A CHANGING KOREA IN REGIONAL AND GLOBAL CONTEXTS

Edited by Lee-Jay Cho
Chung-Si Ahn
Choong Nam Kim

EAST-WEST CENTER &
SEOUL NATIONAL UNIVERSITY PRESS
Acknowledgements

This volume is a product of the POSCO Visiting Fellowship Program at the East-West Center, in Honolulu, Hawaii. The program is funded through the Korea Foundation from an endowment provided by POSCO in Korea, the second largest steel manufacturing company in the world. The POSCO program is intended to promote studies and understanding of Korea in the context of Northeast Asia and the Pacific region, by enabling outstanding scholars and policymakers to engage in policy-relevant research on political, security, and economic issues in the region.

The editors express their deepest appreciation to POSCO for the generous financial contribution, and also wish to extend thanks to the Korea Foundation for its sustained support and cooperation. Also deserving appreciation is Seoul National University Press for the contribution made for the publication of this book. A special note of gratitude is extended to Kennon Breazeale and Karla Smith of the East-West Center for editorial support.
Contents

Acknowledgements iii

1. Introduction and Overview
   Lee-Jay Cho, Chung-Si Ahn, and Choong Nam Kim

Part One  The Security Environment Around the Korean Peninsula

2. Northeast Asia: The "Organization Gap" and Beyond
   Kent E. Calder

3. Democratic America in Northeast Asia: US Strategy, Theater Missile Defense, and
   Allied Relationships
   Sonya Finley

4. The Future of America’s Alliances in Asia:
   The Importance of Enemies or Ideas?
   Victor D. Cha

5. Strategic Uses of Economic Interdependence
   Miles Kahler

6. The Political Dynamics of US-Korean Relations:
   An American Perspective
   Tong Whan Park
7. U.S. Security Commitments to South Korea and Taiwan:
   Extended Deterrence versus Dual Deterrence
   Emerson M.S. Niou

Part Two  Democracy in Transition

8. Crisis of Public Confidence in Democratizing Korea:
   A Comparative Perspective
   Chung-Si Ahn and Won-Taek Kang

9. A Comparison of (Low) Trust in Korea and Italy
   In-Young Kim

10. The Political Implications of
    Public Support for Democracy in East Asia
    Russell J. Dalton and Doh Chull Shin

Part Three  The Korean Economy in Regional and Global Contexts

11. Remapping Asia: Competing Patterns of
    Regionalization and Regionalism
    T. J. Pempel
12. The United States, Japan, and the Power to Block: The APEC and AMF Cases
   David. P. Rapkin 401

13. The Political Economy of the New Asia-Pacific Bilateralism: Benign, Banal, or Simply Bad?
   John Ravenhill 451

14. Safeguarding Economic Cooperation, Reform, and Development on the Korean Peninsula
   Joachim Ahrens 477

15. The Technology-Institutions-Productivity Nexus in the DPRK: A Comparative Perspective with the ROK
   Youngil Lim 539
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Northeast Asian Arc of Crisis</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Rising Triangular Trade among China, Japan, and South Korea, 1995-2001</td>
<td>37</td>
</tr>
<tr>
<td>3</td>
<td>Map of the Korean Peninsula</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>Extended Deterrence Model</td>
<td>255</td>
</tr>
<tr>
<td>5</td>
<td>Deterrence with Ambiguity</td>
<td>262</td>
</tr>
<tr>
<td>6</td>
<td>Democratic Representation and Government Responsiveness in Select Asian Countries</td>
<td>278</td>
</tr>
<tr>
<td>7</td>
<td>Is Your Government Efficient and Just?</td>
<td>280</td>
</tr>
<tr>
<td>8</td>
<td>Is Your Government Bureaucratic and Corrupt?</td>
<td>280</td>
</tr>
<tr>
<td>9</td>
<td>Government Performance: Environmental Policies</td>
<td>282</td>
</tr>
<tr>
<td>10</td>
<td>Approval of Government's Handling of Crime</td>
<td>282</td>
</tr>
<tr>
<td>11</td>
<td>Are Human Rights Fully Respected?</td>
<td>283</td>
</tr>
<tr>
<td>12</td>
<td>Equality before the Law and Equal Pay for Equal Work</td>
<td>285</td>
</tr>
<tr>
<td>13</td>
<td>Gender Equality</td>
<td>285</td>
</tr>
<tr>
<td>14</td>
<td>Actual Effects among Civic Involvement, Socioeconomic Development, and Institutional Performance in Italy, 1900s-1980s</td>
<td>316</td>
</tr>
<tr>
<td>15</td>
<td>Freedom House Summary Scores for Select Countries, 1985-2000</td>
<td>338</td>
</tr>
<tr>
<td>16</td>
<td>Democratic Regime Indexes in Select Countries</td>
<td>347</td>
</tr>
<tr>
<td>17</td>
<td>Democratic Process Indexes in Select Countries</td>
<td>350</td>
</tr>
<tr>
<td>18</td>
<td>Scenarios of North Korean Development and Implications for Peninsula Integration</td>
<td>481</td>
</tr>
<tr>
<td>19</td>
<td>An Idealized Model of Economic Integration</td>
<td>497</td>
</tr>
<tr>
<td>20</td>
<td>Instituting an 'Integration MEGS'</td>
<td>505</td>
</tr>
<tr>
<td>21</td>
<td>Worker Productivity in North and South Korea, 1963-97</td>
<td>542</td>
</tr>
<tr>
<td>22</td>
<td>Capital Output Ratios in North and South Korea, 1965-89</td>
<td>546</td>
</tr>
<tr>
<td>23</td>
<td>Kim Il Sung University Organization Chart, 1997</td>
<td>558</td>
</tr>
<tr>
<td>24</td>
<td>Organization Chart of the Taean Enterprise Management System</td>
<td>570</td>
</tr>
</tbody>
</table>
List of Tables

1. The Northeast Asian Region in Comparative Perspective: Population, GDP, and Trade, 2000 34
2. Perception of Free and Fair Elections in Select Asian Countries 278
3. Approval Rates of Human Rights and Freedom in Selected Asian Countries 283
6. Changes in Political Efficacy and System Responsiveness in Korea, 1994-96 290
8. CPI Rankings of Korea, 1995-2000 299
9. CPI Rankings of Other Asian Countries, 2000 299
11. Differences in Mean Trust Rates: European Community versus Italy, 1976-90 310
12. Number of Respondents in World Values Survey in Select Countries, 1995 and 2000 343
13. Orientations toward Political Systems in Select Countries 346
14. Attitudes toward Democratic Performance in Select Countries 349
15. Percentage Share of PTA Partners in Total Exports of Select Countries, 2000 453
16. Industrial Development Aid from Socialist Countries and Its Contribution to the Industrial Output Capacity of North Korea, 1970 544
17. Energy Consumption in Industry, Total and per Unit of GDP, in North Korea and South Korea, 1971-92 548
18. Annual Average Growth Rates of Capital, Labor, and Total Factor Productivity in North Korea, 1966-90 550
19. Annual Average Growth Rates of Capital, Labor, and Total Factor Productivity in South Korea, 1960-90 550
20. Number of Universities and Colleges, Students Enrolled, and Teachers: North Korea and South Korea, 1946-92 554
21. Curriculum and Hours Allotted for Courses at Kim Il Sung University, 1960s and 1970s 562
22. Imports of Capital Goods per Worker in North Korea and South Korea, 1972-95 574
23. North Korea’s Imports of Capital Goods from the USSR by Categories, 1961-70 575
24. Constraints Imposed on Enterprise Managers and Engineers with Respect to Learning: A DPRK-ROK Comparison 583
East Asia has experienced a rapidly changing political and security environment: the end of the Cold War, the acceleration and intensification of globalization, the Asian financial crisis, the war on terror and a changing US security policy, the rapid rise of China as an economic and political power in the region, and North Korea's continuing efforts to develop weapons of mass destruction. Most countries in East Asia have overcome economic crisis, but they continue to struggle in adapting to the changing political, security, and economic environment.

In addition, the 1997-1998 Asian financial crisis had an important impact on politics and regional economic cooperation. The Asian financial crisis that hit many countries in the region brought that issue to the front and center. Most of the countries afflicted by the Asian economic crisis have recovered, but it is now clear that their economic conditions can be affected to some degree by the economic mismanagement of their neighbors. The financial crisis, for instance, compounded the problems that Japan has experienced in trying to pull out of a decade-long recession.

Since the 1997-1998 Asian financial crisis, politics in East Asian countries have become unstable. From South Korea to Taiwan to Indonesia, leadership uncertainty and political turmoil have dominated many countries to such a degree that we might well refer to an Asian political crisis.
Impeachment is a common threat, governing coalitions are often unwieldy and unstable, and political corruption is a constant topic in the newly freed media. As cases in point, Philippine and Indonesian presidents have been forced to resign in recent years.

As the Asian financial crisis revealed the ineffectiveness of existing institutions such as APEC or ASEAN in coping with regional economic difficulties, nations in the region have busied themselves with restructuring their own economic institutions and moving toward newer and different regional institutional arrangements that might buffer their economies from such vulnerabilities in the future.

These are the questions and issues addressed in this volume: namely, the changing regional political and security environment, the specifics of Korean democracy in transition, and regional economic cooperation.

**Political and Security Environment around the Korean Peninsula**

The September 11, 2001, terrorist attacks in the United States significantly altered the security outlook and agenda in East Asia. Terrorism moved to the top of the international agenda. The common interests highlighted by the September 11 events have improved the atmosphere of large power relations—US-Japan, US-Russia, and US-China—and provided an opportunity to fundamentally transform long-term security tensions in the region. The terror alert has brought a greater public acceptance of the need for a heightened role by the United States, which is the only regional or global power capable of adapting to the changing nature of warfare. For this reason, the United States is committing to a long-term role as regional coordinator of a cooperative security umbrella and is also readjusting its regional security policy, including force realignment plans.

This positive development has not yet changed all aspects of the regional security landscape. There are strong elements of continuity. The long-standing regional flashpoints—the Korean peninsula, the Taiwan Strait, and the South China Sea—remain essentially unchanged, and any of them
could reemerge as a serious threat to regional stability. With the rapid expansion of China's economy and political influence and Japan's move toward becoming a "normal" state, the China-Japan rivalry may intensify. North Korea's program of weapons of mass destruction has received increased attention, as the United States gropes for a new preemptive security strategy after the September 11 terrorist attacks.

China is rapidly rising as an economic, political, and military power in the region. At the same time, China has played a constructive role by hosting six-party talks on North Korea's nuclear weapons program and persuading North Korea to participate in the dialogue. While China's rise is seen now as an opportunity rather than a threat, there is still some discomfort and much uncertainty about the implication of China's growing strength. Regional leaders see Tokyo as providing some balance. The problem for Japan is that its profile is shrinking. It is perceived as lacking confidence and unable to take the initiative in dealing with the regional issues and challenges. Tokyo is seen as invariably lagging behind China, responding to Beijing's initiatives. The late 2003 Japan-ASEAN summit and its declaration for a Japan-ASEAN Partnership are seen as largely a response to China's offer to conclude an ASEAN-China "strategic partnership."

Nevertheless, Japan is moving fast: it is strengthening its security relations with the United States and redefining its security posture. Since the autumn of 2002, Japan has been the Northeast Asian country most supportive of the Bush administration's policy of pressuring North Korea to abandon its nuclear program, and has taken a number of steps to curtail North Korea's ability to earn hard currency and to import dual-use technology. The passage of emergency security legislation and renewed enthusiasm for missile defense are proof that Japan's efforts to modernize its national security policies have not slowed. The Japanese public has increased its support for a stronger military capability and for a more active military policy. In early 2004 the Japanese Diet authorized the dispatch of troops to Iraq to assist the US, in Japan's first overseas deployment of combat-capable troops since 1945. Security threats from North Korea, the
Iraq war, Middle East instability, competition from China and Russia, and Japan’s prolonged economic slump led to the beefing up of its alliance with the United States. Tokyo’s reliance on Washington is reinforced by the continuing perception of China and Russia more as competitors than as partners.

On the other hand, tensions on the Korean peninsula have not diminished, and indeed the security environment may have deteriorated as Pyongyang has continued to pursue nuclear and missile programs. The United States, South Korea, and Japan have demanded that North Korea completely, verifiably, and irreversibly end its nuclear program and related activities. A first round of the six-party talks broke up in Beijing in August 2003 with little tangible progress. The message to North Korea is that it must give up its nuclear deterrent, stop testing and exporting missiles, and allow international inspectors back into the country in exchange for economic reparations and a written security pledge that the United States will not invade North Korea. Nevertheless, a precedent has been set in Northeast Asia in the form of six-party talks—the United States, China, Japan, Russia, and the two Koreas working together to deal with a regional security problem.

In South Korea, Roh Moo Hyun was elected president with the slogan of an “equal footing with the United States.” Roh has frequently stated a new foreign-policy vision known as “independent” diplomacy and “self-reliant” defense. Although, Roh has not yet articulated the specifics of his foreign policy, it is assumed that what he means by an “independent” foreign policy is not only independence from the United States, but simultaneously, an increasing dependence on North Korea and China. Roh’s close aides, who represent the younger South Korean generations, have begun questioning whether inter-Korean reconciliation and cooperation is compatible with the US-ROK alliance. However, Washington and Seoul do agree on the need for a peaceful resolution of the North Korean nuclear issue and redeployment of US forces in South Korea.

On the surface, there has been substantial progress in North-South reconciliation, but in reality there are no clear signs of fundamental economic
reform in North Korea. Yet, South Koreans appear to perceive a significantly reduced threat from the North and are encouraged to do so by the "independent" foreign policy of the Roh Moo Hyun administration. As a result, South Koreans see an eroding US-Korea alliance. An increasing number of South Koreans have come to believe that the United States is a greater threat to their security than North Korea. A survey by the Seoul-based polling firm Research and Research indicates that 39 percent of Koreans view the United States as the greater threat to Korea's security, with 58 percent of those in their twenties feeling this way. Of the total, 33 percent saw North Korea as the greater threat. The premise that the United States poses a threat to South Korean security is predicated on the following assumption: if the United States were to take some action against North Korea, Pyongyang would retaliate against Seoul. In the midst of deteriorating bilateral relations, on June 5, 2003, Washington and Seoul announced that the US Second Infantry Division would be withdrawn from its position just below the DMZ and that the US's Yongsan base in central Seoul would be relocated away from the city. These moves are part of a comprehensive plan by the US government to restructure its forces, thereby realigning its military bases worldwide.

The Korean peninsula has long been one of the world's hot spots. With the end of the Cold War, the peninsula has experienced significant changes. North Korea lost essential military and economic support from former socialist allies. It has become diplomatically isolated and economically bankrupt. Pyongyang is desperate to survive. It has adopted a combination of self-contradictory policies: development of weapons of mass destruction, limited economic reform and opening, blackmail, and diplomatic engagement with the outside world, including South Korea. North Korea's seemingly unpredictable behavior influences countries in the region, especially South Korea. With the perception of a significantly reduced threat from the North, public opinion in South Korea favors inter-Korean reconciliation, an approach alien to Washington's view of North Korea's programs for weapons of mass destruction as more dangerous after the September 11 terrorist attacks. The results of the on-going six-party
talks can be crucial in determining which way the peninsula will go: a peaceful resolution or more dangerous confrontation.

Trilateral relations among South Korea, North Korea, and the United States have been in a state of flux. The relationships have been changing since the inauguration of President Kim Dae Jung in 1998. Kim Dae Jung pursued a “sunshine policy” of engagement with the North and achieved a breakthrough in relations when he met with its leader Kim Jong Il in Pyongyang in June 2000. Following the summit, Seoul and Pyongyang negotiated agreements on the restoration of a railway and road across the DMZ, investment guarantees and tax measures to stimulate South Korean private investment in North Korea, provision of 600,000 tons of South Korean food aid to North Korea, and flood control projects for the Imjin River.

The sunshine policy fundamentally changed South Korean views on North Korea as well as the US-ROK alliance and the role of the US military in Korea. South Korean fears of a military threat from the North have declined. According to a Gallup Korea survey conducted in February 2003, only 37 percent of the respondents believe the possibility of a North Korean invasion, significantly down from 69 percent in 1992. Therefore, South Koreans increasingly do not register the same level of concern as many Americans over a North Korean invasion threat, suspected nuclear weapons development, ballistic missile testing, and missile sales abroad.

Declining South Korean fears of a North Korean invasion and the inter-Korean dialogue have produced a growing debate in South Korea over the US military presence. After the inter-Korean summit, South Koreans’ support for the ROK-US alliance declined sharply. Only 56 percent of the respondents wanted to maintain the alliance—a substantial drop from 89 percent in 1999, a year before the inter-Korean summit. South Koreans viewed US forces more and more from the standpoint of their impact on prospects for improved South-North relations. Controversy over the US forces grew in South Korea and reflected both disagreement over policy toward North Korea and mounting South Korean public discontent over the presence of US troops in the South. Incidents involving US troops and
South Korean civilians led to mass demonstrations in late 2002 in response to the killing of two Korean schoolgirls by a US military vehicle in June 2002. This also contributed to the December 2002 election of Roh Moo Hyun, who criticized the United States frequently during his campaign for the presidency. Roh has stated that he will continue the sunshine policy, a policy more independent from US policy.

Asian nations want to maintain peace and stability in the aftermath of the 1997 Asian financial crisis and to guarantee an environment favorable for continued economic growth. With increasing economic interdependence, there have been some positive developments in the region. Through the so-called “ASEAN-plus-Three” dialogue, South Korea, China, and Japan have been promoting closer cooperation since 1999. The Trilateral Coordination and Oversight Group, which was established by the US, Japan, and South Korea to coordinate their policies toward North Korea, has produced an atmosphere of closer security consultation between Japan and South Korea. More recently, the six-party talks concerning nuclear issues in North Korea represent a significant development of multilateral security dialogue, with participation by major powers in the region, and they may become a good precedent for future multilateral solutions for regional security issues. The changing security environment of the region requires the development of a new security framework, including a multilateral security regime.

For several decades, the region has enjoyed a unique period of security and stability, which made possible unprecedented growth and prosperity. This phenomenon was similar in some ways to the growth and prosperity enjoyed by Western Europe during the 1960s and 1970s. NATO provided the security and stability underlying the economic growth of Western Europe. In East Asia, there is no institutional arrangement for security comparable to NATO, and one can say that security and stability in the region have been an outcome of the American security strategy for the region. Even with the end of the Cold War in Europe and Asia, however, Northeast Asia shows troubling prospects of persisting tensions and possible political-military conflict.
The first paper in this volume, by Kent E. Calder, examines the reasons for an “organizational gap” in Northeast Asia and the prospects for change. Northeast Asia, where the interests of three major nuclear powers and the world’s two largest economies mingle around the Korean peninsula, poses an arresting paradox.

North Korea, with its chemical and biological warfare capabilities and missile program, together with its nuclear potential, stands belligerently isolated and poses serious threats to the region. Beyond North Korea, many other elements of the regional security equation also remain unsettling: the tension along the Taiwan Strait, competition between Japan and China, and Russian military capabilities. Calder believes that Northeast Asia is one of the most dangerous areas on earth and that the region confronts a profound and unusual geo-economic dilemma: that is, to reconcile regional development needs with clear national-security imperatives.

Calder suggests that Northeast Asia could benefit from a greater degree of formal regional organization than it currently has. However, he believes that a NATO-type security alliance is infeasible today in the region and that no plausible multilateral alternative could substitute for current bilateral arrangements. He concludes that mini-lateralism among allies like the US, Japan, and South Korea has clear value and so does the six-party talk for North Korean nuclear issues. He also suggests that narrowly defined, sector-specific functional organizations, such as KEDO, are likely to provide the best political cost-benefit performance in politically diverse Northeast Asia. Such bodies directly address bottleneck problems typically salient in Northeast Asian development, while minimizing complexities of political management. He also believes that more ambitious multilateral organization could potentially be valuable in promoting confidence building and economic development, provided that such a structure was predicated on realistic prior security understandings and inclusion of key partners from outside the region, such as the United States.

The security strategy of the United States, a key ally of South Korea, has been and will be a primary concern for South Korea. In the post-Cold-War and post-9/11 security environment, the United States has
taken a new security strategy. As a component of its new defense strategy, theater missile defense (TMD) is emerging as the backbone for US power projection and the principal military means to defend against weapons of mass destruction and the ballistic missiles capable of delivering such weapons. The US government states that the continued proliferation of ballistic and cruise missiles poses a threat to US territory, to US forces abroad, at sea, and in space, and to US allies and friends. American political leaders have embarked on a long-term plan for deploying TMD as a means to protect the United States, US forces abroad, and allies. After the 9/11 terrorist attacks, the Bush doctrine has been based on the notion that the defense of the homeland from attacks represents an interest so fundamental that all other foreign policy interests must be completely subordinated. During his commencement speech at the US Military Academy in June 2002, President Bush presented a significant change in American strategy from one of containment and deterrence to one that incorporates preemptive action against future threats involving ballistic missiles and weapons of mass destruction.

Sonya Finley examines the changing US national security and defense strategy and the role of TMD in the defense strategy of the United States. She then specifically addresses US interests and strategy in Northeast Asia by addressing the problem of North Korean proliferation of ballistic missile and weapons of mass destruction, and examining US Northeast Asian strategy. Integral to the successful promotion of US interests are the two bilateral defense alliances with Japan and South Korea, and an emerging cooperative relationship between the three states. After assessing the situation in Northeast Asia, Finley identifies potential effects of US TMD and America's changing strategy and its defense relationships.

George W. Bush designated North Korea as a member of the “axis of evil” based on the threat from North Korea's pursuit of weapons of mass destruction. Whereas previously the US recognized North Korea as simply one element of its overall nonproliferation effort, now the US was elevating North Korea's status as an international player. Being part of the “axis of evil” places North Korea's strategic significance well beyond peninsular

1. Introduction and Overview
concerns. Japan is largely cooperative with the new American security strategy. However, South Korea has faced a policy dilemma. The Kim Dae Jung administration promoted the sunshine policy, an engagement policy, pursuing long-term goals including reconciliation, cooperation, and reunification. US efforts to identify North Korea as a fundamental international threat have been perceived in South Korea as undermining South Korea’s peninsular strategy.

Finley concludes that TMD has the potential to undermine two of the US defense strategic tenets of strengthening alliances and maintaining favorable regional balances of power. In the near-term as the United States prepares to deploy a rudimentary TMD system, rhetorical comments and technological developments concerning TMD may affect both the domestic and international security calculations of Japan and South Korea. The US security commitments to its allies in East Asia, including Japan, South Korea, and Taiwan, are the foundation for peace and stability in that region. The nature of US security commitments to these three countries is presumably all based upon the logic of extended deterrence. Inherent in any extended deterrence situation is the question of whether commitments are credible. For the defender to successfully deter a potential aggressor, the defender’s commitment to protect the ally from the adversary must be well defined and credible.

The US-ROK alliance has guaranteed peace and stability since the Korean War, which enabled South Korea to enjoy phenomenal economic growth and democracy. With the end of the Cold War, there have been changes and transformations in American alliances. Given the continued threat from North Korea and its geographic location (surrounded by major powers), for South Korea, the future of Korean-American alliance continues to be crucial.

Victor D. Cha’s chapter explores the future of America’s alliance with South Korea and Japan. Cha asks what happens to these alliances when immediate threats no longer drive their cohesion. He focuses on the role of identity in the resilience of alliance—that is, the extent to which alliances have grounding in common values, ideas, and conceptions—as the
key to resiliency. He argues that alliances that are most likely to survive in a post-Cold-War security environment are those that evolve beyond merely utilitarian military relationships to become more deeply embedded in a common normative framework. He concludes that the true test of alliance resiliency in Asia is whether domestic support exists for the fulfillment of alliance commitments. Given the rising anti-American sentiment in South Korea, his analysis has important implications for both the United States and South Korea.

East Asia’s economic dynamism is coupled with a high-threat security environment. Miles Kahler examines the relationship between economic interdependence and national security. He focuses on three newly industrializing economies—South Korea, Singapore, and Taiwan—that are at the same time deeply involved in the regional and global economies and confronted by neighbors who pose or could pose a significant military threat to their national security. Each country has attempted to use its economic assets to reduce those threats with differing degrees of success.

In case of South Korea, Kahler believes, its Nordpolitik was a clear and successful example of the linkage between economic interdependence and national security. The highly successful “Northern diplomacy” of the Roh Tae Woo administration resulted in diplomatic recognition by the Soviet Union, intensive economic exchanges with China, and growing diplomatic isolation of North Korea. As a result, neither China nor the Soviet Union would support the use of force by North Korea against the South. Kim Dae Jung promoted trade and investment with the North in the interest of internal political change in that closed and opaque society. However, rather than making a carefully calibrated linkage of economic sanctions and inducements to North Korea’s external behavior, the sunshine policy was based on the assumption that expanded economic and individual exchanges with the North would have positive benefits in the longer run. However, this could not work effectively if North Korea did not place a positive value on economic interdependence.

Taiwan faces a clear threat that China will use military force to achieve its goal of imposing Chinese sovereignty. Unlike South Korea, which also
faces a heavily armed adversary, Taiwan's rival is both militarily threatening and economically dynamic. This combination has created the unusual situation of rapidly growing economic interdependence across the Taiwan Strait that the Taiwanese government has attempted to manage in the interests of national security. The Taiwanese private sector has been eager to trade and invest in the mainland (in contrast to South Korea's firms); the Taiwanese government, unlike the South Korean or Singaporean governments, has not until recently encouraged economic exchange as a means of increasing national security.

Singapore, a city-state with a population of just over three million, occupies a highly vulnerable strategic position. Singapore is confronted by an ambiguous security situation: highly interdependent with Malaysia and, to a lesser degree, Indonesia, it cannot rely on classical means of balancing their military power (such as openly allying with an outside power), since that would risk open hostility. Thus, Singapore pursues a tacit linkage policy. As Singapore was confronted with both economic and security dilemmas in the early 1990s, the creation of a growth triangle with Malaysia and Indonesia became a centerpiece of its external economic strategy, one with clear security implications. The Singaporean model of growth triangle development clearly aimed at two of the effects by which greater interdependence could enhance Singapore's security. First, the existence of larger trade and investment stakes between Singapore and its neighbors would shift the cost-benefit calculus of any politician contemplating measures that would worsen relations, including the use or threat of military force. In addition, interdependence could influence political coalitions in neighboring countries. Since the country did not enjoy clear asymmetric bargaining power in those overall relationships, its economic interdependence had not produced more institutionalized means of resolving conflicts in a routine manner.

Kahler argues that the bargaining strength that the government possessed vis-à-vis domestic constituents was critical in determining whether it could execute a successful strategy of linking economic interdependence to other foreign policy goals. The contrast of South Korea with Taiwan is in-
structive in this regard. In its bargaining with the Soviet Union, the South Korean government could assume that its capitalists would follow—not precede—its moves; the political risks for businessmen in dealing alone with the Soviets were simply too high. The risk calculations of Taiwanese manufacturers in China was very different, and the Taiwan government had little success in regulating their “mainland fever” in the interests of its own bargaining with China. Since Singapore was not attempting an explicit linkage policy but rather a tacit one, careful coordination with the private sector was less important.

Tong Whan Park examines the political dynamics of US-Korean relations. He attempts to draw a picture of what Korea is to the US and what the US may want from Korea. He argues that politics not only sets the basic parameters of the relationship but also has been the most critical determinant of the Washington-Pyongyang-Seoul relationship since 1945. Once the picture is constructed, major issues can be addressed and Washington’s likely foreign policies may be examined in reference to their impact on the bilateral relationship. He examines the three theaters of America’s international interactions: global, regional, and peninsular. The 9/11 terrorist attacks on America and the ensuing war on terrorism provided Washington with a momentum to push for American hegemony in East Asia and in the world. Although many of America’s friends in Europe and the Middle East were reluctant to support another war against Iraq, the Bush administration attacked Iraq as part of its global campaign against terror. Thus, North Korea cannot be ruled out as a possible target of an American preemptive strike. At the same time, Washington has left its door open for a negotiated settlement, as it has participated in six-party talks on North Korea’s nuclear issues.

On the other hand, Washington’s swing to big power-ism and pursuit of unilateral hegemony affects its relationship with Seoul. Kim Dae Jung’s sunshine policy of engagement with Pyongyang has changed South Korean perceptions of North Korean threats and of the role of the US forces in South Korea. Roh Moo Hyun criticized the United States frequently during his campaign and has stated that he will continue the sunshine policy and
pursue a more independent foreign policy from the United States. Thus, Park predicts that Washington will face increasing challenges from South Korea—especially from the ever-growing civic movements—in all areas of interaction for a more equal relationship or a less unequal one.

Park also foresees a changing role for the United States in the Korean peninsula. Although the US continues to be the most central player on the peninsula, its role has been changing from the basic mission of preventing war to blocking the proliferation of weapons of mass destruction and the maintenance of status quo, from conductor in charge of orchestrating Korean affairs to ultimately a broker. He believes that since no grand strategy exists with which to shape America’s Korea policy, Washington’s role in Korea will most likely take shape through trial and error.

South Korea and Taiwan have similar security situations. Emerson Niou has developed game-theory models to explain why the US commitments to Taiwan and South Korea are different, though the security situations in the Korean peninsula and in the Taiwan Straits are seemingly the same.

Niou argues that the strategic interactions in the Korean peninsula can best be explained by an extended deterrence model. In such a deterrence situation, the United State’s primary objective is to find ways to increase the credibility of its defense commitment and to ensure that it has the military capability to impose heavy costs on North Korea if North Korea chooses to upset the status quo. His analysis serves as a reminder of the importance of a continued strong US-ROK alliance.

In the case of Taiwan, on the other hand, as we saw in the 1954 and 1996 crises in the Taiwan Strait, both China and Taiwan could make a first move, successful deterrence thus requires that the US achieve a dual deterrence objective. That is, the US must not only prevent China from attacking Taiwan, but it must also discourage Taiwan from provoking China. To model this strategic situation formally, Niou presents a dual deterrence model in which the US chooses between making a strong or weak commitment to defend Taiwan. In order to satisfy both of its dual deterrence objectives simultaneously, the US needs a third move, called ambiguity, that will afford it some middle ground between making a strong
or weak commitment. Ambiguity, as in the seemingly inconsistent claims of the 1954 Mutual Defense Treaty and 1954 joint Congressional Resolution, enables the US to instill in the disputants enough doubt about its intentions to dissuade either side from taking the risk of calling the US's bluff.

Democracy in Transition

The economic crisis raised fundamental doubts about the quality of governments and political leadership, undermining legitimacy in the region. Moreover, the Asian economic and political crises were generated by the same combination of factors—new and fragile political and economic systems facing greatly increased challenges associated with globalization. Globalization has brought a host of issues that tax all governments in the region. They include mounting environmental pressures and greatly expanded demands for services ranging from health to education. Globalization has also brought new political values that have more quickly taken root in the cities and in the countryside.

Korean democracy is regarded as a successful example for other new democracies. However, Korean politics continue to be characterized by confrontation, corruption scandals, poor performance, and resultant distrust of politics. Three democratically elected Korean presidents failed to meet the expectations of the Korean people; their presidencies have been perceived as grossly deficient in delivering on their promises of accountability, transparency, and respect for the rule of law. As a result, nostalgia for the "good old days" of the authoritarian government, which contributed to economic prosperity, has been rekindled. It appears that the country is experiencing a chronic leadership crisis.

The inauguration of the Roh Moo Hyun government held the promise of a better performance. Instead political scandals, interparty bickering and a crisis of public confidence, approached critical conditions. Weakening the political system further are interest groups such as labor and farmers,
who often resort to violent means to assert their positions. Recent demonstrations and protests have become decidedly more violent and unpredictable. Violence has increased markedly since the inauguration of President Roh, whose rise to power was expedited by promising concessions in nearly every sector. Unions staged illegal and sometimes violent walkouts and demonstrations challenging Roh’s presidency almost immediately. But rather than demonstrating his resolve to enforce national laws or encouraging peaceful protests, the Roh government vacillated and ultimately acquiesced to various demands. South Koreans are openly challenging authority in nearly every sector of society. This lawlessness threatens to unravel decades of hard-won achievements. In addition, due to the differences in North Korea policy with the United States and rising anti-Americanism, South Korea’s reputation as a trusted ally of the United States has taken its toll.

The situation has been exacerbated by the Roh Moo Hyun administration’s inexperience. Roh had very limited experience in government before becoming president. Much of his team is composed of “386 confidants” (people in their 30s who attended university in the 1980s and were born in the 1960s), who are frequently criticized by the media for being unprofessional. Roh was meant to represent a new generation of politicians. Unfortunately, revelations of corruption scandals involving his close aides have challenged this and undermined Roh’s reputation for integrity. In a dramatic attempt to restore his authority and engineer a political turnaround, Roh proposed a national referendum on his leadership and promised to resign if he lost. Roh also dangerously asserted that moral authority, not his electoral mandate, was “the sole asset [he had] in administering state affairs.” Less than a year into his tenure this high-risk and unorthodox tactic has increased political volatility and raised doubts about Roh’s leadership. Public distrust in politics and government reached a record high as corruption scandals engulfed politicians from all major parties. South Korea is now often characterized by words such as anarchy, lingering urban unrest, or free fall. South Korea’s limited experience with democracy has left the country with a fragile and unstable democratic
foundation. Its journey toward democracy will be rough and unpredictable, and may face the risk of veering off in the wrong direction.

Thus, it is useful to look at Korean democracy in terms of comparative perspectives. Russell J. Dalton and Doh Chull Shin, using the 2000-2002 World Value Survey, assess how people across East Asia think about democracy and the value of a democratic regime in the nations in East Asia. There is a broad public consensus in democracy as the preferred form of government. They find that large majorities of the public in Japan, Korea, and Taiwan support the Churchillian position that democracy may have its faults, but it is better than other forms of government. Support for the democratic ideal is stronger among the young and better educated. The majority of the public in China, Singapore, Indonesia, and Vietnam also endorse this position.

