

Inter-Korean Relations in the Absence of a U.S.-ROK alliance

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Introduction

South Korea's international position is a complex mix of pressures. Focused overwhelmingly on the last vestige of the Cold War—its unresolved division of the peninsula into North and South—South Korea must also manage its alliance with the United States, devise a *modus vivendi* with a massive and dynamic China, and resolve its relationship with Japan. To that end, over the past decade, a fairly clear South Korean grand strategy has emerged, one that emphasizes economic over military issues, accommodation rather than confrontation of China, and a slowly evolving alliance with the United States. The centerpiece of this grand strategy has been a strategy of engaging North Korea economically while downplaying the nuclear issue.

Even as this grand strategy has been emerging in South Korea, however, U.S. and South Korean policies about how best to deal with North Korea have diverged, sometimes quite sharply. South Korea's adamant refusal to take a harder line toward North Korea has led some analysts to call South Korea's foreign policy "appeasement," and increased friction with the United States. Nicholas Eberstadt of the American Enterprise Institute called South Korea "a runaway ally," arguing that the U.S. ought to "work around" the Roh administration.¹ The Cato Institute called for an "amicable divorce" between South Korea and the U.S., and researchers Ted Galen Carpenter and Doug Bandow have suggested that the alliance should be dissolved.²

While differences between South Korea and the U.S. over how to deal with North Korea are nothing new, these differences were often tactical, resolved in large part because of the common perception that North Korea represented a serious security threat. In recent years, however, from the Seoul's perspective, the Bush Administration's apparent interest in fostering Pyongyang's collapse or in using military force is unacceptable since both would threaten the progress made over the past decade. Magnified by other tensions in the relationship—increasing South Korean self-

¹ Nicholas Eberstadt, "Tear Down This Tyranny," *The Weekly Standard*, November 29, 2004, <http://www.weeklystandard.com/Content/Public/Articles/000/000/004/951szxxd.asp> (accessed April 5, 2006).

² Ted Galen Carpenter and Douglas Bandow, *The Korean Conundrum: America's Troubled Relations with North and South Korea* (London: Palgrave MacMillan, 2004).

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confidence and pride, anti-Americanism and concerns about U.S. unilateralism—the Bush approach to North Korea has become the prism through which many South Koreans view the security relationship. With progress on the North Korean issue coming in February 2007, relations between Seoul and Washington have improved in the past year, and both sides are committed to strengthening the alliance.

However, given the potential for disagreement in a number of policies, an important question emerges: how might South-North relations evolve in the absence of a U.S.-ROK military alliance? Would the ROK continue to pursue an engagement strategy toward North Korea, and an interdependence grand strategy in general, in the absence of the U.S.-ROK alliance?

The U.S.-ROK alliance is part of a larger U.S.-ROK relationship that will undoubtedly endure no matter how the alliance evolves, simply because the interests and values of both South Korea and the U.S. are so similar in so many ways. South Korea and the U.S. share many similar values: they are advanced capitalist economies with vibrant democratic polities that share similar viewpoints across a range of social, cultural, economic, and political issues. These two countries—among the ten largest economies in the world—also share many similar interests, and will be interacting with each other on a wide variety of issues such as pandemics or the environment well into the future, and there is widespread agreement among Seoul and Washington about the importance and content of many of these issues. Even if the military alliance is dissolved, there is little doubt that trade, investment, immigration, and other political and diplomatic links will keep the two countries deeply connected well into the future.

However, if the alliance does dissolve, it most likely will have repercussions for inter-Korean relations. Systematically exploring what these repercussions might be is an inherently speculative enterprise. However, there may be some way to gain leverage on the factors and issues that may most affect how inter-Korean relations evolve. The simplest way is to simply posit the absence of a U.S.-ROK alliance and ask whether that would affect military threat perceptions on either side of the DMZ. We could then explore more carefully the economic and social interactions and strategies of both South and North Korea, asking whether and in what ways they might change without a U.S.-ROK alliance. Third, we could then ask the important question of how the alliance

actually ends, because an amicable end that arises because of increased stability in the region would presumably have different implications than an angry end that arises because of disagreements or crisis. Finally, we could ask whether other powers, such as China or Japan, would have a different effect on inter-Korean relations in the absence of a U.S.-ROK alliance.

This paper will explore the question of how North-South relations might evolve in the absence of a U.S.-ROK military alliance. The basic conclusion I reach is that there are certain circumstances under which the absence of an alliance might have relatively little impact—such as continued progress in the Six-Party talks—and there are other circumstances under which the absence of the alliance might be more consequential—such as increased tension between the U.S. and China over regional issues.

Will the Threat Perceptions on Either Side of the Border Increase or Decrease?

The easiest way to gain leverage on the question of how inter-Korean relations might evolve in the absence of a U.S.-ROK alliance is to simply posit a South Korea and North Korea in a situation without a U.S. military alliance with the ROK, and explore how we might expect such a situation to affect the grand strategies of both North and South Korea. The most important question appears to be how the lack of a U.S.-ROK alliance would affect both South and North Korean threat perceptions. Realists, who focus mainly on the distribution of power in a system, tend to see the rise of any state with overweening power as inherently threatening.³ From this material perspective, South Korea's size relative to North Korea should render the South the more threatening. And, although North Korea was seen as the aggressor for much of the Cold War, as the South caught up to the North in terms of material capabilities, North Korea should be deterred.

That is, standard deterrence theory comfortably explains the past six decades of stability on the Korean peninsula: the U.S.-ROK alliance presented an overwhelming and

³ Kenneth Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979); Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987); and John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001).

obvious deterrent to adventurous North Korean behavior.⁴ Since 1953, North Korea has faced both a determined South Korean military, and just as importantly, U.S. military deployments that at its height comprised 100,000 troops and nuclear-tipped Lance missiles, and naval facilities that guaranteed U.S. involvement in any conflict on the peninsula. Far from exhibiting impulsive behavior after 1950, North Korea's leadership has shown extreme caution. The peninsula has been stable for over fifty years because deterrence has been clear and unambiguous.

If the U.S. military were removed from that equation, a first-cut analysis would predict that South Korean threat perceptions would increase, while North Korean threat perceptions would decrease. Indeed, the key question is not the direction of change, but rather the extent: would the change in threat perceptions be great enough to prompt different strategies by the two countries? Although it is impossible to predict, there is a fair amount of evidence that would lead to a conclusion that even without the United States, the South Korean military would be able to deter North Korean aggression without dramatically changing its current deployments and procurement.

Military Relations Across the DMZ

A simple power analysis of the two sides would lead to the conclusion that South Korea would still be able to deter North Korea by itself, even without a U.S. deterrent. By standard measures of power, South Korea is far more powerful than North Korea, and the gap between the two continues to widen. South Korea has always had twice the population of the North. On the Korean peninsula, North Korea's economy was never as large as the South's, and even at its closest was no more than three-quarters the size of the South. That gap has widened over the years, to the point where a direct comparison is difficult. By 2006, South Korea's GDP was U.S.\$1.1 trillion, almost thirty times larger than North Korea's \$40 billion. On a per-capita income basis, the North was never much farther ahead of the South, either. As far back as 1980, North Korea's income was \$758

⁴ David C. Kang, "International Relations Theory and the Second Korean War," *International Studies Quarterly* 47, no. 3 (September 2003): 301-24.

per capita, while the South's was \$1,589, and by 2006 South Korean per capita income of \$24,500 measured by purchasing power parity, compared to North Korea's \$1,800.

In terms of defense spending, North Korean defense spending in 2005 is estimated at approximately \$5.5 billion, ranking it 25th in the world in military spending. By comparison, South Korea spent \$20.7 billion on defense in 2005, 10th most in the world.⁵ In fact, as far back as 1977 the South was spending more than the North on defense in absolute dollar terms, \$1.8 billion in the South opposed to \$1 billion by the North. The only measure by which the North has outspent the South was on a per-capita GNP basis, which is an indicator of weakness, not strength.

