frozen

the need to cut military spending, see Institute of International and Strategic Studies, *Strategic Survey: 1988-1989* (Kuala Lumpur: IISS, 1989), pp. 73-74. The current Soviet defense budget is estimated to take up at least 17 percent of the Soviet GNP.

in its present condition. A man who is capable of bringing his military generals to accept the kind of force reductions announced so far should not be declared completely broke in his Japanese gamble. After all, Soviet Foreign Minister Eduard Shevardnadze managed to agree with his Japanese counterpart to set up a working committee to discuss "the matters related to the conclusion of the peace treaty," meaning the issue of four northern islands under Soviet control that Japan claims as part of its territory. Admittedly, given the implications for other disputed territories under Soviet control, Gorbachev's options are severely limited. But his tantalizing reference to "the demilitarization of the Soviet-Chinese borders" and his promise of force reduction in Northeast Asia during his Beijing visit in May 1989 were clearly aimed at the Japanese audience. The world should not be surprised if the Soviet Union turns out to be more flexible on the northern islands issue than most observers thought possible until now.

The Japanese are not likely to be satisfied with anything less than unequivocal return of the disputed islands. But the lack of complete satisfaction will not necessarily prevent Japan from deciding to improve relations with the Soviet Union. Particularly if the trade tensions with the United States deteriorate further, the Japanese may conceivably come to view it as consistent with their interest to let their relations with the Soviet Union improve. In fact, if U.S.-Soviet relations continue to improve, the Japanese will definitely want to make sure that they are not the only major power left out in the cold.

In this connection, one can appreciate the tactical calculations that must lie behind Gorbachev's diplomatic architecture. Instead of trying to woo away America's friends before courting and improving relations with the United States, which would have been a mistake, Gorbachev made sure that the United States was dealt with first. Moscow's assumption must have been that improvement of U.S.-Soviet relations would create, as it indeed has, an environment in which China and Japan need not "betray" their American friend by improving their relations with the Soviet Union.

As many commentators have pointed out, Gorbachev's diplomatic gestures, particularly his unilateral arms reduction announcements, are placing the United States under considerable pressure to respond with equal if not greater enthusiasm for demilitarization. This certainly is true of the U.S. position in Europe, as the SNF issue in the Federal Republic of Germany has demonstrated. President Bush was able to deal with the pressure of German public opinion by proposing linking possible short-range nuclear forces (SNF) reduction negotiation with significant cuts in conventional forces on both sides.

Admittedly, as Henry Kissinger has pointed out, "in Asia, Gorbachev's flair for dramatic gestures will have far less impact than in Europe. The

Asian nations are less haunted by the two world wars and face less domestic pressure to respond to Gorbachev's bent for the spectacular. Arms control is not an opiate for them."⁴ But to conclude from this that Gorbachev's moves as far as Asia is concerned can be ignored is to make a gross mistake. The Soviet leader's gestures are having a serious and far-reaching impact in Asia as well.⁵

In essence, Gorbachev's Asian message, delivered first at Vladivostok in 1986 and amplified at Krasnoyarsk on September 16, 1988, is that the Soviet Union is prepared to explore together with the region's nations ways to free the international relations of the area from the ultimately stultifying constraints imposed by the cold war of the past. How much substance there is in the visionary words uttered by the Soviet leader is an important question that deserves detailed analysis. But what cannot be denied is that his words have struck a sympathetic chord among those Asian listeners who long for escape from what seems to them to be wasteful, dangerous, and suffocating sets of international relations of the past. Refreshingly, Gorbachev seems to be one statesman who is not only beginning to pay really serious attention to Asia, but is promising a search for a way out of the familiar impasse, a new beginning, and a journey toward a better, more peaceful, more sensible world.

Something of such reaction certainly characterized South Korea's public reaction to Gorbachev's comments on Korea in his Krasnoyarsk speech. Although what the Soviet leader actually said with regard to Korea did not amount to much, the fact that a Soviet leader would state publicly at all a view on Korea that seemed to promise a break with the past was taken in Seoul as indicating a significant new departure in the Soviet Korean policy. That the Krasnoyarsk speech came not in a vacuum but in the context of expanding relations between Seoul and Moscow further strengthened the impression of a new beginning in Soviet policy.

There was, to begin with, Soviet participation in the Seoul Olympics, which clearly went far beyond the level of mere attendance by athletes. With Soviet music and ballet as well as athletics dominating newspaper headlines, Koreans could plainly say, "The Russians are coming." Among some quarters, it is claimed that the Olympics made the Soviets discover Korea. More likely, the active Soviet participation in the Olympics was part of a larger pattern of new foreign relations Gorbachev is attempting to construct with Asian nations.

⁴Henry A. Kissinger, "Seeking a New Balance in Asia," *Newsweek*, May 22, 1989, p. 19.

⁵For a Korean reaction to Gorbachev's force reduction announcements, see the editorial on Gorbachev's Beijing statement, *Dong-A Ilbo*, May 18, 1989, p. 2. See also Professor Yoo Se-hi's comment in *Hankook Ilbo*, May 19, 1989, p. 4.