However, they also find that in Korea and Japan, many citizens are dissatisfied with their governments and politics. Despite this finding, they believe that disaffection with the current government and politics does not represent a negation of democracy and that current public criticism of their governments speaks to government performance and rising citizen expectations, not to public doubts about democracy's basic ideals.

South Korea has become the first "third-wave democracy" in East Asia. It had a relatively soft transition to democracy in 1987. In 1998, South Korea also became the first country among Asia’s new democracies to transfer power peacefully to the opposition party. In spite of this, South Korean politics is characterized by discontent, gridlock, and bickering, and citizens perceive the performance of democratic institutions as lagging far behind expectations. Mass dissatisfaction in government, feelings of alienation from politics, the perception of a widening elite-mass cleavage, and low regard for public institutions are familiar refrains in the politics of democratizing Korea.

Chung-Si Ahn and Won-Taek Kang examine public perception of Korean democracy by comparing the Korean case with other Asian countries. They use cross-national survey research data on 10 Asian countries collected by Gallup International in 1999. They find that Korean poli-
tics is still far from a stable and mature democracy. People in general believe that Korean democracy has not delivered on its promises of accountability, responsiveness, effectiveness, and respect for the rule of law. Public support for the regime and political institutions remains remarkably low, even compared to some authoritarian governments in Southeast Asia. They also find that there is a decline in political confidence among Koreans. A majority of Korean citizens are disillusioned with politicians, with political parties, and with other political institutions. However, they do not see democratic regimes in South Korea as at risk of being supplanted by “a return to authoritarianism.”

Contemporary South Korea is well known for its lack of political trust. In-Young Kim explores the historical, social, and political roots of public distrust in Korea. For this purpose, he compares South Korea with Italy and examines why the two countries show low public trust and what the historical and social origins of low public trust are. An element of low trust common to Korea and Italy is “amoral familism.”

Kim points out, however, that the origins of Korea’s low public trust are different from those of Western societies, including Italy. The Western democracies and capitalism were born from the institutionalization of distrust, and the moral loophole has been filled by trust. In contrast, Korean society has an authoritarian tradition, which emphasizes hierarchical relationships rather than horizontal relationships, and a regionalism based on family, school, and regional ties. He also suggests other historical reasons for Korea’s low trust, such as the Japanese colonial rule, post-1945 social turmoil, temporally compressed modernization, and authoritarian government.

Korea’s Economy in Regional and Global Contexts

Northeast Asia constitutes one of the most important regions of the world. Economically, the three countries in Northeast Asia (South Korea, Japan, and China) represent about one-fifth of the world GDP, more than
12 percent of the world’s total trade, and one-fourth of the world’s total population in 2001.

Fortunately, economic and trade interdependence between South Korea and China as well as between Japan and China has been rapidly increasing. Sino-Japan bilateral trade exceeded $133.5 billion in 2003. Japan has been China’s largest trading partner for 11 consecutive years, and China is Japan’s second largest trading partner. The Japanese have invested in more than 28,400 businesses in China, with a total investment of $57.5 billion. In addition, South Korea-China bilateral trade stood at $63.2 billion in 2003 and is on a track of accelerated growth. South Koreans had set up 27,000 businesses with a total investment of $19.7 billion in China, as of December 2003, positioning themselves as the fourth-largest group of foreign direct investors in China. Economic cooperation among the three countries has been accelerating and cultural and social exchanges are also rapidly expanding. China has witnessed a steady increase in the number of tourists coming to China from South Korea and Japan. In 2001, 2.4 million from Japan and 1.7 million from South Korea visited China.

As a result, the force of regionalization seems to have reached Northeast Asian shores. ASEAN-plus-Three summit meetings have taken place since November 1997, while the three-way talks among the leaders of China, Japan, and Korea have become an annual event since November 1999. The Japan-ASEAN summit held in December 2003 announced the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium. The declaration calls for deepening ties and enhanced cooperation in the field of political and security affairs, monetary and financial policies, as well as information technology.

In addition, the recent proliferation of proposals for free trade agreements involving one or more countries in the region marks another dramatic development in promoting the economic integration of the region. In June 2003, South Korean President Roh Moo Hyun and Japanese Prime Minister Koizumi Junichiro announced they would strive to start negotiations to create a bilateral free trade area. Chinese Premier Zhu Rongji also
proposed a feasibility study of a trilateral free trade area among China, Japan, and Korea in November 2002. With its vision of South Korea as the “hub” of Northeast Asia, the Roh Moo Hyun administration envisions the creation of a Northeast Asian community of peace and prosperity.

In this connection, T. J. Pempel’s paper examines the relationship between regionalization and regionalism in Asia, a relationship that centers on the interplay between markets and politics. Regionalism involves a process of institution creation through government-to-government cooperation. Regionalization, in contrast, develops from private trade and investment flows. Bottom-up economic integration has been far more important in Asia’s growing cohesiveness than have formal institutions. Pempel points out that cross-border investments, production, trade, and technology transfer have deepened tremendously since the mid-1980s, but nevertheless the region remains fragmented by a diversity of cultures, economies, ethnicities, and politics. Thus, the political impediments to deepened regionalism in Asia remain strong.

Pempel then analyzes the debates over the East-Asian Economic Caucus (EAEC) and APEC. The proposal for the EAEC was a deliberate effort to create an East Asian regional economic organization as a counterpart to the European Union and the North American Free Trade Agreement (NAFTA). However, the United States, Canada, and Australia rejected EAEC in favor of APEC. Owing to different goals and motivations between advanced economies (such as the US, Canada, and Australia) and developing countries (such as ASEAN’s members), APEC’s role as a regional economic institution has largely failed.

According to Pempel, the 1997-1998 Asian financial crisis revealed the ineffectiveness of existing institutions such as APEC or ASEAN to cope with regional problems and catalyzed among the nations in Asia a desire to move toward newer and different institutional mechanisms that might buffer their economies from such vulnerability in the future. ASEAN-plus-Three (APT) was launched in November 1999 in Manila and the APT countries reached an agreement on currency swaps in May 2000 at Chiang Mai. On the other hand, APEC by the year 2000 had been reduced largely
to a shell, no longer having the institutional capacity to drive forward any serious trans-Pacific economic agenda.

David P. Rapkin explains APEC's failure to produce meaningful results in large part because of Japan's unwillingness to liberalize its politically sensitive fishery and forestry markets. At the same time, he also examines the failure to create an Asian Monetary Fund (AMF), a regional facility that would be prepared to disburse pre-committed emergency funds more promptly. After the International Monetary Fund (IMF) was ineffective in responding to the 1997-98 Asian financial crisis, Japan proposed the establishment of an AMF. In the face of vigorous opposition from the IMF and the United States, which feared that the new institution would undermine the authority of the U.S.-dominated IMF, the AMF proposal was thwarted. Rapkin argues that the two cases reveal a failure of leadership on the part of both the United States and Japan, which used their considerable structural power negatively to block the other's proposals for regional collective action, rather than to exercise leadership positively.

With the limited role of the APEC forum, proposals for preferential trade agreements (PTAs, or free trade agreements) involving one or more countries from the Western Pacific Rim have proliferated. Since 1998, more than 30 preferential arrangements have been proposed or are under negotiation.

John Ravenhill examines the likely impact of the new PTAs on the economies of participants and non-participants, and on trade liberalization efforts in regional and global forums. After analyzing various studies, Ravenhill concludes that the new bilateralism in the Asia-Pacific region contains a mixed message for those interested in promoting trade liberalization. On the one hand, many of the agreements are WTO Plus in promoting deeper cooperation than currently prevails on issues such as investment, competition policy, and mutual recognition of standards. In this matter, they may properly be regarded as benign. Most of the agreements will produce some trade creation, although in many instances the welfare gains are banal, in comparison with those that liberalization on a broader geographical scale might achieve, whether APEC-wide or through
the WTO. In other words, a new PTA will not deliver substantial economic benefits. Ravenhill believes that for weaker countries, multilateralism is advantageous because it reduces the significance of power in international economic relations. In contrast, bilateralism potentially brings power asymmetries back to center stage. Weaker parties may perceive themselves obliged to accept an unequal agreement, which appears to be the case in Singapore's PTA agreement with Japan.

Since 1998, when President Kim Dae Jung inaugurated and began to promote the sunshine policy, inter-Korean economic cooperation has been expanding. Pyongyang also undertook several rudimentary reform steps. When the North Korean nuclear issue is resolved peacefully, economic cooperation between the South and the North will accelerate. Based on the German experience, Joachim Ahrens discusses the most complex and challenging issue of inter-Korean economic cooperation and integration. He believes that future political and economic development on the Korean peninsula will be characterized by substantial change that bears considerable uncertainties, risks, and costs. Therefore, he cautions that Pyongyang's economic policy reform and the changes in inter-Korean economic cooperation have not only economic but also social, political, and even geopolitical dimensions. In order to avoid ad hoc action, it is important to consider the dialectic relationships between economics and politics and to focus on incentives that make reform and integration a viable policy choice.

Ahrens examines the question of how an inter-Korean economic integration process and economic reforms in North Korea can be institutionally safeguarded. He argues that economic integration between the two Koreas presupposes a sufficient degree of convergence between the South and the North, regarding economic and political practices, which means the introduction of at least some basic elements of a market system in North Korea. That, however, will be possible only if the North Korean governance structure is considerably reformed with respect to economic policy making: North Korea's public administration is inefficient and hardly prepared to manage economic reforms; policy making is neither trans-
parent nor predictable; and the political elite is not held accountable for its actions. He highlights the importance of institutions for North Korea’s successful economic reform and proposes that institution building should aim to achieve two objectives: to enhance economic efficiency and competition and to create a win-win situation and thus make reforms interest-compatible for the North Korean elite, the North Korean population, and South Korean citizens.

Youngil Lim focuses on the huge productivity gap between the South and the North Korean economies. He argues that the productivity difference is explained by a combination of three factors, namely (1) the accumulation of industrial technology (knowledge), (2) the accumulation of human capital (skills), and (3) the accumulation of institutional-organizational assets (the crafting of “social technologies” to motivate risk-takers). He examines North Korea’s university system as the supplier of knowledge as well as human capital and the mode of enterprise organizations as a learning institution. After detailed analysis of North Korean data and comparisons of the data of the two Koreas, he concludes that the performance gap largely stems from the differences in payoff the incentives imbedded in the institutional constraints, which hamper technology acquisition and learning. In other words, the North Korean educational and business system works to hinder the accumulation of knowledge, human capital, and organizational assets, especially in comparison with South Korea. It is evident that without institutional reforms, economic reform in North Korea will have limited success.

In conclusion, the chapters featured in this volume are structured to examine the complex dynamics of security, political and economic change, and development in the Korean peninsula and the rest of Northeast Asia. Politically, North Korea’s weapons of mass destruction and the anti-terrorism war are dominating the security environment of the region. Fortunately, the six-party talks provide new hope for a peaceful solution to the North Korean nuclear issue and for permanent peace in the peninsula. Democracy in South Korea and in other Asian countries is still fragile and has not yet taken firm root. Without political stability and ma-
Economically, there have been some positive developments in East Asia. Since the 1997-98 Asian financial crisis, regional governments have continuously pursued structural reforms. Moreover, the region has paid more attention to regional economic cooperation and integration. In particular, South Korea, Japan, and China—the three major economies in Northeast Asia—have been working toward closer economic cooperation. The changes in and development of Northeast Asia will have major impacts not only on Asia but also globally. We hope that this volume will be a useful reference for a better understanding of Korea and the rest of Northeast Asia:

Notes

PART ONE

THE SECURITY ENVIRONMENT AROUND THE KOREAN PENINSULA
The North Pacific, where the interests of three major nuclear powers and the world's two largest economies mingle around the unstable pivot of the Korean peninsula, poses an arresting paradox. It is arguably one of the most dangerous areas on earth, and clearly needs institutional mechanisms to neutralize those dangers. Yet it also suffers from the most pronounced formal "organization gap" of any region in the world, and growing inadequacy of long-standing informal alternatives, even in the economic sphere. The reasons for that striking lack of regional organization, and the prospects for change, are the focus of this monograph.

Northeast Asia was a continual site of geopolitical tension across the twentieth century. That epoch began with the Sino-Japanese (1894-95) and Russo-Japanese (1904-05) Wars; and was punctuated by World War II (1931-45 across much of the region), and the devastating Korean War (1950-53). It culminated in forty-five years of cold peace thereafter, punctuated by periodic DMZ confrontations and maritime battles, such as the 1968 capture of the USS Pueblo intelligence ship, a string of terrorist incidents during the 1980s, the North Korean missile shots of August 1998, and intermittent naval gunfire exchanges, often fatal, as recently as the summer of 2002. Close to 35 million people were probably killed in the
conflicts that have periodically ravaged the Northeast Asian region over the past century.

Despite the marked waning of the Cold War in Europe and Southeast Asia over the past decade, the North Pacific shows troubling prospects of persisting as a venue for serious political-military conflict, in the absence of new stabilizing mechanisms. In particular, North Korea (the DPRK) stands belligerently isolated in the region—one of only a few remaining pariah states worldwide. Its stakes in the stability of the existing regional system, with which it has remarkably little interaction, remain perilously fragile.

North Korea has developed and tested a mobile land-based missile, the Nodong I, which poses a clear and substantial threat to Japan, given the DPRK's clear biological and chemical warfare capabilities, together with its nuclear potential. In addition, North Korea is one of seven developing countries with a demonstrable intermediate-range ballistic missile capability, which it has tested to 1,320 kilometers. With a functioning third stage (as yet not demonstrated), it could potentially hit US bases as distant as those in Guam and Alaska. It confirmed a rudimentary IRBM capacity with an unannounced but largely successful test of the Taepodong I over Japan and into international shipping lanes on August 31, 1998. Apart from these missile-development activities, North Korea is also the largest exporter of ballistic missiles to the developing world, and continues this activity, despite its temporary, self-imposed missile-flight moratorium.

Continuing Turbulence: Northeast Asia's Arc of Crisis

Beyond North Korea, many other elements of the Northeast Asian security equation also remain unsettling. The important prospective hot spots are distributed in a rough "Arc of Crisis" surrounding Japan, as indicated in Figure 1. The volatility and explosive potential of the continuing arms race along the Taiwan Strait, where China now has over 350 short-
range missiles in place, is sobering. Further north, Japan and China have unresolved offshore territorial disputes around the Senkaku (Diaoyudao) Islands, in an area potentially rich with hydrocarbons greatly needed in both nations.

The broader relationship between these regional giants is at a delicate crossroads. Economic ties, to be sure, are deepening. Yet Japanese alarm at rising Chinese military capabilities—and at belligerent Chinese steps like the circumnavigation of the Japanese archipelago by Chinese military oceanographic warships in mid-2000—has led to steady cutbacks in Japanese ODA to China. This aid has long been crucial economic cement to the Sino-Japanese bilateral relationship. Complex populist winds in both nations make managing that important bilateral relationship, so crucial to regional stability, ever more difficult.

The Cold War between Russia and the broader Northeast Asian region, to be sure, has waned. Yet Russian military capabilities in the former Soviet Far East remain substantial. The Sea of Okhotsk, just north of Japan, remains one of the two most important sea bastions for the Russian nuclear deterrent in the entire world. Vladivostok remains headquarters of the Russian Pacific Fleet. Substantial Russian defense industry, much of it increasingly symbiotic with China's own improving military capabilities, also permeates the region.

Even the decline of the Russian military, as the Cold War wanes, complicates regional relationships within Northeast Asia. The Russian military, for example, has reportedly been dumping nuclear reactors from decommissioned vessels, and sometimes-nuclear waste, into the Sea of Japan, as it downsizes its fleet. This behavior has triggered vehement protests from neighbors such as South Korea and Japan. The diffuse tensions around the rim of Northeast Asia are particularly disquieting from a global geostrategic perspective for two major reasons. Most importantly, they create pressures for redefinition of the important yet highly anomalous low-profile security role that Japan plays within the region.

Since 1947, as is well known, Japan has foresworn offensive military capabilities. To be sure, it has steadily expanded its overall military poten-
Figure 1. The Northeast Asian Arc of Crisis
tial since the creation of the Self-Defense Forces in 1954. Yet it continues to lack any ongoing offshore military presence, apart from UN peacekeeping operations. Japan also lacks offshore power-projection capabilities such as in-flight refueling, long-range missiles, and aircraft carriers. Deepened tensions within the region, such as major changes along the Northeast Asian Arc of Crisis, could provoke it toward a more proactive political-military role. Such a departure would further alarm its neighbors, in a deepening vicious cycle.

A second, related geopolitical reality that deepens the global importance of Northeast Asia's potential regional instabilities is the interaction between those instabilities and the Middle East, source of roughly two-thirds of the imported oil that the region consumes. North Korea, as noted above, has substantial chemical and biological warfare capabilities, as well as an expanding missile program. All could easily enhance the capacity of rogue elements in that region.

North Korea also has deep cooperative, and remarkably comprehensive, relations with Iran. Together with China, Iran supplies virtually all of the DPRK's oil. Since the days of the Iran-Iraq War two decades ago, it has bought North Korean weapons in substantial quantities. Since 1990 the two nations have also reportedly pursued joint ballistic-missile development, with destabilizing implications both for the Middle East and for Northeast Asia. During the late 1990s North Korea also appears to have sold Iran missile components, equipment, and materials useful to the development of its Shahab III and Shahab IV missiles, although not complete missiles, production technology, or major sub-systems.

A generation ago the DPRK engaged aggressively in terrorist activities, assassinating the wife of President Park Chung Hee in 1974, half of President Chun Doo Hwan's Cabinet in Rangoon, Burma, in October 1983, and blowing up a KAL airliner over the Andaman Sea in November 1987. There is, to be sure, no recent public evidence of DPRK involvement in terrorism. Indeed, the DPRK in November 2001 reportedly announced readiness, after long hesitation, to sign the 1999 United Nations anti-terrorism treaty. Yet given long-standing DPRK ties with nations
such as Iran that have demonstrably been linked to Middle East radicals, and its active program of missile-technology exports, the diffusion of DPRK expertise to terrorists is a latent possibility whose potential implications have been given graphic concreteness by developments since the 1991 World Trade Center incident.

The abstract prospect of synergy between Northeast Asian and Middle Eastern instabilities also exists with respect to China. The Chinese government itself has been quite conservative in its support for “national liberation” movements elsewhere for the past two decades. Yet it has nevertheless forged substantial ongoing political-military relationships with Iran and Iraq, partially for leverage with the United States on Taiwan Strait issues. In addition, and most importantly, Chinese state corporations appear to have periodically diffused sensitive military technology to the Middle East and Pakistan, possibly for commercial reasons, despite frequent government protestations of official non-involvement.¹⁰

Embedded Links between Economics and Security

The clear security perils of Northeast Asia’s present—both instabilities within the region and linkages to the volatile Middle East—are closely related to the distinctive profile of the region’s past. For most of the half century prior to 1945, the region—together with Taiwan and substantial parts of North China—was an integrated political-economic unit, as part of the Japanese Empire. Thirty-nine percent of Japan’s total exports went to China, Taiwan, and Korea in 1934-1936, for example, compared with only 16 percent to the United States.¹¹

The dissolution of Japan’s empire in 1945, and the ensuing global Cold War, however, worked a profound transformation. Three Northeast Asian political economies—Japan, South Korea, and Taiwan—closely linked themselves to the United States, and ultimately to each other, under the “San Francisco System” of Pacific international relations.¹² All built their prosperity over the past half century through intimate, often asymmetrical

³² Part One: The Security Environment Around the Korean Peninsula
trade and investment relations with both the US and Japan.\textsuperscript{13}

The region also, however, includes three depressed backwaters—North Korea, the Russian Far East, and the northeastern provinces of mainland China—that are far less integrated into the global political-economic order than their US-oriented counterparts. Throughout most of the Cold War these areas had strong conflicts of interest with the United States, being the sites of major military concentrations and defense-production facilities, as well as extensions of political entities confronting the US at the regional and global levels. To this day these areas have much more limited stakes in the stability of existing Northeast Asian regional relationships than their Westernized counterparts. They also retain, to varying degrees, both diplomatic and commercial contacts with continuing US adversaries in the Middle East.\textsuperscript{14}

**Northeast Asia’s Geo-Economic Dilemma**

This bifurcated character of the Northeast Asian region, a heritage of the Cold War, presents the region and the broader world, at the dawn of the twenty-first century, with a serious dilemma. Clearly, integrated regional development transcending Cold War lines could be optimal from a narrowly economic point of view, given the strong complementaries among abundant Japanese capital, Russian resources, and Chinese labor. Multinational investors and financiers, including those from the United States, could clearly benefit. US firms are strongly competitive in many of the sectors (energy, communications, and transport, for example) at the likely forefront of Northeast Asian regional development.

Furthermore, the area has enormous latent potential for future inner-directed growth. Apart from huge financial resources, including well over a third of global savings and over 40 percent of world foreign-exchange reserves,\textsuperscript{15} it has tremendous human capital. As noted in Table I, China, Japan, and Korea together had a combined population of nearly 1.5 billion in 2000, almost five times that of the European Union, and over
Table 1. The Northeast Asian Region in Comparative Perspective: Population, GDP, and Trade, 2000

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>GDP</th>
<th>GDP/World</th>
<th>GDP growth</th>
<th>Trade/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast Asia</td>
<td>1.47 billion</td>
<td>6.36 trillion</td>
<td>20.2%</td>
<td>6.4%</td>
<td>44.8%</td>
</tr>
<tr>
<td>European Union</td>
<td>304 million</td>
<td>6.0 trillion</td>
<td>19.7%</td>
<td>3.4%</td>
<td>56.3%</td>
</tr>
<tr>
<td>NAFTA</td>
<td>410.4 million</td>
<td>11.1 trillion</td>
<td>35.1%</td>
<td>5.2%</td>
<td>52.4%</td>
</tr>
<tr>
<td>World</td>
<td>6.1 billion</td>
<td>31.5 trillion</td>
<td>-</td>
<td>3.9%</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Note: GDP growth and Trade/GDP figures represent average rates among the members of the unit in question.

three times that of NAFTA. Yet Northeast Asia’s share of global GNP remains remarkably low, relative to that of the two other major industrialized regions of the world, when its population and financial assets are taken into consideration. It is a market, in short, with enormous internal potential to grow—and with many of the local resources at hand to generate that growth.

Yet Northeast Asia—despite its powerful intra-regional complementarities and manifest unrealized economic possibilities—is simultaneously plagued by security problems of global importance. These are magnified, in the post 9/11 world, by latent potential links to weapons proliferation and global terrorism. As has been true for half a century, North Korean forces, now armed with over 10,000 artillery pieces, advanced missiles, and chemical/biological capabilities, stand forward-deployed less than 50 miles north of Seoul, South Korea’s capital of more than 12 million people. In addition, both North Korea and China have substantial missile capabilities, capable of targeting Japan as well as South Korea. North Korea’s mobile Nodong I, for example, has been tested and deployed in substantial numbers.16 Even if the Nodong remains somewhat inaccurate, it has grim potential as a terror weapon: Japan has two sprawling urban agglomerations, Kanto and Kansai, that even a misguided missile can find, where over 80 million people live.
Northeast Asia’s current dilemma—most sharply posed on the Korean peninsula—comes in the tension between its security situation and the potential requisites of future economic growth. For the past half century, externally oriented growth, focused on the US market, coupled with American security guarantees, allowed it to finesse the dilemma. Growing prospects for internally directed growth on the continent increasingly force the region to confront this problem much more directly.

A Changing Geostrategic Calculus: Rising Imperatives for Regional Coordination

There is rising indication since the early 1990s, and particularly since the Asian financial crisis of 1997-1998, that Northeast Asia’s geo-economic dilemma may well be deepening. The political-military dangers remain clearly substantial, intensified by continuing missile buildups and advances in weapons of mass destruction. At the same time, there is also deepening economic integration in many parts of the Northeast Asian region, despite the underlying political-military complexities involved. The overall share of intra-regional trade among Japan, China, and Korea, for example, has risen from around 15 percent in 1995 to 19.8 percent in 2000. Intra-regional foreign direct investment concentration ratios have also risen from less than 1.0 in 1997 to 1.4 in 2000.

The most dynamic intra-regional economic relationship within Northeast Asia since the financial crisis, in cross-investment terms, has been that between Japan and South Korea. Only 3.6 percent of Japan’s investment in Asia went to Korea in 1997. Yet this share rose nearly fourfold, to 13.7 percent by 2000. Similarly, the flow of Korean direct foreign investment in Japan nearly quadrupled between 1998 and 2001, albeit from a small base. Cross investment should be further enhanced by growing bilateral policy coordination, including a bilateral currency-swap agreement (May 2001), and a bilateral investment treaty (March 2002).

In terms of international trading volume, bilateral trade between Korea...
and China, on the one hand, and Korea and Japan, on the other, have been especially dynamic. While both have expanded rapidly, trade growth between Korea and China has been especially strong. It rose 71 percent, from $18.4 billion to $31.5 billion, between 1998 and 2001 alone. Korean exports to China exceeded those to Japan in 2001, comprising over 12 percent of Korea's entire global exports. The steady overall expansion of intra-regional trade since the Asian financial crisis of 1997-1998—by a full 50 percent between 1998 and 2001 alone—is clearly presented in Figure 2.

The steady expansion of Northeast Asian intra-regional trade since the Asian financial crisis of 1997-1998 is especially striking when contrasted to converse trends in American trade with the Northeast Asian triangle (Japan, China, and South Korea). The United States has traditionally been Northeast Asia's principal market. Yet during the 1998-2001 period, the triangle's trade with the United States rose only 18.7 percent—little more than one-third as fast as that within the triangle itself.

In some dimensions, intra-Northeast-Asian trade is even coming to rival that with the United States in scale, as well as growth rates. Japanese imports from China, for example, fueled by a massive inflow of inexpensive consumer goods from the mainland, passed those from the US for the first time in January 2002. Japanese imports from Asia as a whole were over 55 percent of Japan's total imports, compared with just 30 percent from the United States. Trade and investment between Japan and China has been the most politically delicate element—apart from the near-total isolation of North Korea—in the deepening recent pattern of Northeast Asian economic integration. Throughout the 1990s Japanese imports from China rose steadily, causing overall Japan-China trade to rise 64 percent between 1995 and 2000. Yet exports to China did not keep pace, leading to steadily rising bilateral Japanese trade deficits with China that triggered substantial political backlash in Tokyo.

Japanese investment in China during the first half of the 1990s was more hesitant than that of most other industrialized nations. Yet that reluctance began to erode dramatically in 2000-2001, as China prepared to join the WTO. A 2001 survey of Japanese manufacturing industry by the
Figure 2. Rising Triangular Trade among China, Japan, and South Korea, 1995-2001

Note: Units are in US$1 million.

Japan Bank for International Cooperation, for example, showed that 76 percent of more than 500 respondents planned to expand their business in China—up 17 percent from the same survey, conducted a year earlier.24 Recent announcements by Honda, Nissan, and Toyota of major investments in China, however, open the prospect that a “hollowing out” of the Japanese auto industry may create major new Sino-Japanese interdependencies in that important sector, and a substantial deepening of overall bilateral economic interaction.25

Cross-Regional Perspectives

As noted above, Northeast Asia is clearly one of the world’s regions whose internal dynamics could pose the greatest threats to global stability. It is also a region where economic and security issues are interwoven with
unusual intimacy. Indeed, for the nations of the region, security choices have determined their profiles of prosperity.

The emerging geo-economic dilemma of Northeast Asia appears virtually unique, from a cross-regional comparative perspective; it generates imperatives for both global and regional consideration. Only in the Middle East do the possible security and geopolitical dangers, including conventional war, missile attacks, and links to terrorism, appear so forbidding. And nowhere could the prospective economic gains from enhanced intra-regional cooperation potentially be so fruitful, if only geo-political obstacles did not stand in the way.

It is important from the outset to contrast Northeast Asia’s painful current geo-economic dilemma—which virtually mandates new formal institutions and geo-political understandings as a precondition for sustained development—from the less constraining circumstances of Southeast Asia. Northeast Asia’s geo-economic circumstances contrast to those of its southern sub-regional neighbor in at least seven concrete respects:26 (1) The embedded role of the Northeast Asian states in economic affairs is unusually extensive. (2) The states of Northeast Asia themselves are relatively “strong” states—certainly more capable in their administrative functions and pretensions than the “soft states” of South and Southeast Asia. (3) Informal mechanisms for mediating transnational economic interactions are more limited than further south. Overseas Chinese trading networks, for example, are much more active in Southeast Asia, and even across the Taiwan Strait. (4) Such informal corporate mechanisms for regional coordination as do exist (Korean chaebol and Japanese general trading companies, for example) have been badly undermined by financial crisis and economic reform over the past five years.28 (5) Northeast Asia lacks the entrepot centers (such as Hong Kong and Singapore) that facilitate informal transactions elsewhere in the world, with this lack increasing the leverage of the Northeast Asian state relative to its Southeast Asian counterparts. (6) The distinctive Northeast Asian economic development challenge—with infra-structural bottlenecks at its core—requires massive capital expenditures for its resolution, a task difficult for informal networks to
achieve. And (7) the geopolitical confrontation in Northeast Asia, and the resulting salience of national security on national policy agendas, privileges state actors relative to civil society.

As Andrew Moravcsik has pointed out, economic integration ultimately flows from state decision. In Northeast Asia this contingency of economic development on state action appears especially pronounced. Yet state action, even on economic matters, is in turn constrained by its geopolitical implications, generating the region's severe geo-economic dilemma.

Other regions, confronted by less stark tradeoffs, have found it easier to develop trans-national integration mechanisms. Much of the Pacific, as Katzenstein and Shiraishi have pointed out, has fashioned distinctive and elaborate informal modes of integration. Informal networks have, for example, allowed for forms of sub-regional interdependence even across the Taiwan Strait and between Vietnam and its neighbors that have not so readily emerged in Northeast Asia. The informal influence of Japanese and Korean culture may also be spreading across the region in flexible, market-oriented fashion. Yet such development does not easily engender substantially broadened economic interaction in Northeast Asia, owing to the distinct, capital-intensive developmental needs of the region, which mandate state intervention and more formalized regional procedures.

Formal regional organization is clearly most salient in Western Europe, where geo-economic forces promoted the state decisions in favor of regional unification that they inhibited in Northeast Asia. On the security side NATO successfully deterred Soviet aggression and geopolitical brow-beating for two full generations: from the aftermath of the Czech coup in 1948 until the Soviet Union collapsed at the end of 1991. In trade and financial affairs a long series of agreements stretching from the European Coal and Steel Community (1951) through the Treaty of Rome (1957) to the Treaty of Maastricht have created a massive, continental-scale, supra-national economic unit that since January 1, 2002, has also shared a common currency.

There are, to be sure, important limiting factors making it unlikely that the European experience with regional integration could be easily re-
plicated elsewhere in the world. The Cold War political context, at both the international level and within key nations of Europe, was clearly important, especially as regional integration involved the creation and strengthening of supra-national institutions that significantly constrained state autonomy. Strong American political support from outside combined with a crucial uniformity of precarious yet determined Christian Democratic political dominance in Italy, France, and Germany to help drive the European integration process forward in its early days.

Other regions, however, have been able to develop a moderately successful complex of institutions for diplomatic consultation, with some more limited economic counterparts, despite somewhat greater political diversity than prevailed in early postwar Europe. Latin America, supported by the United States, operates the Organization of American States, with its headquarters in Washington. Sub-regional counterparts, such as the Latin American Free Trade Area (LAFTA) and Mercosur, supplement OAS activities in the economic sphere, albeit more imperfectly than does the European Union.

Together with its rich networks of informal coordination, discussed earlier, Southeast Asia is also a region relatively rich in formal organization, contrasting with Northeast Asia in particular. On the security side the Southeast Asian Treaty Organization (SEATO), encouraged by John Foster Dulles over four decades ago, began this process. It was supplemented on the economic side by ASEAN in 1966, and linked to the broader global system by the post-ASEAN ministerial process in the late 1970s.

Even the Middle East has a degree of regional organization, albeit mainly diplomatic, and often ineffective. Since the late 1940s, the Arab League has provided a debating forum for virtually all the nations of the region, apart from Israel. In the 1950s, Dulles helped craft a Middle Eastern security counterpart to NATO, known as CENTO, which collapsed during the 1960s, unhinged by the defection of Iraq following Kassem’s populist coup in 1958. In the 1980s newer regional organizations, such as the Gulf Cooperation Council, began to take on a predominantly economic orientation.
Explaining Northeast Asia's Institutional Void

The geo-economic dilemma outlined above has fundamentally offered Northeast Asia three choices: geopolitics, economics, and a bridging solution. As suggested below, the region had little choice in the early post-war world but to embrace geopolitics, in the form of Cold War alliance with the United States. Yet John Foster Dulles farsightedly designed a bridging solution—the San Francisco System of bilateral links to Washington combined with liberal, asymmetrical trade access to the US market—which postponed Northeast Asia’s geo-economic dilemma for many years.35 Thus was born the distinctive “organization gap.”

Following the logic of regional experience elsewhere, as summarized above, it would be appropriate to search for the roots of Northeast Asia’s organizational void in American policy during the 1949-1956 period—particularly in the proclivities and calculations of its major diplomatic strategist of the period, John Foster Dulles. As is well-known, US Asian policy during that period was strongly influenced by the civil war in China, then winding toward a PLA victory, and by the need to rapidly rehabilitate Japan as a prospective counter-weight in the region.

Yet those local realities only deepen the twofold conceptual paradox presented earlier. US policy should presumably have wanted a regional organization analogous to NATO, to contain both a militant China and a potentially resurgent Japan. It clearly desired and in fact succeeded in creating such bodies elsewhere in the world. Secondly, the clear hegemonic capabilities of the United States in the early 1950s should have enabled it to assure whatever outcome it desired.