In military capabilities, North Korea's training, equipment, and overall military quality has steadily deteriorated relative to the South, especially in the past three decades. The South Korean military is better-equipped, better-trained, and more versatile with better logistics and support than the North Korean military, and some assessments suggest that this may double combat effectiveness.⁶ Although the military has continued to hold pride of place in the North Korean economy, there have been increasing reports of reduced training due to the economic problems. *JoongAng Ilbo*, one of South Korea's major daily newspapers, quoted an unidentified Defense Ministry official as saying that North Korea's air force had made a hundred training sorties per day in 1996, down from three hundred to four hundred before the end of 1995, and that the training maneuvers of ground troops had also been reduced to a "minimum level."⁷ American military officials have noted that individual North Korean pilots take one training flight per month, far less than the 10 flights per month that U.S. pilots take.⁸ This drastically degrades combat readiness.

Table 1 shows a comparison of weaponry in North and South Korea in 2006. The bulk of North Korea's main battle tanks are of 1950s vintage, and most of its combat aircraft were introduced before 1956. Evaluations after the Gulf War concluded that Western weaponry is at least twice, or even four times, better than older Soviet-vintage

⁵ Figures from Center for Arms Control and Non-Proliferation, "U.S. Military Spending vs. the World," February 5, 2007, <http://www.armscontrolcenter.org/archives/002279.php>.

⁶ T.N. Dupuy, *Attrition: Forecasting Battle Casualties and Equipment Losses in Modern War* (Fairfax: Hero Books, 1990).

⁷ *Associated Press*, Sunday, January 14, 1996.

⁸ Author's personal interview with a U.S. military official, June 11, 1994. See also Sullivan 1996.

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systems.⁹ Indeed, as far back as a decade ago, North Korea’s military was large in absolute numbers but virtually worthless is measured by any indicator of quality. In 1998, Michael O’Hanlon noted that:

Given the obsolescence of most North Korean equipment, however, actual capabilities of most forces would be notably less than raw numbers suggest. About half of North Korea’s major weapons are of roughly 1960s design; the other half are even older.¹⁰

Table 1. A Comparison of North and South Korea’s Hardware in 2006

Type of Hardware	North Korea	South Korea	Comments
Main battle tanks	3,500: T-34, T-54/55, T-62, and Type 59	2,330: 400 M-47 850 M-48 80 T-80U 1,000 Type 88	T-34 are WWII vintage; T-55 introduced in 1957 T-62 introduced in XYZ M-47 are WWII vintage; M-48 from 1952 Type-88 based on XYZ
Fighter aircraft	107 MiG-17 159 MiG-19 120 MiG-21 46 MiG-23 20 MiG-29 18 Su-7 34 Su-25	130 F-4D/E 185 F-5 153 KF-16 12 F-15	MiG-17, -19, and- 21 all introduced before 1956; MiG-29 in introduced in1983. F-4 introduced in 1963; F-5 in 1972 KF-16 introduced in 1980 F-15 introduced in XYZ; planned deployment of 60
Principal surface combatants	3 Frigates, 5 Corvettes	7 Destroyers (1 Aegis) 9 Frigates 28 Corvettes	6 Aegis destroyers planned by 2015

Source: James Hackett, ed., *The Military Balance 2007* (London: International Institute for Strategic Studies, 2007); and James F. Dunigan, *How to Make War* (New York, NY: Quill, 1983).

By contrast, South Korea’s military modernization is actually increasing. President Roh Moo-hyun has repeatedly said that it is unacceptable for the world’s 12th largest economy not to “assume the role of main actor” in its own defense. Indeed, South Korean defense spending has increased 10 percent annually since 2004, and this

⁹ O’Hanlon 1995, 43.

¹⁰ O’Hanlon 1998, 142.

expansion is planned to continue until 2012.¹¹ Expenditures on military research and development are expected to increase 18 percent annually until 2012, combined with a reduction in personnel by six percent, or some 45,000 personnel. Such military modernization will include new surface to air missile capabilities (the SAM-X project), as well as air-to-air refueling capability, AEGIS-equipped destroyers, attack helicopters, and advanced command and control capabilities.¹²

South Korea is also already beginning to take a more active role in the planning and operation of defense along the DMZ. South Korea will take over wartime operational control (OPCON) from the U.S. at 10:00 a.m. on April 17, 2012, and South Korea and the U.S. are jointly devising a new defense plan for a potential North Korean invasion.¹³ Although the current war plan, OPLAN 5027, calls for 690,000 U.S. troops to be dispatched to Korea in event of a war, “military sources said substantial cuts [to the new plan] will be inevitable,” even though a U.S. military role will remain the centerpiece of the new plan.¹⁴ There are other military changes already underway, as well: U.S. troop levels in Korea, already reduced to 32,000 by 2006, will be further reduced to 25,000 in 2008, with further cuts envisioned. Furthermore, the main U.S. military base is currently being relocated from Yongsan in downtown Seoul to Pyongtaek, further south. Thus, South Korea is increasingly taking control of its own security, with the U.S. already taking the role of a supporting military, as opposed to being the main military force on the peninsula. A further reduction in U.S. commitments to the peninsula would be consistent with the trend over the past few decades.

The most common measures of power in international relations—economic size and defense spending—show quite clearly that North Korea was never larger than South Korea, has been smaller on an absolute and per-capita basis than the South for at least thirty years, and continues to fall farther behind. Furthermore, a closer inspection of the military capabilities of North and South Korea reveal an even wider disparity—the South Korean military is modernizing and outspending North Korea’s military on every

¹¹ James Hackett, ed., *The Military Balance 2007* (London: Institute of International Security Studies, 2007), 339.

¹² *Ibid.*, 339-40.

¹³ “Seoul, Washington to hammer out fresh war plan by 2009,” *Yonhap*, June 28, 2007.

¹⁴ “Korea, U.S. Agree Roadmap for Troop Control Handover,” *Chosun Ilbo*, June 29, 2007, <http://english.chosun.com/w21data/html/news/200706/200706290014.html>.

measure, and the gap between the two militaries in terms of capability, quality, and training continues to widen.

Based on material capabilities, one would conclude that South Korea, even without the U.S., would be able to quite comfortably deter any North Korean aggression. We would also conclude that North Korea, even though its threat perception would likely decrease, would not find itself in any position to contemplate offensive actions against the South.

Perceptions of Power and Threat

More important, perhaps, than actual material capabilities is the perception of those capabilities. After all, although military and economic power is clearly one factor in determining whether or not states are threatening, material capabilities do not necessarily lead ineluctably to intentions. Stronger states can do more than weaker states, but as Henry Nau writes, “states judge threat in terms of what states intend to do with their power.”¹⁵ As a result, states are constantly engaged in the process of deciding how to judge and interpret other states’ actions for the meanings and intentions behind them. Prediction how perceptions might change in the absence of U.S. security alliance is obviously harder to judge. The question thus becomes: how much has the U.S.-ROK security alliance provided a baseline sense of comfort for South Koreans, and allowed them to feel not threatened? Would eliminating the alliance be sufficient in itself to change South Korean perceptions from one of comfort to one of fear of the North once again? If the citizenry of South Korea becomes more worried about North Korean incursions, then some return to a Cold War deterrent and military arms race is possible. If not, it is quite likely that South Korea will continue its engagement of North Korea while simultaneously modernizing its military forces. One way of asking this question is to explore North-South economic and cultural relations. Would South Korea pull back on these in the absence of a U.S. security guarantee?

¹⁵ Henry Nau, *At Home Abroad: Identity and Power in American Foreign Policy* (Ithaca: Cornell University Press, 2002), 19.

As recently as the mid-1990s, South Korea viewed North Korea primarily in military terms, as an imminent threat. In fact, Victor Cha notes that historically it was fear that the U.S. would not take South Korea's threat perception seriously that drove the U.S.-Korea relationship.¹⁶ However, the past decade has seen a major change in how South Korea views itself, North Korea, and its preferred method of resolving the issue of a divided Korean peninsula. South Korea has come to view the North Korea problem primarily in economic and political terms, and is now more concerned about North Korean weakness: the possibility of its collapse or chaos. South Koreans believe that North Korea can be deterred, and instead are worried about the economic and political consequences of a collapsed regime. Even assuming a best-case scenario in which collapse did not turn violent, the regional economic and political effects would be severe.¹⁷

To that end, South Korea has embarked on a path of economic interdependence and political reconciliation with North Korea. This policy shift began a decade ago, and will most likely continue to be South Korea's primary foreign policy focus. The goal is to slowly change North Korea through increased economic and cultural ties, and to promote reform in the North through aid and investment. South Korea appears to be solidly on course to pursue interdependence relative to North Korea.