In addition to participating fully in the Olympic Games, the Soviet Union has been following a rather vigorous policy of expanding economic relations with South Korea. Although Moscow continues to insist on separating economics from politics in its relations with Seoul, obviously out of its desire to avoid upsetting Pyongyang too much, the Soviet Union established a trade office in Seoul in April 1989. This contrasts with the Chinese reluctance to allow any part of Beijing's central authorities to deal directly with Seoul, preferring to let provincial authorities manage the South Korean connection. The fact that North Korea has to depend on the Soviet Union for supply of advanced weapons may give Moscow greater latitude in dealing with North Korean dissatisfaction.

Moscow's Institute of World Economy and International Relations (IMEMO) invitation to Kim Young Sam, the leader of a major opposition party, was also a clear indication of "new thinking" in Soviet Korean policy. By deftly arranging a meeting in Moscow between Mr. Kim Young Sam and Mr. Ho Tam, key senior figure in North Korea's South Korean policy, the Soviet Union demonstrated a desire to play a conciliatory role between Seoul and Pyongyang. By the summer of 1989, therefore, it had become evident that the Soviet Union, under Gorbachev's leadership, was actively pursuing a post-cold war Asian policy that included a willingness to recognize the reality of South Korea *de facto*, if not yet *de jure*, under the present circumstances.

Domestic Change in South Korea

Winds of change in the outside world coincided with domestic change amounting to a storm in South Korea. If the immediate impetus for international change came from the dismal economic failure of the Soviet system, the pressure for political democratization within South Korea was generated by the very success of its economic and social modernization. The events of June 1987, still vivid in the minds of most Koreans, led to the first directly elected president in sixteen years. Subsequent legislative elections in April 1987 deprived the president's party of an overall majority in the National Assembly for the first time in the history of the republic. The stage was thus set for opposition groups, including those outside the parliamentary framework, to have greater say than ever before in foreign as well as all other public policy areas.

It was in this context that President Roh Tae Woo's government took the following steps, in what it must have believed was an effort to respond to the emerging national aspirations. First, President Roh and his advisers launched what was called *Nordpolitik*, obviously an expression intended to convey an analogue to Willy Brandt's *Ostpolitik*, although the logic of the two sets of circumstances was almost antithetical. In the German case,

it was Bonn that was offering the rapprochement that the East always wanted to begin with; in the Korean case, Seoul was seeking to persuade the northern powers to agree to rapprochement, which the Republic of Korea wanted. In fact, the basic objective of South Korea's *Nordpolitik*, namely, diplomatic normalization with Communist nations, has been a consistent and not so secret aim of Seoul's foreign policy ever since the so-called June 23 declaration of the late President Park Chung Hee.

What was new about President Roh's *Nordpolitik* was that it was motivated not only by foreign policy considerations, as President Park's was, but also by domestic political considerations. The amount of attention it drew in the press must have been due to the domestic political potential, which the policymakers were certainly aware of and shrewdly used. Critics would subsequently attack the Roh administration for using *Nordpolitik* for domestic political purposes. But such criticism proves that the policy stood for aspirations shared by a majority of the Korean people. The domestic political appeal of *Nordpolitik*, in other words, lay in the desire, stated more explicitly by some than others, to escape from the rigid constraints of the narrow framework imposed on South Korea by the cold war. That is why senior Foreign Ministry officials could speak of pursuing "omnidirectional diplomacy," a rather inelegant expression once favored by the Japanese, although the mere fact of Japanese origin would ordinarily have prevented Korean foreign policy spokesmen from borrowing it to describe their own foreign policy.

The actual substance of *Nordpolitik* has remained rather limited. Although economic and other functional ties with the Soviet Union and the People's Republic of China are increasing and Hungary established an ambassadorial presence in Seoul, it cannot yet be said that there has been radical improvement of political relations with the Communist nations. Moscow still continues to supply Pyongyang with advanced military weapons, and Beijing remains politically aloof from Seoul. But what is interesting is that, judging from the Korean press reaction, there seems to be a tendency among most Korean observers to assume that such modest steps as taken so far toward improving relations with Moscow must worry and displease the United States. Despite Washington's repeated official assurances of full support for Seoul's *Nordpolitik*, the Korean press keeps suggesting it is not really so. Still other Koreans remain convinced that Korea must be careful not to damage its alliance with the United States by pursuing the Soviet connection recklessly.

What the real relationship is between Korea's U.S. and Soviet policies is undoubtedly an important question. But what is most interesting at this point is the fact that most Koreans obviously conceive of *Nordpolitik* as something that allows them to break out of the familiar, inherited set of

external relations. In other words, it is implicitly viewed as a potential alternative to the present alliance. Such, of course, cannot be the case. It is simply inconceivable that Seoul could or would trade Moscow for Washington. But the fact that many Koreans are concerned that their intentions in this regard may be misunderstood indicates that they, in fact, tend to see *Nordpolitik* as something that, if successfully carried out, can potentially free them from the constraints of the status quo.

The second area in which President Roh Tae Woo's government attempted to stake out a new position was in relations with North Korea. As the democratic experiment in 1961 brought about a dramatic resurgence of nationalism and a consequent rise of intense interest, particularly among university students, in the issue of national unification, so too the process of democratization in the 1980s brought out into the open an intense and widespread longing for union with the northern half of Korea, an aspiration that never ceased to be but lay just below the surface of another urgent national concern, namely, concern with peace and national security.