Important American allies were certainly enthusiastic about the idea of a multi-lateral Pacific Pact. Australia was already actively promoting the concept of such a regional alliance as early as mid-1949.36 Chiang Kai Shek of Taiwan and Elpidio Quirino of the Philippines met bilaterally to discuss the concept in July 1949, as Chiang and Syngman Rhee of South
Korea also did a month later.\textsuperscript{37} Dulles did indeed favor the notion of a multilateral Pacific defense alliance, especially early in the San Francisco Peace Treaty consultation process.\textsuperscript{38} Among American officials more generally, only George Kennan disliked the idea of a broad regional alliance involving Japan.\textsuperscript{39} Yet Dulles, the key decisionmaker, as Special Adviser to Secretary of State Dean Acheson, felt even more strongly about concluding an early peace treaty with Japan than he did about crafting such an alliance. This preference grew especially strong in the wake of his extended early 1951 visit to East Asia, where the complex cross-pressures involved in forging the details of a Pacific Pact amidst a major war in the region became clearly evident.\textsuperscript{40}

The Japanese, to be sure, were under US occupation throughout this period. Yet they had substantial and indeed rising leverage with the United States as negotiations proceeded during early 1951, flowing from Dulles’ fears of rising Japanese nationalism, and from the danger that Japan might side with a newly invigorated Maoist China. Japanese Prime Minister Yoshida opposed the idea of a broad, US-centric Pacific alliance, as well as extensive US bases in Japan, preferring the possibility of détente with China to military containment.\textsuperscript{41} In this dovish stance, he mirrored preferences of British diplomacy, which opposed the concept of US-led Pacific multilateral-ism on many grounds.\textsuperscript{42}

American military leaders, conversely, were adamant about the need for free, unconditional US access to bases in Japan, as a precondition for their assent to any sort of peace treaty. Yet they were not so insistent on the need for a broad, multilateral alliance like NATO, especially as it raised thorny collective security issues that they wished to avoid, such as a prospective defense of Hong Kong.\textsuperscript{43} The British, conversely, were nervous about the effect of any such exclusion on their precarious hold on colonial possessions in the region.

Ultimately Dulles was forced to forge a compromise among Yoshida, the US military, and US allies, particularly Britain, centering on Japanese acceptance of US bases and a bilateral security treaty explicitly assuring
them. Multilateralism was the requisite sacrifice for securing Yoshida’s assent to an early peace treaty, and British cooperation in related political-economic arrangements. Given Japan’s gradual conversion to multilateralism over the past decade, there is some considerable irony in its opposition to similar structures fifty years ago.

A Durable Second Best: The San Francisco System

The United States thus seems to have initially desired a multilateral framework for security relations in East Asia. Yet contrary to the assumptions of most international relations theory, it was unable to achieve such an outcome. Instead, Dulles fashioned a hybrid “San Francisco System” of political-economic relations with the following basic traits: a dense network of formal bilateral security alliances, including US mutual-security treaties with Australia and New Zealand (July 1951), the Philippines (August 1951), Japan (September 1951), and South Korea (November 1954). US military basing rights throughout the region, relatively limited reconstruction aid, compared with Western Europe, and gradual integration of allied economies on preferential terms into the liberal-internationalist trade and financial order were fostered by the United States.

By the early 1990s, this “second-best” system had succeeded so well in promoting both regional stability and American preeminence in the Pacific that it was enthusiastically applauded by the US Secretary of State as an ideal paradigm. Regional integration in Northeast Asia has thus exhibited two distinctive characteristics throughout most of the postwar period: (1) a bilateralist, “hub and spokes” configuration on the security side and (2) a market-based absence of formal institutions in economic affairs. This situation has been remarkably stable for half a century, perpetuating the distinctive “organization gap” in Northeast Asia.

There have, to be sure, been sporadic efforts over the years to address the “organization gap.” Japan, as Katzenstein points out, made several ef-

2. Northeast Asia: The “Organization Gap” and Beyond 43
forts from the 1960s through the 1990s to do so. What little institutional impact it enjoyed, however, was concentrated in Southeast rather than in Northeast Asia. An Australian-Japanese initiative in 1989 created APEC, but its impact has been limited since 1995. The ASEAN post-ministerial process created the Asian Regional Forum (ARF) in 1994, but it has likewise been largely ineffective on Northeast Asian affairs, being unable even to cope with Southeast Asian issues such as East Timor.

Two underlying Pacific realities, more pervasive in Southeast than in Northeast Asia, long obviated the functional need for much serious formal regionalism: the informal networks of Asian civil society, and American hegemonic power. The resulting organizational gap clearly compounded the difficulties of Northeast Asian development, dependent as it was on capital-intensive infrastructure not easily provided in the absence of political accommodation. Yet both Japan and South Korea were for many years able to offset the difficulties in developing ties to their Northeast Asian neighbors with a vigorous economic effort in Southeast Asia.

Developments since the Asian financial crisis of 1997, however, suggest that this pattern may not continue to hold, for several reasons. First of all, Southeast Asia no longer holds the relative economic attraction for Japan and Korea that it did before the financial crisis. Despite ASEAN’s gradual recovery, its ties with Japan and Korea are being overshadowed by historic stirrings further north, especially in China.

New economic realities are thus now emerging in Northeast Asia. Many of these resonate with the dynamics that Karl Deutsch considered in his classic 1953 discussion of political and social integration, just as Western Europe’s own process of integration was beginning to deepen. Clearly, deeply embedded informal institutions, distinct to East Asia, will dictate a less politically mediated path to regional integration than has prevailed in Europe, from the Taiwan Strait south. Yet Northeast Asia may have a different proclivity. And the new pressures for more formal coordination now building in Northeast Asia have prospectively major geopolitical, as well as economic, implications—not only for the Northeast Asian region, but also for the United States, and indeed for the global po-
litical economy as a whole.

The New Pressures for Change in Policy and Institutions

Given new momentum by rising economic interdependence, two im¬
portant new perceived imperatives have emerged in the past five years: (1) pressures for substantive policy shifts and (2) pressures for the creation and strengthening of formal institutions. Both stimulate a clear departure from the traditional pattern of a formal “organization gap,” accompanied by informal mechanisms of governance, and promote convergence with more classic Western patterns of political integration elaborated by Karl Deutsch and others.

The Financial Crisis as Catalyst

Theorists of regional integration emphasize the role of an initial impetus in altering bargaining contexts so as to promote institutional innovation.\(^50\) This dynamic has been clearly operating of late in Northeast Asia. One major catalyst for change, both in substantive policies and in formal institutions, has been the 1997-1998 Asian financial crisis. While transforming many Northeast Asian institutions, especially in Korea, to make them more dynamic and proactive, that crisis also left a deep residue of skepticism about the wisdom of Asian subordination to Western institutions such as the International Monetary Fund (IMF), especially in the financial area.

With well over half of total world foreign-exchange reserves held within their region—the product, in their view, of years of painstaking and success­ful economic effort—many Asians feel the region has no reason to submit itself to capricious speculative forces from outside that can so easily destroy the fruits of years of growth. Criticism of IMF conditionality policies by Western experts such as Joseph Stiglitz, 2001 Nobel Laureate in Economics, have further strengthened Northeast Asian impulses toward regional financial autonomy.\(^51\) One concrete post-crisis manifestation of
these new sentiments in formal institutional terms was the May 2000 Chiang Mai agreement for large-scale currency swaps among the ASEAN plus Three (APT) economies.

A Central Role for Korea

A second stimulus to formal integration and substantive policy change in Northeast Asia is likely to grow increasingly important in future: the catalytic role of a more neo-liberal South Korean political economy that sees major benefits for itself in Northeast Asian regional integration. Undergoing major changes in corporate governance and deregulation following the financial crisis that attracted $58 billion in foreign investment to Korea between 1998 and mid-2002, and triggered a sweeping information revolution, Korea has gained new competitiveness. With that enhanced competitiveness, Korea has found new incentives to spearhead regional economic integration.

Korea's avowed objective is to become the hub of Northeast Asian economic activity, by capitalizing on its central location, liberalizing business environment, and high-quality infrastructure. It has recently opened one of the largest and most modern airports in the world at Incheon, within a three-hour flight radius of 43 Northeast Asian cities with populations of one million people or more. Busan is already the world's third-largest container port, and is being substantially expanded.

South Korea has also been pushing hard, since the Pyongyang Summit of June 2000, to reopen rail and highway networks with North Korea. Having completed its own share of the agreed North-South railway early in 2002, it also secured agreement from the North late in August 2002 to complete its portion by the end of the year. Connecting South Korea's networks with those of China, Mongolia, and Siberia, such routes could cut shipment times, and potentially costs, from Korea to Europe by two-thirds.

Among South Korea's most important innovations, synergistic with intensified Northeast Asian regional integration, are in the information-technology (IT) area. Korea already leads the world in mobile Internet use,
3-G telecommunications, and high-speed Internet access. The ROK also ranks sixth in the world, despite its relatively small population, in the number of Internet users.\textsuperscript{55} Its sophisticated information infrastructure, systematically encouraged by public policy, allows for new sorts of hitherto impractical cross-regional economic coordination.

The Korean government has incentives not only to introduce new public policies, designed to facilitate its emerging regional brokerage role in economic matters, but also to see the emergence of new formal regional institutions. This is important, as previous European experience suggests that major innovations of this sort tend to be a function of major state interest.\textsuperscript{56} Korea’s incentives flow from its position at the heart of the region, the high quality of its infrastructure, and the vigor of its recent economic reforms, which make it a primary prospective beneficiary of deepening Northeast Asian regional integration.

\textit{China’s New Receptivity to Multilateralism}

A third new development increasing pressures for formal institution building are China’s emerging multilateral interests and stakes, given increasing weight in the region by its scale, and by the rapid pace of its economic growth. Traditionally, of course, post-revolutionary Chinese foreign policy has had a bias toward bilateralism, as neo-realist theory could suggest, encouraged by China’s huge size and longstanding isolation in the international community.\textsuperscript{57} Yet since the Subic Bay APEC Summit of 1996, when China’s support for the electronics non-tariff sectoral agreement was critical to its realization, the PRC has become increasingly supportive of multilateralism, and central to the increasing momentum that approach has gained in Asia.

China supported the 1997 ASEAN-plus-Three (APT) framework agreement, and has backed the progressive subsequent expansion and consolidation of APT. China has been especially cooperative with other Asian nations in the financial realm, pledging $1 billion to the regional currency-support fund in 1997. It refused to devalue during the Asian financial crisis, and strongly backed the Chiang Mai ASEAN-plus-Three cur-
rency-swap agreement in mid-2000.

China has been especially supportive of regular summit and ministerial meetings among the three Northeast Asian APT members—China, Japan, and South Korea—giving such talks a momentum that a less-enthusiastic Japan has found it difficult to resist. The tacit cooperation of China and South Korea has thus gradually institutionalized the Japan-China-Korea trilateral framework. In 2001, that body initiated annual finance and trade ministers’ meetings, an annual business forum, and cooperation between national police forces on terrorism and related matters.

Nested Institutions and the New Multilateralism

Even as China shifted increasingly to a multilateral orientation in its Pacific regional diplomacy after 1996, its Northeast Asian neighbors initially remained wary. Yet two important shifts in the institutional structure of the region helped reduce their fears of a xenophobic, potentially predatory emerging Chinese juggernaut. First, Japan and South Korea moved into a deeper triangular consultation process with the United States (the so-called TCOG) following the North Korean missile test of August 1998. Secondly, China joined the World Trade Organization (WTO) at the end of 1999, anchoring it more firmly in the international system, and subjecting it to global rules in ways that made foreign investors more confident about establishing themselves in the PRC. Accelerating Japanese and Korean investment in China, as the region recovered from the Asian financial crisis during 2000-2001, further deepened overall regional receptivity to interdependence with China.

The Pivotal Role of Japan

Japan, of course, remains the economic giant of Asia, despite its past decade of stagnation, with a GDP of over $4 trillion, more than four times that of China, and over $1 trillion in net external assets. Given its massive financial resources, Japan will inevitably loom large in almost any scenario for major infra-structural projects in Northeast Asia. And such projects—railways, pipelines, ports, and highways, for example—could cru-
cially shape continental Northeast Asia’s economic future.

Japan, as suggested earlier, has been alternatively skeptical and fearful of the increasingly proactive, often nationalistic China that has emerged over the past decade. Japan has also, until recently, remained quite aloof from the complex and volatile politics of the Korean peninsula, despite its TCOG involvement. Yet new winds began blowing, with greater force, during 2001-2002, dragging Japan into deeper interaction with the continent.

On the economic side, as noted above, Japan is moving toward deeper trade and investment ties with both China and South Korea. In diplomatic affairs, Japan at last has become a significant player. Indeed, Prime Minister Koizumi Junichiro’s dramatic and apparently successful September 2002 visit to Pyongyang provoked a North Korean commitment to indefinite suspension of missile tests and spy-boat incursions, while also aiding resolution of the kidnapping issue. The visit also formalized bilateral agreement to normalization negotiations.

Through such talks, the implicit prospect of billions of dollars in Japanese aid could potentially moderate North Korean behavior, and influence the political economy of infrastructure provision in the region, for some time to come. Should Japan become proactive about financing much-needed regional infrastructure—either directly through ODA and normalization-related assistance to North Korea, or indirectly through multilateral agencies—regional economic integration could accelerate significantly faster than current projections. This would be particularly true if the support were for infrastructure in North Korea, given the North’s central geographical location in the Northeast Asian region as a whole.

Beyond the Organization Gap: What Realistic Prospective Profiles?

The preceding pages have detailed rising regional pressures to fill the “organization gap” in Northeast Asia—one which has persisted since the demise of the Japanese Empire in 1945. Apart from its impact on the
problems that interdependence is already bringing in its wake, some form of cooperative organization could also anticipate consequences of the region's looming uncertainties, especially those surrounding the future of Korea. Cooperative tasks could include: (1) planning for humanitarian crises, (2) coordinating reconstruction aid, following conflict, North Korean collapse, or reunification, and (3) developing arms-reductions and confidence-building measures to follow either sudden political change or further steps toward regional economic integration.

The pressures for enhanced regional organization could, of course, revive the latent geo-economic dilemma that the region confronts. They could potentially run counter to the prevailing US-centric "hub and spokes" security structure of the North Pacific, and provoke substantial American dissent, should they either (1) fail to address political-military threats posed by North Korea or (2) significantly undermine the American political-economic role in the region. Any realistic future proposals will need to address these prospective conflicts of interest, as well as plausible means of transcending them.

One institutional half-way house that clearly has value from an American standpoint is "mini-lateralism" among the US, Japan, and South Korea. Both of the latter nations share parallel alliance ties to the United States. Both also have market economies, and both are parliamentary democracies. Both would be adversely affected by turmoil in North Korea, and have a stake in deterring the North from provocative action. Periodic trilateral security consultations under the TCOG process, begun after the North Korean missile shot of August 1998 over Japan, are an example of the "soft regionalism" that is evolving within this triangle. A formalized trilateral alliance seems politically impossible, given the longstanding grassroots enmity between Seoul and Tokyo, dating from colonial days. Yet intensified cultural and economic-policy dialogue, especially on Northeast Asian regional issues, could clearly be valuable, and seems increasingly likely.

A second form of limited multi-lateralism with potential importance to Northeast Asia's future—particularly in dealing with varied Korean con-
tingencies—is the so-called "four plus two" negotiating format. Such a framework would include the US, China, South Korea, and North Korea (the four parties to the 1953 armistice ending the Korean War), plus Russia and Japan. While not institutionalized, this framework could provide a form of soft coordination in the event of the regional contingencies outlined above. Possessing the distinct virtue of including Korea's rival regimes, all major neighbors, and the global super-power, the United States, the framework could also be a forum for negotiating regional arms reduction, or other guarantees of regional stability.

Informal networks, as Katzenstein and others point out, are indeed important, generally speaking, in Asian social and economic relations. Yet they have, as noted above, important limitations in the Northeast Asian context. There are important ways that the state, and states in combination, will likely be involved in Northeast Asian economic development, that would not be so salient from Shanghai and the Taiwan Strait further south.

Clearly, important distinctions need to be made regarding the sorts of formal multi-lateralism that might be desirable—and indeed feasible in Northeast Asia, from a purely regional perspective—as opposed to other parts of the world. As suggested earlier, the region's unusual geo-economic dilemma, and its political diversity, constrain many, but not all, formal alternatives to the status quo. One crucial task for both analysis and policy is to refine what have heretofore been overly broad generalizations about existing and prospectively feasible profiles of Northeast Asian regional organization.

**Distinctive Regional Institutions for Northeast Asia?**

Regional institutions can be either comprehensive, in the sense of being a parameter for a given political economy as a whole, or they can be functionally specific. At the same time their outputs can also be of two varieties: either regulatory and legally oriented, on the one hand, or distributive, on the other. Northeast Asia, in contrast to Western Europe, has a considerable diversity of political regime types. It also lacks a strong court-centric legal tradition. Accordingly, it faces major political con-
straints in developing effective regional institutions with broad regulatory mandates.

The region, however, has significant advantages in developing institutions with a primarily distributive emphasis, especially those with narrowly defined and relatively technical responsibilities. Its major constituent nations, particularly Japan, South Korea, and China, have powerful national bureaucracies with strong technical expertise, facilitating functionalist cooperation. These bureaucracies have traditions of narrow, sector-specific targeting, and incentives to cooperate where they can maintain issue control. The underlying political economies also have skewed, dual-structure characteristics, with contrasting patterns of efficiency and inefficiency. The sharp differences between Japan's world-class auto industry and its chronically inefficient food distribution system are a case in point.63

The distinctive developmental challenges of Northeast Asia, as noted earlier, dictate functionalist institutions with relatively narrow mandates—prospectively formal, but with a sharply different emphasis from that of their European counterparts. The Northeast Asian region, as noted above, has strong complementarity of factor endowments among its constituent elements—labor in China and North Korea, land in Asiatic Russia, capital in Japan, and newly energized entrepreneurship in South Korea. Yet linkages among those factors of production—long constrained by the Cold War—are radically under-developed. New functionalist institutions would need to supplement those inadequate national structures by filling in the gaps, rather than supplanting them in supra-national fashion, as the European Union typically does.

Four sectors present especially serious obstacles to Northeast Asian economic development: food supply, energy, transportation, infrastructure, and communications. Given local factor endowments, overcoming the first two challenges inevitably must involve deepened interdependence with the broader world, as well as incentives for local production.64 Yet focused, sector-specific regional institutions, beginning in less rigid fashion with Track II dialogue, could be valuable in all four areas.
It may well be true, as Aggarwal and others have suggested, that narrow sectoral arrangements place political complications in the path of subsequent steps toward broader regional integration. The long-term implication of such phenomena should be seriously considered in developing architecture for regional integration everywhere. In Northeast Asia, however, the real-world problem is mitigated by the geo-economic dilemma and the region's political diversity, which make it likely that comprehensive institutions will be infeasible in any case. Given the pressing developmental problems of the region, the dangers of further deflation, and the political need for confidence building, some attention to realistic steps in the realm of the possible needs current priority over the long-term ideal.

The Central Importance of Korean Developments

The heart of Northeast Asia's geo-economic dilemma—and any serious efforts to address it—is clearly the divided Korean peninsula, and especially North Korea. It is both an arguably perverse pariah state, and the prospective fulcrum of future regional economic development. That dualism lies at the core of not just North Korea's, but many of its regional neighbors' under-development and stagnation.

Yet the dualism implicit in the geo-economic dilemma could also potentially hold the key to a solution. A fundamental transformation of North Korea's profoundly non-constructive regional role, and its comatose national economy, could both profoundly change the role of Northeast Asia in world affairs, and give massive stimulus to the entire region's economy. It could also magnify an already worrisome security threat. This is why the current Japanese negotiations with North Korea, following on the Koizumi visit, are potentially so momentous.

How might this transformation—one of the few developments that could actually finesse Northeast Asia's geo-economic dilemma—be realistically attained? Three alternatives seem conceptually possible, if the clear security imperative of avoiding abject appeasement of North Korean militancy is to be avoided: (1) the collapse of North Korea, (2) military resolution of the North-South confrontation on the peninsula, and (3) trans-
forming the incentive structure of North Korea. As Eberstadt, Noland, and others have pointed out, Pyongyang’s overwhelming current incentive is to rely on a vicious cycle of extortion, based on military threats, to generate the economic resources it needs to survive.67

Many have argued that the North Korean economy has already effectively collapsed.68 Certainly, it stands in perilous straits, by nearly all accounts, with GDP at least 30 percent below 1990 levels.69 Yet whether these parlous economic straits imply inevitable political change is debatable. Clearly North Korea’s neighbors—particularly China, South Korea, and probably Russia—do not want a political collapse, owing to the chaos it would engender on their borders. Russia and China also find North Korea useful, in its weakened circumstances, as a potential pawn, and as a check on possible longer-run adventurism by a unified Korea. Since the Pyongyang Summit of June 2000, economic interaction of all these neighbors with the North, including border trade, seems to have increased enough to marginally reverse the long previous period of economic decline. Contrary to wishful expectations in some quarters, collapse of North Korea does not seem imminent. Any increase in Japanese aid following the possible normalization of Japan-DPRK relations will make any such collapse even more improbable.

The problems with military resolution of the status quo seem self-evident. However fragile North Korea’s economy, it still has over one million men under arms—mostly heavily forward deployed toward the DMZ. However outmoded their command and control capabilities, which should constrain sustained offensive action, the North still holds Seoul hostage. And it has demonstrable IRBM missile capabilities against Japan as well.

There is the abstract possibility of a modernizing military coup, potentially inspired by China, or some other form of controlled collapse. Yet it is hard to see how any such incremental, but momentous, political changes in the North Korean political status quo could be contained. Certainly the experience of Eastern Europe following the collapse of the Berlin Wall suggests such a difficulty.
That leaves the modification of North Korean geo-economic incentives as a sole remaining means of finessing Northeast Asia’s economic dilemma. Clearly this is a very difficult matter, given the entrenched position (by all accounts) of the military, and a powerful military-industrial complex within North Korea. Yet given its importance, such an effort bears much more substantial intellectual consideration, at the very least, than the minimal amount that it has in fact received.

The Long, Hard, and Necessary Road from Swords to Plowshares

A collapse of North Korea would clearly simplify the geo-economic problem of Northeast Asian development. Yet that appears quite unlikely anytime soon, as suggested above. Even were collapse a likely proposition, the potential drawbacks appear so destabilizing for the region—and potentially for the whole world, given the proximity of a Japan with 13 percent of global GDP, 20 percent of world foreign-exchange reserves, and one-third of global savings—that even an attempt at a controlled collapse would likely have unpredictable but potentially perverse global consequences, particularly in international financial markets.

Since the spring of 2000, when North Korea normalized relations with the European Union and invited South Korean president Kim Dae-jung to Pyongyang, the DPRK appears to have grown more pragmatic in its negotiating behavior. Policymakers elsewhere need not presume that there has necessarily been any major transformation in North Korean intentions. Yet engagement with the North, as Victor Cha points out, is a rational strategy regardless of one’s presumptions regarding the North’s future behavior.70

Through engagement, this paper argues, it is possible both to probe North Korean intentions and potentially to influence the North’s incentive structure. The Japanese initiatives epitomized in Koizumi’s September 2002 Pyongyang visit appear to hold some such potential. Any realistic effort to transform North Korea’s incentives in a more productive, less martial direction, however, would need to involve three central elements: disincentives to the North’s employing the irresponsible extortion tactics that it has used so often in the past; a phased, incremental transition process,
with developments at each stage contingent on fulfillment of earlier commitments; and gradual provision to the North of new forms of non-military leverage, contingent on military confidence building, to encourage evolution away from the classic extortion cycle.

New forms of non-military leverage—contingent on substantial military confidence building and disarmament concessions by the North—could center on the infra-structural area discussed above. Transit railways, highways, and pipelines across the North—linking South Korea with Russia and China—could, for example, give the North leverage independent of military threats—which it needs to have the confidence to negotiate—and thus ease the needed transformation. In any event, a vision for such transition—within the broader context of Northeast Asian development, even if not immediately realized—could generate new pressures for moderation, provided that security pre-conditions are satisfied. In the wake of Japanese Prime Minister Koizumi Junichiro's historic Pyongyang visit of September 2002, such integrated geo-economic calculations are especially relevant today.

**Some Middle-Range Institutional Options for the Region**

North Korea's future, of course, needs to be considered in a broader regional context—one where that eccentric nation's participation, if any, can be tailored to its level of security cooperation, and limited, if need be, through ongoing institutional safeguards. What are the most realistic options, considering the geo-economic realities of the region today?

The central geographical position, and geo-political importance of North Korea within the region, as well as its unusual factor endowments, combine to make sub-regional special economic zones (SEZs) of prospective importance to Northeast Asia's future. SEZs have the particular merit of providing many of the economic benefits of free markets in a setting that also allows the host nation to insulate its political system from potential side effects. Concretely, the SEZ concept, applied to North Korea, could mean, in particular, a prospective Kaesong Special Economic Zone, close to the Demilitarized Zone between North and South Korea (see Figure 3).
Figure 3. Map of the Korean Peninsula
Such a zone could productively combine Southern capital and manufacturing expertise with Northern labor and raw materials. Its geographical position, both close to Seoul and at the focal point of confrontation between North and South, could make such an SEZ both more efficient economically and more useful as a confidence-building measure than alternatives in such remote locales as the Rajin-Sonbong area near North Korea's northern frontier. It would also have the outstanding geo-economic merit of helping to defuse the North-South confrontation. A Sinuiju SEZ on the China-North Korea border is another realistic possibility, although one less attractive from the perspective of reducing military tensions on the peninsula.

The Korean Peninsula Energy Development Organization (KEDO) has been much maligned, and is clearly a political rather than an economic artifact, as Noland points out. Yet KEDO is a prototype of another sort of Quadrant IV multilateral organization likely to be important, despite its clear defects, in Northeast Asia's future. Founded in 1995, as an out-growth of the Agreed Framework that resolved the 1994 North Korean nuclear crisis, KEDO has three features that may be valuable to replicate in future. (1) *Limited yet inclusive multilateral membership:* starting with a core US-Japan-ROK involvement, it has expanded to include the EU and several ASEAN nations. (2) *Functionally specific character:* building a nuclear reactor in North Korea and supplying heavy fuel oil. (3) *Non-governmental status:* facilitating informal communication, sidestepping diplomatic niceties.

While KEDO may be a dubious economic proposition, with important non-proliferation objectives whose fulfillment remains unclear, it has already exhibited clear diplomatic merits. It defused a dangerous political-military confrontation in the mid-1990s, and created time for the powerful forces of globalization and technological change to exert ever more pressure on the isolated North. Time has enhanced the leverage of the US, in the event of a possible future confrontation over the North's nuclear program. KEDO has also fostered the development of informal inter-personal back channels, previously lacking, that have helped bring North
Korea out of its longstanding paranoid isolation.

Sector-specific functional institutions in the energy and agricultural areas, as noted previously, could be especially valuable to Northeast Asian development. And they can be designed to have positive implications for security. Apart from KEDO, such organizations could:

- Promote nuclear safety: PACATOM and Asia Atom, analogous to the Euratom established simultaneously with the Treaty of Rome, have been proposed.
- Support environmental cleanup: the notion of a Japan Sea Environmental Organization that could cope with or prevent nuclear dumping, and discourage industrial emissions, inducing acid rain, has been floated.
- Oversee fishery resources: a specialized Japan Sea/East Sea fisheries organization could help finesse bitter bilateral disputes over national fishery rights.
- Promote agricultural development: a Korean Agricultural Development Organization (KADO), analogous to KEDO, could, for example, address longer-term issues of agricultural efficiency, as well as short-term food-shortage questions, in North Korea.
- Support enhanced resource extraction: multilateral bodies, for example, could oversee energy development in the East China Sea, thereby finessing conflicting Sino-Japanese territorial claims.

A variant, sector-specific organizational type, with prospective importance to Northeast Asia’s future, could be a Northeast Asian Gas Grid Organization. Northeast Asia is unique among global regions in its low degree of natural gas usage, consuming nearly 17 percent of the world’s energy, but only five percent of its natural gas. Development of a regional gas grid analogous to that now emerging in Southeast Asia requires serious exploration. Multilateral semi-governmental organization could be the way to do this.

Financing Regional Development

Transcending individual sectors, a central issue of Northeast Asian re-
Regional economic development is clearly how to spread the costs of developing Northeast Asia from the nations of the region to global capital markets. An important concept in this regard is the notion of a Northeast Asian Development Bank (NEADB).\(^7^4\)

A recent East-West Center study has estimated the cost of upgrading and expanding energy, transport, and communication infrastructure across Northeast Asia at $7.5 billion annually for the next fifteen to twenty years.\(^7^5\) Even with maximum financing from private-sector investment and bilateral official assistance, the shortfall is likely to be $5 billion annually.\(^7^6\) A new, regionally based development bank could fill that gap by providing incentives to promote a steady flow of resources toward such tasks.

From the important standpoint of US interests, three critical issues regarding a prospective NEADB would be: (1) the capital structure of such a bank, (2) the political preconditions for its establishment and operation, and (3) lending-policy procedures. Clearly the US has an interest in the political stability and economic prosperity of Northeast Asia, which such an entity could dynamically promote. Yet the US also has a vital concern that enhanced opportunities for development in North Korea not be used by the North as an opportunity to developing more sophisticated missiles and CBN weapons capable of threatening either US allies like Japan or the United States itself.

The latent danger of North Korea using its substantial CBN capabilities on behalf of terrorists, however indirectly, also needs to be foreclosed. The issue of review procedures and voting rights within an NEADB would thus become critical for security reasons. At a minimum, the US would want to have sufficient voting rights that it be able to veto sensitive loans, at least in combination with Japan, if not unilaterally. It would also want assurances that projects funded with NEADB support would be open to economically competitive US firms.

Clearly the role of South Korea in promoting multilateral regional integration schemes in Northeast Asia is potentially catalytic, both in spearheading NEADB development, in particular, and in other broader respects

1 Part One: The Security Environment Around the Korean Peninsula
as well. Situated at the heart of the region, Korea stands to benefit substantially from such accelerated integration as may occur. Korea can also greatly facilitate the integration process itself, both through its diplomatic efforts and through ongoing efforts to become a business hub for the Northeast Asian region.

As Nam Duck-Woo has pointed out, there are clearly major infrastructural preconditions for Korea’s assuming this strategic role as an economic hub for the region. A major start has been made with the new, high-capacity Incheon International Airport, but further logistical infrastructure for multinational investment, including roads, bridges, and a container part, is no doubt needed. Yet the most crucial prerequisites are in the regulatory sphere.

Korea has undergone a remarkable transition since the Asian financial crisis in key regulatory policies, particularly those relating to finance, telecommunications, energy, and corporate governance. The broad thrust has been toward a more liberal, market-oriented economic environment, which has brought in an enormous surge of foreign investment. More than $57 billion in direct investment flowed into South Korea during the first four and one-half years after the financial crisis—considerably more than the total in Korea’s entire previous economic history. The 1998-2002 inflow into Korea was also significantly more than that into a Japanese economy that was much slower to deregulate than that of Korea.

Korea’s recent liberalization steps greatly enhance its potential as a Northeast Asian economic hub, as the recent inflow of foreign capital appears to confirm. Indeed, many of the steps are highly synergistic with one another. Telecommunication and financial reforms dramatically reduce operating costs for international financial institutions, and lend credibility to the notion of Seoul as a regional financial center. Corporate governance changes are also accelerating development of equities and investment banking markets, while imparting new dynamism to the activities of local firms.

2. Northeast Asia: The “Organization Gap” and Beyond
Conclusion

Northeast Asia is distinctive in comparative perspective: both in the scale and scope of challenges to regional stability, and in its ironical absence of regional institutions that might ameliorate those problems. The region’s paradoxical “organization gap” is rooted in history, but not in the intentions of a seemingly omnipotent United States. Foreign leaders such as Japan’s Yoshida Shigeru, Korea’s Rhee Syngmun, and Britain’s Anthony Eden, for example, were more responsible collectively than US geostrategist John Foster Dulles for the original “organization gap,” although the US later came to see the resulting “hub and spokes” pattern of bilateral organization in Northeast Asia as congenial to its interests.

In contrast to Southeast Asia, and even “Greater China,” Northeast Asia lacks the well-developed “informal regionalism” that might obviate the need for formal structures. Trans-national inter-personal networks (such as overseas Chinese trading mechanisms) are neither as well-formed nor as politically grounded as further south. Gross lack of basic infrastructure, and the salience of resource extraction, also renders Northeast Asian development quite capital-intensive, making the utility of state intervention, from a developmental perspective, much greater than further south.

Northeast Asia thus confronts a profound and unusual geo-economic dilemma—one of reconciling manifest sub-regional development needs with clear national-security imperatives. This difficult tradeoff inevitably constrains the evolution of inclusive regional organizations that might be otherwise optimal. This paper suggests that Northeast Asia could clearly benefit from a greater degree of formal regional organization than it currently has, in view of developmental needs and the relative weakness of informal trans-national networks in this sub-region.

A NATO-type security alliance is clearly infeasible today in Northeast Asia, and no plausible multilateral alternative could substitute for current bilateral arrangements. Yet mini-lateralism among allies such as the US,
Japan, and South Korea has clear value. So does a stand-by six-party negotiating framework for considering contingencies such as North Korean reconstruction and arms-control, either before a prospective Korea reunification, or thereafter. More ambitious multilateral organization could also potentially be valuable in promoting confidence building and economic development, provided that such a structure was predicated on realistic prior security understandings and inclusion of key partners from outside the region, such as the United States.