In exploring ways to deal with a state's undesirable behavior, the international relations literature has focused on coercive strategies, primarily on deterrence or compellence, especially during the Cold War.¹⁸ These strategies aim to persuade an adversary not to take a certain action by demonstrating resolve and capabilities.¹⁹ According to proponents of the coercive strategies, deterrence and compellence, whether in the form of military moves or economic sanctions, raise the costs of the offending action and, in turn, modify a state's behavior.²⁰

¹⁶ Victor Cha, *Alignment Despite Antagonism* (Stanford: Stanford University Press, 1999).

¹⁷ See, for example, Richard Ellings and Nicholas Eberstadt, eds., *Korea's Future and the Great Powers* (Seattle, WA: University of Washington Press, 2001).

¹⁸ Richard Ned Lebow and Janice Stein, "Deterrence: The Elusive Dependent Variable," *World Politics* 42, no. 3 (April 1990): 336-69; Barry Nalebuff, "Rational Deterrence in an Imperfect World," *World Politics* 43, no. 3 (April 1991): 313-35.

¹⁹ Terence Roehrig, *From Deterrence to Engagement: The U.S. Defense Commitment to South Korea* (Oxford: Lexington Books, 2006), 22.

²⁰ Gary Hufbauer, Jeffrey Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered* (Washington, D.C.: Institute for International Economics, 1990).

In contrast, engagement is a strategy whose function is to defuse a potentially dangerous situation not through threats but through incentives.²¹ Engagement uses available incentives for cumulative effects to ultimately transform the target state's behavior or policy preferences.²² Also, the engaging state may expect changes over time in the target state's public perception of the outside world. The distinguishing feature of engagement is certainly the idea of positive inducements or the extension of benefits rather than the promise of harm (deterrence) or the imposition of current costs (compellence, sanctions, "pressure") which raise the cost of pursuing a particular course. Even in the case of fixed preferences, engagement may affect calculations about behavior. One of the most famous examples is Robert Axelrod's solution to the prisoner's dilemma. He found that a tit-for-tat strategy of cooperative and non-cooperative moves links the "shadow of the future" to current behavior and consequently best promotes stable cooperation among adversaries.²³

Perhaps the most widely studied aspect of engagement is the literature on economic interdependence, which explores ways in which expanding ties between nations tend to reduce adversarial relations.²⁴ An increase in the benefits that the target would receive from crafting good relations can alter the target's decisional calculus in the direction of improved conduct. Furthermore, Miles Kahler and Scott Kastner note that engagement strategies "deploy economic links with an adversary in the hope that economic interdependence itself will, over time, change the target's foreign policy behavior and yield a reduced threat of military conflict."²⁵ In this case, economic engagement does not change state goals, but it reduces the benefits of provocative

²¹ David Shambaugh suggests different variants of engagement: constructive, conditional, and coercive engagements, depending on the degree of punitive measures. See Shambaugh, "Containment or Engagement of China?" *International Security* 21, no. 2 (Fall 1996): 184.

²² Richard N. Haass and Meghan L. O'Sullivan, "Introduction," in *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy*, ed. Richard N. Haass and Meghan L. O'Sullivan (Washington, D.C.: Brookings Institution Press, 2000), 4-5.

²³ Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984).

²⁴ Michael Mastanduno, "The Strategy of Economic Engagement: Theory and Practice," in *Economic Interdependence and International Conflict: New Perspectives on an Enduring Debate*, ed. Edward Mansfield and Brian Pollins (Ann Arbor: University of Michigan Press, 2003), 175-86; Joanne Gowa, *Allies, Adversaries, and International Trade* (Princeton: Princeton University Press, 1994); Dale Copeland, "Trade Expectations and the Outbreak of Peace: Détente 1970-74 and the End of the Cold War 1985-91," *Security Studies* 9, no. 1 (1999/2000): 15-58; Rawi Abdelal and Jonathan Kirshner, "Strategy, Economic Relations, and the Definition of National Interests," *Security Studies* 9, no. 1 (1999/2000): 119-56.

²⁵ Miles Kahler and Scott Kastner, "Strategic Uses of Economic Interdependence: Engagement Policies on the Korean Peninsula and Across the Taiwan Strait," *Journal of Peace Research* 43, no. 5 (2006): 523-41.

behavior while increasing the benefits of stable relations. Or, it creates new interests that may have different objectives with respect to diplomacy (i.e., economic ties matter more than security, or security pursuits may just be costly). Engagement can also function to change the actual preferences and the identities of a target state, and in turn, these changes involve a shift in the state's domestic coalition.²⁶

South Korea's Changing Relationship with the U.S. and North Korea

In terms of overall national security strategy, South Korea has committed itself to a strategy of interdependence and engagement with North Korea, with the aim of changing North Korean behavior and ultimately its preferences. This has been a fundamental shift in South Korea's foreign policy strategy over the past decade; the shift appears to be deeply rooted, and a number of factors have contributed to South Korea's policy. South Korea's emergence over the past half century was predicated on an economic development model that catapulted South Korea into the ranks of the developed nations, and so it is not surprising that this strategy is being continued in South Korea's broader foreign economic policy. Furthermore, the weakness of North Korea, democratization, the end of the Cold War, and a change in South Korea's national identity, have all contributed to the belief in South Korea that military issues are secondary to economic issues. As a result, South Korea's engagement strategy will continue to have consequences for regional policy toward North Korea, for the U.S. role in the region, and for China's influence.

This change in South Korea's foreign policy toward the North appears to be quite deeply rooted. Although the initial moves to engagement as official policy were a result of the Kim Dae-jung administration and perhaps a divided electorate, the past decade has seen engagement become an increasingly widespread, "default" approach to North Korea. Underlying the nuclear issue is an even more fundamental issue for South Korea: although North Korea's suspect nuclear weapons program has historically been the focus

²⁶ Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton: Princeton University Press, 1998), 26-32; "Internationalization, Coalitions, and Regional Conflict and Cooperation," in *Economic Interdependence and International Conflict*, ed. Edward Mansfield and Brian Pollins (Ann Arbor: University of Michigan Press, 2003), 60-85.

of peninsular diplomacy, South Korea's fundamental strategic issue is not nuclear weapons; rather, South Korea's much deeper long-run question has been more complex: how to manage and ultimately solve the North Korea issue (not to mention unification), even if nuclear weapons are no longer a factor; and simultaneously arrive at a sustainable long-term economic, political, and military relationship with all the major powers that influence the peninsula. As a result, managing the nuclear issue has been a necessary step to reintegration, and South Korea's foreign policy over the past decade has reflected this more fundamental goal of unifying the peninsula.

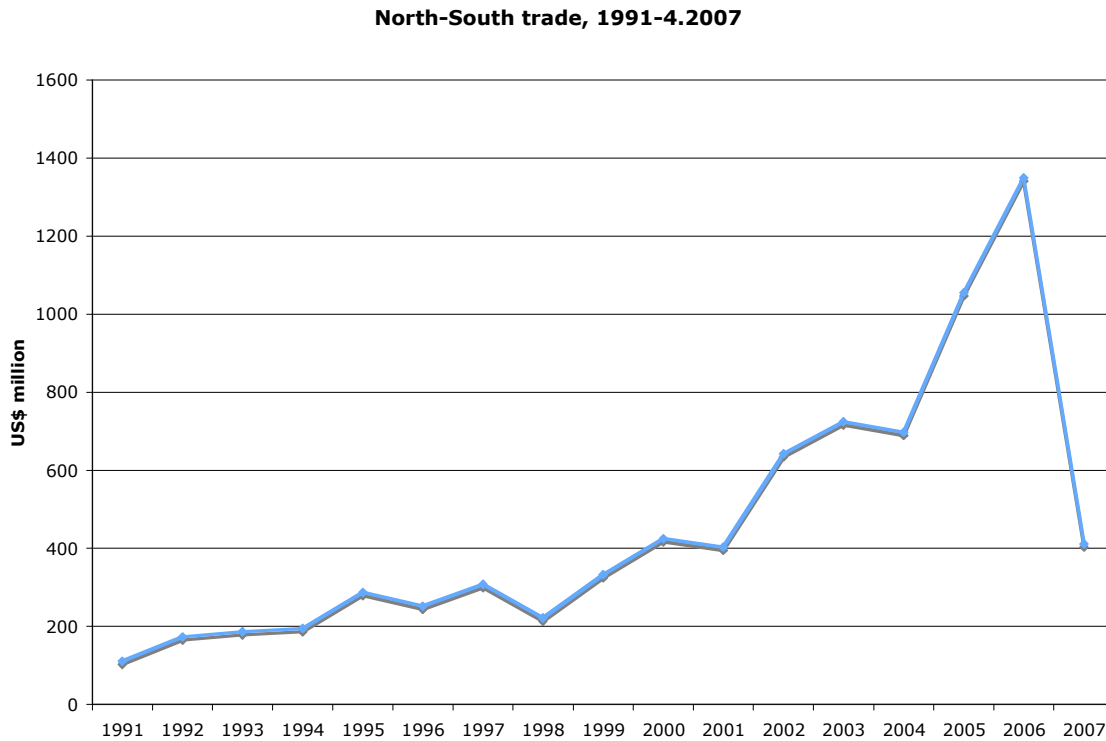
Currently, official ROK policy toward North Korea is explicitly based on the idea that trade and interdependence can promote peace and stability on the peninsula, and that encouraging the North to continue economic reforms and opening to the international community is the best path towards achieving stability and peace on the peninsula. For example, regarding the increasing economic and cultural ties between the North and South, the South Korean Ministry of Unification stated that "with the peaceful use of the demilitarized zone, the eased military tension and confidence building measures, the foundation for peaceful unification will be prepared."²⁷