Relative intensity of concern between unification and security is largely a matter of generations. Those whose image of North Korea is rooted in still vivid memories of the Korean War cannot but be concerned with the primacy of peace, whereas those born after the war, now constituting a majority of the Korean population, seem to be passionately consumed by the desire to rise beyond the condition of division, with all the tension and mutual hostility between the divided Koreans it entails. Many among the young go so far as to claim that the condition of division is deliberately maintained by those who are in a position to benefit from it.

In response to this context, President Roh's government decided to offer a new definition of the North-South Korean relationship. Attempting to reopen the dialogue with North Korea that had continued on and off for more than 16 years, President Roh offered on July 7, 1988, a new policy on unification in a statement officially entitled "Special Declaration by President Roh Tae Woo in the Interest of National Self-esteem, Unification and Prosperity." In it, the president declared that "the fundamental reason that the tragic division is yet to be overcome is because both the South and the North have been regarding each other as an adversary, rather than realizing that both halves of Korea belong to the same national community." Clearly, this was a new departure. In the past, South Korean authorities had viewed the North Korean regime as the party responsible for lack of movement in the relations between the two sides. President Roh's July statement clearly assumes equality of moral and political responsibility between the North and the South for the state of affairs that exists between the two sides.

Subsequent developments, including in particular the Reverend Moon Ik-hwan's visit to Pyongyang, would lead the Republic of Korea (ROK) government to step back a considerable distance from the full implications of the position the Roh administration seemed to stake out in the summer of 1988. But in the context of democratic evolution and termination of the cold war, South Korea's political leadership felt it had to respond to the surge of nationalist sentiment so evident among the increasingly vocal young voters in their twenties and thirties. The same nationalist considerations would lead the Roh government to place on the Korean–U.S. agenda issues that used to be ignored, minimized, or kept behind closed doors.

One of the first things President Roh did in the area of Korea–U.S. relations was suggest openly that U.S. forces in Korea relocate their main base out of the Yongsan area, which is centrally located in downtown Seoul. This certainly was not the first time the suggestion for relocation was made, but it was the first time a Korean president had made such a suggestion openly. In the same spirit, the Korean government has begun to raise issues involving revisions in the Status of Forces Agreement and other arrangements that were made long ago. Clearly, the Seoul policymakers believe that gestures in the name of “national self-esteem” are a political plus. Efforts to bring about changes in Korea–U.S. relations, changes expected to make the relationship more acceptable to an increasingly nationalistic public, are bound to continue and will have a profound effect on the future shape of Korea–U.S. relations.⁶

Changes in the International System

If the trends described so far continue into the next decade, they will go a long way to reshaping the future agenda of Korea–U.S. relations. To get a clearer view of the impact such trends are likely to have on the nature of the relationship between Korea and the United States, it may be helpful to analyze the trends in generalized structural terms. In other words, what kinds of changes can we foresee in the future international system?

Greater Multipolarity

First, the trend toward greater multipolarity is likely to continue. Commentators on the international system have been predicting the

⁶The politics of change in Korea–U.S. relations have something to do with the much-talked-about anti-Americanism in Korea, which falls into two categories: on the one hand, the widely shared, rather understandable resentment against a powerful ally whose behavior, even when well intentioned, cannot be expected always to be unfailingly sensitive to the need and feelings of its smaller ally, and on the other, an explicit rejection of the United States as a friend,

arrival of a multipolar world ever since the 1960s. The original impetus for a multipolar vision came from gestures of independence by Tito's Yugoslavia and Ceausescu's Romania. Polycentrism was then the code word among those who wanted to debunk the myth of the monolithic unity of the Communist world. In the West, de Gaulle's pursuit of "grandeur" seemed to confirm the thesis of multipolarity of the international system. But, in truth, such "deviations" only proved that the world was essentially bipolar and that instances of multipolar behavior were of marginal weight in the overall scheme of things.

The 1980s trend toward multipolarization was neither marginal nor a product of visionary thinking. Although distribution of military power, measured in terms of possession rather than its use, remained essentially bipolar, the international system became increasingly multipolar in its political dimension. Political multipolarization is a function of two interrelated changes in the nature of military power in today's world.

First, excess military power in the form of nuclear weapons has created a historically unprecedented situation in which the superpowers are condemned to accumulate ever-increasing amounts of military power the primary purpose of which is to ensure that it would not have to be used. Threat of nuclear destruction against a nonsuperpower is not totally meaningless. But given the magnitude of their destructive capacity, it is difficult to conceive of a *casus belli* that could plausibly lead to the actual use of nuclear weapons.

Furthermore, all complicated arguments aside, the outstanding fact about the peace of the last four and a half decades is that it has been maintained by the deadly logic of mutual assured destruction between the two superpowers. In other words, the superpowers tend to cancel each other out, eroding the bipolarity of the international system for all practical purposes.