Narrowly defined, sector-specific functional organizations are likely to provide the best political cost-benefit performance in politically diverse Northeast Asia. Such bodies directly address bottleneck problems typically salient in Northeast Asian development, while minimizing complexities of political management. One plausible prototype, whatever its operational constraints and inefficiencies, could be KEDO—the Korean Peninsula Energy Development Organization. Analogous multilateral bodies could also usefully be formed to deepen regional cooperation in agricultural development, environmental protection, nuclear power, and natural-gas infrastructure provision. A Northeast Asian Development Bank could also help exploit emerging economic synergies. Yet proposals for an NEADB need to consider security contexts, as well as a constructive, cooperative role for the United States.

Overall, the logic for intensified multilateralism in Northeast Asia—complementary to rather than competitive with the all-important bilateral security structure—is strong. Regional interdependence is rising, and major challenges to coordination—preeminent North Korean restructuring, either before reunification or thereafter—lie on the horizon. Such developments need not, if they are designed appropriately, threaten the fabric of trans-Pacific cooperation. Now is the time for creative thinking and transnational dialogue regarding appropriate and much-needed multilateral institutions for the future, that are sensitive to both economics and security.

Within the emerging Northeast Asian regional political economy, South Korea’s catalytic role will no doubt be important. Lying at the heart of
the region, it has important stakes in deepened integration. Through ex-
tensive regulatory reforms since the Asian financial crisis, it has also deep-
ened its capacity to play a catalytic role in integration, as the global finan-
cial community is coming to recognize. Yet supportive involvement by the
United States and Japan—contingent on credible security guarantees—will
also be crucial to long-term momentum.

Notes

1. North Korea’s reserves of chemical precursors, agents, and weapons are reportedly at
least 180-250 tons, stored mainly in mountain tunnels. North Korea is also believed to have
the basic infrastructure to produce several deadly biological agents, including cholera, an-
thrax, and plague. See Joseph Cirincione. Deadly Arsenals: Tracking Weapons of Mass


3. On the broad long-term patterns, see Kent E. Calder, “The New Face of Northeast

4. On the concept of a “Northeast Asian Arc of Crisis,” with an assessment of the strate-
gic implications, see Kent E. Calder. Pacific Defense. New York: William Morrow and

5. See Kurt M. Campbell and Derek J. Mitchell, “Crisis in the Taiwan Strait,” Foreign

6. On the distinctive normative and institutional features of this profile, from a cross-na-
tional comparative perspective, see Peter J. Katzenstein. Cultural Norms and National

7. 79 percent of Japan’s and 43 percent of China’s oil imports, for example, were from


10. On the details of PRC missile and nuclear exports, see Joseph Cirincione. Deadly


12. On the structure of this system, see Kent E. Calder. Pacific Defense. New York:


19. Ibid., Figure 11.


21. On Korean trade data, see Bank of Korea, Korean Customs Service calculations, from World Bank Data Online.

22. See Figure 2 data sources.

23. Ibid.


25. On the Toyota announcement, to establish a major new production facility in Tianjin to produce up to 100,000 small cars annually, see New York Times, August 28, 2002.

26. “Northeast Asia” in this analysis, refers to the northeastern provinces of mainland China, to North Korea, South Korea, and to Japan, but not to Taiwan.


29. Andrew Moravcsik, “Negotiating the Single European Act: National Interests and


34. See, for example, Melani Cammett, “Defensive Integration and Late Developers: the Gulf Cooperation Council and the Arab Maghreb Union,” *Global Governance* 5 (1999), pp. 379-402.


37. Ibid., p. 255.


42. The British argued, for example, that a US-led Pacific Pact, which would exclude them, owing to JCS doubts of the viability of defending Hong Kong, would undermine the security not just of Hong Kong, but also Malaya, Indochina, Burma, and Siam (Thailand).
See US Department of State. *Foreign Relations of the United States: East Asia*, pp. 143-144.

43. Ibid., pp. 132-133.


47. How fully this market orientation was observed on the East Asian side in the early postwar years is debatable, but the characterization otherwise seems appropriate. See Peter J. Katzenstein and Takashi Shiraishi, eds. *Network Power*.

48. Japan, for example, took initiative in setting up the Asian Development Bank in 1966, but its headquarters and lending has always been concentrated in Southeast Asia. Japan also initiated several trade and aid institutions, such as MCEDSEA, PAFTA, PAFTAD, and PECC, but none have had much impact, particularly in Northeast Asia. See Katzenstein and Shiraishi, eds. *Network Power*, pp. 16-18.


55. Ibid., p. 12.


57. See, for example, Harry Harding, ed. *Chinese Foreign Relations in the 1980s*. New Haven: Yale University Press, 1984, as well as Aggarwal and Morrison, eds. *Asia-Pacific
Crossroads, p. 54.

58. On Japan's response, see, for example, Gilbert Rozman, "Japan's Images of China in the 1990s: Are They Ready for China's 'Smile Diplomacy' or Bush's 'Strong Diplomacy'?" Japanese Journal of Political Science 2, 1: 97-125.

59. As theory suggests, nesting of institutions can significantly alter incentive structures for the parties involved. This clearly seems to have happened in Northeast Asia since 1998. On the theoretical problem applied to institutional bargaining games in the Pacific generally, see Aggarwal and Morrison, eds. Asia-Pacific Crossroads, pp. 33-40.


62. See Katzenstein and Shiraishi, eds. Network Power.


64. North America and the Middle East inevitably have some major prospective role in Northeast Asia's food and energy futures, respectively. See Kent E. Calder. Pacific Defense, pp. 43-61.


68. See Marcus Noland. Avoiding the Apocalypse.

69. For a survey of estimates, see Ibid., pp. 76-78. Assessing the size of the North Korean economy is extremely difficult, as Noland points out, owing to secrecy, different accounting principles, and the problem of estimating shadow prices for foreign exchange.


72. Marcus Noland. Avoiding the Apocalypse, p. 348.

73. These figures are for 2000, and include Japan, China, and South Korea. See BP Statistical Review of World Energy, 2001 edition, pp. 26-27.

74. For elaboration, see interview of former Prime Minister Nam Duck-Woo in The

75. Ibid., p. 44.

76. Ibid.


79. See Korea Economic Institute. Korea Insight, August 2002, p. 1. Foreign investment in the first half of 2002 was up 29.4 percent over the first half of 2001, to $4.8 billion.

References


Doyle, Michael W. U.N. Peacekeeping in Cambodia: UNTAC's Civil Mandate. Boulder,


______ and Takashi Shiraishi, eds. Network Power: Japan and Asia. Ithaca: Cornell


Century Fund, 1968.


Today’s world requires a new policy, a broad strategy of active nonproliferation, counterproliferation, and defenses.¹

—President George W. Bush

Introduction

With the proliferation of ballistic and cruise missiles and weapons of mass destruction (WMD), American political leaders have embarked on a long-term plan for deploying theater missile defense (TMD) as a means to protect the United States, US forces abroad, and allies.² Effective on 13 June 2002, the United States is no longer party to the 1972 ABM Treaty and missile defense is a priority with “prominence in policy, funding, and organization.”³ TMD essentially is a family of military weapon systems whose purpose is to intercept hostile missiles that have been launched, whether intentionally or unintentionally. However, the question remains whether theater missile defense is, and will be, an integrated and effective tool in achieving overall US national security goals in Northeast Asia, namely enhancing regional security and reducing the threat of weapons of mass destruction.⁴

Nowhere is this more critical than in Northeast Asia where, not only
does the US maintain an active demilitarized zone in the last hot-spot remaining from the Cold War era, but also faces an irrational and non-transparent state that actively contributes to the proliferation of weapons of mass destruction. Indeed, since the end of the Cold War, many theorists and policymakers believe that Northeast Asia may become the next trouble spot for international relations, having pessimistic views regarding future stability and security in East Asia.⁵ Peter Katzenstein writes, “Asia is the site of the next great arms race, of potentially serious political instability and security threats.”⁶ Also, President Bush included North Korea in his “axis of evil,” stressing the continuing unpredictability and irrationality of the current regime. This comes after a period (albeit short) of potential advancements in the relationship between South Korea and the North, and hope for President Kim Dae Jung’s “Sunshine Policy.”

US strategy encompasses a range of means from political, economic, diplomatic, and social to military. Perhaps owing to the nature of the threats posed by North Korea, not only to the region, but around the world, the Department of Defense seems to take the lead on formulating and crafting the (overall) strategy for Northeast Asia.⁷ Comprising the essence of US defense strategy, three interconnected and foundational tenets are the ability to project American power, to strengthen alliances, and to maintain a favorable regional military balance. As a component of a new capabilities-based defense strategy, theater missile defense is emerging as the backbone for US power projection and the principal military means to defend against weapons of mass destruction and the ballistic missiles capable of delivering such weapons. However, with the increased prominence of TMD (both rhetorically and materially) coupled with an emerging American strategy that includes a moral authority and ability to conduct preemptive strikes against perceived threats, what are the implications for allied defense relationships in Northeast Asia and subsequently the regional balance of power? Does TMD bolster or diminish US ability to fulfill its tenets of defense strategy and thus to achieve its strategic goals of enhancing regional security and reducing weapons of mass destruction?

The primary purpose of this paper is to identify how TMD might affect

⁵ Part One: The Security Environment Around the Korean Peninsula
US bilateral alliances with Japan and South Korea (considering both first and second order effects). To effectively address this, it is essential to begin with the broader understanding of US strategy because this provides the framework and context for the reasons why alliances are important in the first place. Both theater missile defense and alliances are military means employed to achieve US national security. If TMD is a critical component of US defense capabilities, then it should support fundamental defense strategy tenets. According to the Department of Defense, these tenets are interconnected and vital in achieving national security goals. As the remaining superpower with the influence and capabilities to shape the post-Cold-War, post-9/11 international order, it is imperative to identify the first and second order effects of TMD on its alliances in Northeast Asia. Additionally, the issue of transparency is central to this discussion for two reasons. First, transparency contributes to the strength and viability of US alliances. Secondly, US assessments of other states incorporate US interpretations of their relative transparency and intentions; therefore, it is equally important to identify the intentions and goals of the United States.

This paper begins with an anatomy of the general situation. First, it provides an overview of US strategy, including the national security strategy and national defense strategy. Included in this section is an outline of the fundamentals of theater missile defense and how TMD supports the national defense strategy. Then the paper specifically addresses US interests and strategy in Northeast Asia by summarizing the North Korean proliferation of ballistic missile and weapons of mass destruction, and examining US Northeast Asia strategy. Integral to the successful promotion of US interests are the two bilateral defense alliances with Japan and South Korea, and an emerging democratic, cooperative relationship between the three states. After establishing the current situation in Northeast Asia, the paper then identifies potential effects of US TMD (and America's changing strategy) on its defense relationships.

G. John Ikenberry describes a “hidden grand strategy” of American foreign policy: exporting democracy, reflecting a “very realistic view that the political character of other states has enormous impact on the ability of
the United States to ensure its security and economic interests.” While it is fashionable for some to deride this as idealistic (as opposed to realistic), it is feasible that Ikenberry’s description will also apply to American foreign policy in this post-Cold-War, post-9/11 age. President Bush is developing a new security strategy addressing the threat of terrorism, rogue states, and the complexity of not knowing who America’s foes may be in the future. In foreign policy speeches President Bush consistently refers to American values that underpin American actions and international relationships.9

During his inaugural speech, President Bush described the status of the United States as “the story of a power that went into the world to protect but not possess, to defend but not to conquer.”10 The United States believes it is—and can continue to be—a benign great power, capable of leading the world and assuming the world wants to go in the direction that America is leading. The 1999 National Security Strategy emphasizes the importance of American involvement and leadership while acknowledging that “international cooperation will be vital for building security.”11 The United States currently outpaces not only its potential adversaries, but also its allies when it comes to military and economic elements of power. Yet, in light of these relative measures of power, the United States continues vigorously to pursue higher technological prowess and domination. In so doing, American political leaders continue to stress, to allies and adversaries alike, that America’s quest for more power should not be perceived as threatening, nor destabilizing to the international structure. Why not? Primarily because Americans see themselves as a democratic power that upholds and adheres to the rule of law, promoting good, not bad.

The US national strategy has long promoted the spread of democracy to increase the zone of peace envisioned by the German philosopher Immanuel Kant in 1795.12 Again in his inaugural address, President Bush offered “The enemies of liberty and our country should make no mistake: America remains engaged in the world by history and by choice, shaping a balance of power that favors freedom. We will defend our allies and our interests. We will show purpose without arrogance. We will meet ag-
gression and bad faith with resolve and strength. And to all nations, we will speak for the values that gave our nation birth.”

Encouraging (perhaps even demanding) democratic values emphasizing individual freedom, tolerance, compromise, respect for the law, and peaceful conflict resolution both within domestic politics and international relations, the US believes it has led other democracies toward a more secure future for the last fifty years.

American leaders and policies affirm the United States’ commitment to supporting democratic values around the world. Relating open societies with increased security and prosperity, US policies continually link transparency in government with confidence-building measures designed to uphold democracies and the peaceful relations between democracies. Within the introduction of the 1998 US Security Strategy for the East-Asia Region, the text specifically argues, “Transparency fosters understanding, and enhances trust and confidence among nations.” The 1999 National Security Strategy also refers to “increasing transparency in the size, structure, and operations of military forces and building confidence in the intentions of other countries” in order to build more cooperative relationships. While referring to other states, it is important that the US itself, as a leading democratic power, illustrate and achieve transparency, reassure other states of American intentions, and build a more secure future.

What are the United States’s long-term strategic goals and what are the stated means employed to achieve these goals? Do American actions reflect its stated national values? While many Americans, including political and military leaders, believe the strategic goals are clear—to protect the United States and promote freedom—the employed means may not always be integrated and consistent. Andrew Scobell writes “In the view of many Asian leaders, the U.S. is a mighty and unpredictable power. A strong dose of predictability would help ease the jitters for most Asian states.” In his book *Ballistic Missile Defense and the Future of American Security*, Roger Handberg argues that many states question “American leadership and how that has been and will be exercised in the world. Many are crit-
ical, seeing U.S. policy as erratic, lurching from issue to issue with no general framework or strategic goal to guide decisions.” Fluctuating American policies is also the basis for Victor Cha’s analysis of the triangular relationship between the United States and its two democratic allies in Northeast Asia. Cha argues that the alignment patterns between Japan and South Korea alter according to their perceptions of American commitment and purpose.

As the US embarks on a long-term commitment to TMD, how will this affect the strategic goals and allied relationships in Northeast Asia in the near-term? Is TMD an effective means to propagate and reinforce existing security relationships with Japan and South Korea? If the US goal includes a zone of democratic states in the region cooperating with one another, what are the potential first and second order effects of TMD of which US and allied policymakers should be aware?

US National Security Strategy

US national goals include defending national security by promoting democracy. For national policymakers, strategy is a guideline between goals and available means. The word strategy comes from the Greek *strategos* meaning the “art of the general.” Basically, strategies allow a state to prioritize, distribute, and apply political, economic, social, and military means to achieve national objectives and interests. Strategic objectives should be long-term, providing consistency of purpose, and also broadly defined, allowing flexibility to subordinate agencies to define specific policies and tactics.

Democratic peace theory highlights the significance of transparency in governmental decision-making and actions. Therefore, in order to analyze the effects of TMD on US strategic objectives in Northeast Asia, a key element is understanding how the US develops and implements its national security strategy. This is especially important because the US bases its credibility as a reliable, peaceful nation on its transparency, and criticizes
other nations as unpredictable and irrational precisely because of the lack of transparency in government actions. Others may not agree with US intents and actions, but the US claims that no states may claim ignorance about them.

Development and Implementation of Strategic Objectives: Organizational Structure

National strategy encompasses a wide range of means from diplomatic, economic and social to military, although it is not readily apparent which means take priority or how the various means are coordinated. As the principal foreign policy adviser, the Secretary of State publishes the International Affairs Strategic Plan (IASP) providing a comprehensive vision of US national interests. According to the most recent IASP, the primary national interest is national security, in other words to “protect vital interests, secure peace, deter aggression, prevent and defuse crises, halt the proliferation of weapons of mass destruction, and advance arms control and disarmament.”

The US Department of State Strategic Plan then catalogs specific strategic goals supporting the primary national interest of security and identifies the lead agencies responsible for achieving those goals. Two goals specifically linked to promoting US national security are promoting regional stability and reducing the threat from weapons of mass destruction; the two primary agencies responsible for these goals are the State Department and the Department of Defense.

Within the State Department, the Under Secretary for Arms Control and International Security leads interagency policy regarding regional security, defense relations, and nonproliferation (among others). However, the Under Secretary of Defense (Policy) is specifically responsible for developing defense strategy and policy, including the conduct of alliances, missile defenses and those policies designed to reduce and counter the threat of weapons of mass destruction. In order to integrate these different departments’ strategy and policy, in February 2001, the Bush administration published the National Security Presidential Directive-1 (NSPD-1) outlining the organization of the National Security Council (NSC). The primary pur-
pose of the NSC is integrating domestic, foreign, and military policies relating to national security. With regards to national security strategy and TMD in Northeast Asia, there are three National Security Council Policy Coordination Committees (NSC/PCCs) with possibly overlapping overview: East Asia PCC; Defense Strategy, Force Structure, and Planning PCC; and Proliferation, Counterproliferation, and Homeland Defense PCC. Within these inter-departmental committees, department officials coordinate strategy and policies.

The Goldwater-Nichols Defense Department Reorganization Act of 1986 specifies that the president will submit an annual report on the National Security Strategy (NSS). Whereas the State Department’s IASP provides the “grand strategy” for US actions in international affairs, the National Security Strategy focuses on policies and tools to meet international threats, and principally is used by the DoD and intelligence agencies to derive their roles and missions. Congress also uses (in theory) this document as a general baseline to discern priorities when appropriating funds and support.

From the National Security Strategy, the Defense Department develops the National Defense Strategy. Most recently published in September 2001, the Quadrennial Defense Review (QDR) outlines this strategy. The QDR identifies the military’s strategy to support national objectives by describing the security environment and establishing defense priorities. Operationally, the Armed Forces’ ten combatant Commanders in Chief (CINCs) generally organized via geographic responsibilities (identified in the Unified Command Plan) report to the Secretary of Defense and thus use the QDR to develop their regional strategies, doctrine, and tactics to accomplish their goals. The US Pacific Command (PACOM), commanded by Admiral Thomas A. Fargo, has mission and geographic responsibility for Northeast Asia. The PACOM J5, or Strategic Planning and Policy staff, has the lead role in formulating the CINC’s strategy and policy within Northeast Asia. The PACOM CINC also has an assigned political advisor from the State Department on his staff. It may be important to note that the CINC has authority over all assigned military personnel.
within the region; however, US ambassadors, as chiefs of mission, have authority over all US government executive branch personnel in respective countries. Thus, while the armed forces have one unified command structure for the entire region, the diplomatic corps (State Department) has a separate chain of command for each nation in the region.

**Strategy: From the Old to the New**

Having described how the US develops strategy, this section provides an overview of strategic changes in the last decade. During the Clinton administration, "Engagement" characterized the national security strategy. Acknowledging the positive and negative effects of globalization, the three core national security objectives were to enhance America's security, to bolster America's economic prosperity, and to promote democracy and human rights abroad. Emphasizing the importance of America's democratic foundations as the source of both American strength and credibility, the National Security Strategy specifically recognizes "Our international leadership is ultimately founded upon the power of our democratic ideals and values." This strategy highlights the importance of creating new frameworks, partnerships, and international regimes and institutions based on the rule of law to guide and shape the international security environment toward a more democratic future.

In the late 1990s, Secretary of Defense William S. Cohen requested a comprehensive review of US national security; thus Congress mandated the bi-partisan US Commission on National Security in the 21st Century, otherwise known as the Hart-Rudman Commission. Between 1998 and 2001, this commission released three phased reports. The first report describes the global security environment in terms of the positive and negative trends of globalization and fragmentation. Phase two focuses on US interests, objectives, and strategy and Phase three outlines recommended structural and procedural changes of the US national security apparatus. Whereas previous National Security Strategies categorized US interests as "vital, important, or humanitarian," the Hart-Rudman report recommends changing the categories to "survival, critical, and significant." Survival
(vital) interests include safety from direct attack, especially from weapons of mass destruction (WMD) and the preservation of America's constitutional order. Critical (important) interests entail the security of key international systems on which America depends, including American ability to avert and check the proliferation of WMD. Significant (humanitarian) interests include the spread of democracy and market-based economies and increasing respect for human rights.

Overall the Hart-Rudman comprehensive report stresses the need for theater missile defense (TMD) capabilities in order to deal with symmetric and asymmetric threats in the future. Fundamentally the US must maintain its ability to project power globally in order to promote its political interests and maintain security. The report stresses the importance of strengthening and promoting the effectiveness of international law and international institutions, but clearly asserts that counterproliferation measures should take priority over non-proliferation efforts. However, the commission warns, "The problem is that unilateral US steps taken to assure military superiority in space may be seen by others as implying an ability to deny access to space and freedom of action there. Even if that ability is never used, it could complicate the ability of the United States to shape a benign international environment." Again, this document refers to the underlying assumption that American leaders have about American power. Americans believe in and promote the US as a democratic, benevolent power, using its advanced capabilities only when forced to respond and defend national interests. However, if this assumption is warranted, the emerging Bush doctrine may only solidify other states' perceptions of American unpredictability.

President Bush did not accept outright the recommendations of the Hart-Rudman Commission, but in his budget report to Congress on February 28, 2001, he described the need to revitalize national defense priorities asserting that a "Cold War focus continues to define our Armed Forces in terms of doctrine, structure and strategy. ... [Now] threats come from rogue states bent on acquiring weapons of mass destruction and terrorism—threats as unconventional as they are unpredictable." Charging
the Secretary of Defense to "conduct a strategy review to create a vision for the role of the nation's military in the 21st century...[that] will examine appropriate national security strategy, force structure and budget priorities," President Bush intended to redefine and clarify American priorities for the twenty-first century.\textsuperscript{32} The defense budget would only be determined once this review was complete. In May 2001, Secretary of Defense Rumsfeld acknowledged that any changes to the National Security Strategy could have enormous impact, but also said:

When (President Bush) said he wanted a review he didn't say he wanted a new strategy. He said he wanted a review, and that's what's happening. We have been engaged with the military and civilian side in reviewing...the nature of the world, our circumstance in that world and the kinds of capabilities that we're going to need. Whether that will result in a new strategy or not depends on what comes out of that process.\textsuperscript{33}

As previously mentioned, the National Security Strategy identifies international threats and focuses on the tools to meet and reduce threats. The Bush administration emphasizes the asymmetric threat of rogue states and other actors with weapons of mass destruction and the ballistic missiles capable of delivering such weapons.\textsuperscript{34} Prevention and protection from these threats come through nonproliferation, counterproliferation and defensive means. Nonproliferation describes attempts to reduce the overall number of nuclear, biological, and chemical weapons and the number of actors with such weapons. The US actively promotes nonproliferation through various international regimes such as the Non-Proliferation Treaty, the Missile Technology Control Regime, Nuclear Supplier Group activities and arms control measures. Counterproliferation and defenses include means to detect, respond, and defend against weapons of mass destruction and specifically highlight theater missile defense systems. The combined FY03 budget of the Department of Defense and the Department of Energy for counterproliferation is over $12.5 billion, a 5 percent increase from the previous year. The priority of funding is toward TMD.\textsuperscript{35}

Upon entering the office of the US presidency, President Bush intended
to reduce America's involvement in the global arena, or at least to re-examine American commitments around the world. After the terrorist attacks on American soil on September 11, 2001, some analysts see an emerging Bush doctrine redefining the purpose of the United States in light of the post-Cold-War, post-9/11 environment. A STRATFOR commentary argues, "The Bush Doctrine is based on the notion that the defense of the homeland from attacks represents an interest so fundamental that all other foreign policy interests must be completely subordinated." Does this imply potential unilateralism in American foreign policy? Or does it imply a delicate balancing act between acting alone and maintaining existing alliances built on democratic ideals of transparency and cooperation?

Northeast Asia: Ballistic Missile Programs and Proliferation Threats

We cannot put our faith in the word of tyrants, who solemnly sign non-proliferation treaties, and then systemically break them. If we wait for threats to fully materialize, we will have waited too long.

—President George W. Bush

During the Gulf War, a single SCUD killed 28 American soldiers and injured 99. Since this event, policymakers and military practitioners have realized the growing threat from ballistic missiles and weapons of mass destruction (WMD). Traditionally WMD has included nuclear/radiological, chemical, and biological agents; however, recently some government agencies have included conventional weapons causing mass casualties in the overall definition. In July 1998, the Commission to Assess the Ballistic Missile Threat to the United States (the Rumsfeld Commission, named after the chair, Donald Rumsfeld) submitted a report to Congress focusing on the threat to the territory of the United States itself. Their inquiry concluded that rogue nations, including North Korea, with aggressive ballistic missile programs pose a substantial and ever-increasing threat. A major distinction from previous state efforts to build missile programs is that
these rogue states do not follow the US-USSR pattern from the Cold War. Whereas the superpowers emphasized accuracy, reliability, and safety when developing ballistic missile programs, today many states simply emphasize acquiring basic capabilities. Rogue states see the political advantage in having ballistic missile programs because it gives them power relative to the superpower(s). Also, because of the increasing international commerce and foreign assistance between states with ballistic missile programs, states developing their missile programs have nearly continuous support, and much of it is covert.39

A Council on Foreign Relations Task Force report on Northeast Asia agrees on the North Korean menace, "For the United States, the security menu of threats includes nuclear weapons, ballistic missiles, chemical weapons, biological weapons, and, at the core of the confrontation, conventional forces."40 The North Korean missile program includes not only indigenous testing, development, production, and deployment, but also exportation. North Korean missile sales to other states contribute not only to increasing regional instability in other parts of the world, but also potential terrorist threats.41 In 1993, the DPRK also refused access to nuclear sites by International Atomic Energy Agency (IAEA) inspectors and threatened to withdraw from the Nonproliferation Treaty (NPT). The immediate crisis was averted; however, despite the October 1994 Agreed Framework freezing North Korea's declared nuclear facilities, the DPRK may have more nuclear activities than it initially reported to the IAEA. The regime thus also remains a potential threat to nonproliferation of weapons of mass destruction.42

In December 2001, the National Intelligence Council released its fourth annual report on “Foreign Missile Developments and the Ballistic Missile Threat Through 2015.” According to the unclassified summary of this intelligence estimate, "The trend in ballistic missile development worldwide is toward a maturation process among existing ballistic missile programs rather than toward a large increase in the number of countries possessing ballistic missiles."43 The ballistic missile arsenals of potential adversaries are becoming more technologically advanced with longer-range
capabilities. This poses a new threat to the continental United States from rogue states that previously had only short-to-medium range missile capabilities unable directly to reach the US. However, the technology required for developing longer-range missile capabilities can be challenging, and most states with emerging weapons programs depend on foreign assistance to get over "humps" in research and development. A primary reason that the US cites North Korea as a major contributor to the proliferation of ballistic missiles is that

North Korea has assumed the role as the missile and manufacturing technology source for many [missile] programs. North Korean willingness to sell complete systems and components has enabled other states to acquire longer range capabilities earlier than otherwise would have been possible.

While North Korea also poses an immediate threat via its massive conventional forces facing the Republic of Korea and US forces stationed in the region, in the context of TMD, US policymakers focus predominantly on ballistic missile inventories and proliferation immediately posed by North Korea. Although unstated by most US policymakers, China may also be a future threat with a current inventory of 300 nuclear missiles that includes 10 intercontinental ballistic missiles with an effective range of 13,000 kilometers, 10-20 strategic missiles with an effective range of 4,750 kilometers, and 100-150 strategic missiles with an effective range of 2,650 kilometers. North Korea has nuclear, chemical, and biological weapons and ballistic missiles capable of delivering such weapons of mass destruction. Its missile inventory includes hundreds of No Dong missiles capable of reaching South Korea, Japan, and US military bases in Northeast Asia. On August 30, 1998, North Korea demonstrated its longer-range capabilities with a Taepo Dong I missile launch across the Sea of Japan and the island of Honshu. Although extending a moratorium on flight-testing its Taepo Dong II missile with ranges extending over parts of the continental United States, North Korea continues to develop this technology, and its self-imposed ban on flight-testing is in place until only 2003.
Understanding the North Korean regime’s motivations and intentions may be critical to efforts to address and relieve this threat. The regime of Kim Il Sung, and his son and successor Kim Jong Il, adheres to a blend of nationalistic and Marxist-Leninist ideology called *juche.* Guiding both domestic and foreign policies, *juche* demands independence, self-defense, and self-reliance for North Korea as the one “true” Korea. Article Three of the North Korean Constitution reads, “the DPRK is against imperial aggressors, and it is a revolutionary regime which embodies the spirit of national independence. ...” Begun in the 1950s, North Korea’s missile program not only provides self-defense and economic self-sufficiency (via its export market), but also serves as a key political bargaining tool to “exert leverage” vis-à-vis the United States, which North Korea views as an imperialist power still occupying the southern part of the Korean peninsula. The legitimacy of the North Korean regime is directly intertwined with this ideological solidarity of independence and resistance to bowing to the United States and its “puppet” of South Korea. Indeed, North Korean rhetoric continues this theme. In June 2000, on the first day of an inter-Korean summit, the Pyongyang news service published a statement that the “struggle against the US strategy for world supremacy is the only way for ensuring global peace and security and building a free and prosperous new world.”

North Korea maintains a “military first” policy and remains committed to its goal to reunite the Korean peninsula under its leadership. However, since the end of the Cold War it has lost its primary patrons, namely Russia and China. It is noteworthy that while China generally continues to support North Korea, China has stated that it is not required to support North Korea with military forces if North Korea launches an attack, despite its Mutual Cooperation Treaty with North Korea. China now maintains a two-Korea policy and is developing a robust economic relationship with South Korea.

US policymakers believe they understand the intent of North Korea: to continue its domestic missile program and international exportation of its technology and products and to reunify the Korean peninsula under North
Korean control, possibly through violent means. Although President Bush explicitly remarked that the US has no intentions of attacking North Korea, in light of the somewhat sweeping combined changes of US military policies (operations in Iraq, a doctrine of pre-emptive strikes, a flexible nuclear policy, and a commitment to exporting American democratic values), many allies have become nervous about American intentions and potential actions.

**Current US National Defense Strategy**

We are committed to defending America and our allies against ballistic missile attacks, against weapons of mass destruction held by rogue leaders in rogue nations that hate America, hate our values and hate what we stand for. —President George W. Bush

According to the Department of Defense Quadrennial Defense Review (QDR), “America’s goals are to promote peace, sustain freedom and encourage prosperity... [and the] purpose of the US Armed Forces is to protect and advance national interests.” A definitive change from previous defense strategies, this QDR focuses on a capabilities-based, rather than a threat-based strategy. In other words, rather than predicting where and against whom our armed forces may fight (threat-based), this strategy focuses on how a potential adversary may fight (capabilities-based). This acknowledges the unpredictable global environment and promotes flexibility for US armed forces while also affirming the key role of improving technologies.

A top-priority for the transformation initiatives associated with a “capabilities-based” strategy is the development of missile defenses. “The continued proliferation of ballistic and cruise missiles poses a threat to US territory, to US forces abroad, at sea, and in space, and to US allies and friends. To counter this threat, the United States is developing missile defenses as a matter of priority.” The QDR highlights a new “refocused and revitalized” missile program emphasizing broad-based research on var-
ious technologies and systems. Reflecting this administration's national priority on missile defense, Secretary of Defense Rumsfeld elevated the previous Ballistic Missile Defense Organization to the Ballistic Missile Agency in January 2002. The purpose of ballistic missile defense is to protect US forces and interests and to devalue the utility of potential adversaries' strategic missiles, thereby dissuading them from contemplating their use. Many argue the emphasis on missile defense reflects a strategic shift from Cold War deterrence (MAD) to dissuasion. During the Cold War, both superpowers were assured of their retaliatory mutual destruction because of the overwhelming arsenals on both sides; this provided deterrence. Today, no state matches the arsenals of the US; therefore, missile defense seeks "to convince potential adversaries that launching ballistic missile attacks against the United States, its allies, and friends would be futile." Of course, a question remains whether it is possible to dissuade irrational, rogue states that pose the most immediate threat from ballistic missiles and weapons of mass destruction.

The Bush Administration's Nuclear Posture Review also reflects the capabilities-based approach and military transformation outlined in the Quadrennial Defense Review. Since 1992, a rationale for the maintenance of US nuclear forces has been deterring the development and use of weapons of mass destruction. Missile defense is an integral component of the updated nuclear posture designed to provide flexibility in responding to asymmetric threats including those posed by actors with weapons of mass destruction. While deterrence remains a function of America's nuclear force, the current nuclear posture calls for a synergy between all defense assets, including nuclear forces, that will "dissuade adversaries from undertaking military programs or operations that could threaten US interests or those of allies and friends." This can be interpreted as potentially activist, especially in light of the additional nuclear posture requirement to update the US nuclear infrastructure allowing the US to develop "new capabilities." During a special briefing on the Nuclear Posture Review given in January 2002, the Assistant Secretary of Defense for International Security Policy, J. D. Crouch, highlighted that unilateral reductions in the
number of deployed nuclear weapons goes hand-in-hand with the deployment of ballistic missile systems, and this preserves the transparency of US government intentions.\textsuperscript{59} However, it may also be important to note that while President Bush intends to reduce the levels of \textit{deployed} nuclear weapons from around 6,000 to 1,700-2,200 within the next decade, the US still maintains an active and inactive reserve of nuclear weapons.