Thus, for more than a decade, South Korea has consistently pursued a policy of economic engagement toward North Korea designed to encourage North Korean economic reforms. Following the shift to the Sunshine Policy, South Korea rapidly increased its relations with the North: North-South merchandise trade has rapidly increased over the last five years, exceeding U.S.\$1 billion for the first time in 2005, and amounting to \$411 million in the first four months of 2007 (see Figure 1).²⁸ Commercial trade amounted to 65 percent of total North-South trade in 2005, while non-commercial (government) trade accounted for less than 35 percent of trade. Thus, while the government is supporting the economic integration of the two Koreas, private firms are also heavily involved. Trade with South Korea accounted for 20 percent of North Korea's trade in 2004, while South Korea's \$256 million worth of economic assistance comprised 61 percent of total external assistance to the North.

²⁷ Ministry of Unification, *Peace and Prosperity: White Paper on Korean Unification 2005* (Seoul: Ministry of Unification, 2005), 106-8. See also MOU, *Kaesong Kongdan geonseol silmu jobchuk bodo chamgojaryo* (Seoul: Ministry of Unification, December 8, 2002).

²⁸ "Inter-Korean Trade beats \$1 billion in 2005", *JoongAng Ilbo*, January 23, 2006; and Economist Intelligence Unit, North Korea: *Country Report 2003* (London: The Economist Intelligence Unit, 2003), 19.

Figure 1. Total Trade Between North and South Korea, 1991-April 2007



Source: Ministry of Unification, “연도별 남북교역액 추이,” [Statistics on Inter-Korean Trade], July 7, 2007, <http://www.unikorea.go.kr/index.jsp>.

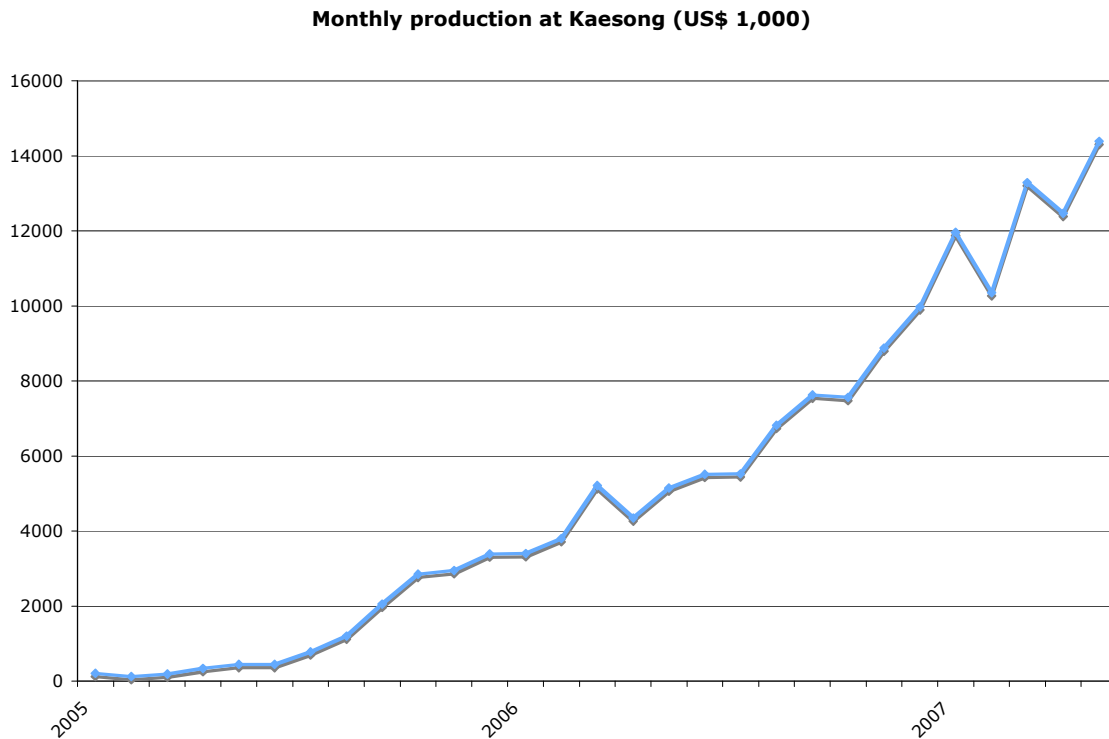
South Korean conglomerates rapidly expanded their activities in the North with the official approval of both South and North Korean governments. Perhaps the most notable success has been the Kaesong Industrial Park, a special economic zone or industrial park just north of the DMZ in the ancient capital city of Kaesong. Designed to use South Korean capital and North Korean labor, the zone has been open for some years now, and both a railroad and roads run through the DMZ and connect North and South Korea.²⁹ Currently, shoes, clothes, electronic products, machinery, and some semiconductors and communication equipment are being produced at Kaesong.³⁰ As of

²⁹ “Road Connecting The Two Koreas Opens,” *Donga Ilbo*, December 1, 2004.

³⁰ Sang-young Rhyu, “North Korea’s Economy and East Asia’s Regionalism: Opportunities and Challenges,” (paper presented at the conference “Northeast Asia’s Economic and Security Regionalism: Old Constraints and New Prospects,” Center for International Studies, University of Southern California, Los Angeles, March 3-4, 2006).

July 2007, 15,000 North Korean workers were employed at Kaesong, and total production at Kaesong had experienced average monthly increases of over 19 percent, with monthly production of over \$14 million per month by mid-2007 (see Figure 2).

Figure 2. Monthly Production at Kaesong Industrial Complex (U.S.\$ 1,000)



Source: Ministry of Unification, “Key Statistics for Gaeseong Industrial Complex, as of May 30, 2007,” <http://www.unikorea.go.kr/index.jsp>.

South-North negotiations have covered a wide range of issues, as well, such as creation of joint sports teams, family reunions, economic assistance, and most significantly, military discussions.³¹ South Korean NGOs and churches have engaged in private economic and humanitarian assistance with the north, for example sending materials to build houses in rural provinces. In 2004, the two sides agreed to the establishment of a hotline between North and South Korea, held the first high-level meeting between North and South Korean military generals since the Korean War, and

³¹ David Kang, “North Korea’s Economy,” in *North Korea: A Country Study*, ed. Robert Worden (Washington, D.C.: Federal Research Bureau, 2005).

halted the decades-long propaganda efforts along the DMZ.³² In 2005, North and South Korea established 300 direct telephone lines linking the South with the Kaesong industrial zone for the first time since the Soviets troops severed telephone lines in 1945.

The Hyundai group established a tour of Mount Kumgang on the east coast of North Korea, which more than 275,000 South Koreans visited in 2005, and over 1.1 million have visited since 2000.³³ Meetings between divided families have occurred on an intermittent basis, and both countries agreed to march together in the Olympics under the “unification flag.”³⁴ Growing contacts with the North reinforced the perception in South Korea that North Korea was more to be pitied than feared, and interactions between the North and South have increased in a number of non-economic areas, as well.