Second, military power as a usable instrument of policy has shown clear and growing limits of its effectiveness. Most military conflicts have failed to produce political outcomes that are consistent with balance of sheer military power. Vietnam, Afghanistan, the Iran–Iraq war, Central American conflicts, Cambodia, and Angola all tend to support the view that military means no longer settle political issues. Most armed conflicts end up in stalemate.

shared by a much smaller, far more vocal minority. For those who see the United States as a force for evil, the Kwangju incident acted as a crucial, traumatic turning point. See Kang Sin Chul et al., eds., *Palsipnyondaek Haksaeeng Wundongsa* (Seoul, 1988). Especially see the records of the court proceedings of those accused of arson against U.S. cultural centers, pp. 361, 364.

Finally, future military technology is likely to erode even further the distinction between nuclear and nonnuclear power.⁷ Increasing utilization of microelectronics will lead to weapons of greater precision, longer range, and expanded destructive power. Such weapons, incorporating high technology sensors and information-processing capability, will begin to blur the differences between nuclear weapons nations and others.

Like most other forms of technology, military technology tends to become diffused at great speed. Thus, superpowers will have diminishing control over military technology transfers. Chemical weapons are already widespread, and a growing number of nations is acquiring short- and medium-range missiles.

How far these developments will have proceeded by the end of the 1990s cannot be predicted. Whether, for instance, they will have seriously compromised a superpower's ability to provide military protection to its smaller allies is far from clear at this point. But the multipolarization process as a whole will surely tend to decouple regional conflicts from global confrontations.

While the margin of military superiority of the superpowers is becoming functionally less and less important, nonmilitary power resources, such as economic, political, and technological ones, are becoming increasingly diffused. The rise of Japan, the prospect of an economically unified Europe in 1992, and the rapid growth of the Asian newly industrializing economies (NIEs) are all contributing to the erosion of the bipolar structure in the contemporary international system. The dismal economic condition of the Soviet Union and the comparative decline of the U.S. economy further contribute to the same process. Multipolarity is no longer a theorist's vision; it is the shape of the world as it actually operates today.

One huge consequence of multipolarization is the relative decline of tension between the two superpowers. Lucidity and sharpness of bipolar alliance confrontations are being replaced by fluidity and complexity of internally loosened intracoalition relations and increasingly muted inter-coalition conflicts. In fact, if one looks at Europe alone, one can conclude that there exists a kind of semiautomatic synchronization between the tension reducing changes in the intersuperpower relations and a similar process taking place in the intra-European relations between the NATO and Warsaw Pact alliance systems. Multipolarization, in other words, is forcing hitherto tightly organized alliances to go through a traumatic experience of losing cohesion and possibly their *raison d'être* as well. To

⁷Commission on Integrated Long-Term Strategy, *Discriminate Deterrence* (Washington, D.C.: Jan. 1988), pp. 8-9.

the extent that NATO's current agenda is defined by the process of arms control, it almost looks as though the alliance exists only for the purpose of eroding and eventually terminating its own existence in substance, if not in form.

In Asia, however, the situation defies an elegant definition. The breakdown of the early solidarity between Moscow and Beijing, the rise of Japan as an economic superpower, and the heterogeneity inherent in the geography and culture of Asian nations present a much more complicated set of interrelationships than found in Europe. Symmetry hardly is an Asian pattern of balance of power.

Japan is a power whose economic and financial decisions can decisively affect the fate of many nations. Financial decisions made in Tokyo have far-reaching impact on the international banking order. Yet, curiously enough, unlike a Western European member of NATO, Japan is without a visibly independent strategic profile. Apart from the well-known nonnuclear principles and the input to the intermediate nuclear forces (INF) negotiation process to have intermediate missiles deployed in Asia included in the agreement, Tokyo has been strangely silent on the global strategic issues over which the Western nations have been engaged in continuing debate. Where Japan stands on the Strategic Defense Initiative (SDI) issue, for instance, may not be exactly classified information, but neither is it widely publicized.

Despite the relative lack of clarity in the Asian situation, however, the same logic of multipolarization is at work in the current evolution of events in the Asian region as in Europe. Trends toward détente between superpowers, rapprochement among all the players irrespective of their alliance identities, and general reduction of tensions in the area characterize recent and continuing developments in Asia.

Emerging rapprochement between Korea and the Soviet Union has been noted. Despite lack of substantive progress, Washington and Pyongyang have been conducting talks through their embassies in Beijing. Japan, however, has been actively courting North Korea. During his visit to Tokyo in December 1988, Shevardnadze was reportedly asked by the Japanese to convey to the North Korean leaders Tokyo's desire to improve relations with Pyongyang. Subsequently, on January 20, 1989, the Japanese Foreign Ministry confirmed that Japan was ready for direct dialogue with the DPRK and issued a statement of "regret" concerning colonial rule over Korea. Tokyo also made it clear that the basic treaty between Japan and the Republic of Korea would have no bearing on Tokyo's relationship with Pyongyang.

North Korea's response has so far fallen short of enthusiasm. Their ambassador in Beijing, however, did publicly welcome Japan's statement of "regret" over its colonial rule.

China's pattern of foreign policy behavior also fits the model of a multipolar international system. Taking a finely tuned and subtly calibrated position between the United States and the Soviet Union, the PRC has shown greater caution than the Soviet Union in developing new ties with South Korea, possibly because Beijing, with less to offer Pyongyang, has so much less latitude in acting against the wishes of the DPRK. But the overall direction of movement is unmistakably toward continuing expansion of ties between China and South Korea.