According to the DoD's \textit{Quadrennial Defense Review} (QDR), projecting US power, strengthening alliances, and maintaining favorable regional balances of military power are also fundamental tenets of the overall military strategy. Power projection is the ability to rapidly and effectively deploy US forces, a capability that reassures allies, specifically those with whom the US has mutual defense treaties. Power projection also provides the United States with expanded flexibility to respond to situations around the globe affecting national interests. Alliances and partnerships ensure access and assistance in promoting American goals of peace, freedom, and prosperity. The QDR requires that US forces train and operate with allies and friends in peacetime as they would operate in war. This includes enhancing interoperability and peacetime preparations for coalition operations, as well as increased allied participation in activities such as joint and combined training and experimentation.\textsuperscript{60}

During his commencement speech to the Class of 2002 at the United States Military Academy at West Point, President Bush told the new military officers to be prepared. More significantly, he then presented a significant change in American strategy from one of containment and deterrence to one that incorporates pre-emptive action against future threats involving ballistic missiles and weapons of mass destruction.\textsuperscript{61} Again, critical in determining potential US pre-emptive action is the knowledge of foreign actors' intent—linking the issues of transparency and the types of values for which nations stand. The \textit{Quadrennial Defense Review} is clear that the purpose of US Armed Forces is not only to protect, but also to advance US interests. Although the US has not fallen victim to any terro-
rist missile attacks, the 9/11 horror and numerous subsequent threats, some involving weapons of mass destruction, have given added impetus to the Bush administration's insistence on TMD as a major component supporting US strategy and freedom of action.

**Theater Missile Defense**

We are trying to develop the best capability to defend against ballistic missiles of all ranges, and including our deployed forces, by the way. I mean, and once you're protecting your deployed forces, you're almost by definition protecting allies.

—Paul Wolfowitz

Missile defense itself is the ability to intercept incoming missiles, whether to destroy the missiles in flight, or damage and thus divert them from their intended target. In a global environment of rapid technological innovations and the diffusion and proliferation of these technologies among allies and potential adversaries alike, the United States is basing its national military strategy on "full spectrum dominance," in other words, overwhelming military superiority in all facets of operations.

Fundamental to the US preserving its status is its ability to project power and defend American interests. A vital component of power projection, theater missile defense provides protection from hostile missiles to deployed forces around the globe.

In order to shoot down incoming missiles (or aircraft for that matter), one must first be able to see them. Missile defense weapon systems usually consist of sensors (radars) to detect, track and identify targets and weapons (missiles or lasers) to intercept the hostile targets. Currently US armed forces have some air defense weapon systems capable of performing these tasks, most notably the PATRIOT weapon system which was tested during the Gulf War. Basic debates involving theater missile defense are both political involving intentions, and technological involving capabilities. I will briefly cover some basic technological aspects and then
later focus on political implications of TMD relevant to US national strategy and alliances in Northeast Asia.

Theater missile defense systems defend against incoming hostile missiles at two different altitudes, or "tiers"—lower tier (within the atmosphere or endo-atmospheric) and upper tier (outside the atmosphere or exo-atmospheric). One obvious advantage of upper-tiered systems is the ability to shoot-down hostile missiles earlier, rather than waiting until the missiles reenter the earth's atmosphere and are thus closer to their targets. The US currently has no upper-tier operational systems; however, the Army's THAAD system (theater high altitude air defense) and the Navy's sea-based midcourse system have both had successful missile intercepts during testing. Advanced theater missile defense R&D also focuses on developing the ability to intercept hostile missiles soon after their launch, requiring exceptionally precise sensor capabilities (to immediately detect missile launches) and extremely high-speed missiles (to intercept hostile missiles at the beginning of their flight paths). Differing sensors and weapons capabilities are required to intercept hostile missiles at each stage of a missile's flight path (whether immediately after launch in the boost phase, outside the atmosphere in the mid-course phase, or inside the atmosphere closer to the intended target during the terminal phase). Different systems also focus on the various ranges of hostile ballistic missiles. The heart of much of the technological and political debate over missile defense centers on where to place R&D priorities—which capabilities are most important and when.

Until recently US policymakers emphasized the distinction between national missile defense (NMD) and theater missile defense (TMD). Whereas national missile defense essentially describes the concept of a stationary system designated to protect the US homeland, the name theater missile defense reflects this defense system's purpose to protect armed forces in combat theaters of operations. TMD by design must be transportable (to be deployed into various theaters of operation), mobile (to respond to a fighting/advancing force), flexible (to operate under diverse environmental conditions), and robust (to defeat various enemy missile capabilities). The
Bush administration's rhetoric and policy changes have tried to eliminate the distinction between national missile defense and theater missile defense.

In Congressional hearings in 2001, the Director of the Ballistic Missile Agency, Lieutenant General Ronald Kadish, testified:

The definition between theater and national [missile defense] is a geographical one. And in the missile defense business, it's where you place your sensors and weapons that have an impact on geography. So all aspects of the program can be viewed as protecting our allies or necessary to protect our allies as well as the US and deployed forces.

Deputy Secretary Wolfowitz continued the testimony summarizing:

Secretary Rumsfeld's strong view that it was very artificial both technologically and politically to make an arbitrary distinction between different ranges or different categories of people that you're trying to protect.65

However, at this stage of America's technological capabilities, this statement glosses over the current realities of American missile defense capabilities and perhaps oversimplifies American short-term political intent.

The "refocused and revitalized" missile programs of the Ballistic Missile Agency now attempt to integrate land-, sea-, air-, and space-based systems for a comprehensive, "layered" defense against hostile missiles. Programs are now deemed flexible, responding to the advances in research, development, and testing across a myriad of systems. In other words, the progress of the research will drive which systems come to fruition, as opposed to focusing on making a specific system develop. However, a Naval Studies Board raised concerns during a recent evaluation of US TMD Research and Development programs and priorities. Concluding its review in 2000, the Board writes, "Since the Gulf War, BMDO [Ballistic Missile Defense Organization, now the Ballistic Missile Agency] programs have emphasized the acquisition of theater missile defense (TMD) systems and national missile defense rather than R&D."66 This reflects a concern held by

---

3. Democratic America in Northeast Asia: US Strategy, Theater Missile Defense, and Allied Relationships 95
many, including allies, that US leaders are committed to deploying a system before it is truly operational in combat.

Indeed, according to the fiscal year 2003 missile defense budget statement, more emphasis and dollars are placed on acquisition of ground-based systems (the generic name given to the outdated concept of "national missile defense") because the "initial goal is to provide limited protection against long-range threats for the United States and potentially our allies within the 2004-2008 timeframe." Thus, despite US public statements about artificial distinctions between assets protected by missile defense systems, and the importance of consulting with allies, US policy remains focused on deploying a ground-based missile defense system on US soil (ground-breaking just occurred at Fort Greely, Alaska). On June 11, 2002, Philip Coyle testified before a House Committee on the unrealistic and potentially damaging accelerated development and deployment of theater missile defense. He writes:

Perhaps most important, the proposed residual capability [of the successor system to national missile defense] would not prevent or deter an enemy from threatening our friends and allies. This is a central tenet of the Administration's approach to missile defense, but it would not be achieved with this [ground-based missile defense system].

Why are these distinctions significant? Theater missile defense, the layered, comprehensive system described by American political leaders, one day will be a family of weapon systems providing overlapping defense from hostile missiles to the US and its allies. Yet according to many analysts the ability to provide a layered-approach will not be feasible for nearly another decade. Philip Coyle warns that "it would make little sense to predicate strategic decisions on a defense that does not exist... the Bush administration should not base its foreign policy on the assumption that during its tenure it will be able to deploy defenses to protect the United States from strategic missiles." Driven partly by the requirements identified in the Nuclear Posture Review, the US Ballistic Missile Agency is focusing on acquiring rudimentary missile defense systems in the near-term,
with less emphasis and money spent on both realistic, operational testing and advanced technology development prior to actual deployment of such systems.\textsuperscript{70}

Therefore, a logical conclusion one can draw is that currently theater missile defense systems play a predominantly political and strategic role, rather than a strictly operationally defensive role. Accurate defenses should be tested thoroughly in realistic combat situations in order to provide reliable protection from hostile missiles. For political purposes, the acquisition of a rudimentary system may suffice. Many potential adversaries with emerging missile programs employ the same logic, seeing the immediate political effectiveness of simply having ballistic missiles. Describing the effects of Iraq’s use of SCUD missiles during the Gulf War, Roger Handberg writes, “For weaker states, the message was clear—mere possession of such weapons made a more substantial threat than their objective military value merited.”\textsuperscript{71}

**Northeast Asia Strategy**

Since 1945, US strategic objectives in Northeast Asia have included preventing the emergence of a hostile regional hegemon, fostering an environment conducive to US values and interests, and ensuring American access to regional markets and resources. While Ikenberry describes the American strategy of promoting democracy as “hidden,” in Northeast Asia it has been both obvious and successful. The United States has been a proponent and an integral component (via its bilateral security alliances) to the establishment of democratic governance within its two chief allies of Japan and South Korea. Secretary of State Colin Powell affirmed the continuation of this general strategy in his remarks at the Asia Society’s annual dinner in June 2002. “Therefore, our first goal and highest priority for Asia must be to help create the secure conditions under which freedom can flourish—economic freedom and political freedom.”\textsuperscript{72}

The military objectives of the US armed forces in the region, PACOM,
are to deter war, respond to crises, and defeat adversaries if deterrence fails. US military presence assists in shaping the regional security environment by "mitigating the impact of historical regional tensions and allowing the United States to anticipate problems, manage potential threats and encourage peaceful resolution of disputes." Again, central to protecting and advancing US interests are the tenets of US power projection, affirmation of existing alliances, and maintenance of a favorable balance of power in the region. Eberstadt and Ellings write, "Forward-looking strategic analysis requires not only a solid grounding in historical realities... but also up-to-date knowledge about the expectations and intentions of the major actors who stand to shape the international strategic environment." Therefore, I will review the two bilateral security alliances and comment on the bilateral and trilateral relationships as they stand today.

US-Japan Security Alliance: Reasons, Roles, and Responsibilities

Established in 1951, US leaders view the US-Japan security alliance as a cornerstone to promoting US interests and regional stability. From the beginning, the purpose of the US-Japan alliance was to stem the influence and perceived expansion of the Soviet Union. Believing the world's five key industrial power states included the US, UK, Germany, Japan and the USSR, George Kennan described America's vital task as keeping the remaining nations "out of hostile hands." Although based on the communist threat, the initial structure of the alliance also revealed an American desire to rein-in the previously militaristic tendencies of Japan. The alliance also fulfilled Japanese leaders' desire to "restore Japan's position of honor and respectability in international society." Even though Japan proposed a military alliance with the US as early as 1947, it was not until American policymakers became convinced of an active communist military threat that the relationship solidified into a bilateral military alliance.

Having constitutionally limited the Japanese military to self-defense, reneged its sovereign right to wage war and committed itself to be a non-nuclear power, Japan's primary contributions to its defense and regional se-
curity are twofold: (1) providing access to and financial assistance for bases in Japan for American armed forces and (2) promoting democracy and stability through economic development. With the end of the Cold War, the US and Japan reaffirmed and strengthened the alliance, now focusing on regional security and the potential threats from North Korea and China (without specifically naming China). Since 1996, the US and Japan have concluded a number of agreements facilitating closer peacetime cooperation between the two nations.\textsuperscript{78} Included in this alliance cooperation is an expanding peacetime and regional conflict role for the Japanese Self Defense Forces (SDF). Formalized in 1999, the most recent agreements make “it easier for Japan’s military to cooperate with the United States in any security crisis in East Asia.”\textsuperscript{79} While increasing its defense diplomacy with regional armed forces and the United States, the Japanese may now provide logistical support for US forces conducting training and peacekeeping operations, and perform search and rescue operations in the “areas surrounding Japan.” Peter Katzenstein describes the security treaty as having “acquired a global scope”\textsuperscript{80} going beyond its initial purpose of defending Japan from a direct attack.

Following the September 11th terrorist attacks in the US, the government of Japan rapidly passed a series of legislation profoundly changing Japan’s defense and security policy. Each of the Self Defense Force (SDF) components (ground, sea, and air) is increasing its operational tempo and responsibilities in the wake of these new threats. In October, a new Anti-Terrorism Special Measures Law authorized the SDF to provide rear area logistics support for US military operations in Afghanistan for a period of two years. This marks the first time since World War II that SDF forces will conduct operations overseas during an armed conflict, although SDF missions remain restricted from operating in active combat zones. The same Diet session also revised Japan’s Self-Defense Force Law, allowing Japanese forces to help guard US facilities in Japan while previously the civilian police performed this duty.\textsuperscript{81} Additionally, in December 2001, the Diet revised the 1992 Peacekeeping Operations Law (PKO) expanding the number of acceptable SDF missions and easing re-
strictions on the use of weapons; SDF troops may now use weapons to protect others under their operational control during peacekeeping operations. Changes in Japan’s defense and security policies reflect the Japanese emphasis on both maintaining and advancing active peacetime operations with US forces within the alliance structure and promoting international cooperative security efforts through non-combative means (although the US interestingly defines itself in a state of war against terrorism).

In the immediate post-Cold-War years and the changing international environment, Japan seemingly struggled with its strategic purpose. Accustomed to relying on US defense for protection from the known communist threat, Japan had focused nearly exclusively on its economy. However, Japan has incrementally increased its integration into active military operations with the US, and many Japanese leaders now openly discuss eventual possibilities of revising the Japanese constitution and even its non-nuclear principles. While the current Prime Minister Koizumi affirms these changes will not take place, the ability to debate openly Japan’s purpose and means is a valuable sign of the strength of Japan’s stable democracy. Japanese leaders also highlight transparency as an important element of democratic government policies and actions. The Minister of State for Defense and Director-General of the Defense Agency introduces Japan’s defense guidebook *2001 Defense of Japan* with “[t]his is the evidence of transparency in Japan’s defense policy, and is also of great significance in that it further promotes, among other countries, understanding of and confidence in our country.”

Stressing international cooperation as a primary means to peace (and reducing threats from weapons of mass destruction), Japan emphasizes its membership in international regimes such as the Nuclear Non-Proliferation Treaty, International Atomic Energy Agency, Nuclear Suppliers Group, Comprehensive Test-Ban Treaty, and the Missile Technology Control Regime. In September 1998 (following the North Korean Taepo Dong I missile launch), Japan also committed to joint ballistic missile defense research with the United States after consistently rejecting such efforts in the
early 1990s. However, within the 2001 Defense of Japan, Japan outlines its expectations for future missile defenses and explicitly (and politely) points out that the US should not act unilaterally on the subject of missile defense. “Japan hopes that the issue of missile defense be dealt with in a manner to contribute to the improvement of an international security environment including efforts for arms control and disarmament, and welcomes the expressed intention of the United States to fully consult with its allies, Russia, and other countries.” Thus, Japanese strategy also combines nonproliferation, counterproliferation, and defenses, but places a higher priority on cooperative nonproliferation efforts.

Joint technical theater missile defense research with the US began in 1999 and focused specifically on missile technology for the (former) Navy theater wide (ntw) defense system. Allocating more than $8 million in the Fiscal Year (FY) 1999 budget to begin TMD research, the “Defense Agency appropriated 2.048 billion yen in FY2000 and 3.708 billion yen in FY2001 as expenses necessary for the design and trial manufacture of the four main components of the Navy Theater Wide Defense (NTWD).” This sea-based system would deploy on Aegis destroyers, assets the Japanese Maritime Self-Defense Forces already possess.

Japan’s fiscal year 2002 TMD budget included 6.6 billion yen ($49.2 million), twice the level of the previous year’s budget. Although the “refocused and revitalized” US missile defense priorities have re-designated NTW as the sea-based midcourse defense and relegated it to a distant-second compared with the ground-based midcourse defense system (formerly the national missile defense system), the US Ballistic Missile Agency has allocated $3.3 billion over the next five years for sea-based missile defense systems and of this, the FY 2003 budget allots $79 million annually for five years toward the cooperative research with Japan. Yet, recent changes in Pentagon missile defense priorities may affect the fundamental theater missile defense cooperation between the alliance partners. US emphasis on near-term (2004-2008) deployment of both ground and sea-based missile defense systems does not coincide with Japan’s decision to participate in “research and study,” but delay any “deployment” or
“mass production and deployment.”

Focusing specifically on the missile threat from North Korea, Michael Green asserts Japan requires both lower- and upper-tier levels “based on a combination of Aegis cruisers at sea, AWACS in the air, and surface-to-air missiles such as Patriot and THAAD (theater high-altitude air defense) on land.” While Japan is cooperating on future TMD technologies, Japan already has a maturing capability to provide for its own air and missile defense. Japan currently has 24 operational PATRIOT fire units deployed in fixed sites predominantly near geopolitical centers and airbases in Japan. Over the next four or five years, these units will continue to upgrade their capabilities to “PDB-4 Configuration TWO.” A unique feature of Japan’s weapon industry is the fact that, unlike all other countries owning PATRIOT, a Japanese firm (Mitsubishi Heavy Industries) produces its own missiles via a technical assistance agreement with the Raytheon Corporation. Also, while most allies owning PATRIOT train their forces at the US Army Air Defense Artillery School at Fort Bliss, Texas, Japan conducts its own PATRIOT training in Japan.

US-ROK Security Alliance: Reasons, Roles, and Responsibilities

The US and the Republic of Korea (ROK) signed the Mutual Defense Treaty in 1953 following the ceasefire in the Korean War. Article Three specifies:

Each Party recognizes that an armed attack in the Pacific area on either of the Parties...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.

Specifically the treaty addresses the communist threat from North Korea and its former patrons in the Soviet Union and China. Although Russia and China both established diplomatic relations with the Republic of Korea in 1990 and 1992, respectively, North Korea remains a hostile adversary with the world’s fifth largest military and the largest special operations force, most of whom are deployed within miles of the demilitarized zone.
located less than 50 kilometers from the capital of South Korea. Therefore, although the Cold War is over and the US-Japan alliance has adjusted to a new strategic goal of promoting general regional security, due to the immediate threat posed by North Korea, the US-ROK alliance has not fundamentally altered its focus, and the centerpiece of Korean security efforts remains deterrence of hostilities from the North.

Whereas from the beginning of the bilateral alliance system in the early 1950s Japanese leaders enjoyed the flexibility to focus on political (democratic) and economic (free-market) development because of the US security umbrella and the lack of an immediate threat to Japan's survival, the circumstances on the Korean peninsula did not allow the new ROK the same opportunities. Korean political leaders maintained (as many do today) a zero-sum mentality with regard to the North. The immediate focus for South Korea was state survival. Authoritarian governments dominated until the late 1980s with the election of former general Roh Tae Woo. Therefore, democratization remains an emerging and perhaps fragile system in South Korea. Indeed, the ROK still maintains a National Security Law banning any activity deemed subversive, including communism.

US Forces Korea (USFK) maintains 37,000 troops in South Korea, and South Korean forces, numbering 650,000, perform an active, integrated role in the defense of the ROK. There are technically three military chains of command operating in South Korea. Established in 1950, the United Nations Command continues to maintain the Korean armistice agreement; in 1978, the Combined Forces Command was created to coordinate operations between the US and Korean forces. Former Commander of US Forces Korea, Commander-in-Chief of the United Nations Command, and the ROK-US Combined Forces Command (a triple-hatted job), General Thomas A. Schwartz describes the alliance as "fully inter-operable in all aspects of joint and combined war fighting. ... Our powerful alliance is built on values of trust, mutual respect, and transparency." Indeed, unlike the US relationship with Japan that traditionally has restrained Japanese defense capabilities, the US-ROK military relationship is more robust and
combat-tested. During the Vietnam War, South Korea sent two infantry divisions, soldiers who fought according to US doctrine and tactics and with advanced US weaponry.94

Already facing a constant artillery threat from North Korea to the majority of its population located in the capital of Seoul, South Korea has not been particularly troubled by North Korean missile proliferation. Yet, in April 1994 during the nuclear crisis with North Korea, the US deployed a PATRIOT battalion (1st Battalion, 43d Air Defense Artillery) from Fort Bliss, Texas, permanently re-stationing the unit in the ROK. Dr. David Finkelstein argues this move reflects American political resolve and positioning because the significant military threat remains conventional artillery and not hostile missiles with weapons of mass destruction.95 Thus, this represents a precedent for deploying theater missile defense systems in the region for political, rather than strictly operational purposes.

However, ROK defense leaders themselves have emphasized offensive capabilities over defensive capabilities in deterring the missile threat from North Korea.96 Hemmed by a 1979 agreement with the US limiting the allowable range of South Korea’s missiles to only 180 km (112 miles), South Korea negotiated for years with the United States and finally joined the Missile Technology Control Regime in January 2001. By joining this regime designed to prevent the proliferation of longer-range missiles, South Korea now may expand its missile inventory to include missiles with a range up to 300km (190miles). Edward Olsen explains that South Korea wanted “enough latitude to be more self-reliant and the ability to maintain its own form of missile deterrence against North Korea.”97 Indeed the longer-range missile capabilities now provide South Korea with the ability to target critical North Korean assets. Despite heavy lobbying throughout the 1990s from the US emphasizing the importance of alliance interoperability and the advancing North Korean threat, South Korea has resisted buying US TMD weapon systems. Instead, in the last decade Korea has developed its own indigenous short-range missile defense system (a surface-to-air missile named Chorima), has purchased missile defense systems from France, and has focused efforts on autonomous offen-
sive capabilities to deter the North.

One additional note about the types of forces employed by the US-ROK alliance is the absence of nuclear weapons. In September 1991, President Bush announced the unilateral withdrawal of tactical nuclear weapons; South Korean President Roh then called for a nuclear free zone. These actions led to a North Korean-South Korean Declaration on the Denuclearization of the Korean Peninsula in 1992 and the Agreement on Reconciliation, Non-Aggression and Exchanges and Cooperation in 1992. However, it is interesting to note that in the 1970s when US commitment seemed to wane, South Korean President Park declared South Korea would and could develop nuclear weapons if the US withdrew its nuclear umbrella.98

US-Japan-ROK: Relations and Cooperation

In 1965, at the urging of the United States, Japan and the Republic of Korea normalized relations, but through nearly forty years of starts and stops in this developing relationship, Japan and South Korea have yet to thoroughly dispel old perceptions and historical memories of each other and solidify their relationship. The Koreans continue to admonish Japan about its inability to honestly acknowledge its past (lack of Japanese accountability) and even define Korean nationalism in part as anti-Japanese.99 In this regard, the maintenance of the US-Japan alliance is critical because “regional stability depends upon the perceived limits of Japan’s security role. That is especially important to Beijing and Seoul, but is also a factor in capitals throughout the region.”100 Gerald Curtis also explains “Attitudes toward Japan vary widely within the region. China and the two Korean states, the countries closest to Japan and the ones to suffer the most during Japan’s militarist era, are the most suspicious and fearful that Japan will seek to flex its political muscles in the region and once again become a major military power.”101 Even as recently as December 2001, a public opinion poll in the Asahi Shimbun revealed that nearly 30 percent of South Koreans polled viewed Japan as a primary threat.102 Yet a Japanese official stated in 1992 that the military alliance with the United

States "gives us the credibility that as long as US forces are stationed in Japan, we won't act independently." 103

On the other hand, the Japanese continue to uphold their assumed superiority over Koreans, partly due to the disdain of the authoritarian regimes in Korea from the 1950s through the 1980s. Yet the North Korean threat seems to bring the US, Japan, and South Korea together, at least to formally consult and coordinate their respective policies toward the DPRK. All three states are principal supporters of the Korean Peninsula Energy Development Organization (KEDO), established following the 1994 Agreed Framework freezing North Korea’s nuclear weapons program. KEDO’s purpose is to build light-water reactors, with low proliferation risk, in North Korea. Since 2000, officials from all three allies also have met under the auspices of the Trilateral Coordination and Oversight Group, the most recent meeting occurring June 17-18, 2002, in San Francisco. Victor Cha also adds that democracy itself is a “trend that weighs strongly in favor of a positive reconstruction of the Japan-Korea relations.” 104

All three governments continue to promote cooperation and greater understanding of each other’s intentions. On the surface, the three states are maintaining a positive, cooperative image and the above statement by the Trilateral Coordination and Oversight Group reflects a belief that unilateral actions without consultation will not lead to success for any of the democratic allies. Indeed, all three states participate in not only diplomatic meetings but also military exercises such as the biennial, multinational RIMPAC (rim of the Pacific) exercise. However, it is important to look beyond the public statements because “[n]ational leaders are prone to describe their allies in overly flattering terms, and to overstate the level of compatibility and identification between them, both to convince adversaries that the alliance is firm and to sustain domestic support for potentially costly commitments.” 105 Despite American leaders’ continued public emphasis on coordination and close consultation with allies, this has not been consistent policy. For example, in 1997, Bates Gill described sources of tension within KEDO: while South Korea is a primary financier, the US often dictates the direction of the program. 106 In 2000, the US made deci-
sions affecting the direction of the theater missile defense program, including the US-Japanese cooperative research, without consulting Japan. Also, in 2002, the US also informed both Japan and Korea after-the-fact that the US would not certify North Korea as having adhered to the 1994 Agreed Framework.

The US defense strategy insists that the maintenance of alliances is fundamental to its success and an integral component of maintaining regional security in Northeast Asia. On the surface, there is growing cooperation between the United States, Japan, and Korea; however, it is imperative that the US coordinate and integrate its own policies and assess the effects of US decisions on its regional relationships in order to promote the viability of these alliances.

**Impact of Theater Missile Defense**

America’s identity as a liberal democracy has affected not only US policies, but other nations’ attitudes toward the United States. John Ruggie suggests, “American hegemony was every bit as important as the fact of American hegemony in shaping the post-World-War-II international order.” Now the Bush administration is attempting to shape a new post-Cold-War, post-9/11 international order—again with a “moral clarity” of promoting democracy, including its elements of transparency. In a world with only one superpower, and a superpower that sees itself as a force for good through its efforts to promote democracy, cooperation, and transparency and to fight for peace, the US still maintains considerable influence over its allies. These relationships benefit both the US and the Pacific allies; however, with the increased prominence of theater missile defense (both rhetorically and materially) coupled with an emerging American strategy that includes a feeling of moral authority and ability to conduct preemptive strikes against perceived threats, what are potential first and second order effects of TMD on allied defense relationships? Does TMD bolster or diminish US ability to fulfill its tenets of defense
strategy and thus achieve its strategic goals of enhancing regional security and reducing weapons of mass destruction?

In an age where alliance management is increasingly important, it is critical for the United States to be transparent about American capabilities and intentions with its alliance partners to mitigate budding conflicts. Increasing American unilateralism (or the perception of this) complicates the theater missile defense issue. TMD has the potential to directly and indirectly affect the US-Japan alliance and the US-ROK alliance. The US and its allies have repeatedly stated the importance of continuing these bilateral alliances to promote cooperation and maintain regional stability. The bilateral alliances themselves also should promote transparency in individual state decision-making because of the coordination required for a functioning alliance, yet alliance maintenance is not a given. On one side of the bilateral alliances is the United States, a superpower seeking even more capabilities and dominance in the post-Cold-War, post-9/11 international setting. On the opposite side of the bilateral alliances are two regional powers seeking more transparency and decision-making within the alliances. All bilateral partners are focused on the same general threat from North Korea, but from different perspectives and with different concerns related to their state survival.

*Theater Missile Defense: Buttress of American Unilateralism?*

As the one remaining superpower, the United States now finds itself facing asymmetrical threats from rogue states and terrorists around the world. Although an overwhelming preponderance of power does not necessarily deter these potential adversaries (unlike during the Cold War), the US remains focused on "full spectrum dominance" for any future conflicts. Stephen Walt warns, "states whose power is increasing often adopt more ambitious international objectives, thereby alarming both their traditional adversaries and their current allies."\(^{109}\) The United States presents itself as determined to deploy theater missile defenses (with a leaning toward ground-based capabilities over sea-based in the near-term), dominate militarily, and "take the battle to the enemy."\(^{110}\) This ambitious zeal combined
with a comprehensive offense and defense reflects a growing potential for American unilateralism. This may negatively affect the bilateral alliances in Northeast Asia, which according to the national defense strategy is a fundamental component of American success.

Theater missile defense is considered an integral component of America’s ability to protect and promote US interests worldwide. Joseph Cirincione believes TMD erroneously supports the myth held by some American leaders that the US can pick and choose when to consult and rely on its allies. "The myth that missile defense can work allows conservatives to comfortably believe that the United States can go it alone in the world, rallying allies where and when necessary, but relying fundamentally on the nation's own resources for defense." Combining such an attitude with the upcoming strategic revision that incorporates an authority to conduct pre-emptive strikes against those who threaten American interests and values, the Bush administration’s emphasis on TMD, in hindsight, may have simply set the stage for a new American independent activism.

During the last major nuclear crisis (representing a threat to the proliferation of weapons of mass destruction) with North Korea in 1994, the US became involved because "for the United States, this was a global, not merely an inter-Korean, issue since it [the US] viewed the DPRK as posing a threat to all nonproliferation efforts." After the US defused the crisis with the 1994 Agreed Framework and the creation of the KEDO, the US gave a negative security assurance to North Korea—effectively pledging not to use nuclear weapons against North Korea as a non-nuclear power. Although US intelligence estimates since the mid-1990s have suggested the possibility that North Korea possesses a few nuclear weapons (number unknown), US officials now stress both this likelihood and North Korean intentions to remain committed to developing longer-range ballistic missiles to deliver the nuclear bombs. This is one of the foremost justifications for the forthcoming pre-emptive strike strategy and theater missile defense.

The forcefulness and immediacy placed on the deployment of theater missile defenses combined with President Bush’s emerging strategy of pre-
emptive strikes to protect American interests may lead allies to wonder about the scope of America’s intentions. This is especially the case in Northeast Asia. While President Bush has made earlier statements asserting that the US has no intentions of attacking North Korea, during his commencement speech at West Point he referred to North Korea (and other states threatening proliferation) when saying “If we wait for threats to fully materialize, we will have waited too long.” It is both the lack of consistency and lack of understanding of US intentions that concern US allies.

These issues are critical for Japan because Japan’s security strategy centers firmly on the US-Japan security alliance; therefore, any changes in both US military means and strategy directly affect Japan’s security calculations. A Japanese scholar, Tsuneo Akana, points out that some Japanese analysts see “U.S. policy in the Asia-Pacific, as elsewhere in the world, [as] increasingly self-centered” and that “U.S. strategic policy has become a moving target toward which Japan has to adjust its own policy.” Japan now find itself dependent upon an increasingly assertive United States dedicated to deploying theater missile defense in the near-term.

Both the US and Japan have relied upon their bilateral alliance in part to insulate Japan and develop cooperative regional relationships. Concerned about regional perceptions of Japan, the Japanese defense system itself is designed to prevent an “active” military and Japanese Self Defense Forces are limited to just that—self defense actions. Even with the increasingly cooperative military role in the “war on terrorism,” Japanese leaders are sensitive to the scope and range of allowable activities for Japanese forces. It was only after years of intense US lobbying, combined with the North Korean Taepo-Dong I launch over Japan in 1998, that Japan committed to joint TMD R&D with the US. Even in this decision, Japanese officials emphasize their perspective of ballistic missile defense, rather than theater missile defense because of the regional sensitivities about Japan’s potential military involvement in the region. Japan still has not committed to TMD deployment, and the US insistence on an accelerated deployment schedule for US TMD may place Japan in an awk-
ward position while it attempts to cultivate more cooperative regional relationships. In the words of Victor Cha, Japan may feel "entrapped" in supporting its defense patron, the increasingly unilateralist United States which thus far rhetorically has targeted North Korea.

Referring to domestic pressures, Brad Glosserman writes, "U.S. failure to act like a good ally could [also] undermine popular support within Japan." Unlike the United States whose "policies toward North Korea are essentially aimed at preventing North Korea from developing nuclear weapons and from producing weapons of mass destruction and selling them to someone else... Japan’s primary policy is to normalize diplomatic ties with North Korea." Whereas the US has a global defensive perspective, Japan’s focus is regional. The North Korean missile program poses a direct threat to Japan’s security; however, Japan’s primary strategy involves cooperative efforts to reduce proliferation and enhance Japan’s regional reputation.

The preponderance of attention the US places on TMD seems to downplay cooperative nonproliferation and arms control regimes which are the mainstay of Japanese policy efforts to reduce the threat of weapons of mass destruction. Stephen Cambone, currently the Under Secretary of Defense (Policy), writes that while these international regimes may limit proliferation (if states abide by their agreements), the regimes do not stop the proliferation of ballistic missiles and weapons of mass destruction. He also adds that offensive capabilities do not stop the first use of ballistic missiles; therefore, the US must deploy a theater missile defense system in Northeast Asia capable of negating the utility of North Korean weapons. However, the fact still remains that the US may undermine nonproliferation efforts through its defense-related decisions, and thus undermine its ally’s attempts not only to cooperatively reduce the threat of weapons of mass destruction, but also to develop its regional reputation and relationships.

In targeting North Korea as a prospective target for short-term US actions, the US also affects South Korean security calculations because of the potential military ramifications on the peninsula. According to Edward
Olsen, "The degree to which the United States is prepared to utilize North Korea’s threat potentials for the United States and its own purpose causes problems for both Koreas in terms of U.S. manipulation of the issue and in terms of spill-over effects on each Korea’s foreign and defense policies."

However, it is precisely due to North Korea’s formidable inventory of ballistic missiles and weapons of mass destruction that even a rhetorical American threat against North Korea, buttressed by TMD, poses potentially serious consequences for the Korean peninsula.

The purpose of US TMD is to defend against and devalue the utility of strategic missiles, thereby dissuading potential adversaries from contemplating their use. According to Philip Coyle in his prepared statements for a House subcommittee, theater missile defenses providing overlapping defense from incoming hostile missiles most likely will not be operationally deployable for nearly a decade. With the current hard-line stance toward North Korea and the promise of future TMD, the US may be creating a self-fulfilling prophecy in North Korea in the near term. US officials themselves categorize North Korea as "irrational" and according to Tong Whan Park, "the balance of terror against the South could be a no-loss proposition for North Korea. Its only concern may be a preemptive strike by the United States against its nuclear facilities." While North Korea does not have enough ballistic missiles and weapons of mass destruction to effectively challenge the US directly, North Korean capabilities (including conventional artillery) can be fatal for the Republic of Korea.