The South Korean *2004 Defense White Paper* downgraded North Korea from the South’s “main enemy,” to a “direct and substantial threat to our military.” Although there was a vocal hard-line minority opinion in South Korea, opinion polls regularly showed over 70 percent of the population continued to favor engagement through the years of the nuclear crisis. In 2005, over one hundred respected figures in Korean society, including Catholic Cardinal Stephen Kim, sent an open letter to the U.S. Embassy in Seoul urging the U.S. ambassador to reject military options.³⁵

South Korean popular support for an engagement policy appears to be deeply rooted, and reflects the changing nature of South Korea’s national identity. In the past decade, South Korea began to formulate a positive image and role for itself by rethinking its relationship to North Korea. After decades of demonizing North Korea, no longer does South Korea define itself as the opposite of the North; rather, it has begun to define itself as the “distant relative” of the North—prodding the North to change from a position of strength, not fear. In a way, it is not surprising that South Korean national identity has begun to change with respect to North Korea.

There is widespread agreement among the South Korean populace that engagement is the proper strategy to follow. For example, an opinion poll from South Korean newspaper *Donga Ilbo* found in March 2005 that 77 percent of Koreans

³² James Brooke, “2 Koreas Sidestep U.S. to Forge Pragmatic Links,” *New York Times*, June 26, 2004.

³³ Christine Ahn, “Reunification is on the March,” *International Herald Tribune*, February 9, 2006.

³⁴ Ruediger Frank, “Economic Reforms in North Korea (1998-2003): Systemic Restrictions, Quantitative Analysis, Ideological Background,” *Journal of the Asia Pacific Economy* 10, No. 3 (2005): 278-311.

³⁵ *Donga Ilbo*, January 12, 2005.

supported the use of diplomatic means and talks with North Korea in response to its nuclear weapons development and kidnapping of foreign civilians.³⁶ Significantly, even those from the “older generations” were solidly in favor of engagement. Of those in their 60s or older, 63.6 percent supported diplomatic means.³⁷ In 2005, a Korean Institute for National Unification poll found that 85 percent of the general public and 95 percent of opinion leaders approved of North-South economic cooperation.³⁸

Given widespread South Korean popular support for engagement, for electoral purposes, both the opposition and ruling parties back engagement toward the North. In 2005, for example, the opposition Grand National Party—often considered more hard line toward the North than the ruling Uri Party—submitted a proposal to establish a special economic zone along the entire border with North Korea to foster inter-Korean economic cooperation. The proposed zone would extend the current Kaesong industrial zone to Paju in Kyeonggi province in the South, with plans to expand the economic boundary from Haeju in the North to Incheon in the South as a joint inter-Korean project similar to the Kaesong zone.³⁹

The two leading candidates for the presidency from the conservative Hannara-dang, Park Geun Hye and Lee Myung Bak, also support engagement. The critical difference between them and the current president are that the two contenders call for engagement with “reciprocity,” contrasting themselves to a more uncritical engagement of the current administration. Lee, the former mayor of Seoul, has promoted the idea of opening and transforming North Korea through economic projects that will build infrastructure, and has floated the idea of expanding economic cooperation along the Han River in a “Manhattan-like” project that could be as big as 30 million square meters.⁴⁰ Park traveled to Pyongyang in 2005 and met with Kim Jong-il, calling for “economic reunification” which builds on the current economic projects, to be followed later by

³⁶ Derek Mitchell, ed., *Strategy and Sentiment: South Korean Views of the United States and the U.S.-R.O.K. Alliance* (Washington, D.C.: Center for Strategic and International Studies, 2004).

³⁷ “Opinion Poll on South Korean Attitudes Toward Japan and Other Nations,” *Donga Ilbo*, March 4-31, 2005, <http://www.donga.com/fbin/output?f=aps&n=20050460247&main=1>.

³⁸ Christine Ahn, “Reunification is on the March,” *International Herald Tribune*, February 9, 2006.

³⁹ Annie I. Bang, “Bill on inter-Korean special zone proposed, move aims to build economic community,” *Korea Herald*, February 14, 2006.

⁴⁰ Kim Jun Yop, “Candidates Lee and Park Need to Reveal Their Policy on North Korea,” *Daily NK*, June 20, 2007, http://www.dailynk.com/english/read_print.php?cataID=nk00400&num=2245.

political unification. Thus, while it is possible that either candidate, should he or she win the presidency, would change their policies radically, for the time being it appears that engagement is the consensus view on the peninsula.

Furthermore, the party's official platform regarding North Korea embraced engagement as its overall policy, much to the surprise of outside observers. Entitled "Peace Vision for the Korean Peninsula," the proposal states that if the GNP wins the presidential election to be held in December 2007, it would invite 30,000 North Koreans annual for technical training in the South; it would open the South Korean media market to North Korean television, radio, and newspapers; and it would provide rice and fertilizer aid to the North with no strings attached. In announcing the policy, Representative Chung Hyung-keun, a member of the GNP's Supreme Council, said that, "By focusing on a security-first-then-cooperation policy in handling North Korean issues, the Grand National Party has overlooked some of the ongoing trend of the post-Cold War era in Northeast Asia and didn't have enough ability to deal with it."⁴¹

In sum, South Korea's foreign policy orientation appears to be firmly focused on interdependence with North Korea as the keystone of its overall foreign policy. There is widespread popular support for this policy, and this support show little signs of abating. Given the breadth and depth of support for South Korean engagement of North Korea, it is difficult to imagine a scenario under which this basic strategy changes. North Korea could engage in an unprovoked terrorist attack on the South, or some other self-defeating act, but in the absence of such an act, it is likely that the South and North would continue to draw closer together, even in the absence of a U.S. military alliance.

North Korean Perceptions and Economic Initiatives

However, increasing South Korean ties to North Korea are only possible with North Korean reciprocity. In the absence of a U.S.-ROK alliance, would North Korea

⁴¹ "GNP's Softened Stance Toward North Korea Draws Heated Debate," *Yonhap*, July 10, 2007, <http://asia.news.yahoo.com/070710/4/34kio.html>.

feel that its grudging opening to South Korea and the world is now not as important as previously? Would it pull back on Kaesong, Shinuiju, trade, and particularly Chinese involvement? How about all the foreigners in North Korea right now? Under what circumstances would North Korea feel emboldened to pull back on international cooperation and limited domestic reforms? Is it possible for North Korea to put the toothpaste back in the tube?

Scholars have hotly debated the intentions, scale, and effectiveness of the incremental North Korean economic reforms undertaken in the past five years, although there is little disagreement that North Korea is more open to outside influences in 2007 than it was a decade earlier.⁴² Undoubtedly this has been designed by Kim Jong-il and the ruling regime to retain control while dealing with the undeniable economic problems in the country. However, while there is considerable disagreement among observers as to what the actual motivations of the regime are, and also skepticism as to whether the reforms can work, the point remains that the changes affect the entire society and are thus politically consequential. Two distinctions: changes that are fundamental, affect the daily lives of North Korean citizens, and are difficult from which to pull back; and those that are cosmetic and easily reversed. However, even cosmetic changes provide some evidence of North Korean regime leadership thinking and intentions.

Despite much skepticism about Kim Jong-il's intentions, North Korea's market-socialism reform policy is continuing. Most significantly, in July 2002, the central government formally enacted a set of economic reforms, the most important of which was the introduction of a market-pricing system.⁴³ Except for crops, rationing was abolished and goods were traded using currency. Although prices continued to be administered, "by fiat, state prices are brought in line with prices observed in the markets."⁴⁴ Much information about the pace and extent of the reforms is incomplete

⁴² See, for example, Stephan Haggard and Marcus Noland, *Famine in North Korea: Aid, Markets and Reform* (New York: Columbia University Press, 2006); Bradley Babson, "Implications of a 'Bold Switchover' in Security Policy for Involving the International Financial Institutions in Financing North Korean Development" (Seattle: The National Bureau of Asian Research, March 2006); Marcus Noland, *Transition from the Bottom-Up: Institutional Change in North Korea* (Washington, D.C.: Institute for International Economics, March 20, 2006).

⁴³ See Aidan Foster-Carter, "North Korea caves in to the market," *Asia Times*, August 6, 2002, <http://www.asiatimes.com/atimes/Korea/DH06Dgol.html> (accessed March 29, 2006).