All in all, then, the net effect of multipolarization is that the two Korean sides and the four major powers are gradually but clearly moving toward a situation of equilibrium in which all of them will be interacting with one another instead of being locked into bipolar coalition structures as in the past.

Primacy of Domestic Priorities

The second significant structural trend in the contemporary international system is what may be termed the emergent primacy of domestic priorities in foreign policies of most states. Germans, conscious of the narrow margin of security dictated by their geopolitical location, often spoke of *der Primat der Aussenpolitik*. Historically, only those states blessed with a comfortable margin of safety, such as England and the United States, could afford to treat foreign relations as subordinate to their domestic life. But in today's world, it is becoming increasingly clear that foreign policies tend to be dictated by imperatives of a domestic nature.

The reasons for this trend are complex. But perhaps the modernization of societies, with the concomitant growth in education, urbanization, communication, and mobilization, is subjecting today's rulers, in dictatorships as well as democracies, to growing pressure from their domestic constituencies. The domestic agenda, which usually means issues of economic and social welfare, is becoming more dominant than ever before. Policies having to do with what used to be called *raison d'état* still command high priority in the allocation of resources in most modern states. But political leaders in most nations now realize that they are not going to be allowed to substitute foreign policy success for domestic failure for long. Sooner or later, domestic needs are bound to catch up with them.

It is therefore no accident that Gorbachev is redefining Soviet foreign policy objectives in light of domestic requirements. By the same token, China under Deng's leadership radically altered its foreign policy in order to gain its domestic (i.e., economic) objectives. If the United States is skeptical about certain aspects of its global commitments, it is a mood that is deeply rooted in the country's domestic condition.

China presents an extremely interesting case full of contradictions in

terms of the weight of domestic factors. Deng Xiaoping's decision a decade ago to reorient China's foreign policies along pragmatic lines was motivated by primarily domestic considerations, namely, determination to pursue modernization of China. His decision in June of 1989 to crack down on the prodemocracy demonstrators in Tiananmen Square, a decision that can hardly be described as pragmatic in terms of foreign relations, was also motivated by obviously domestic considerations. The Chinese leaders, however, kept announcing at the same time their tanks were rolling down the streets of Beijing that their economic reform policies would continue as before. This too was obviously a position forced on the Chinese leaders by the domestic imperative of economic development. Despite apparent inconsistencies, China's foreign policy decisions are essentially guided by the need to pursue economic success more than anything else.

The trend toward dominance of domestic priorities is going to be particularly pronounced in the case of South Korea because of the recent democratization of its politics. But in the case of North Korea, the same dominance of domestic politics holds true for exactly the opposite reason. North Korea's foreign and unification policies have been closely linked to the justificatory ideology of Kim Il Sung's rule. When the North Korea leader dies, a situation of great uncertainty is likely to ensue despite all the care and effort that went into ensuring hereditary succession. Possible changes within North Korea are likely to result in significant and possibly dramatic changes in its foreign and unification policies. In the immediate sense, therefore, dominance of domestic politics makes North Korea's external behavior so much more unpredictable. But in the long run, North Korea cannot be an exception to the general trend of societies having their external policies influenced by domestic demands for greater economic and social well-being.

Emerging Transnational Society

The third structural trend in today's international system is the emergence of an increasingly transnational society that blurs traditional boundaries among sovereign territorial states.⁸ This trend may appear to be inconsistent with the trend toward primacy of domestic priorities, but the two are closely interrelated.

Much of the substance of domestic priorities was found to be economic in nature. The need to succeed economically has become a

⁸Many theorists have offered explanations of this trend. See Karl Kaiser, "Transnational Politics: Toward a Theory of Multinational Politics," *International Organization*, vol. 25 (1977), pp. 790–817. Also see idem, "A View from Europe: The U.S. Role in the Next Decade," *International Affairs*, vol. 65 (1989), pp. 209–213.

compelling motivation for most policymakers. Economic motivation in state behavior is not exactly a novel phenomenon; throughout history, states have quarreled and gone to war to gain economic advantages, real and imagined. What is new in the contemporary situation is that states can gain economically by participating in the transnational process of international finance, trade, information, and technology transfers. This may always have been the case, as advocates of free trade maintained, but now is probably the first time in history that the equation of economic success and transnational participation is virtually universally understood by most nations and their leaders.

Despite the recent protectionist mood in some countries, world markets were never as open as they are today. Many of the barriers to international capital flows have been removed, and constraints on exchange rates, communications, and transportation have been radically reduced, if not eliminated. More goods, money, and knowledge are moving across more national boundaries faster than ever before.

In this new environment, economic success depends on effective participation in the transnational system and process. Failure to participate effectively, either as a matter of state policy (autarky) or inefficiency (lack of competitiveness) leads to a much greater penalty than was true of classical international systems. If the successes of the NIEs demonstrate the positive proposition, the failure of Communist economies proves the negative side of the same equation. The movement toward reform in Communist countries is an attempt to begin to participate in the transnational process for the purpose of attaining economic success.