While TMD may fortify US ability to strike first in the future, South Korea may be capitalizing on America’s example today. Following the round of fatal hostilities with North Korea on June 29, 2002, South Korean defense officials called for a revision of the Rules of Engagement (ROE) allowing South Korean forces to strike first. There have been numerous military confrontations between the North and South over the years; however, the recent South Korean request seems to follow the lead of the forthcoming US preemptive strategy. One must remember that South Korea’s defense against hostile missiles from the North increasingly emphasizes offensive capabilities because of the overwhelming and imme-
diate threat posed by the North. As the United States seems to take a hard-line buttressed by its (potential) TMD, and highlights defenses over arms control and nonproliferation, this may encourage the same decision-making in Korea. The result could be more proliferation and potential for hostilities on the Korean peninsula, complicating the US goal of regional stability.

If hostilities occur within the next decade, it is currently a fallacy that while protecting US forces with theater missile defenses, "you're almost by definition protecting allies." Now that the US has eliminated the constraints of the ABM Treaty, the initial goal of US TMD is "to provide limited protection against long-range threats for the United States and potentially our allies within the 2004-2008 timeframe." However, the capabilities of the initial rudimentary TMD system will not necessarily guarantee defense against hostile ballistic missiles for the US or US forces in the near-term. This fact actually may constrain US policy in the short-term and thus allow time for consultation with allies. If this is the case, then theater missile defenses also may be useful for dissuading potential adversaries from pursuing more developed ballistic missile programs. However, there is an inherent catch-22 because the United States insists that North Korea is an irrational regime; therefore, one not likely to be dissuaded by US actions. Philip Coyle concurs that diplomacy, not technology, may be the "most straightforward route to missile defense against North Korea."

**Theater Missile Defense and Allied Partnerships**

Theater missile defense may also accentuate existing tensions within the alliance relationships. Although both bilateral alliances began with a definitive patron-client relationship, over the years, the US has encouraged and required both Japan and Korea to take more responsibility for their own defense. President Nixon's "Guam Doctrine" expected allies to be primarily responsible for providing manpower for their own defense with the US supporting with air and sea power. President Carter once proposed removing US troops from Korea and allowing South Korean forces to deter the North (until intelligence reports indicated the DPRK's forces were
much larger than originally thought). Even during times of solid commitments by American leaders to the bilateral alliances in Northeast Asia, debates over alliance burden sharing persist. However, while the US stresses cost and risk sharing, both Korea and Japan emphasize greater authority and decision-making. Robert A. Scalapino writes, “Patron-client relations are increasingly passé. Demands for partnership, including involvement in critical decision-making, are evidenced by those once clients.”

The US has taken structural steps alleviating some of the patron-client structures and promoting integrated partnerships. The 1997 Revised Guidelines with Japan provides for a more coordinated and integrated working military relationship between US and Japanese Self-Defense Forces. Yet, within the 2001 Defense of Japan, Japanese defense leaders specifically highlight the need for consultation and coordination between the US and Japan, especially on issues related to theater missile defense. Indeed, as the US withdrew from the Anti-Ballistic Missile Treaty (ABM) on June 13, 2002, President Bush stated that the “United States will deepen our dialogue and cooperation with other nations on missile defenses.” Yet “dialogue” does not necessarily imply a deepening of cooperative decision-making.

In fiscal year 2002, Japan doubled its investment in TMD research with the United States. This is significant because of the self-imposed ceiling on military expenditures to 1 percent of GNP. However, US decisions on emerging technologies and deployment in other cooperative R&D relationships do not reflect a trend toward equal partnership and decision-making. In Europe, the United States, Italy, and Germany are cooperating on a Medium extended air defense system (MEADS); however, “Germany has objected to U.S. requirements that certain PAC-3 technologies be ‘black boxed,’ meaning not accessible to German scrutiny.” The “refocused and revitalized” US Theater Missile Defense Program has already changed some of the initial parameters of the cooperative relationship with Japan as the Navy theater wide program has been redesignated as the sea-based midcourse system.

Japan also relies on US defense monitoring and intelligence for notifica-
tion of hostile missile launches in Northeast Asia. Although erroneous information is inherent in gathering intelligence, some Japanese officials are becoming wary of US insistence on deploying a “technologically pre-mature,” rudimentary theater missile defense system in the near-term. Having been falsely notified twice in the last year of potentially hostile ballistic missile firings, many Japanese question the “reliability of the US system used to detect incoming missiles.” An over-reliance on the initial TMD systems by the United States could degrade Japan’s security.

In South Korea, the US relinquished peacetime command and control of Korean forces to Korean commanders in 1994, and Korea continues to pursue developing more capabilities to provide for its own defense. However, Bates Gill characterizes South Korea’s reluctance to buy US theater missile defense systems, namely Patriot, as South Korea “mak[ing] an important political statement to the United States about what is often perceived as a somewhat patronizing attitude of Washington toward South Korea and its alliance relationship.” Therefore, TMD may become a symbolic measure of Korea’s independence from US dominance in decision-making regarding the Korean peninsula. US lobbying efforts for Patriot stress the importance of alliance interoperability; however, according to a joint study by RAND and the Korean Institute of Defense Analyses (KIDA), a primary interest of South Korea is “enhancing the Republic of Korea’s technological independence [and] military self-sufficiency,” which is not necessarily compatible with US interests regarding the alliance and the peninsula.

According to Norman Levin, the “bilateral relationship is relatively healthy in terms of dealing with possible large-scale North Korean aggression or adventurism on the peninsula. However, there is little shared understanding on broader policies toward Pyongyang.” For South Korea, military deterrence provides the security for engagement with North Korea (President Kim’s Sunshine Policy). Even though many Koreans are questioning Kim’s Sunshine Policy, the fact remains that South Korean long-term goals include reconciliation and reunification with the North. In order for this to occur, South and North Korea must engage each other
as equals on the peninsula. US efforts to identify North Korea as a fundamental international threat may undermine South Korea's peninsular strategy. Whereas previously the US recognized North Korea as simply one element of its overall nonproliferation effort, now the US is elevating North Korea's status as an international player. Being part of the "axis of evil" places North Korea's strategic significance well beyond peninsular concerns.

This situation may place pressure on South Korea's emerging democratic processes. Whereas Korea's authoritarian regimes through the 1980s relied heavily on the US for their authority and legitimacy, democratically elected leaders in Korea now must respond to the Korean populace. As the US makes theater missile defense decisions, policymakers should understand that domestic Korean politics now play a role in Korean security decisions and that the US may no longer have as much influence over the direction of Korean policies as it once did.

**Conclusion**

The US sees itself as a democratic leader promoting democracy and its fundamental components of transparency that foster understanding, trust and confidence between nations. In the spirit of transparency, the goal of this paper is to identify potential implications of US strategy and theater missile defense on allied relationships in Northeast Asia. Theater missile defense is a military weapon system designed to promote US security interests. It is one component of the national defense strategy whose goals in Northeast Asia include maintaining regional security and reducing the threat of weapons of mass destruction.

Although theater missile defense is a major policy initiative, US policymakers have not necessarily integrated TMD into the overall national defense strategy so that it complements other available means, nor identified the potential impacts of TMD on allied defensive relationships with Japan and South Korea. In short, theater missile defense has the potential to un-
dermine two of the US defense strategic tenets of strengthening alliances and maintaining favorable regional balances of power. In the near-term as the United States prepares to deploy a rudimentary theater missile defense system, rhetorical comments and technological developments concerning TMD may affect both the domestic and international security calculations of Japan and South Korea, as well as North Korea. This paper purposely did not address China, although this is an area well explored in the literature. The United States has two successful, democratic allies in Northeast Asia with whom it maintains bilateral defensive alliances. This paper identified potential pitfalls of which both US and allied policymakers should be aware in order to mitigate any budding conflicts that may undermine these defense relationships.

Notes


2. Currently, 28 states have ballistic missile programs, 16 have chemical weapons, 13 have biological weapons, and 12 have nuclear programs. See Ballistic Missile Agency website on “Threat” at: http://www.aca.osd.mil/bmdo/bmdolink/odfIBM2001.pdf.


4. For additional analysis of topics related to stability in Northeast Asia, including theater missile defense, see The Northeast Asia Workshop Series at www.defenselink.mil/aca/acic/neasia/index.html.


7. In 2000, Victor Cha noted that although the US Defense Department used the North Korean ballistic missile threat as part of the rationale for Missile Defense, the State Department had not yet incorporated Missile Defense into its Korea policy. See Victor D. Cha, “Engaging North Korea Credibly,” Survival, 42, 2 (Summer 2000), pp. 136-155.


21. US Department of State Strategic Plan (Washington, D.C., Department of State,
24. International Affairs Strategic Plan, p. 3.
26. For more information on the Unified Command Plan see www.defenslingk.mil/specials/unifiedcommand/ and annex for map of the Unified Command Plan.
27. US Department of State Strategic Plan, p. 4.
29. See www.nssg.gov. This was the most comprehensive review of the international security environment and national security processes and organizations involved in promoting US interests since the National Security Act of 1947.
32. Ibid.
34. The author must also note that during the mid-to-late 1990s, there was consensus in the D.C. strategic community (Department of Defense) that the immediate threat to the US should be defined as asymmetric as no other state presently can match the conventional military strength of the US. In addressing long-term (future) threats there are two general means from which to choose: (1) shape the environment through current active engagement around the globe (high military operational tempo) or (2) reduce worldwide military engagement and focus efforts (fiscal, transformational) for future threats.

38. See www.fbi.gov/contact/fo/norfolk/wmd.htm.


44. One can deduce this intelligence is a primary reason for US priority on ground-based missile defenses (the old national missile defense system) stationed on American soil. By nature of geography and good neighbor relations, the threat facing the US itself is primarily from long-range missiles. However, allies in Northeast Asia may face immediate threats from short and medium range ballistic missiles.


51. See Eric A. McVadon, “China’s Goals and Strategies for the Korean Peninsula,” in


60. *Quadrennial Defense Review*, p. 15.


64. For specific information on THAAD, see www.fas.org/spp/starwars/program/thaad.htm. For specific information on the sea-based midcourse system, see www.acq.osd.mil/bmdo/bmdolink/pdf/seabased.pdf.


85. Ibid., 184

86. “FY03 Missile Defense Budget,” p. 18.


90. PDB refers to the Patriot Data Base, or software capabilities. Configuration Two improves both the software and hardware capabilities of the Patriot System, specifically focusing improvements in: radar multi-function capability, target identification, unit survivability against ARMs (anti-radiation missiles), and communications. Japan has its own unique communications link.


98. Robert T. Oliver, “Transition and Continuity in Korean-American Relations in the Postwar Period,” in Lee and Patterson, eds., op. cit., p. 87. Two years later, ROK President Park rescinded his pledge.


108. George W. Bush, Commencement Speech, United States Military Academy, June 1, 2002.


110. George W. Bush, Commencement Speech, United States Military Academy, June 1, 2002.

111. Bush administration officials say “Preemption doesn’t imply military action alone, but also diplomatic and law enforcement strategies that require cooperation from other


122. The US currently has limited theater missile defense systems in the Pacific theater (Aegis systems on sea and Patriot on land); however, these systems predominantly defend US sites (e.g. Patriot is located near US air bases).


The Future of America's Alliances in Asia: The Importance of Enemies or Ideas?

Victor D. Cha

Men are not tied to one another by papers and seals. They are led to associate by resemblances, by conformities, by sympathies. It is with nations as with individuals. Nothing is so strong a tie of amity between nation and nation as correspondence in laws, customs, manners, and habits of life. They have more than the force of treaties in themselves. They are obligations written in the heart.

—Edmund Burke

Security in Europe and in Asia has evolved along two distinct and very different paths. In Western Europe, a collective defense organization was formed in NATO, while in East Asia, a network of mutual defense treaties and bilateral military relationships was created. The United States sat at the center of both security structures—in the European theater, US participation was equal in form but dominant in practice, and in the Asian theater the US occupied the central position from which all security relationships emanated. High levels of security interaction formed among countries under the NATO umbrella; however in Asia, the “hub and spokes” arrangement reinforced a vortex-type dynamic where few would have security contacts with each other, but all would prize their bilateral ties with the US. A variety of factors have been pointed to by scholars to explain the disparate paths security has taken in the
two theaters. These include geography, relative levels of economic development, decolonization, diversity of cultures, diversity of threats, and initial choices by the United States.2

However, relatively less attention has been paid to the post-cold war evolution of alliances in the two regions. What distinguishes the Asian theater is the extent to which security continues to be shaped and informed by the cold war.3 There is no denying that there have been some changes, but by any measure, the end of the Soviet threat has led to changes and transformations in American alliances in Europe that have not been visible in Asia.4 This is largely a function of continuing threats in the region, most immediately from the DPRK and from uncertainties regarding China's rise and its intentions. Such concerns have effectively postponed the urgency of wider analyses of alliance resiliency in the twenty-first century. What happens to these alliances when immediate threats no longer drive their cohesion? How resilient will they be? What future forms will they take? Around what issues will they coalesce? And if these alliances do not survive, will they break up amiably?

Realism's answer to these questions is straightforward: American alliances in Asia will last as long as new threats arise or old ones linger. In the absence of a major threat that replaces the Soviet Union, US alliances in Asia will eventually terminate. Liberal institutionalists argue that the longevity of these alliances in the absence of a threat is not as pre-determined as realists believe. In good part, this will depend on the utility of these relationships in solving other non-security problems. At the policy level, area specialists, defense planners, and policy makers have generally reached consensus that they would like to see these alliances survive in the absence of a major threat. In turn, they advocate retooling these alliances from deterring specific adversaries to insuring regional stability (against unknown contingencies, which some read as China) as the primary rationale for alliance resiliency.

This paper argues that each of these views may be right in their initial assumptions but wrong in their conclusions. External threats or new rationales may enable the continuation of American alliances in Asia in the
twenty-first century, but the critical element overlooked in all of these discus­ sions is the role of identity. The extent to which alliances have grounding in common values, ideas, and conceptions is a key to resiliency. I argue that every alliance at its inception has an initial identity, even if this is a purely pragmatic realist one. However, the ones that are most likely to survive in a post-threat environment are those that, either at inception or over time, evolve beyond merely utilitarian military relationships to become more deeply embedded in a common normative framework. This common normative framework is critical because we have reached the end of an era when Asia’s strategic importance in the US-Soviet bipolar competition rendered all alliance commitments automatic and unquestioned. In this new era, the true test of alliance resiliency in Asia is not their existential presence but whether there exists domestic support for the fulfillment of alliance commitments. I believe the latter is more likely when there is “identity consonance”—either a priori or cultivated—within the alliance. The existence or absence of identity also aids in predicting the nature of post-allied relationships, i.e., whether alliances come apart well or poorly.

**Why Identity Is Important**

*Identity and Alliance Formation*

This paper does not deny the traditional threat-based argument for alliance formation. The decision to enter into a formal alliance is strictly a utilitarian, power accretion exercise based on calculations of self-interest. The purpose may be either to minimize losses (i.e., defensive) against a perceived common threat or to realize opportunities for gains (i.e., offensive). Power is key to alliance formation. Alliances rarely come into being successfully without a dominant power underwriting the costs of formation. Finally, military alliances must first and foremost fulfill a strategic rationale if they are to exist.

Hence, realism is correct in its assessment of how alliances come into

4. The Future of America’s Alliances in Asia: The Importance of Enemies or Ideas? 129
being. Identity variables are not especially helpful here. Material factors like power and threats are key. Normative factors as discussed below may reinforce alliance formation but they are neither necessary nor sufficient conditions.

Although identity does not cause alliance formation, every alliance, once formed, has an identity. This may be a "realist" one where there is little in common between the parties except the issue at-hand, or one in which there exist other common views that give the alliance resonance beyond the pragmatic (although at this stage, the pragmatic aspect is still overriding). What matters in terms of resiliency is what forms and identities evolve within the alliance after inception. Identity will differentiate the short-term, narrow, threat-based alliance from the more deeply rooted and permanent union. As Glenn Snyder notes, alliances are not static entities but can often evolve to encompass "political and psychological implications that go well beyond the obligations contained in the formal casus foederis." The formation of "identity consonance" among the partners is a critical part of this evolution and can transform the alliance's very character. Identity consonance affects mutual perceptions among allies (e.g., degree to which they see each other as valuing the same things), confidence in commitments, and levels (and nature) of reciprocity. It gives rise to longevity and acceptability of the alliance that goes beyond the initial pressures that created it, and at the extreme can create a consensus for permanency such that abrogation is not even considered. Moreover, if alliances do come apart, residual identity can play a role in determining the post-alliance nature of the relationship as adversarial or not.

**Identity and American Alliance Visions**

Furthermore, the lenses through which the US evaluates its alliances around the world have expanded considerably. During the cold war, the American focus narrowed to the strategic utility of each alliance at the expense of all other factors. The end of this overarching security imperative now draws greater attention to the qualitative differences among these alliances. These differences are both puzzling and important. They are puz-
zling because they do not correlate with the strategic rationales of each alliance. In other words, alliances that serve critical US security interests are not necessarily the most deeply-rooted, and ones that are grounded in a history of friendship and mutual trust are not strategically the most valuable. For example, the US-Saudi Arabia alliance protects a key strategic asset and by most military criteria meets the definition of well-functioning alliance; however, one would hardly consider the language used to describe this alliance as “warm and fuzzy.” Conversely, the positive light in which discussions of the US-Australia alliance are cast seems disproportionate to its strategic utility. There is more at work here than power and strategic purpose.

Identity and Alliance Termination

The qualitative differences among alliances are important because they reflect on American evaluations of the reliability, durability, and indispensability of these relationships. Should an alliance come apart, realism is only partially useful for explaining whether these alliances break up well or poorly. Clearly, relative power is an important variable. Alliance partners relatively equal in power are more likely to turn into competitors after the alliance than unequal ones.

However, bringing the identity variable in provides a fuller explanation. For example, the alliances most likely to break up poorly are the ones where there are relative power equalities and no semblance of a common identity. The Anglo-Japanese alliance would be a case in point. Formed and renewed for purely strategic purposes, the alliance had virtually no identity-grounding to it (in fact, the alliance was renewed in spite of strong identity dissonance). Thus when the alliance came apart, unabated power competition dictated the nature of the post-alliance relationship. Some implied this to be the future of the US-Japan alliance in the 1980s.

Similarly, realism cannot predict the post-alliance nature of relations between states with relative power disparities. Adding the identity variable however offers some predictive quality. States unequal in power but with some semblance of identity are more likely to have alliance breakups that
are relatively benign. However if there is no identity consonance, then the breakup is likely to be poor (i.e., adversarial relations, smaller ally seeks a new partner perceived as a competitor to the larger power). Thus, the US-New Zealand alliance came apart in the 1980s, but in a relatively good way.

Identity matters in other ways as well. In pure power politics terms, security competition in Asia could be resolved through a US-China condominium; however, in practice, it is difficult to fathom the US abandoning the Japan alliance for an American alliance with China. On the other hand, strategists have little trouble imagining or discussing the prospects of a future “ABCA” alliance of America, Britain, Canada, and Australia. With certain alliances, faith in the ally’s commitment does not extend beyond a very specific contingency; moreover, little thought would be given to finding alternative partners if current relationships came apart. However, in other cases, certain allies are considered dependable and irreplaceable (e.g., US-UK). And in some instances, alliances have come apart amiably (e.g. US-New Zealand), but in others they have not (Anglo-Japan). While many would look for the immediate material factors to explain these cases (e.g., no power competition in the New Zealand case but competition in the UK-Japan case), qualitative differences among alliances are relevant to all these issues. In particular, they help to explain the absence of things—why certain choices regarding alliances are not made; why certain alternatives are not even considered; and why certain outcomes do not happen.

The Literature

The role of identity in security studies has experienced renewed popularity after a protracted period of obscurity during the cold war. However, with regard to alliances specifically, the causal role of identity in explaining alliance resiliency has been appreciated by many of the classic works in the field. For example, Liska adhered to a threat-based explanation of
alliance formation and cohesion; nevertheless he noted the importance of creating proactive rather than simply negative or defensive rationales for an alliance’s continued functioning after the “peak” of the threat passes. Liska’s discussion of how history is manipulated (particularly bad history) between alliance partners is a clear nod to the process of how an identity is constructed for an alliance. Glenn Snyder’s “halo effect”—how alliances evolve beyond the narrowly pragmatic military rationales that brought the partners together to encompass a host of other political, economic, and security issues as well as create new expectations of mutual support—implicitly appreciates the role identity-creation plays in such a process. Similarly, the rational choice focus on marginal utility to explain alliance creation and management has to acknowledge that cost calculations can change as the alliance changes. If the marginal benefit of the last partner is equal to or greater than the costs incurred in being allied, then how one calculates marginal benefits will be discounted by a variety of factors including whether the ally shares the same values and identity.

The literature on security communities pays the most credence to the role of identity. Deutsch’s seminal work, followed many years later by updated versions of the argument, basically purports that a transnational grouping of sovereign nations, contrary to the dictates of anarchy, can achieve mutual expectations of a relatively permanent peace among them. The foundation of such a “security community” is common identities, values, and meanings.

The argument about alliance identity is related to, but not completely subsumed, under the rubric of security community. There is a similar emphasis on values as causal, but there are differences as well. First, the security community literature, strictly speaking, is not talking about alliances but the application of identity to inclusive collective security arrangements. I focus on the application of values to maintaining exclusive security institutions, i.e., bilateral alliances or collective defense arrangements. Second, the dependent variable is different. For security community scholars, this is the causal connection between collective identity and states not fighting with each other within the community. For alliance identity, the
dependent variable is the willingness of states not only to eschew conflict between but also to fight for each other. Third, the definition of resiliency is different. For the security community literature, this is implicitly the continuation of the community without external threats and without internal violation of the peace principle. For alliance identity, resiliency is defined not simply as continuation of the alliance on paper after the threat, but domestic willingness to support fulfilling of this commitment when necessary. Fourth, these differences in approach and definition lead to different empirical propositions. For example, authors have found the basic elements of security communities emerging in bilateral relationships such as US-Canada, Norway-Sweden, US-Korea, US-Japan, and Australia-New Zealand. However, common expectations of peace between parties hardly mean that allies will fight for each other, particularly in post-threat environments. By the latter criteria, what look like optimistic assessments of US alliances in Asia become much more pessimistic. What look like security communities, in fact, may not be resilient alliances.

**Getting at “Identity Consonance”**

Alliance identity or “identity consonance” among allies is inherently a difficult concept to define. It generally refers to a set of values, beliefs, and meanings shared by the allies. These values may be related to, but are not wholly derivative of, the external threat against which the alliance is directed. In this sense, identity deepens the essence of an alliance not only to stand against something, but also to stand for something.

The substance of alliance identity cannot be determined in advance. It will differ on a case-by-case basis, and for this reason what is often found or cited as evidence of an alliance’s common ideational base is inductive and post hoc. Nevertheless certain basic characteristics emerge.

*Internalized Consensus on Common Major Values*

These values can be defined in different ways. But there should be evi-
idence of this in terms of similarities in the ideals espoused by political candidates in each country and the existence of political institutions that both reflect and facilitate the pursuit of such ideals. Some have described this in Europe for example as respect for individual uniqueness and freedom, democratic principles and a pluralist political system, market economy, and a civic society with the rule of law. Others have described a "civic identity" of the West encompassing the US, Japan, and Western Europe based on consensus for political democracy, market economics, ethnic toleration, and personal freedom. Yet others have identified a community of interests stretching from Berlin to Berkeley that value "milieu goals" of democracy, welfare, prosperity, peace, the "pursuit of happiness" and rule-encased conflict management.

One of the more readily apparent ways of operationalizing this is to observe the legal systems and norms of allied countries. Similarities give the ally a sense of confidence in the way the other orders and adjudicates things. It creates a feeling that they are playing by the same rules of the game. Deutsch referred to "constitutionalism" as a core concept for a security community in Europe. Jakub emphasized how the British-American relationship is undergirded by the concept of common law. Such similarities are, by contrast, less apparent in Asia. As will be discussed in the course of this project, one indicator of this identity coordinate is the degree of friction over status-of-forces agreements (SOFA) negotiated by the US. In the Asia case, this has been a source of contention precisely because the legal norms and procedures are so different. Americans do not see the host country's legal traditions as consonant with their own and therefore seek to try criminal acts by US servicemen under domestic US law (Europe case as severe?).

**Mutual Empathy**

There also must exist some explicit acknowledgment of commonalities between allies. Norms and institutions representative of common values may exist but without proactive recognition by one or both sides, no identity can form (note that there could be cases where one party relates to
the other on common ideational terms, but this is not reciprocated). A common identity therefore goes beyond an overlap in interests and institutions to an overlap in *self-images*. There exists a mutual empathy where the other's welfare, to an extent, is seen as related to one's own.

Commonalities in race, religion, and language are often pointed to in this regard. There is no denying that race and ethnicity can give rise to a priori common identities. However, these factors generally are more effective at forging common identities if they are accompanied by other things like common values and institutions. North and South Koreans (or Koreans in China) for example are of the same race but hardly share similar values and mutual empathy. Race and religion are more useful for determining when identity does not exist and how identity changes. For example, one country's discriminatory race- or religion-based immigration quotas against another would be a clear indication of the absence of identity. At the same time, the existence of these in the past followed by their abolition (i.e., US quotas against southern Europeans and Asians) show how identities change and evolve.

A similar point deserves mention regarding language. This is an important component not so much because of a direct correlation between a common tongue and identity formation, but because of the interaction processes that a common language can facilitate. Frequent, intimate, and nuanced conversations and interactions between parties in conjunction with other perceived similarities could help build mutual empathy.33

*Predictability and Acceptability*

The third characteristic of identity consonance is predictability and acceptability. This is when behavior in society, politics, economics, and foreign policy fall within a mutually predictable and mutually acceptable range. From outside this common identity, the spectrum of views may appear very narrow, but from within, it spans the entire political spectrum of views.34 From this predictability emerge similar habits and expectations along with perceptions that counterparts share and value a similar "way of life."35
The Process of Alliance Identity Formation: Changing Interests

Identity can exist a priori or it can be created/cultivated. In the latter case, the process of identity formation is intimately tied to the changing nature of interests within an alliance. Contrary to the realist characterization, alliances though formed primarily from a narrow, utilitarian overlap of interests, are living, breathing institutions that constantly change and evolve. The argument that alliances will dissolve once the threat disappears assumes that alliances reflect only prior and static interests. As Snyder and others have argued, alliances create new interests that previously did not exist. For example, signing up for an alliance creates what Snyder termed "identification effects." The act of allying inherently identifies friends and enemies, thereby creating new interests in the strategic value of the ally and in the ally's friends. Conversely, it also creates interests in avoiding being dragged into reckless behavior by an emboldened ally. As Robert Jervis noted, commitments create interests as much as interests create commitments. Thus when the US signed a mutual defense treaty with South Korea in 1952, this created strategic interests in not allowing the ROK to fall under the Soviet sphere—interests which were clearly disavowed by the US only a few years earlier (i.e., Acheson speech). It also created interests in preventing American entrapment in provocative actions by the Rhee regime that might reignite hostilities on the peninsula. When Bismarck formed an alliance with Austria in 1879, this also created an interest in Britain as a "sleeping partner" because of British-Austrian convergence of interests in the Near East. And although France and Russia allying in 1894 was directed against the Triple Alliance, it also created conflicts with Britain as the British had colonial conflicts with Russia. New interests therefore become a function of the decision to ally and not just vice-versa as argued by the realists.

Alliances also create new incentives for the reconstructing of history. Particularly if the dominant historical narrative between states has been
bad, the act of allying creates new interests than would otherwise exist on both sides for finding a more positive narrative. The classic example of this in Asia was the formation of the US-Japan alliance against the backdrop of World War II and Hiroshima. Other examples include the US-Korea alliance (after the 1904 Portsmouth treaty) and the 1992 China-South Korea detente (after the Korean War and Cold War experiences).

Finally alliances create "sharing effects" and reputational interests. Issues or interests that one might normally not consider of importance may become important if they are now seen within the context of an ally's needs and desires. Reputation as a reliable and dependable ally also could become valued in ways previously not considered after an alliance.

The process of definition and re-definition of self constantly takes place within an alliance over time. Identity formation is a part of this process as allies begin to embrace the other's interests and the general interests of the alliance as their own. As Dawson and Rosecrance state:

history demonstrates that an alliance may itself generate a set of interests that become central to the formulation of policy by the members of the system, and that the preservation of the alliance may be a salient national objective, overriding egocentric calculations of interest.

Decisions about supporting the ally are still based on material utility calculations, but the basis of these calculations changes such that what may have seemed immaterial before becomes material now.

The modalities of change will be different for each alliance, displaying Adler and Barnett's notion of "equifinality," yet one can highlight certain factors that appear to play roles in many cases. Time is an important factor. Generally, the longer an alliance, the greater likelihood that it will evolve beyond its initial narrow military rationale. Whether the alliance is offensively or defensively-oriented also matters. Defensive alliances among status quo powers generally allow more "room" for identity creation as their resiliency is undergirded by a nebulous "insurance" rationale.
Offensive alliances by contrast are less likely to provide a breeding ground for identity-creation as the parties are drawn together for a specific gain. Once the prize is won, the costs of alliance outweigh benefits.\(^4\)

The volume, duration, and range of transactions play an important role in this process by expanding the alliance’s scope to new avenues of perceived common interest. For example, ASEAN was formed in 1967 (Indonesia, Malaysia, Thailand, Singapore, Philippines) primarily to deal with domestic insurgencies perceived to be supported by China. Although this no longer became the primary preoccupation for ASEAN states, the institution remained. Broad and frequent transactions at government and non-government levels led to the creation of shared norms and expectations and to a collective identity of the “ASEAN way.”\(^4\)

The identity of the US-Japan alliance in the 1980s was vastly different from the 1950s moving from a cold war-based relationship to one dominated by economic transactions and interests. Arguably the alliance undergoes another transformation since the 1990s to encompass international peacekeeping and greater joint military preparedness (e.g., theater missile defense). The US-Australia alliance share a common identity arguably disproportionate to its strategic value,\(^4\) based in a common language, common cultural and historical heritages as former British colonies and New World countries, and mutual appreciation of cooperation during World War II. Yet, the growth of Australia’s interactions in Asia pulls its identity toward the region increasingly in the minds of strategists.\(^4\)

*Symbols and myth-making* are also an important part of identity creation. Focal points around which the relationship is centered can contribute to creating a common identity. A well-cited example in this vein is the US-Canada relationship. A variety of material factors led to the demilitarization of the US-Canadian border; however after this occurred, the border took on ideational significance as a symbol of a common identity.\(^4\)

By contrast, the US troop presence on the demilitarized zone between North and South Korea was the quintessential symbol of the American defense commitment. But this has become such a powerful and dominant symbol of the US-ROK alliance that it impedes attempts at constructing an identity.
for the alliance beyond the anti-North Korean purpose.

Measuring Alliance Identity

In what ways is alliance identity observable? How would we know it if we saw it? Moreover, how does one separate the rhetoric from the substance of identity? Statesmen are prone to speaking about alliances in grand, universal, and timeless terms often for very short-term, narrow and utilitarian purposes.

As noted at the outset, every alliance at formation has an identity, which in most cases is dominated by the self-interested strategic rationale (the "realist" identity). The issue is how to track the transformation of these alliance identities over time to encompass other things that give the alliance a deeper foundation. For analytical purposes one can imagine an ideal-type identity-rich alliance in which the rationale for commitment goes beyond instrumentalism. That is, support for the alliance is perceived as synonymous with one's own interests, values, and beliefs.

When an alliance either reflects or creates a sense of common identity...[t]hen the entire notion of an individual "national interest" becomes less applicable. If elites and/or publics begin to view their own society as inextricably part of a larger political community, then members will find it difficult to conceive of themselves as separate and will see their interests as identical even if the external environment changes dramatically.50

The alliance achieves an acceptability that transcends the pressures that created the alliance. Parties come to view the alliance as such a regular and routine part of its domestic and international spheres that it becomes difficult to imagine life without the alliance. Support for NATO after the cold war is often cited as possessing some of these characteristics. The Anglo-American "special" relationship is a bilateral alliance that offers these traits.51 At the extreme end, shared identities may lead to an emotive attachment and loyalty to an ally irrespective of the issue at-hand.52

160 Part One: The Security Environment Around the Korean Peninsula
The existence of alliance identity can be measured along several lines: 

**Muted security dilemmas.** The extent to which allies do not experience security dilemmas regarding each other is a good indicator of identity. In even the most long-standing and highly-integrated military alliances against an external threat, concerns will arise among allies about the partner’s capabilities and future intentions. However if this military alliance has a common identity, then such concerns become muted.

**Relative gains.** Related to muted security dilemmas, if identity consonance is present, allies approach changes in capabilities between them in absolute rather than relative gains terms. When fighting or deterring an external threat, increases in the capabilities of an ally may be welcomed in terms of alliance effectiveness against the enemy, but not without some degree of trepidation about relative gains. For example, Axis partners reacted to one another’s military victories during World War II with mixed feelings because an emboldened ally today could also become a fiercer adversary later. However, if there is a common identity, ally’s gains and or one’s own are seen only in absolute and non-threatening terms.