⁴⁴ Marcus Noland, "Life Inside North Korea," testimony before the Senate Subcommittee on East Asian and Pacific Affairs, United States Senate, Washington, D.C., June 5, 2003, 3.

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because North Korea has not opened its economy to full international participation. However, anecdotal evidence abounds that notable change has taken place. Visitors to Pyongyang in 2004 reported that more than 35 distinct markets were in operation, and it is estimated that as many as 400 markets operate throughout the entire country.⁴⁵

However, although the reforms were centrally planned and administered, they were not comprehensive.⁴⁶ As a result, there emerged a multi-layered and partly decentralized economy, where prices were allowed to float and private ownership and markets were permitted, but the state still owned most of the major enterprises and workers were controlled in many other ways. The government promulgated new laws that covered central planning, agriculture, mineral resources, and other industrial sectors. Concurrently, there were new laws on stock, joint-stock companies, joint ventures with foreign firms, and a number of other decrees that opened the economy to more foreign participation. Administrative and managerial responsibilities were delegated from party officials to industrial and commercial managers. Assets in oil refining, mining, manufacturing, textiles, and food processing were corporatized. In July 2007, North Korea announced that an English-only university, Pyongyang University of Science and Technology, was being built with aims of holding 2,600 students and educating both undergraduates and graduate students. To be staffed by foreign professors, “It will be the country’s first international university,” according to South Korean Professor Chan Mo Park, co-chair of the university.⁴⁷

These reforms affected the entire society, whereas previous reform efforts had been partial, segmented, and largely restricted to peripheral sectors of the economy. Those previous reform efforts were limited to areas easily controlled by the regime, covering areas such as foreign direct investment or special economic zones that could be cordoned off from the larger North Korean society. The implication of wider reforms was that the regime was taking a much bigger step, and having a bigger impact on society, than before. It also meant that the regime was taking a bigger gamble, because

⁴⁵ Andrew Salmon, “For the lucky, North Korea’s food options grow,” *International Herald Tribune*, October 30, 2004, http://www.ihf.com/articles/2004/10/30/a4_33.php.

⁴⁶ Yukie Yoshikawa, “The Prospect of Economic Reform in North Korea,” Nautilus Institute, March 2004, <http://www.nautilus.org/DPRKBriefingBook/transition/200312NKecon.html>.

⁴⁷ David McNeill, “North Korea ready to learn from the outside world,” *The New Zealand Herald*, July 13, 2007.

the effects of the changes would be difficult to control. Although the partial reform efforts of 2002 may be too limited to effectuate economic recovery in North Korea, the effect on society was increasingly irreversible.⁴⁸ Yet with much control still remaining within the government, economic reform was still partial. North Korea was no longer a centrally planned economy, but the new institutions for market capitalism were either nascent or nonexistent.

For example, as part of the July 1, 2002, the North Korean Party formally abandoned the Taeann Work System, introducing a new economic management system. In the new system, responsibility for running the factory was turned over to the manager, and the political and economic role of the Factory Party secretary was reduced. The manager was tasked with running the factory on a self-accounting system, and the wage system was changed. In the new system, salaries for workers were raised, and merit pay was introduced to reward those who work harder or more efficiently. However, the Factory Party committee was still the formal leadership of the factory, and the Party secretary retained the chairmanship of the committee, which continued to provide the secretary with the opportunity to wield power in the factory. Thus, although nominally the power of the Korean Workers' Party had been reduced and the actual manager's power had been increased, it was not clear how dramatic this shift was in reality.

There was considerable skepticism among foreign analysts as to whether these changes were genuine, or whether they were a minimalist attempt by the regime to "muddle through."⁴⁹ There was also skepticism as to whether any reform measures could actually make a difference in North Korea's economy. Some scholars argued that only complete and thorough political and economic change could generate sustainable economy activity. Others saw more potential for success in the set of "China-style" reforms that North Korea had begun.⁵⁰ While the ultimate assessment of the reforms will only occur in the future, it is possible to conclude that these were significant, and categorically different, than the reforms of the past. At the same time, because these reforms are continuing to occur at the present time, a comprehensive description of the

⁴⁸ Marcus Noland, "Famine and Reform in North Korea," *Working Paper 03-5* (Washington, D.C.: Institute for International Economics, July 2003).

reforms is also difficult, because government institutions, laws, and policies are changing rapidly.

The evidence points to the conclusion that North Korea's economic reforms are cautious and tentative, not wholesale. They are also clumsy—inflation is rampant but production has not been freed to respond accordingly.

Indeed, it is unclear whether any reform measures can actually make a difference in North Korea's economy. Examining the reforms, economist Marcus Noland wrote in 2003 that “it is not at all clear that the current leadership is willing to countenance the erosion of state control that would accompany the degree of marketization necessary to revitalize the economy.”⁵¹ However, the purpose of this essay is not to predict the success of the reform efforts. Rather, a key question is to judge how likely it is that they could be reversed. The likelihood appears slim. If survival of the state is not at stake, then perhaps Kim Jong-il will not risk economic reforms and may attempt to reverse the economic opening of the past few years. However, regime survival will most likely only come about through reduction of tensions, which will require greater cooperation between North Korea and its neighbors.

In sum, to a lesser extent than South Korea, North Korea as well has moved toward international opening and domestic economic reforms, although on a much more limited basis. The key question, of course, is whether the absence of a U.S. military alliance would be consequential enough to change this fundamental South and North Korean approach. The only way for North Korea to pull back from its limited economic reforms would be if the regime leadership felt it could survive in isolation. It is not clear that the absence of a U.S. alliance would change the economic situation in North Korea in any significant manner. For further leverage on this question, we turn to another key variable: whether the security alliance dissolves under positive or negative circumstances.

⁴⁹ See Marcus Noland, “Life in North Korea,” testimony before the Senate Subcommittee on East Asian and Pacific Affairs, United States Senate, Washington, D.C., June 5, 2003.

⁵⁰ Marcus Noland, “Life in North Korea,” testimony before the Senate Subcommittee on East Asian and Pacific Affairs, United States Senate, Washington, D.C., June 5, 2003; and Ruediger Frank, “North Korea: ‘Gigantic Change’ and a Gigantic Chance,” *Nautilus Special Report*, May 9, 2003, http://nautilus.org/fora/security/0331_Frank.html.

⁵¹ Marcus Noland, “Life in North Korea,” testimony before the Senate Subcommittee on East Asian and Pacific Affairs, United States Senate, Washington, D.C., June 5, 2003, 8.

What Could Cause the End of the U.S.-ROK Alliance, and How Would That Affect South Korea-North Korea Relations?

Simply positing the absence of a U.S.-ROK alliance and theorizing about its impact on inter-Korean relations at $t=1$ is of limited utility, because a key factor that will affect relations at $t=1$ is the matter of how, and under what conditions, the U.S.-ROK alliance dissolves at $t=0$. That is, we can think of two generic ways in which the alliance is dissolved: amicably or angrily. If the alliance is dissolved amicably, because relations between the U.S. and ROK and in the region more generally are stable and improving, this would have much less of an impact on inter-Korean relations than if the alliance between the U.S. and ROK ended because of a crisis or other deep conflict between the two countries.

Amicable Dissolution

If relations among the U.S., South Korea, and North Korea continue to improve along the path envisioned by the February 13, 2007, agreement, the future may see the alliance becoming a relic of the Cold War. If the Yongbyon nuclear facility is actually disabled, and U.S. concerns about a potential second HEU nuclear program can be resolved, and over a period of years normalization of ties between the U.S. and North Korea proceeds, the U.S.-ROK military alliance may be slowly dissolved because there is no need for it any longer. As Michael Armacost said, “alliances are essentially military in nature, and aimed at a common threat. They don’t tend to be useful as an insurance policy or for other reasons.”⁵² Lacking a threat from North Korea, it may become clear that U.S. troops on the peninsula are no longer needed, and that justifications for keeping them there (potential out of area deployments, etc.) are not suitably sufficient to sustain support for the alliance either in the U.S. or South Korea. Both the U.S. and South Korea

⁵² Comments at the 2nd U.S.-ROK West Coast conference, Stanford, CA, June 29, 2007.

might amicably dissolve the military aspects of the alliance, and such dissolution would result in even stronger relations between the U.S. and South Korea.