The dilemma for the Communist states is that they are not yet convinced that loss of control over their borders will not lead to corruption of their political system. In order to avoid falling further behind the industrialized capitalist societies, they must liberalize the border crossing process for people and ideas as well as goods and funds. But the political consequences of doing so can be traumatic, as the events in China in June of 1989 demonstrated. In general, however, the need to pursue economic success will be compelling enough to make most Communist states, particularly China and the Soviet Union, continue their current efforts to participate in the transnational process of trade and investment.

One conspicuous exception to this trend is North Korea. Despite certain indications that Pyongyang is aware of the need to earn hard currency, there is as yet no evidence that they know they must risk losing some of their tight control over border crossing if they are to seek economic success. As in most other aspects concerning North Korea, meaningful change in this regard will probably become possible only in the post-Kim period.

Challenges of Tomorrow

In 1958, Raymond Aron quoted Auguste Comte's 1842 statement as one of the great sociologist's "mistakes." In it, Comte had written: "At last the time has come when serious and lasting war must disappear completely among the human race."⁹ Raymond Aron's point was that Comte's assertion, if treated as a prophecy, did not come to pass.

In offering conjectures about the world of the 1990s, one hesitates to predict that present tendencies will continue. Having seen great minds of the past too often betrayed in their hopes and prophecies by later historical developments, we are now more modest about our ability to foresee the future.

We are, however, not totally free from the need to try to guess what the future is going to be like. Those who do nothing to prepare for the future will have no part in influencing it. Allowing for uncertainties and recognizing our own intellectual limitations, we must venture to imagine what the world of tomorrow is going to be like and try to identify probable challenges awaiting us.

Let us begin by assuming that present trends are going to continue. In other words, we will assume that the international system of the 1990s will be a multipolar one, characterized by reduced tensions, dominated by domestic imperatives, and accompanied by a growing transnational network of economic and informational border crossing processes. Auguste Comte may, after all, turn out to have been a prophet with a very long vision.

However, a number of possible contingencies can halt or reverse the movement toward multipolar détente. There is, for instance, no guarantee that Gorbachev is not going to fail and the Soviet Union is not going to reverse its current direction of foreign and domestic policies. Internal convulsions in China can lead the nation, as they have led it before, to politics of frenzy and near insanity. The international economic system, despite its vigor in terms of growth, is also highly vulnerable and fragile. Movement toward multipolar détente clearly is not an assured process.

There is one more problem. Even if the international system as a whole should continue to move away from the cold war, North Korea is not likely to change significantly, at least until the death of Kim Il Sung. Patterns of change in other Communist states indicate that change becomes possible only after the demise of the first generation of revolutionary leaders. It is of course entirely possible that Kim Il Sung's biological destiny may terminate his political career sometime during the 1990s, in which case the

⁹Auguste Comte, *Cours de philosophie positive*, t. VI, lect. 57, p. 239, quoted in Raymond Aron, *War and Industrial Society* (Oxford: Oxford University Press, 1958), p. 3.

hereditary succession now being prepared in North Korea is hardly likely to guarantee revolutionary immortality for the deceased "Great Leader." For the 1990s, therefore, we must think of both possibilities: North Korea under Kim Il Sung and North Korea after Kim Il Sung.

We thus have basically three possible scenarios that require serious attention. The first is based on the assumption that the international system will continue to evolve into a low-tension multipolar one, with Kim Il Sung continuing to preside over North Korea.

In the second scenario, we assume that a major reversal, such as Gorbachev's failure and fall, has halted and at least partially if not fully reversed the current systemic trends. International tensions rise higher than in the first scenario, although the trend toward multipolarity could continue to a limited extent. The breakdown of détente will make North Korea's position more comfortable than in the first scenario, rendering the issue of Kim's death less decisive in the short run.

The third scenario assumes that as the international system moves toward multipolar détente with growing transnational activities, North Korea too adapts to the international trends and changes its policies significantly.

In the first scenario, we do not have to predict that rapprochement between South Korea and the Soviet Union—and/or China—will have progressed to the stage of formal diplomatic recognition to assume that the perception of an external security threat among the Korean public will have been significantly reduced. Even though North Korea's military posture and unification policy remain basically unreconstructed, it is also possible that Pyongyang would put on a cosmetic performance of seeming to be conciliatory. Such an act would include demonstrating willingness to allow limited and controlled contacts between certain categories of people from both sides as well as diplomatic choreography involving negotiations and "agreements" of one kind or another, all without one essential component that can make a real difference, namely, verifiable confidence building, arms control measures. It will also be claimed, as indeed it has been, that because of improved relations between Moscow and Beijing, the Soviets and the Chinese are not going to compete for influence in North Korea. Conventional wisdom will maintain that both Communist powers will exercise restraining influence on Pyongyang because both need stability in the area.