**Transparency and sharing.** If there is alliance identity, there will be greater sharing of sensitive information and secrets. This is different from interoperability. Alliances can for military purposes have high levels of joint training and interoperability, but this can occur without the sharing of advanced technology and other high-value intelligence assets. For example, the level of sharing in an identity-rich alliance like the Anglo-American one far exceeds other alliances that may be even more strategically important in terms of the threat. As one analyst puts it:

The [US-UK] relationship is about trust in intelligence-sharing and codebreaking, particularly in the naval realm. And it is about the sharing of nuclear weapons designs—perhaps the most sensitive part of the relationship and the most revealing when trying to determine just how special the special relationship is.

Similarly, while the US talks about “special” partnerships with Germany and Japan, one cannot imagine the same sharing of nuclear, code-breaking
and other military secrets with Berlin and Tokyo as with the British.

One area where this issue will be critical is the revolution in military affairs (RMA). The RMA will increasingly mean more advanced US communications and weapons systems that may leave allies behind in terms of interoperability. How much the United States is willing to share its most closely guarded RMA technologies will of course be a function of missions it wants to fulfill with allied support. Allies have to be brought up to speed if they are to be relied on in military contingencies. However, the decision to share RMA technologies with an ally is also a function of how “permanent” rather than transitory the United States views the relationship. This, in turn, will be related to the degree of common identity in the alliance.

**Abandonment/entrapment.** If there is alliance identity, fears of being abandoned by an ally are minimal. As Snyder has explained, anarchy breeds constant fears within alliances of misplaced reliance on an ally’s commitment.\(^{55}\) In identity-rich alliances, not only is there extraordinary confidence in an ally’s commitment, but also fears of being entrapped in an ally’s fight are rendered irrelevant. This is because the common identity causes allies to see their interests as identical. Even if interests diverge, the alliance’s cohesion is intrinsically a good to be valued.

**Domestic change.** Liska in 1968 wrote that one of the primary causes for disintegration of alliances is domestic instability producing radical change in the governing elite. The new governing group then distinguishes itself from its predecessor by disengaging and seeking new alliances. For example, successors to Bismarck moved Germany away from Russia toward Britain; successors of Nuri-as-Said moved Iraq from Britain to Russia.\(^{56}\) If there is alliance identity, such changes are less likely to affect the alliance.\(^{57}\) Often the identity is evident in the way support for the alliance becomes domestically legitimate. In the mid-1980s for example, the US-Australia alliance survived in spite of the opposition party’s coming to power. This was largely because the new government saw its domestic legitimacy enhanced by changing its policies to be more in support of the alliance rather than opposing it.\(^{58}\) By contrast, domestic changes in Saudi
Arabia do not bode well for the US-Saudi alliance. The oversupply of unemployed, educated, and radical Islamic youth is a combustible combination for the alliance. Part of the reason the US military presence remains out-of-sight is that it does not stand for anything in value terms, which makes it an easier target of the frustrated. An alternative explanation could be that high external threats would cause alliances to cohere in the face of radical domestic changes or clashes of interest, but the point is that if there is an identity, then alliances will be able to withstand such changes and clashes even after that threat is gone.

**Public portrayal.** If there is identity consonance, then this will affect the way the alliance is publicly portrayed. Admittedly it is sometimes difficult to separate the rhetoric from the substance, but identity means that the alliance’s narrative will be rich in ceremonials and memorials about the history of the relationship. For example, one might expect to see much more richly textured descriptions of the US-UK relationship than the US-Japan one; and more in the US-Japan than the US-Saudi Arabia alliances. Memories of US-Australia cooperation during World War II are constantly resurrected in the alliance’s narrative, much more so than for example, images of South Korea participation with the US in Vietnam. Assertions of timelessness to the relationship are also positive indicators. Clinton’s 1996 remarks in Australia about how the “alliance is not just for this time but for all time,” represent efforts at building identity. The alliance’s professed scope is also another indicator. If there is no identity, there will be less reference in the alliance’s proceedings to issues or ideals outside the narrowly defined contingency for which the alliance prepares. On the other hand, the broader the scope of consultations, as for example the US-Japan alliance has grown to occupy, the more allies perceive themselves to share similar values and interests on a general level. One could measure this by looking at public statements and documents produced by the alliance and the extent to which these reference things outside the immediate confines of the alliance. The point is not that alliance identity is only possible at the level of the Anglo-American relationship, but that there exists a spectrum along which alliances in terms of their relative
The richness of identity can be measured.

The Alliances in Asia: Australia

Cold War Origins

Understanding identity sheds important light on the future of American alliances in Asia. Through this prism of alliance identity, the US-Australian relationship offers some interesting characteristics. Formed in September 1951 as ANZUS, the US-Australia security alliance was driven by the exigencies of the cold war and Korean War. Although we often think about the common values and ideational bonds undergirding this relationship today (discussed below), it is important to note that at its inception, the alliance's "identity" was pragmatically realist.\(^64\) After the CCP victory (1949) and DPRK invasion (1950), the United States sought to consolidate its anti-communist arc in Asia. Australia, for reasons related to the cold war as well as lingering concerns about Japan (post World War II), entered into alliance with the US, eventually sending forces to fight in Korea and later Vietnam. From an American strategic perspective, the material value of the alliance was its service as a key logistic and communications point for the US cold war defense network. While the US command for the Middle East rested in Europe, the reinforcements for contingencies came through the Pacific via Australia.\(^65\) Today, the alliance continues to serve this strategic rationale as well as important communication and intelligence functions.\(^66\)

The Role of Identity

The US-Australia alliance offers an interesting example of an alliance that has remained resilient despite changes in the conditions under which it was first consummated. The alliance was specifically formed in a tri-lateral context as a result of the Korean War; it survived the breakup of ANZUS over nuclear weapons in the mid-1980s as well as domestic-political adversity in Australia (Coalition to Labor government in the early
1980s). Moreover, today it remains resilient despite the end of the cold war rationale and in spite of Australian disappointment at the lack of American support for regional security issues that matter to Australia (i.e., intervention in East Timor).67

How does an alliance that is strategically less critical today (arguably) manage to remain resilient?68 Part of the answer relates to the prominence of "identity consonance" in this alliance vis-à-vis other US alliances in the region. Since its pragmatic, cold war realist origins, the US-Australia alliance has transformed itself into an alliance in which its key rationale is ideational rather than material. As the 1996 Sydney Statement attests, while the alliance seeks to prevent proliferation, forestall the resort to force in international disputes and enhance regional stability, the alliance first serves to promote democracy, economic development, and prosperity.69 These values are undergirded by a common language as well as shared historical experiences as New World countries and former British colonies. This emphasis on common values has become the language in which the alliance is described: "The US-Australia alliance is America's most 'intimate' partnership in Asia. The two countries share...a deep and abiding commitment to the principles of democracy and free enterprise."70

Symbols and Myth-making

An important component of the alliance's ideational grounding is the degree to which the common battle experiences have dominated the alliance's narrative. In virtually every characterization of the relationship, one of the things that make it "special" and different from other alliances in Asia is the fact that Americans and Australians fought together. Whether this was the Australian and American units in 1918 at the Battle of Hamel, or under MacArthur's command during the Pacific war, or in the Korean, Vietnam, and Gulf wars, this common battle experience is played upon to give the alliance a "reliable" quality. Two experts summed this up best: "few doubt the solidarity of the US-Australia alliance, given the number of times Americans and Aussies have fought shoulder to shoulder in the
century just passed.”

As alluded to earlier, the intelligence component of the alliance both attests to, and is symptomatic of, the “sharing” that undergirds an identity-rich alliance. As analysts have characterized, the intelligence facilities are not US bases on Australian soil; rather they are truly joint facilities which involve no derogation of Australian sovereignty. They are jointly managed and operated with full sharing of knowledge and concurrence. The same rules apply to Americans and to Australians involving access to the facilities, to information about them, and to the intelligence they produce.

**Alliance without Forward Presence**

The skeptic might ask whether such “soft and fuzzy” depictions of the alliance really matter. Can such positive descriptions have a real impact on the resiliency of the alliance? I do not deny that the alliance has at its core some basic common strategic rationales (e.g. regional stability), but these rationales are, in social science terms, not the primary causal agents of resiliency. What makes this relationship last, and distinguishes it, is the ideational element. Because of identity, people claim that the nature of the alliance is different from alliances with Japan and Korea. In Australia, the idea of an alliance with the US is politically legitimate across the domestic spectrum. In the US, the alliance represents a security tie with brethren of similar values in Asia. Arguably, the relationship of “alliance without forward presence” and steeped in a common normative framework are what other American allies aspire to. There are claims that the US takes Australian counsel “more seriously” than others in the region. Perhaps more important, it has removed any sense of peer competition and relative gains between the allies. The US and Australia not only share intelligence, but it is difficult to conceive of Australian defense capabilities that might be seen as threatening by the United States.

This assessment does not deny that the alliance has its own set of obstacles and challenges. Australians remain concerned that the US neglects
the relationship; does not give adequate attention to regional security issues that impact Australia (e.g. Indonesia); and may leave its allies behind in its pursuit of the RMA. However, these sorts of problems typify those of all American alliances in Asia, but the assets that are brought to bear in the Australia case are atypical in the identity arena. In spite of any and all problems, alliance identity has created a sense of inevitability about the alliance such that is becomes difficult to imagine life without it. As Clinton stated, the US-Australia alliance “is not just for this time, it is for all time.”

Japan and Korea

The US-Japan and US-Korea alliances, formed in 1951 and 1953 respectively, were two of America’s quintessential cold war relationships in the world. The US knew little about Japan when it occupied the country in 1945 and even less about Korea when it received the Japanese surrender in the southern half of the peninsula. The decision to ally with Japan came largely from the exigencies of the North Korean offensive in 1950 as well as an implicit plan to keep Japan contained. The decision to ally with Korea was “more than anything else...a bribe” to buy South Korean acquiescence for an armistice. Thus, the identity of both alliances (to the extent that one existed) was firmly pragmatic and strategic. The alliances were firmly “realist” in their identity, motivated solely by countering external threats and enhancing power and presence.

In spite of these inauspicious beginnings, the traditional account is that both alliances later blossomed into two of America’s most successful and vibrant bilateral relationships in the world. Across a range of criteria that determine the functional success of a military alliance, the US-ROK and US-Japan alliances have done well. The alliances enabled the stationing of 100,000 US troops directly at the point of conflict in the region, providing Seoul and Tokyo with an unequivocal symbol of the US defense commitment and effectively deterring adversaries from aggression. The US-
ROK militaries represent the classic example of an alliance operating under a joint, unitary command (the Combined Forces Command or CFC) with a common doctrine, as well as with a clear division of combat roles practiced through frequent and extensive joint training (US-Japan to a lesser extent). While there have been some negative civil-military externalities associated with the stationing of US forces, overall host country support for the alliances has been and continues to be strong. Moreover the scope of both alliances has grown to encompass substantial political and economic interests that go above and beyond the initial security rationale. Arguably, the two alliances have evolved to fit the ideal definition of military allies, far more workable and efficient than the US-Australia or US-Saudi Arabia alliances and paralleled only by NATO.78

With the end of the cold war, there has been a plethora of studies on the future of these alliances: The general consensus among the political and military elite as well as among the general public is for alliance resiliency, i.e., that the US-ROK and US-Japan alliances should survive in some form in a post-threat environment in Asia (largely operationalized as a post-DPRK threat situation). Arguments for resiliency have focused on two things. First, they emphasize reorienting the overall missions for each alliance as key to their survival. The US-Korea alliance would move from its traditional focus on peninsular security to a broader regional orientation. The US-Japan alliance would be projected not just in the region but on a larger and grander scale in technology, economics, peacekeeping, etc.79 Second, at the “micro-level” studies have focused on adjustments in specific aspects of the alliance that were troublesome but necessary during the cold war. These include changes in the composition of US forces, alterations in cost-sharing and host nation support, changes in command structure, transfer and/or elimination of bases in high population urban areas, adjustments in SOFA, all in ways that are more amenable to host country complaints.80

*False Confidence*

These arguments are important and highlight facets of the relationships
that will eventually require addressing as the Japan and Korea alliances re-make themselves. However they will also lead to a great deal of false confidence about the resiliency of these alliances. As long as the leadership has the political will to continue these alliances, they will last. Analysts and well-wishers of both alliances will recommend and implement the recommendations above, as well as adjust the overall rationales of the alliances. The small community of experts and practitioners created by the alliances will feel that all the preparatory groundwork for the alliances' future have been completed. In short, the formula for resiliency will be: ad hoc adjustments on the ground, coupled with a new "slogan" and the Japan and Korea alliances will be placed on "auto-pilot" to navigate the post-DPRK threat era. However this confidence will be severely undermined when the critical test of alliance resiliency fails: American domestic support for the fulfilling of alliance commitments.

The durability of these alliances is not defined merely by the prolonging of its material structures. Ad hoc adjustments, coupled with a degree of complacency and inertia among alliance agents can do the job. The ultimate measure of resiliency is domestic willingness to activate alliance obligations in times of need. This was a foregone conclusion during the cold war when the line between adversaries and allies was clear and battles in the periphery were equated with those in the core. This is far from the case in the post-cold-war era.

American Support for the Asian alliances

American alliance resiliency in Asia is deceptive. On the one hand, support today appears strong. However, American acceptance of alliances in Asia today contrasts with a strongly negative attitude only a few years earlier. In the late 1980s and early 1990s, trade frictions, economic nationalist arguments, and complaints about burden sharing led many to see finite futures to these cold war relics. These complaints have disappeared among the public, media, and Congress but for reasons that have little to do with resiliency. The Asian financial crisis, security threats from North Korea, suspicions regarding China, and high levels of host nation support

4. The Future of America's Alliances in Asia: The Importance of Enemies or Ideas?
have ended these complaints. Thus what now exists are American alliances in Asia that do not inspire domestic opposition. What we do not know is how much proactive support there exists.

The domestic politics of our Asian alliances is like the story of the dog that didn't bark. Asian alliance issues also have been on the back burner. The value of these alliances is rarely contested in our national politics. There seems little reason to alter the status quo. So long as peace persists and host nation support remains robust, the burdens of these alliances seem relatively light. Yet therein lies the rub. US public support for alliances with Japan and Korea may be deceptive—“a mile wide and an inch deep.”

Moreover, even if domestic support exists in principle, the type of commitments that might be politically acceptable to a US audience in a military contingency is not the type that most contingencies would require. For example, air power would be the most antiseptic manner in which the US could fulfill alliance commitments, but contingencies in Korea, and maybe Taiwan, would require ground forces. The latter is a path the American public is not likely to want to go down again.

The question of weak alliance support for Asia is couched within the larger phenomenon of an American public that has traditionally exhibited ambivalence for international commitments. The Chicago Council of Foreign Relations found for example that only 61 percent of the general public support an activist US role in world affairs in the post-Cold-War era, a level of interest only marginally better than in the immediate aftermath of the Vietnam War. “Public disinterest in international affairs is pervasive, abetted by the drastically shrinking media coverage of foreign events. Majorities of 55 to 66 percent of the public say that what happens in Western Europe, Asia, Mexico, and Canada has little or no impact on their lives.” While 80 percent of the American public considers protecting American jobs a “very important” goal of the US, only 44 percent believe the same for “defending allies’ security.” Moreover, the polls consistently found that Europe is perceived as a more important theater than Asia. Thus, it is not US physical engagement in Asia but
“psychological” engagement that constitutes the critical test of alliance resiliency—Congress and the American people’s willingness to use force it has deployed in the region.

What about the often-cited US rationales of “shaping” and leading as arguments for continued US engagement in Asia? Do these not confound the CCFR polls? At the elite levels, such arguments are supported, but at the level of the general populace, as John Mueller has argued, the US is generally accepting of engagement and the deployment of forces abroad in peacetime even if the costs are substantial. Many of the rationales about the US security presence, as laid out in the DOD’s EASRs, about “shaping,” leading, and insuring stability in the region are accepted by the American public in spite of the costs. However, what the public is not tolerant of, particularly in the post-Cold-War era, is the loss of American lives. Once US soldiers start dying, the American cost-calculation becomes extremely stringent, demanding clear and irrefutable benefits for such sacrifices. CCFR 1999 polls in this vein found that only 30 percent of the American public would favor the use of American troops if North Korea invaded the South (this represented the widest gap between public and elite opinion on the issue of US military intervention, including the Middle East, Taiwan Strait, Iraq, and Cuba). This nicely sums up the alliance resiliency dilemma in Asia: for a variety of reasons related to markets, US leadership, and convenience, support for the US to remain in Asia will persist—up until the point where conflict breaks out.

The Prospects for Identity in Japan and Korea

Under what conditions then can American physical engagement become backed by psychological engagement? A key determinant is the degree to which shared identities underpin the alliance. Unfortunately, the importance of identity factors for post-Cold-War alliance resiliency does not bode well for the US-ROK or US-Japan alliances.

Indeed, the history of American engagement in Asia is not one that
rings of any common ideational underpinnings. The United States gradually expanded its sphere of interests in Asia in the early twentieth century as an imperial power. After taking over the Hawaiian Islands, the US took control of the Philippines in draconian fashion, squashing any indigenous resistance. It consolidated its naval position in Southeast Asia by brokering a deal with Japan that, despite Korean calls for self-determination, conceded the peninsula to Japanese colonization. It joined with other Western imperial powers in crushing the Boxer rebellion and seeking a piece of the Chinese economic pie. It created a condominium of power after WWI that sought to keep Japan down. Prewar Japan saw the American democratic system undermining imperial authority. In the post WWII, the US did not try to intervene to prevent communism taking over China. And it moved out of Korea and defined a defense perimeter that excluded the country. The US returned to Korea in 1950 not for reasons of democracy and self-determination, but more for cold war balance of power calculations.

Today, although both alliances have evolved substantially from their stark beginnings, the alliances, while fulfilling military definitions of successful alliances, lack an a priori shared identity, and has been deficient in constructing one that appeals to the American public. For most Americans, these alliances are seen (if they are seen at all) almost wholly in terms of utilitarian goals without a resonating sense of common values.

Korea and Japan: Does Anyone in Kansas Care?

Korea, for example, does not register in the average American mindset. When asked to quantify feelings of affinity for countries on a scale of 0 to 100 (above 50 being a “warm” feeling), in 1995 Americans rated South Korea, a longtime ally of the US, below “neutral” (48) and only two points above China (comparable numbers in the 1999 are 50 for the ROK and 47 for China). By contrast, Britain and Canada were rated 69 and 73
respectively. In the most telling sign of the absence of American "psychological" engagement in Korea, a clear majority of the general public was against the use of US troops to repel a North Korean attack. This was in spite of the nuclear crisis in 1994 and a prolonged period of exposure to Korea stories in the media.

Japan registers more widely than Korea in the average American mindset; however, the findings here are only marginally better. As Okimoto and Raphael find, US public opinion is generally friendly toward Japan, but these feelings tend to be superficial and without any deep resonance or realization of common values. CBS and New York Times polls consistently find the public saying their feelings toward Japan are generally "friendly" (as opposed to unfriendly) with as high as 70-80 percent consistently polling this way since 1985-1991, but according to CFR studies, Japan registers only 55 (with Korea at 50, France at 55, and Britain at 69). What is astounding about these numbers is that many aspects of Japan's postwar development, its domestic system, and its policy agenda track well with those of the United States. Yet there is virtually no realization among the general public that such common values exist. What greatly skews the American perception of Japan are two legacies: the legacy of trade friction in the 1980s and the legacy of World War II. A CBS and NYT poll found that the top three responses regarding what one associates with Japan were imports (30%), cars (29%), and industry (12%). The prevalent non-economic association that registered as a response was World War II with very little acknowledgment of the alliance let alone Japan's stand on non-proliferation and other issues designated as important to US interests by the same populace.

These discrepancies should alarm alliance-watchers of a potential disaster down the road. A reconstituted US-Korea and US-Japan alliance that is focused on regional stability as its mission, while appearing outwardly resilient, would probably garner even less American support than at present. The inability of Americans to identify with Korea and Japan could ultimately prove the alliance to be a hollow shell of its former self if it were ever tested.
The pressing task for US-ROK alliance resiliency is therefore not only to deal with pragmatic, material alliance management issues, but also to lay the ideational foundation for the alliance in the post-Cold-War era. As noted above, shared identities can be constructed even where they do not exist a priori. Several requisite steps appear necessary in this vein.

- Framing the relationship in normative terms that resonate with the average American.
- Integrating the alliance into a larger US foreign policy vision and before a wider foreign policy audience rather than solely in theater/threat-specific terms (e.g., US-Japan Common Agenda).
- Emphasizing the common issues and efforts outside of peninsular security that the US and Korea cooperate on.
- Constructing an image of Korea as the successful embodiment of market democratic ideals in a region where skepticism of such ideals still remain.

The future resiliency of US-ROK alliance is far from determined. This paper does not argue that efforts to rethink the alliance’s rationale in the post-threat era are a valueless exercise. Nor does it argue that alliance identity is the solution to all problems. Diagnoses of the alliance tend to fixate on the former at the expense of the latter. This is an unhealthy combination, because what appears to be a resilient and renovated alliance for the twenty-first century may in fact prove to be a hollow commitment when Americans see no reason to fight for or in the name of Korea. The chances of avoiding such an outcome are greater with proactive efforts to remake the US-Korea alliance on a base of shared norms and values.96

**Notes**

2. Geography was a permissive condition for the disparate security structures in that the contiguous land theater of Europe, with a clearly demarcated line between the opposing sides, was more conducive to forming NATO than the maritime and land theater of Asia.
where lines were less easily drawn. Although both regions were devastated at the end of the Second World War, Asia’s relative levels of economic development did not allow for the same intensity of economic transactions that fostered bloc cohesiveness and regional integration in Europe (instead, all sought their export markets and aid from the US). The legacy of colonialism in Asia was also key. Newly liberated states formerly under Japanese and European rule were not enamored with subjecting their sovereignty to an overarching organization, preferring either bilateral arrangements or non-alignment. Some argue that Asia’s cultural diversity also detracted from the potential for bloc cohesiveness seen in Europe. A critical factor was the diversity of threats and distribution of power in Asia. Unlike in Europe where there was general agreement on a single identifiable threat, in Asia threats were more diffuse. Japan would have been integral to any Asian version of NATO, but many saw Japan as the primary threat. China also did not fall neatly into either bloc. Beijing represented a third pole in Asia that varied from being identified as part of the Soviet monolith, to becoming the primary adversary in Asia, to a period of non-alignment, to an anti-Soviet position. Finally, one cannot discount the impact that initial choices taken by the United States had on later development of the region. Europe was always considered the primary theater and therefore great attention was devoted to laying the foundation for postwar development; in Asia, US policies and choices tended to be more ad hoc and reactive.


4. This project refers to, but will not detail, the evolution of NATO as this topic has been adequately covered elsewhere.


6. From an American perspective, post-World-War-II alliances serve as a form of power accretion, but they also enable economies of scale in the context of defending against a given threat. In this latter vein, the rationales for alliance formation include: the ability of the alliance to facilitate a forward US military presence; to operate as a joint or unitary command; to enable joint training; to operate with a clear, workable division of roles; to facilitate development and production of military equipment; and to garner host nation political support for the alliance.

7. For this reason various past attempts to form identity-based groups in Asia have failed.
In 1954 Thailand attempted unsuccessfully to form an association of Buddhist nations; in
the 1970s, Korea attempted in vain to form an association of Asian non-communist nations;
in 1959 Malaya failed in forming the Association of Southeast Asia (ASA) as did
Maphilindo in 1963 (Malaysia, the Philippines, and Indonesia); and the Anglo-Japanese al­
liance was formed and renewed despite very strong identity dissonance. A common identity
could not surmount the material and political obstacles to their failure.

8. This would accord with a "realist" alliance identity, i.e., purely strategic based on a
narrow overlap of interests regarding a threat or for spoils.


10. Identity is often written off as irrelevant or at best epiphenomenal to understanding
alliance dynamics. On the contrary, identity issues are inherent in many empirical and con­
ceptual questions we ask about alliances today. Has the end of bipolar competition and the
spread of liberal-democracy to most of the developed world changed or expanded the way
we think about alliances? Undoubtedly in certain regions, short-term, narrowly based coun­
ter-coalitions will emerge to fight new threats, but in a global, system-wide context, will
this traditional form of alliance increasingly be a relic of the cold war era? In other words,
can we think of alliances only as instruments of pragmatic power accretion possible when
material interests are identical? Or is there another class of more meaningful alliances, the
dynamics and substance of which are different? As Tony Eden said, “If allies are to act in
concert only when their views are identical, then alliances have no meaning” (cited in
Liska, Nations, p. 83). Can alliances in the future stand for something other than threats?
Between longtime allies, is it still really the case that today’s friend can be tomorrow’s ene­
my?

11. Militarily there is close cooperation between the American and the Saudi air forces
on a day-to-day basis: the two share common training, refueling facilities, command and
control activities, and intelligence gathering. The Saudi army, national guard and navy also
train and cooperate with US forces and will allow support of airborne refueling, air and mis­
sile defense, AWACS, and other non-strike related operations from Saudi soil if the US at­
tacked Iraq again (Tony Cordesman, “Saudi Arabia, the US and the Structure of Gulf
Alliances,” Alliance Tomorrow).

Alliances.

13. On the other hand, alliances with power equalities and identity consonance are likely
to break up well (the US-UK transition?).

14. For example, see the Japan-bashing literature of the 1980s.

15. Emanuel Adler and Michael Barnett, eds., Security Communities (Cambridge,

16. As Liska (*Nations in Alliance*, p. 63) argues, once the peak of the threat passes: “The merely preventive objective of the alliance with regard to the enemy must however at this stage be legitimized by means of a positive program for the state system as a whole. The intellectual task is to make the two objectives appear complementary, and to define the positive program so as to contain the tendency of the alliance to disintegrate, as conflicts among allies again come to the fore.”

17. “To assure the future, one may have to exorcize the past” (Liska, *Nations in Alliance*, p. 63).


19. Rational choice literature. As Snyder (*Alliance Politics*, pp. 45-6) notes, “an alliance between ideological opposites must also be discounted by...the psychic, political, and moral costs of doing business with Evil.”


21. “Deutsch's definition: A security community...is one in which there is real assurance that the members of that community will not fight each other physically, but will settle their disputes in some other way” (Deutsch, p. 5). Lebow focuses on developed, democratized or democratizing commonalities and the criticality of compatible major values relevant to decision making (Lebow, “The Long Peace,” p. 45). Adler and Barnett (pp. 31-32) define community à la Charles Taylor in terms of common meanings being constitutive of community, as well as in terms of diffuse interaction and norms of reciprocity.

22. “The task of forming a security-community is different from that of defending an area against outside attack. Although of course integration is one way of achieving a tight community for defense purposes, its main object is internal peace.” (Deutsch, *Political Community*, p. 161). Adler and Barnett's work is addressed below.

23. In this vein, I also specify the causal importance of values/identity. The security community literature sees this as one of many factors that meld together to create the
community. I see identity specifically as the transmission belt for connecting domestic support to alliance resiliency. Common values heighten the likelihood of domestic support for the alliance in post-threat situations.


25. This section largely responds to Deutsch's notion of pluralistic security communities and the focus of his work and subsequent works on the non-confictual solutions within groups of sovereign nations. Adler and Barnett expand on this, further dividing between loose and tight pluralistic communities. The latter includes a "mutual aid" society where, in addition to non-violence between one another, states support each other in dealing with external threats. They highlight this as one of the avenues of further study (Adler and Barnett, p. 430).

26. During the cold war, this distinction was all but obscured. The primary competitor in power terms was also the ideological rival. Hence values and threats were melded together. Those alliances that stood against the Soviet threat were by default also standing for, at least nominally, certain common values in elite and public perceptions. The disconnect between these two becomes clearer only with the end of the bipolar conflict.

27. An additional methodological problem is that activation of alliance commitments per se do not mean identity exists (i.e., could have been done for realist reasons); also, expressions of identity among allies no matter how grand can be instrumental and for material purposes—the test cases are really the grey areas—how identity causes an ally to aid when vital interests are not directly at stake.


32. In both the US-Korea and US-Japan alliances, revisions of SOFA focused on differences in legal frameworks for dealing with off-base crimes committed by American servicemen. The US saw host-nation domestic law as not affording adequate rights to the accused (e.g., right of cross-examination by defense, right to legal presence during questioning, right to appeal, immunity from double jeopardy appeals). This will be one key axis of this project.

33. "Try imagining...American officials candidly and casually sharing nuanced ideas with the French or Germans, such as are routinely encountered in Anglo-American deal-
ings at all levels.” A former deputy assistant secretary for defense recalled how a secret British document on a sensitive European issue was shared in an interagency meeting in the US, and all the US members looked upon and trusted it as though it were from US intelligence. This could never happen with a French or German-sourced document, as suspicions about the intentions of Bonn or Paris would have changed the way the document was viewed (excerpted from Jakub, 1995, p. 319).


38. Acheson’s “defense perimeter” speech a few years earlier had left Korea explicitly outside countries designated as important to US security. The defense treaty with the ROK was in part the trade-off for getting the Rhee regime to accept an armistice to the war. Kim Kyung Won, “What Makes and Sustains Alliances in Asia,” paper presented at the IISS 38th annual conference, Dresden, Germany, September 1-4, 1998, pp. 3-5 (thanks to Bob Gallucci for bringing this paper to my attention).


41. The distinction between alliances and alignments is important here. The creation of new interests applies more to the former case than the latter. With alignments, the commitments are based only on the overlap of shared interests and little else. The informality of the arrangement does not require anything else. A formal alliance contract, however, makes clearer identification effects, which in turn has sharing and reputational implications.


43. The fault of the realist interpretation, as pointed out by constructivists, is that assertions about alliance behavior based on interest-based calculations precludes the question of how those interests and prior preferences are formed. What requires explanation is not merely the material interest calculation but why things were seen the way they were.

44. Common endpoints from disparate beginnings (Adler and Barnett, p. 39).

45. Citing Schweller bandwagoning and status quo bias articles. Bipolarity may also enhance identity-creation. In bipolarity, structure limits alliance blocs which by default creates conditions for alliances to “grow” other aspects to it. In this sense, alliance identity can be constitutive of structure. Structure of course determines the alliances, but once formed, the alliance identity created can reinforce the structure. A long period of bipolarity therefore allows opportunities for identity-creation that multipolarity does not.

47. From a US perspective, Australia’s primary value is as a gateway to the Middle East. While the US command for the Middle East is in Europe, the reinforcements usually come through the Pacific via Australia.


53. As Liska (Nations, p. 89) noted, “Unless allies have an ideal basis for identifying with one another, unequal increases in their present and likely future capability will not favor cohesion.”


56. Nations in Alliance, p. 103.

57. A variant of this is that changes in leadership have little effect on the alliance. For example, despite leadership dyads in the Anglo-American alliance that ranged from poor (i.e., Eden-Dulles, Nixon-Heath) to positive (Reagan-Thatcher, Roosevelt-Churchill, Kennedy-Macmillan), the overall alliance does not change greatly.

60. For example, the lowest point in postwar Anglo-American relations was the Suez crisis. Yet during the crisis, a senior US official sent secret requests to the British requesting the dispatch of a UK submarine to the Kola Peninsula to investigate Soviet activities (see Jakub, “The Anglo-American ‘Special Relationship,’” p. 319). While this could be attributed to the “special relationship” (as Jakub does), it could also be explained by realism as a function of the external threat to the alliance.

61. For example, see Deudney and Ikenberry’s prescriptions on how memorials and symbols facilitate cultivation of a “civic union identity” of the West (“Logic of the West,” p. 24).

62. Discussions and justification for the US-Australia relationship begin from common strategic interests, but when pushed further, the rationale invariably turns to and focuses exclusively on ideational factors: common language, both being former British colonies, both being New World countries, cultural and historical similarities, and cooperation in World War II.

63. See Liska, Nations, p. 75 on the significance of an alliance’s “scope of consultations.”

64. Indeed, prior to the Korean War, an entreaty by Australian foreign minister Percy Spender to create a “Pacific Pact” with America was wholly rejected by the US.

65. An important factor in this regard was Australia’s decision early on in the cold war to accede to British entreaties to commit troops if hostilities were to break out in the Middle East. This helped to establish Australia’s strategic position in US defense planning as an important gateway between European and Asian defense plans.

66. The intelligence relationship originated with the 1948 USUSA agreement and is currently symbolized in the Joint Facilities. Traditional areas of intelligence cooperation include the satellite ground station at Pine Gap (which enabled monitoring of arms control and disarmament agreements); joint defense facility at Nurrungar (which facilitates early warning of BM launches and information on detonation of nuclear weapons); and the radio relay station at North West Cape (which facilitates information for ships and subs operating in the Indian Ocean and West Pacific and is now Australian-run but the US navy has complete access).


68. There is no denying that the alliance has value for both countries; the questions are: What enables the alliance to thrive despite sea changes in the conditions that gave rise to it? And why is the relationship described in ways that exceed its strategic importance?

69. The Sydney Statement was the communiqué of the Australian-US Ministerial
Dialogue (AUSMIN) and is considered a high point in the post-cold-war relationship. See Peter Jennings, “The Australia-America Relationship,” in *Alliance Tomorrow*.


73. Baker and Paal in *America’s Asian Alliances*, p. 91.


75. Stuart Harris and Richard Cooper, “The US-Japan Alliance,” in *America’s Alliances in Asia*.


77. These indicators are borrowed from Dr. William Perry, “Comprehensive Comments,” *Alliance Tomorrow Workshop Proceedings*, GFRS, December 6, 1998. Alliances serve the purpose not just of providing for one’s security, but doing so in an efficient and relatively less costly manner than would otherwise be the case (i.e., self-help). In this vein, an alliance’s success is measured by the extent to which it serves as a facilitator of power accretion and projection; operates as a unified command; enables common tactics and doctrine through joint training; promotes a division of security roles; facilitates cooperation in production and development of military equipment; and elicits political support among domestic constituencies.

78. The US-ROK alliance surpasses Japan in its possessing a unitary command, as well as NATO in terms of a clear division of labor and cooperation in the production of some military equipment.