In this optimistic scenario, the reason the U.S. alliance could dissolve would result from a decrease in tension on the peninsula and resolution of the nuclear crisis to a major degree. In such a scenario, it is difficult to see the alliance continuing in any major military capacity. The resulting change in the alliance would probably be a result of better relations on the peninsula, and thus the elimination of the alliance might not have a major impact on South-North relations.

That it, if even the United States is now removing sanctions from North Korea and engaging in trade with North Korea, it is likely that economic interactions between North Korea and the outside world will increase, perhaps even dramatically so. In this instance, amicable dissolution of the U.S.-ROK alliance would further the economic changes underway in North Korea and have much less of an impact on South-North interactions. North Korea's foreign economic policy might continue to haltingly loosen, and South-North interactions can be expected to increase even further.

Angry Dissolution

However, if U.S. and ROK basic national interests diverge—either about issues directly on the peninsula, or because of disagreements about an important foreign policy decision elsewhere—the impact on the peninsula may not be benign.

The most likely way for the alliance to break apart would arise if South Korea and the United States have profound disagreements over how best to resolve the nuclear issue. As happened in the past five years, if the U.S. returns to a containment policy and aims to pressure the North, and South Korea remains focused on engaging North Korea, tensions between the U.S. and South Korea could rupture the alliance. This remains a possibility, although less likely in the current situation than it had in the recent past. Much has been written about how both the U.S. and South Korea have focused on different goals on the peninsula—the U.S. focused on the nuclear facilities and weapons of mass destruction, South Korea focused on avoiding regime collapse and fostering the eventual reunification of the peninsula.

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Were the situation on the peninsula to become more tense, with fears of another North Korean nuclear test or a proven missile capability, the U.S. might revert to pressuring the North. If so, South Korea and the U.S. may come into disagreement over how to proceed, and the alliance could be the casualty.

An angry dissolution might raise more fears in South Korea over the future of stability on the peninsula. If that is the case, such a dissolution of the U.S.-ROK alliance could draw North and South together—because both North and South Korea would fear U.S. actions and wish to continue their limited cooperation. South Korea might embrace the North and attempt to “protect” it in some way, and view the U.S. as the destabilizing force. There is some limited evidence to that end—in one opinion poll taken by the *Chosun Ilbo* in 2005, 65.9 percent of Koreans born in the 1980s (ages 16-25) said they would side with North Korea in the case of a war between North Korea and the United States.⁵³

Angry dissolution could also push the two Koreas farther apart, because North Korea may feel that South Korea is no longer a threat without the United States, and thus Kim Jong-il and the leadership might feel that North Korea could survive indefinitely without having to make any concessions to the outside world and South Korea. However, in the context of some type of crisis and disagreements between the U.S. and South Korea, it is harder to imagine that North Korea would abandon South Korea, if it feels South Korea may help to serve as a buffer against precipitate U.S. actions.

Other Regional Actors

Another key question is whether China or Japan would attempt to influence the events on the peninsula in the absence of a U.S.-ROK alliance. None of the states in the region are against unification. However, none are actively for unification, either. In many ways, the status quo is a known quantity, and provides some sense of stability to

⁵³ Pak Tu-Shik and Pak Min-Son, “‘Mi-Bak Cheonjaengddaen Buk Pyeondeonlgetta’ ‘66% Bukhan’e Kaseo Salgo Shipta’ Neon 0%” [‘Side with North Korea during a US-NK War’ 66%; ‘Want to move and live in NK’ 0%], *Chosun Ilbo*, August 15, 2005.

the region. Radical change in the status of the two Koreas would be an adjustment that few countries appear eager to undertake at the moment.

The two Koreas also agree on many things, perhaps most centrally a distrust of any major power's intentions toward the Korean peninsula. This native nationalism and inherent distrust of outsiders is one trait that both Koreas share. From the historic meeting of the two secret service leaders in 1972⁵⁴ to the current beliefs about the importance of Dokdo as "Korean" and resistance to Chinese claims about Koguryo, outside pressure from either China or Japan could very well drive the two Koreas closer together.

This attitude is more likely to be present with respect to Japan than it is with China. One thing both Koreas agree upon is a deep distrust and resentment against Japan. Given that fact, the only impact Japan is likely to have on inter-Korean relations is to drive the two Koreas closer together. Japan can play a positive role by normalizing its relations with North Korea or crafting positive relations with both Koreas. But a negative role is harder to imagine—if the Japanese try anything, it would drive both North and South Korea closer together.

Particularly in the absence of a U.S.-ROK alliance, the two Koreas would probably even more closely agree on basic attitudes and policies toward Japan. For example, on April 22, 2005, South Korean Prime Minister Lee Hae-chan met with North Korea's official head of state, Kim Yong Nam, at the Asia-Africa leadership summit in Indonesia. Among other topics they discussed were "joint efforts to preserve ancient Korean historical sites and to fight Japanese claims on the Dokdo Islets."⁵⁵ Indeed, both North and South Korea are emotional about Dokdo: in 2004, North Korea issued two sets of postage stamps with historical maps that show Dokdo island as a Korean possession. Stamp designer Choi Chul-Man said that the stamps show that the Dokdo Islet

⁵⁴ For a good discussion of this event, see Don Oberdorfer, *The Two Koreas: A Contemporary History* (New York: Basic Books, 2002), especially chapter one.

⁵⁵ Arvind Shekhar, "North and South Korean leaders communicate about a united Korea to fight Japan," *India Daily*, April 22, 2005, <http://www.indiadaily.com/editorial/2400.asp>.

historically belonged to the Korean peninsula, and that the stamps “contribute to firmly protecting and enhancing my precious country and the rivers and mountains.”⁵⁶

It is revealing that South Korea’s newest military purchases are mainly maritime in nature, with the newly-christened *Great King Sejong* AEGIS-destroyer the first of at least three and perhaps six destroyers. Naval forces are less effective for deterring a land threat from either North Korea or China, but it does reveal that South Korea’s main concerns are naval. As South Korean president Roh said upon the launch of the *Sejong*, “South and North Korea will not keep picking quarrels with each other forever ... We have to equip the nation with the capability to defend itself. The AEGIS destroyer we are dedicating today could be the best symbol of that capability.”⁵⁷ Perhaps even more interestingly, the experimental assault amphibious landing ship has been christened a “Dokdo” class of ships, which did not please the Japanese.⁵⁸

China, on the other hand, will have increased influence on the peninsula and could become the default influence on the peninsula. China would immediately become powerful, and the question would become: what does China want?

China appears to desire first and foremost stability on its borders, and secondly, North Korean economic reforms that follow a Chinese model. Taylor Fravel points out that Chinese compromise over borders often provides internal stability. Solving border disputes can seal borders, deny internal dissidents refuge or material, gain the Chinese regime promises that the foreign powers will not intervene, and affirm the regime’s sovereignty over the unrest in the region.⁵⁹ China and North Korea demarcated their border in 1962, with North Korea controlling the majority of Baekdusan, an important cultural icon in Korea.

Most importantly, however, is the similarity in the interests of China and South Korea regarding North Korea. China and South Korea share similar foreign policy

⁵⁶ Japan is just as emotional: a year earlier, in January 2003, Japan issued three sets of stamps with Takeshima on them. “North Korea Issues Stamps on Dokdo Islet,” *Chosun Ilbo*, April 18, 2004, <http://english.chosun.com/w21data/html/news/200404/200404180015.html>.

⁵⁷ Richard Halloran, “S Korea looks to the open seas for regional military strength: Seoul’s new era of militarization may be a source of consternation for both the Japanese and the Americans, depending on where China fits into the picture,” *Taipei Times*, July 3, 2007, 9.

⁵⁸ “Japan displeased S. Korean naval vessel named after disputed islets,” *Japan Policy & Politics*, July 18, 2005, http://findarticles.com/p/articles/mi_m0XPQ/is_2005_July_18/ai_n14797918.