Under such circumstances, it is easy to see that Korea's domestic consensus for the U.S. military presence will be seriously eroded. South Korea will not lack voices calling for continuation of security ties with the United States, but the fact that such voices will appear loud and even shrill in some cases will attest to the radically altered political milieu in South Korea. If not a complete withdrawal of U.S. forces, at least such issues as

phased reduction, changes in command structure, and withdrawal of nuclear weapons will have become much more easily “thinkable” topics among a much wider audience than now.¹⁰

Trade issues will reinforce this trend. Recent U.S. pressure for more open access to Korean markets has changed the image of the United States from that of an economic benefactor to one of a ruthless rival in the minds of more Koreans than many Americans realize. The trade issues that lie ahead, mainly having to do with access to Korean markets for American agricultural products, have even more explosive political potential. They go to the heart of the question: what kind of economic and social structure Korea will or must have. If not handled with proper understanding and great sensitivity, the issue of agricultural market access has the potential to ignite a situation that is already highly inflammable.

The dilemma for the Korean political leadership will lie in the gap between the reality of the threat posed by unchanged North Korea and the equally real reduction of tension around the Korean peninsula. Persuading the Korean public of the need for continuity in security policy in a time of general détente will require all the intellectual resources a Korean regime can muster plus maximum political credibility in the eyes of the Korean people. Tired, worn-out clichés and uncritical anti-North Korean slogans will simply not do. The challenge facing Korean leaders will be a fundamentally conceptual one: how to define a policy toward North Korea that makes sense in an increasingly multipolar, decreasingly tense world without confusing general international détente for North Korean change, which is not there, or equating North Korean continuity for regional rigidity, which is not the case.

Under the same scenario, the United States too will be subject to a serious conceptual test. Lacking a tradition of foreign policy in a multipolar equilibrium, the United States historically tended to view the world through the simplifying prism of good and evil. Times of war were understood as periods of struggle against forces of evil. Once such forces were defeated, peace, it was believed, would return, restoring normalcy and tranquility to international relations and allowing nations to return to their ordinary domestic business.

America’s intellectual habits will therefore exert a strong pressure on the U.S. public to conclude that, because the cold war is over, it is time for America to return to “its own business.” Until now, the U.S. military presence in East Asia was sustained on the strength of an argument of the

¹⁰Already the idea of U.S. troop withdrawal is being discussed, at least in certain quarters, much more positively than one would have predicted until recently. See the editorial, *Hankyoraë Sinmun*, June 28, 1989, p. 6.

self-evident need to counter the growing Soviet military threat. If we assume that Gorbachev's various statements on the need to reduce military forces in Asia are not simply propaganda but reflect the Soviet Union's genuine priorities, the United States will come under strong political pressure to withdraw or at least substantially phase down its military forces in Korea.¹¹

The situation will be vastly complicated by the likely evolution of Korea's own domestic political mood. Pressure for withdrawal in one nation will interact with and reinforce the same in the other.

Furthermore, it will no longer sound convincing to argue that the U.S. forces in Korea are needed to keep the Japanese from becoming nervous, as was so argued quite effectively at the time of President Jimmy Carter's announcement of his troop withdrawal plan. Recent polls indicate that more Americans see the Japanese economy as a greater threat to the future of the United States than Soviet military power. In an increasingly multi-polar world, the U.S. public will probably not continue to support a commitment requiring a large allocation of resources to defend Japan against the Soviet Union.¹²

I am not predicting the dissolution of the U.S.–Japan alliance. In fact, it is entirely conceivable that, depending on the quality of their policies, Washington and Tokyo may even further strengthen their ties. All I suggest is that security relations between Korea and the United States are going to come under growing pressure for change, both in their technical details and in their fundamental conceptualization.

The second scenario posits a reversal of current trends toward a relaxation of tension. This could occur as a result of any number of possibilities. The overall effect will be to move the clock back and push the international system into a heightened level of tension. The exact degree to which the system will revert to what may be called square one will certainly vary, depending on a number of factors, some of which can be identified now and others of which cannot.

For the present, it is not too risky to assume that the second scenario

¹¹After this chapter was drafted, Senator Dale Bumpers and three other Democratic senators introduced a bill to withdraw 10,000 U.S. troops from South Korea by 1992. Interestingly enough, their explanation of the bill closely parallels the analysis suggested in this chapter. *Korea Times*, June 25, 1989, p. 4. See also Edwin C. Meyer and Paul H. Kresiberg, "Overhaul U.S. Security Policy in Asia," *New York Times*, May 19, 1989.

¹²In a frank if somewhat tactless comment, William Safire offers a variation on the same theme of the need to defend Japan: "The unstated but primary purpose of the American military presence in South Korea is to protect Japan from Soviet intimidation. In a few more years of Chinese–Soviet cooperation, America may be finessed out of the Far East entirely and Japan will be militarily isolated." *New York Times*, May 18, 1989.

has a lower probability of realization than the first. The real world contains aspects of both scenarios. If the second scenario comes to approximate the real world more closely than the first, the impact on Korea–U.S. relations is likely to be minimal. Although South Korea's domestic evolution will generate a considerable number of difficult issues regardless of international trends, the challenges will be by and large technical rather than conceptual. Issues such as burden sharing and base location can be dealt with essentially within the familiar framework of shared threat perception.