⁵⁹ Taylor Fravel, “Regime Insecurity and International Cooperation: Explaining China’s Compromises in Territorial Disputes,” *International Security* 30, no. 2 (Fall 2005): 46-83.

orientations toward North Korea. Chinese officials have made public pronouncements urging a conciliatory line to the North, and arguing that North Korea was on the path to reform. In January 2005, Chinese ambassador to South Korea Li Bin argued that, “To think that North Korea will collapse is far-fetched speculation. The fundamental problem is the North’s ailing economy. If the economic situation improves, I think we can resolve the defector problem. The support of the South Korean government will greatly help North Korea in this respect.”⁶⁰ In fact, Chinese trade and investment into North Korea far outstrips that of even South Korea—over half of total North Korean trade in 2005 was with China, almost double inter-Korean trade.⁶¹ Piao Jianyi of the Institute of Asia Pacific Studies in Beijing stated that: “Although many of our friends see it as a failing state, potentially one with nuclear weapons, China has a different view. North Korea has a reforming economy that is very weak, but every year is getting better, and the regime is taking measures to reform its economy, so perhaps the U.S. should reconsider its approach.”⁶²

Indeed, Kim Jong-il’s nine-day visit to Chinese industrial zones in January 2006 was evidence that China continues to have warm relations with the North, and furthermore, that China intends to continue its engagement policy, showing few signs of taking a more coercive stance toward the North. As one experienced member of an NGO that has deep ties with North Korea noted recently, “China is essentially pushing aid and economic relations over the border to the North. They have far more access to the North than does South Korea, and this is worrying the South Koreans as they look to the coming years.”⁶³ In fact, Chinese trade and investment into North Korea outstrips that of even South Korea—almost two-thirds of total North Korean trade in 2005 was with China, almost double inter-Korean trade.⁶⁴

Indeed, perhaps more than South-North economic relations, China-DPRK economic relations may have more of an impact on life in the North. James Kelly,

⁶⁰ Li Bin, quoted in the *JoongAng Ilbo*, January 14, 2005.

⁶¹ Robert Marquand, “North Korea’s Border Trade Getting Busier,” *Christian Science Monitor*, April 14, 2005, <http://www.csmonitor.com/2005/0414/p01s04-woap.html>.

⁶² Howard French, “Doubting U.S., China is Wary of Korea Role,” *New York Times*, February 19, 2005, A1.

⁶³ Personal communication, June 8, 2006.

⁶⁴ Robert Marquand, “North Korea’s Border Trade Getting Busier,” *Christian Science Monitor*, April 14, 2005, <http://www.csmonitor.com/2005/0414/p01s04-woap.html>.

former U.S. Assistant Secretary of State, recently compared China-DPRK relations to that of gravitational pull, saying that:

The Northern banks of the Tumen and Yalu Rivers are enormously more prosperous than they have been in the past. They are visibly and figuratively prosperous. There are bright lights and active cities. The boom that has marked China for the last 25 years has not left out its northeast ... The Chinese economy is exercising a Jupiter-like influence on areas that are relatively close to the country, even to ... the Korean peninsula and the relatively impoverished areas of North Korea on the south side of those bordering rivers. I'm talking about smaller efforts. It is a fact, though it is very difficult to measure ... These [links] do reach across that border into North Korea. Where this is going to go is a matter of speculation. But if we're not able to resolve the denuclearization soon, these realities may lead to some developments that could surprise us.⁶⁵

In sum, despite some tensions in the ROK-China relationship, on the whole China has rapidly become an extremely important economic and diplomatic partner for both South and North Korea, with increasing influence.⁶⁶

ROK-China relations have not been completely smooth, however. In recent years the two countries have clashed verbally over the nature of the ancient kingdom of Koguryo (37 B.C.-668 A.D.), with both sides claiming that Koguryo was an historical antecedent to their modern nation.⁶⁷ This dispute does not, however, appear likely to have any substantive effect on relations between the two countries, in part because the dispute is not a function of official Chinese government policy but rather is limited to unofficial claims made by Chinese academics.⁶⁸ China and North Korea formally delineated their border in 1962, with China ceding 60 percent of the disputed territory. In contrast to South Korea's territorial dispute with Japan over the Tokdo/Takeshima islands that has never been formally resolved, the dispute over Koguryo is restricted to claims

⁶⁵ Quoted from James Kelly, "Northeast Asia and the Six Party Process," speech at the Westin Chosun Hotel, Seoul, South Korea, May 17, 2007.

⁶⁶ Jae-ho Chung, *Between Ally and Partner: Korea-China Relations and the United States* (New York: Columbia University Press, 2007).

⁶⁷ Peter Gries, "The Koguryo Controversy: National Identity, and Sino-Korean Relations Today," *East Asia* 22, no. 4 (Winter 2005): 3-17.

⁶⁸ David Scofield, "China Puts Korean Spat on the Map," *Asia Times*, August 19, 2004, <http://www.atimes.com/atimes/Korea/FH19Dg01.html>.

about history, and at no time has the Chinese government made any attempt to abrogate the 1962 treaty or to re-negotiate the actual border.⁶⁹

Of more relevance is the fact that individual South Korean firms are increasingly finding themselves in direct competition with Chinese manufacturing firms. Korea's technological lead over Chinese firms has shrunk more rapidly than was anticipated even a few years ago. Currently, South Korean firms have an estimated three to five years' lead on Chinese firms, down from a ten-year lead just a few years ago.⁷⁰ While it is unlikely that in the immediate future this will become a source of trade friction between the two countries, it is serving to remind South Koreans that close relations with China are not an unalloyed blessing.

In sum, China is the most likely country to have increased influence on the Korean peninsula in the absence of a U.S.-ROK alliance. For the time being, the interests of South Korea and China appear to be fairly consistent—increasing the economic and cultural opening of North Korea, focusing on stability rather than regime change in North Korea, and avoiding a costly collapse of the regime.

Whether China would reverse its course and attempt to make a “land grab” in northern Korea is harder to predict. But we can predict with some confidence that in such an event, South and North Korea would draw much closer together.

Conclusion

It appears that in the current situation, South-North relations would continue to improve, even in the absence of a U.S.-ROK military alliance. U.S. influence in the region will always be large, and the absence of a military alliance would not change the U.S. ability to intervene on the Korean peninsula if it felt necessary. Furthermore, the U.S.-ROK relationship will continue, no matter what the state of the military alliance. Deep economic, cultural, and political ties, as well as similar values over issues such as

⁶⁹ For a detailed study of China's territorial dispute resolution, see Taylor Fravel, “Regime Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes,” *International Security* 30, no. 2 (Fall 2005): 46–83.

⁷⁰ Personal communication from a senior official, Ministry of Finance and the Economy, June 12, 2006.

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democracy and human rights, will continue to make South Korea and the United States cooperating closely on peninsular, regional, and global issues. However, with respect to inter-Korean relations, the absence of a U.S.-ROK alliance under many circumstances would appear to not alter the situation greatly. Although prediction is at best a wild guess in this case, South-North cooperation appears set to continue, whether or not there is a U.S.-ROK military alliance.

As to the impact of other regional powers, Japan would have little negative influence in almost any imaginable circumstances. That is, while Japanese cooperation could help further stability and inter-Korean ties, Japanese pressure on either South or North would almost certainly unite the two Koreas in opposition to any perceived Japanese pressure. As to China, it would have more influence on the peninsula in the absence of the United States military, but for the time being it appears that China shares a similar orientation with South Korea regarding North Korea and its nuclear and economic policies.

Given this somewhat optimistic analysis, it is important to look further. What might be the unexpected “wild cards” that could unhinge cooperation? What are the worst-case scenarios and unlikely events?

One unexpected event could be the collapse of North Korea’s ruling regime or the death of Kim Jong-il. In that scenario, it is not clear what political structure would arise in North Korea, and whether it would be comprised of Gorbachevian reformists or Putinesque revanchists. Certainly, political chaos in the North would render any and all current relations suspect and up for renegotiation, depending on how the political situation in the North is resolved. It is quite likely that the military would intervene in the North and an even more hard-line stance toward the world, and South Korea, would be the result.

The worst-case scenario might be one in which North Korea tests another bomb or test fires—successfully—an ICBM. In that case, it is possible that South Korean fears of North Korea would revive sufficiently to cause a pullback on its engagement policies. However, in that case, it is also likely that South Korea would appeal to the U.S. for a renewed alliance. In any event, speculating too far into the future, or with too wild scenarios, is little more than guesswork.

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This paper has attempted to be as even-handed as possible, and to probe, using what evidence exists, what the future trends and areas of cooperation and conflict might exist on the peninsula in the absence of a U.S.-ROK alliance. Further research on any one of the issues presented in this paper would doubtless refine the analysis and help sharpen the conclusions.