The challenge will be greatest if the third scenario comes to pass. Even in the absence of meaningful change in North Korea, reduction of international tension will present a significantly altered context for Korea–U.S. relations. Should really meaningful change occur in North Korea, while the international system becomes multipolar with reduced tensions, Korea and the United States will be confronted with the need to redefine the very nature of their relationship. No longer will it be possible to base the relations between the two nations on the rationale of having to cooperate to counter the North Korean threat or maintain peace and stability in Northeast Asia. If Pyongyang should really decide to operate within the framework of the status quo, showing a willingness to accept normalization and rationalization of the relations among all the parties concerned, including the Republic of Korea, it will bring about a complete transformation of the Korea–U.S. agenda.

The chances of North Korea suddenly changing its course are not great. But there are two possible contingencies that can conceivably bring about North Korea's reorientation. One is the death of Kim Il Sung, an event only the timing of which cannot be predicted. When it occurs, it is likely to unleash all the pressures for change being suppressed while he is alive. His son may or may not be able to hold on to power for long. If he does, he will be able to maintain his position only by identifying himself with the much needed change that will in all probability occur with or without him. In a world of reduced tensions and growing transnational activities, it is a matter of time before North Korea too must realize that continued autarky will only force it to fall further behind.

This international pressure on North Korea leads to the other possibility of North Korea accepting limited but significant change even before Kim's death. The major motivation will be economic. If *perestroika* should begin to produce tangible results in the next decade and if the Chinese, despite their internal political repression and loss of international prestige, should succeed in improving their economy by sticking to the policy of market-oriented reform and opening to the outside world, the leaders in Pyongyang may decide that they too could gain much by adopting reformist and outward-looking economic policies.

If they do, North Korean leaders will find themselves caught in a dilemma between the need to participate in the transnational process for economy's sake and the commitment to pursue an anti-status quo policy in the name of national unification. Will the former lead Pyongyang to moderate its revolutionary commitment? Will the need to develop its economy persuade North Korea's leaders to modify their fundamental attitude toward the outside world?

There is as yet little evidence to indicate in which direction North Korea is headed. Uncertain indications of new flexibility coexist with evidence of continuity in the fundamentals. It is also possible that the recent events in China may have strengthened the North Korean leader's conviction that it is unwise to risk political destabilization for the sake of economic development.

But looking beyond the current scene, it is unwise to rule out the possibility of change in North Korea. On the contrary, a vision of Korea-U.S. relations in the 1990s must focus on the need to help bring about change in North Korea. It is an illusion to believe that the North Korean regime can be persuaded to change its heart by sheer goodwill toward them, but to assume permanence of policy in North Korea can be self-defeating in an age of rapid international and domestic change. For all of the three possible futures, it makes sense to try to redefine the nature of Korea-U.S. relations in forward-looking, affirmative terms.

Most important, the fundamental goal of the Korea-U.S. alliance needs to be understood as one of bringing about a positive and peaceful resolution of the Korean question. The necessity of joint defense will not disappear overnight. But stress must be placed on the joint effort to bring about progress in the Korean situation rather than simply guarding against threats to stability.

If the current trends toward general reduction of tension continue, it may become possible for Washington to explore with Moscow a mutually acceptable basis for restraint in arms transfers to their respective Korean allies. Such a step, even if implemented, may not have a decisive impact on the arms race between the two Korean sides because arms transfers are becoming increasingly generalized. It will also require Beijing's acquiescence. But such an accord could trigger a process of arms control on the peninsula, which can bring about a significant reduction of tension.

What is needed is a conception of Korea-U.S. relations not merely as a defensive alliance based on common fear but an idealistic partnership motivated by shared hope. The United States, after all, is best situated among the great powers to offer Korea a partnership for the kind of future the Korean people aspire to.

Historically and from a geopolitical viewpoint, the United States has

the least reason to be concerned about the emergence of a unified Korea as a strong, industrial nation. On the contrary, in a multipolar world, the requirements of a balance of power policy would make the emergence of a strong Korea coincide with the strategic interests of the United States. What would be unacceptable to Washington is a Korea unable to protect its independence against its geopolitical neighbors, not a strong Korea capable of resisting historic pressures from the powers around it.

The United States also has the most to offer in the area of transnational activities. In fact, the whole process of border crossing can be said to have originated with the United States. Transnational movement of goods, monies, ideas, and peoples is the most important development in today's world in terms of both economic success and the emerging structure of the world order. The United States offers Korea vastly greater opportunities in this regard than any other power.

But, in truth, this is not a process confined to Korea and the United States; it is by nature multilateral. Economic relations between the two nations, therefore, need to be placed in the much larger context of the regional integrative process. Trade balance and market liberalization are important. But the overall economic relations between the two nations deserve a much more positive, forward-looking, and multilateral treatment than an item-by-item market access negotiation can provide.

Finally, Korea–U.S. relations encompass far more than security and economic ties. The particular historical circumstances of the cold war and the process of Korea's emergence as a major trading nation have performed emphasized security and economic aspects of the relations between the two nations during these past four decades. But if we go back to the earlier period, what most strongly characterized the relations between the two nations was the fact that they were primarily relations between peoples rather than governments. This human dimension of the relationship never ceased to be, although it tended to be eclipsed by more official aspects in the later period. In the coming decade, as tensions decline around us, we need to go beyond the military and economic agenda. We will have to renew a friendship based on idealism and hope.

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