80. These issues will be expanded and explained in separate phases of the project.

81. See Okimoto and Raphael article.

82. Michael Armacost, APARC working paper, pp. 5 and 12. Also see Tom Berger, “Set


86. Rielly, American Public Opinion 1999, p. 31. The numbers in 1999 were 42 percent versus 28 percent (among leaders 51 percent versus 37 percent)


88. Reilly, p. 26. The comparable statistic for elites is 74 percent.

89. Stanford A/Parc alliances project.


95. Ibid., p. 139, note 49.
Strategic Uses of Economic Interdependence

Miles Kahler

As a feature of world politics, economic interdependence has suffered from cycles of scholarly infatuation and neglect. One intellectual benefit of an era of globalization is renewed interest in the relationship between economic interdependence and national security. Economic interdependence has been cast as the "third leg of the Kantian tripod for peace," together with the democratic peace and membership in intergovernmental organizations (Oneal and Russett, 1999; 2001). Economic interdependence has been found to produce a declining incidence of military conflict at both the systemic level and between dyads. Absorption of the study of interdependence and conflict within a larger liberal research program has obscured its even broader application to states and regions that are far from the Kantian ideal. Research on the interdependence-conflict relationship has been dominated by large-n studies that use trade as a proxy for interdependence, a research design that does not shed much light on the microfoundations for the relationship. For example, if economic interdependence influences policy primarily through the political influence of groups that have invested in economic links, then political institutions should amplify or diminish the effects of interdependence (Papayoanou, Papayoanou and Kastner). In addition, by limiting interdependence to trade, largely for reasons of data availability, in-
vestment—the fastest growing avenue of interdependence in the late twentieth and early twenty-first centuries—is slighted.

Embedding economic interdependence in a liberal versus realist debate also establishes economic integration as part of a transformed international politics, a notion that recalls the earlier model of complex interdependence.¹ New international actors motivated by economic rather than territorial or military goals also informed the concept of trading states.² Although a transformation or reordering of state goals is one possible outcome of growing economic interdependence, governments can also deploy economic interdependence as a conscious and carefully calculated element of statecraft within a system that still awards a substantial role to military force and conventional instruments of ensuring national security. In certain cases governments aim to transform the goals and even the internal regimes of their economic partners through promoting interdependence. Other, less ambitious goals are more likely to dominate an international strategy that incorporates economic interdependence.

Just as liberals often exaggerate the power of economic interdependence to create a new international order, realists overstate the unwillingness of governments to deploy this instrument of national strategy. Security, in this view, is equated with a reduction in economic interdependence, since interdependence means potential vulnerability.³ At best, states will trade some national security for the economic benefits of interdependence if those benefits are substantial. Governments not only tolerate economic links with other economies, they positively encourage those links for reasons of national security. State behavior in this regard is an important datum: enhanced national security may result from growing economic interdependence under certain conditions.

This investigation of economic interdependence as national strategy moves beyond the debate between liberals and realists. Rather than treating interdependence as the cause of a transformed and less war-prone international system, analysis concentrates on the microfoundations for that systemic outcome: the political processes that connect growing international economic links to changes in foreign policy behavior. Those processes are
the targets of state strategies that promote economic interdependence. Rather than assuming that a transformed international order is the aim of such national policies, it assumes that governments may have other, less ambitious goals that induce them to include economic interdependence as part and only one part of their security portfolios. Other, more conventional instruments, such as maintaining national military forces or joining alliances, may be equally or more important parts of those portfolios.

The Asia-Pacific region is ideally suited for an examination of the relationship between national security and economic interdependence. Well before the end of the Cold War, many governments in the region had opted for economic development based on export-oriented policies that implied deeper involvement in the world economy. At the same time, well after the end of the Cold War, the region remains one in which the threat of war and the use of military force in settling disputes persist. Rather than a security community in which military force has become unthinkable, the Asia-Pacific region includes an array of cooperative and competitive relations between states, relations that, in some cases, include the risk of military conflict. Levels and composition of economic linkage also vary, although in almost every case, those levels have grown over the past two decades. Most important for our purposes, the region contains states whose economic dynamism is coupled with high-threat security environments. In particular three Asian newly industrializing economies—South Korea, Singapore, and Taiwan—are at the same time deeply involved in the regional and global economies and confronted by neighbors who pose or could pose significant military threats to their national security. Each has attempted to use its economic assets to reduce those threats with differing degrees of success. At the same time their national strategies have not eschewed large military budgets and the deployment of substantial military forces. The national strategies of these states, the place of economic interdependence in those strategies, and their varying success over time constitute the objects of this investigation.

First, three causal paths are described by which economic interdependence can influence the foreign and security policies of states. After
establishing those theoretical microfoundations, the uses of economic interdependence by South Korea, Singapore, and Taiwan are outlined, and their relative success evaluated. Finally, some tentative conclusions are advanced regarding the conditions under which economic interdependence is used successfully to enhance national security.

**Economic Interdependence and National Security**

The measure used for improved national security in bilateral relations between South Korea, Singapore, and Taiwan on the one hand, and their neighbors on the other follows the large-n research that has been conducted on the effects of economic interdependence: a reduction in the threat or use of military force by the target state. In the cases examined here, the presence of militarized disputes or the prospect that military force might be used to resolve disputes are relatively easy to identify, although there is some ambiguity in the case of Singapore. More difficult is the counter-factual: how would security relations have evolved in the absence of growing economic interdependence? Given other changes in the international system (the end of the Cold War, rapidly growing global economic flows), that counter-factual is difficult to state with absolute certainty. Nevertheless, the political ends that these governments pursued in their deployment of economic interdependence are clear: their success in achieving those ends can also be evaluated. Ambiguity remains only in the weight attached to bilateral economic interdependence in the final outcome.

At least three plausible causal connections between economic interdependence and the reduced threat and use of military force can be extracted from arguments about the international effects of interdependence. These different causal links should be distinguished analytically; they have different implications for the degree of political change that follows from growing economic exchange. By separating these causal connections, crude tests can be conducted of the political requirements for a successful strategy using economic interdependence.

---

Part One: The Security Environment Around the Korean Peninsula
The first route by which economic interdependence influences foreign policies and the risk of military conflict is linkage. Implicit or explicit bargaining power in economic relations is employed to obtain desired changes in security policy. Positive economic benefits flowing from growing international trade and investment are deployed in exchange for alteration of the target state's national security policies. A threat to disrupt or remove those benefits constrains state policies. A more passive view of the effects of economic interdependence views growing and often relationally specific assets on either side of the economic exchange as mutual hostages to pacific behavior. The presence of such assets raises the costs of opportunism (of which military threats or the use of force would be one example). This view of interdependence effects often emphasizes the symmetry or asymmetry in economic relations as a key to estimating foreign policy effects: greater asymmetry (more economic dependence on one side) is likely to lead to greater influence by the less dependent partner. This simple view should be heavily qualified, however. Economic dependence may itself create new sources of political conflict between countries involved in asymmetric exchange. Harrison Wagner also warns against the assumption that asymmetric economic interdependence will necessarily produce political influence through linkage: any bargain involving an exchange of political concessions "must be preferred by both bargainers to an agreement [concerning economic goods] alone." An apparent failure of economic linkage may be owed less to the economic benefits mobilized than to the value placed on policies subject to change.

A causal sequence from interdependence to policy via linkage assumes no profound changes in the conventional, state-centric view of international politics: interdependence is another feature of bilateral relations that can be manipulated by unitary states, acting in relative insulation from their societies, or it is an aspect of the interstate environment that serves as a constraint on state action. No permanent alteration in the preferred strategies of states is required (as in transformational views of interdependence); elites can remain primarily concerned with security, defined in military terms. No net increase in transnational ties or domestic plural-

5. Strategic Uses of Economic Interdependence
ism is assumed; the second-level political game need not be included in the analysis. The only necessary change is an alteration in the cost-benefit calculus of states, which weighs national economic welfare against foreign policy change.

A second causal connection between economic interdependence and the propensity to use force or threats of force is a change in domestic political calculus. Although taking governments as simple unitary actors may be useful shorthand, this second model adds the more realistic assumption that government leaders wish to maximize their chances of staying in power. Economic interdependence will affect groups within societies differently, and, given particular political institutions, those groups will have more or less influence on policy, encouraging or resisting policies that result in increased interdependence. Put differently, the emergence of groups with a vested interest in international economic transactions would transform the second level of the two-level game confronted by policymakers. The domestic political costs of threatening or using force would rise.

This second model does not suggest any permanent transformation in the goals or values of political elites: they may remain “unreformed,” but they will face new political constraints if they pursue old-style policies. Here, once again, qualifications must be added to a simple model of influence. Those groups with a large investment in the growth of economic interdependence may not be a necessary part of the dominant political coalition. The record of economic sanctions demonstrates that regimes are capable of shifting the costs and benefits of economic exchange (or the withdrawal of that exchange). Political and military elites in Iraq and North Korea have managed to maintain living standards for key constituencies in the midst of general privation. Domestic political strategies and institutional arrangements can reduce or amplify the political influence wielded by those who have an investment in exchange with particular partners. Such institutional skewing of influence helps to explain why heightened economic interdependence among the European powers did arrest the slide to war in 1914, a favorite case used by realists to brush aside claims that interdependence may influence the resort to force.7

170 Part One: The Security Environment Around the Korean Peninsula
The most ambitious link between economic interdependence and national security is also the one that has been defined with the least care: *elite transformation* that reshapes state strategies. This transformation can be defined as both an elevation at the national level of goals of economic welfare (and a concurrent devaluation of the old values of military status and territorial acquisition) and a systemic transformation of values away from the military orientation of the Westphalian order.\(^8\) Such arguments have a long heritage, including both Joseph Schumpeter’s analysis of imperialism as an atavism that would be superseded by more pacific bourgeois values, and interwar idealists, who sometimes based their arguments on the material transformations underway in the international system. *How* economic interdependence creates transformed (and more pacific) elites is less clear. Learning may take place at the individual level—the cases of Mikhail Gorbachev and Deng Xiaoping come to mind—but such learning must often take place before policy encourages increased interdependence. Processes of creating shared values and identity and economic influences on broader social learning are more difficult to trace.

A different and perhaps more plausible transformational route follows from the domestic political model of interdependence effects. What appears to be social learning is in effect *coalitional change*: internationalist elites committed to economic openness and international stability supplant or marginalize nationalist elites wedded to the threat or use of military force. Whether a society is a pluralist democracy or not, interests tied to the international economy become a critical part of the electorate to whom political elites must respond. Etel Solingen outlines such a model of transformation in regional orders when strong internationalist coalitions committed to economic liberalization create zones of stable peace.\(^9\)

Estimation of which type of interdependence effect is operating may be difficult. The transformation of goals may be complete and irreversible, as it is in a security community, or interdependence effects may be exercised through one of the first two avenues. If a particular elite seems unlikely to use military force against its neighbors, should one infer a transformation in broader foreign policy goals, a response to the power of

---

5. Strategic Uses of Economic Interdependence 171
groups that anchor interdependence in domestic politics, or a simple calculation that the rupture in economic relations would be more costly than the use of military force (although military force is still retained as an option)? Discrimination among the causal paths by which economic interdependence influences security policies is difficult, but analytic separation opens new avenues of empirical investigation. Interdependence effects may appear at different points in time and, on occasion, one effect can counter-vail another. For example, the growing political power of groups invested in bilateral trade and investment may reduce a government’s ability to exercise leverage.

East and Southeast Asia are ideal sites for examining the uses of interdependence as an instrument of national policy. Despite rapid growth in regional trade and investment since the end of the Cold War, Pacific Asia has become neither a cauldron of military conflict nor a clear zone of peace. Governments in the region retain substantial militaries and, in some cases, such as China, are engaged in substantial programs of military modernization. Regional institutions remain weak, even though Asian governments are increasingly active participants in global organizations such as the World Trade Organization. The liberal Kantian tripod is further weakened by the political heterogeneity of the region: powerful states remain authoritarian. Given weak regional institutions and uneven democratization, growing economic interdependence exercises its effects independently in many cases.

South Korea, Singapore, and Taiwan embody the evolution of the region over the past two decades. Two democracies (South Korea and Taiwan) and a one-party authoritarian regime, these countries have benefited from and depended upon the widespread adoption of policies of economic liberalization by socialist and capitalist economies in the region. These three states are of particular interest, since they are not examples of the familiar hegemonic or neo-colonial model, in which large, economically advanced states employ asymmetric interdependence and military hegemony to reinforce their power over weaker neighbors. They are substantial military powers, though not dominant states, that have employed their particular economic strengths to
change the diplomatic and military relationship between themselves and militarily more powerful neighbors. Their strategies use economic prowess to offset their neighbors' military superiority. Rather than passively accepting the national security implications of economic interdependence, each of these governments has crafted strategies that create and reinforce or manage and restrain interdependence and its effects.

**South Korea: Nordpolitik and Sunshine Policy**

Of the three national cases, South Korea displays the greatest variation in its strategic use of economic interdependence. Its Nordpolitik at the end of the Cold War was a clear and successful example of linkage, although one that operated in the benign environment of declining East-West and Sino-Soviet conflict. President Kim Dae-jung's sunshine policy toward North Korea after 1998 represents a sharp break with carefully calibrated policies of linkage toward North Korea. Instead, Kim Dae-jung promoted trade and investment with the North in the interests of internal political change in that closed and opaque society. The difficulties that he confronted suggested a different set of prerequisites for the successful exercise of interdependence diplomacy with more ambitious aims.

The highly successful "Northern diplomacy" of South Korea, which produced diplomatic recognition by the Soviet Union, intensive economic exchanges with China, and growing diplomatic isolation of North Korea, had its origins in the 1970s, when President Nixon's détente policies induced a rethinking of strategy on the part of South Korea's military regime. At that time, before domestic economic and political changes in China and the Soviet Union, South Korea's efforts produced few results. A second opening was begun by then Foreign Minister Lee Bum Suk in June 1983 at the height of the new Cold War. Both of these early attempts at a "Northern policy" had few results before domestic economic and political changes in China and the Soviet Union. By the late 1980s, however, indirect trade (through Hong Kong) between China and South Korea had
grown to approximately three billion dollars. The benefits of economic interdependence were becoming apparent to both South Korea and its two large communist neighbors.  

A new and far more successful phase that emphasized explicit linkage opened with the presidency of Roh Tae-woo in 1988. Roh emphasized two types of linkage—between improving relations with the USSR and China and the eventual reunification of Korea, and between economic relations and political ties. At the same time, South Korea lowered the diplomatic costs of opening for China and the Soviet Union by making clear that it no longer opposed an improvement of North Korea's ties with the United States and other Western countries. Ultimately, through its linkage policy, South Korea hoped that the communist patrons of North Korea would encourage it to resume a diplomatic dialogue aimed toward "cross-contact" and eventually cross-recognition.

After winning economic and then diplomatic relations with East European governments, South Korea's relations with the Soviet Union evolved more slowly. At first, Soviet interest in South Korea was purely economic: the paltry amount of Soviet trade with South Korea stood in stark contrast to its burgeoning economic relationship with China (Soviet trade in 1988 was only about $257 million compared with China's $3 billion figure). Koreans also saw economic gains, quite apart from their hopes of political linkage: an exchange of Soviet raw materials for Korean manufactures and a welcome diversification of economic relations away from the United States and Japan. From 1988 until early 1990, the Soviet Union attempted to separate its expanding economic relations with South Korea from any shift in its diplomatic stance as a key ally of North Korea. During the early Gorbachev years, economic and military ties with North Korea actually grew substantially: the Soviets apparently purchased North Korean acceptance of their new relationship with the South through increased credits and military assistance (the sale of MiG-29s and SAMS). The South Koreans concentrated first on expanding their ties with the Soviet Union and then began to make clear the linkage to diplomatic gains that they expected.
By September 1989, South Korean pressure for normalization of diplomatic relations was mounting. Korean businessmen backed up the government's linkage strategy by making clear to the Soviets that the absence of government-to-government ties reduced their interest in trade and investment in the Soviet Union, given deteriorating economic conditions there.\(^\text{16}\) Informal exchanges between South Korea and the Soviet Union accelerated. De facto consular relations were announced in December 1989, and consular offices were opened in March 1990. At the surprising meeting of Roh and Gorbachev in San Francisco in June 1990, Gorbachev was questioned about normalization of relations. He declared "Let the fruit grow ripe and when it grows ripe, we shall eat it."\(^\text{17}\)

Harvest time arrived on 30 September 1990, when full diplomatic relations were established between the two countries. The Soviet Union immediately began to receive the economic payoff for its political bargain with South Korea: trade shot up dramatically, by a factor of three from 1989 to 1990; by late 1990, following normalization, South Korean businessmen seemed much more willing to risk entry into the Soviet market.\(^\text{18}\) Further economic rewards came in January 1991, when South Korea paid its "price" for diplomatic recognition: a three billion dollar package (two billion dollars in trade credits and one billion dollars as a direct loan), the largest aid package in the country's history. In return, the Soviet Union gave a written commitment to support Korea's admission to the United Nations, offered assurances that offensive weapons would no longer be supplied to North Korea, and guaranteed that assistance would no longer be given to the North's nuclear program. A final round of political for economic gains was made during Gorbachev's last visit to Korea in April 1991: the two sides agreed to negotiate a mutual cooperation treaty and to multiply trade ten times over five years.\(^\text{19}\)

The Soviet Union's rapid movement to full diplomatic relations with South Korea and its unceremonious dumping of North Korea stood in contrast to South Korea's relations with China. China succeeded in maintaining economic and security relations on separate tracks: it did not concede as much to South Korea's linkage strategy as the Soviet Union. Trade rela-
tions were already substantial at the time that Roh opened his Nordpolitik; China permitted direct trade and the exchange of trade missions by 1989. Despite the sorry state of North Korea's economy and the scale of their South Korean trade (approximately $3.5 billion by 1990 compared with only $480 million with North Korea), China would initially go no further than establishing trade offices and consular links with South Korea. When full recognition of South Korea by China came in 1992, no disruption in its relations with Pyongyang occurred.

The success of South Korea's Nordpolitik and the differing paths to normalization with the Soviet Union and China illustrate the prerequisites for linking economic interdependence to desired military policy changes. Growing detente among the four great powers that have historically influenced the Korean peninsula—China, the Soviet Union, the United States, and Japan—was a key strategic variable. A reduction of East-West tensions under Gorbachev meant that South Korea could pursue its audacious policy without the risk of disapproval from its principal ally. Perhaps more important, the resolution of Sino-Soviet conflict by 1989 drastically reduced the value of North Korea as a strategic asset to both China and the Soviet Union. Concomitant with this strategic shift (preceding it in the case of China) was movement by the socialist states toward policies of economic reform and opening that enhanced the value of links to the dynamic South Korean economy. South Korea was rapidly redefined after 1988 as an economic partner, even an economic model, rather than a strategic client of the United States. China's bargaining position was stronger than that of the Soviet Union in this changed context. China did win one extra benefit with normalization: South Korea broke diplomatic relations with Taiwan, the last Asian country to do so. Nevertheless, North Korea was more valuable to China than it was to Gorbachev's Soviet Union (or Yeltsin's Russia) for both ideological and strategic reasons. China's economic reforms and its
A diversified set of economic partners, whose interest in investment and trade only grew over time, reduced the importance of South Korea's engagement with China. Equally important, Korean investors and traders were eager to increase their presence in the China market, whatever the policy stance of the South Korea government. In striking contrast to the Soviet case, the South Korean private sector could not credibly claim that Chinese political concessions were required if economic exchange was to grow. Overall, unexploited gains in the purely economic relationship between China and South Korea, gains that might be used by Korea for leverage with China, were limited.

Even with China, however, South Korea's policy of deepening economic interdependence could be labeled a success. After a history of supporting North Korea's resistance to a "two Koreas" policy in the United Nations until 1990, China refused to veto South Korea's entry in September 1991, when both Koreas finally became members. The growing isolation of North Korea and its calamitous economic plight resulted in the speedy and surprising negotiation of a treaty of nonaggression and reconciliation between the Koreas in December 1991. Most important, South Korea could be confident that neither China nor the Soviet Union would support the use of force against it by the North, a major accomplishment of its Northern strategy.

South Korea did not explicitly move beyond linkage to more ambitious interdependence strategies vis-à-vis its larger neighbors. Democratization did accelerate the bargaining between South Korea and the communist states, but economic opening did not create democratization. Democratization increased the political benefits of a successful Northern policy for President Roh Tae-woo by satisfying two key constituencies. The powerful national security bureaucracies saw his policy as part of a traditional strategy of isolating North Korea; newly influential political parties and business groups viewed Nordpolitik as the beginning of a more conciliatory policy toward the North. Democratic change in the Soviet Union undermined the military-industrial coalition that had sustained North Korea's strategic importance. North Korea became a symbol of communist rec-
titude and the "old thinking" in foreign policy; as those forces lost power (symbolized by criticism of North Korea in the Soviet press), so did this icon of Stalinism.23

South Korea did not aim explicitly at a transformation of attitudes on the part of these communist powers, but the end of the Cold War and economic reforms did appear to produce such change at a fast pace, and that change was reinforced by the growth of economic interdependence. From a position of almost total isolation from the communist bloc in the early 1980s, one in which it was labeled a militarized and illegitimate lackey of the United States, South Korea became a positive model of development (particularly for China before 1989) and an accepted economic and diplomatic partner. On the Korean side, the attitudinal changes were almost as great. Many scholars marveled at the novelty of the Northern policy for a country that in the past "had consistently followed a staunch anti-communist line in the past by prohibiting all contacts with socialist states."24

The transitory conditions for a successful linkage policy were demonstrated during the 1990s. After diplomatic relations had been established, the Soviet Union (Russia after 1991) discovered that it had very little bargaining leverage with Seoul. Russia continued to play the "Pyongyang card" in an effort to attract investment from South Korea.25 South Korea, however, was increasingly disappointed in both Russia's ability to influence North Korea and in the halting pace of Russian economic reforms, which made economic partnership more and more unattractive.26 China continued to hold a much stronger hand, given its booming economy, its proximity to South Korea, and its influence over the North Korean government. Nevertheless, South Korea's deepening economic engagement with China—an "advanced linkage" strategy—was central to reinforcing Chinese interests in stability on the Korean peninsula. By 1998 China had become South Korea's second most important investment destination. In 1994, for example, Beijing clearly sided with the US and Seoul in advocating a non-nuclear peninsula. Though still opposing any coercive activities by the US or the South against the North, China clearly took a differ-
ent and more balanced approach to Korean security than it had before eco-
nomic integration with the South. Economic integration had shifted
China's cost-benefit calculus and altered its behavior toward the peninsula.
The costs of open military conflict were much higher for China in the new
circumstances; improved relations with Russia had reduced the risks for its
ties to the North.

South Korea's linkage strategy toward China and Russia was successful,
although its weight in altering their policies is difficult to estimate. Efforts
to change policy in North Korea using the same techniques produced few
results, however. Linkage policies toward the North—particularly punitive
sanctions—appeared to fail at a time when the North Korean economy was
in steep decline following the end of the Cold War. That failure con-
tributed to the adoption of the sunshine or engagement policy of President
Kim Dae-jung following his election in 1997. The sunshine policy has
been a critical natural experiment in the use of an interdependence strategy
that is explicitly rejects precise linkage between economic benefits and for-
eign policy behavior on the part of the target state. In that sense the sun-
shine policy of President Kim was the mirror image of Nordpolitik.

Apart from the apparent failure of sanctions or economic inducements
to produce foreign policy change in North Korea, the new orientation in
South Korean policy was also based on an emerging consensus that other
alternatives were undesirable. Although conservatives had hoped for a col-
lapse of the North Korean regime as its Cold War base of external support
withered, the experience of West Germany following its absorption of the
German Democratic Republic produced a wide consensus that rapid col-
lapse would be disastrous for the South Korean economy, which remained
far poorer than Germany. A North Korean regime facing such collapse
might also resort to war as a desperate means of escape. On the other
hand, simple disengagement and isolation of the repressive Pyongyang
government was morally unacceptable to many in the South, since it
would leave their fellow nationals to a bleak economic future. Finally, the
existing linkage policy was expensive: the costs in assistance to the North
were large. Despite the image that would be painted of the sunshine policy

5. Strategic Uses of Economic Interdependence 179
by its hard-line critics, the Kim Dae-jung government spent less on direct assistance to the North than its predecessor.\textsuperscript{28}

Rather than a carefully calibrated linkage of economic sanctions and inducements to North Korean external behavior, the sunshine policy unveiled in April 1998 was based on the assumption that expanded economic and individuals exchanges with the North would have positive benefits in the longer run, even if North Korean policies did not change in the short-run. Politics and economic exchange were to run on two separate tracks; the new policy favored “unrestrained interaction with the North.”\textsuperscript{29}

Longstanding restrictions imposed on South Korean businessmen who wished to trade with or invest in North Korea were eased or lifted. The number of South Koreans permitted to visit the North also increased dramatically, in addition to the tourists who visited Mt. Kumgang.\textsuperscript{30} On one critical point, however, the new orientation toward North Korea did not break with earlier policy: economic and social exchange took place behind the shield of credible military deterrence, backed by the US alliance. Military threats and provocation would not be permitted, but any response would be limited to the military sphere, rather than automatically producing a retrenchment in hard-won economic interaction.

A second point of continuity was the continued role of the government in steering the new policy of engagement. The engagement policy proclaimed the “privatization” of South Korean interaction with the North, reflecting the democratization and liberalization of South Korean society. Others have noted that tacit government bargains with business still played a role in promoting projects in North Korea.\textsuperscript{31} On the other hand, the engagement policy aimed to transform the top-down and government-directed character of interaction with the North. That structure, deemed essential for a carefully coordinated linkage policy, reinforced the secretive and hierarchical character of North Korean society. In its place, the sunshine policy hoped to advance multiple channels of contact between the two societies, giving up some government control in the South for the benefits of undermining government monopoly in the North.\textsuperscript{32}

Even from the point of view of future linkage, the new policies of Kim
Dae-jung could be justified. Linkage could not work effectively if the target state (or influential groups within that state) did not place a positive value on economic interdependence. North Korea's government remained uncertain on this question. Creating demand for future economic exchange could be one outcome of the engagement policy and would lay the groundwork for linkage. The principal justification for the shift in policy was not future linkage, however. Kim Dae-jung's promotion of "cooperative interdependence" between North and South was instead centered on the second and third interdependence effects described earlier: domestic political change and ultimately elite transformation. South Korean spokesmen were explicit in their hopes that growing economic interdependence and a lowered threat of military conflict would strengthen a "reform-oriented technocrats' group" and change the "rigid security-oriented Stalinist system." The sunshine policy would build in internal constituency for "normal" inter-Korean and international relations in the North. Not only would the influence of this more moderate constituency grow under conditions of growing interdependence, a more benign security environment (less threat from the South) would offer them more room for internal maneuver. Supporters of the engagement policy had detected an important flaw in tight linkage strategies: the opponents of reform in the North could overturn policies of economic opening through instigating a military provocation. Delinking removed that possibility.

Implementing such a policy of domestic political change required highly accurate intelligence regarding the North Korean regime, intelligence that did not appear to be readily available. Deeper dilemmas confronted the Kim Dae-jung government when it moved from changing the domestic political calculus of the top North Korean leadership to transforming that leadership itself. On the one hand, the sunshine policy was based on reducing the level of threat perceived by North Korea so that domestic reforms could move ahead. On the other hand, the new policy was in the long run aiming at more fundamental change in North Korean, change that many in the North Korean elite were bound to find threatening. The objective of transforming North Korea into a "normal" state might be in-

5. Strategic Uses of Economic Interdependence 181
interpreted as "not undermining the North Korean government," but unification would be based ultimately on transformation of the regime.\textsuperscript{35}

The results of the sunshine policy appeared disappointing by late 2001. North Korea's economic opening continued, and inter-Korean trade expanded substantially. By 2000 trade between the two Koreas reached $425 million, much of it processing, particularly in textiles and apparel. South Korea had become the second largest trading partner of North Korea, after China. North Korea also opened diplomatically and made other limited moves toward contact with the rest of the world. Officials were sent abroad for the first time to receive training for the new economic setting. Change in North Korean policies toward the South was less evident, however. The most visible success of the Kim Dae-jung government was the Korean summit of June 2000, which promised to institutionalize a range of new cooperative relationships. Even at the summit, however, the North Korea government rejected any discussion or initiation of confidence- and security-building measures.\textsuperscript{36} Since the summit, however, the North Korean government has reneged on some commitments (a return summit visit to Seoul by Kim Jong-il) and has stalled on others. Perhaps most disappointing, the North Korean government has not signaled clearly that it is embarked on a program of structural economic reforms, reforms that even proponents of the sunshine policy admit are essential to reaching higher levels of economic interdependence. At the time of Kim Jong-il's visit to China in January 2001, Kim Dae-jung had ordered his government to be ready to support adoption of an open-door policy by the North. The expected policy shift did not occur.

Defenders of the sunshine policy could argue that three years was not enough time for interdependence effects to show definite political results. Even in its relatively short life, however, the success of the engagement policy and its underlying model of interdependence were dependent on three additional variables. Coordination with allies and other potential economic partners of the North was difficult to achieve. South Korea faced a dilemma: its own leverage with the North is enhanced if normalization with Japan and the United States is stalled. For more ambitious inter-
dependence effects, however, more participation by other trading partners is desirable. Also, South Korea’s policies could not be fully disconnected from the choices of the new US administration. The Bush administration took a much more skeptical view toward North Korea’s willingness to change. Its addition of conventional military issues to the US-North Korean agenda coincided with a hardening of North Korea’s position on the inter-Korean agenda. The new American administration also adopted a policy of reciprocity toward North Korea, directly counter to the approach of the Kim Dae-jung government.37

The North Korean government was not simply a passive target of South Korean strategies using interdependence. Since domestic political change and ultimately regime transformation were goals of South Korea, the North Korean government did its best to extract the maximum economic benefit from economic exchange with the least amount of political change. As Noland points out the North emphasized projects that could be “fenced off” from the wider society.38 Critics of the sunshine policy claimed that the North Korean military was insulated from the effects of economic interdependence and did not benefit from growing international exchange, granting the South little influence over military policy.39 Opponents of change in North Korea, suspicious of the Kim Dae-jung government’s efforts to create political Trojan horses, could purge those who were too closely aligned with policies of economic opening. As North Korea back-pedaled on its commitments in 2001, evidence emerged that technocratic reformers had fallen from power.40 Noland argues that, in order to promote deeper policy change, the South Korean government should not promote economic exchanges of any kind. Instead, South Korea should implement “strategic linkage,” structuring its economic engagement to “promote systemic transformation of the North.” In particular, the South should promote foreign direct investment outside the circumscribed zones designed by the North Korean government.41

As the euphoria of the June 2000 summit turned to disenchantment, a third weakness of the engagement policy was revealed. In a competitive democratic system, a declaratory policy of non-linkage is difficult to sus-
tain in the absence of clear-cut political payoffs. As Victor Cha argues, an engagement policy is necessarily long-term and one that cuts against conventional political intuitions that are based on reciprocity. Political discontent with the engagement policy found its voice in an attack on Unification Minister Lim Dong Won. On 3 September 2001, after a vote of no confidence in the South Korean parliament, Lim was forced to resign, and Kim Dae-jung’s parliamentary coalition was shattered. Although the president declared that the engagement policy would continue, its support in South Korea domestic politics was increasingly shaky.

A final assessment of Kim’s sunshine policy cannot yet be made. Nevertheless, like the more successful Nordpolitik linkage, interdependence effects on domestic politics and coalitions were equally subject to the agency of those outside the control of the initiating government. Allies and trading partners, such as the United States, could undermine the credibility of a policy that claimed to forgo linkage. Target states need not remain passive in the face of such strategies; their counter-strategies could be highly effective in preventing the desired political changes. Domestic politics in the initiating state could also become unstable in the face of political competition and an absence of short-run accomplishments.

Singapore: Economic Interdependence in a Diversified Security Portfolio

Singapore, a city-state with a population of just over three million, occupies a highly vulnerable strategic position. Although Singapore does not face an immediate military threat from its neighbors on the scale of South Korea or Taiwan, Malaysia and Indonesia are ethnically distinct: Singapore has a Chinese majority, whereas Malaysia and Indonesia have Malay and Muslim majorities and are far more populous. Since its break with Malaysia in 1965, the threat that ethnic conflict (Malay-Chinese) might spill over into interstate conflict has persisted. Such conflict could threaten Singapore’s security in a number of ways: refugees could surge
into the island; Singapore's own ethnic peace could be threatened; an ethnically or religiously identified government in either neighboring state could manipulate the web of economic links with Singapore or pose a direct military threat.

Singapore confronts an ambiguous security situation: highly interdependent with Malaysia and, to a lesser degree, Indonesia, it cannot rely on classical means of balancing their military power (such as openly allying with an outside power), since that would risk open hostility. On the other hand, it cannot assume that their current pragmatism would persist if political conditions in the two countries change. Even under current governments, the three countries could not be said to comprise a security community. Singapore has therefore chosen a diversified strategy of military modernization, tacit alignment with the United States (and strong support for a continued American presence in the Pacific), bilateral military cooperation with its neighbors, and continued backing for cooperation within ASEAN. To this array, it has added most recently an intensification of economic interdependence and efforts to institutionalize that interdependence in novel forms, such as a growth triangle joining Singapore, Johor state in Malaysia, and the Riau islands in Indonesia.

Singapore has identified military preparedness as a key part of its security portfolio: military spending comprised 4.6 percent of GNP in 1998, one of the highest per capita in Asia. Of more concern to Malaysia, it has adopted a forward defense strategy, arguing that it cannot afford to fight a military conflict on its own territory. Combined with its high mobilization potential, Malaysia has sometimes applied the analogy of Israel to its smaller neighbor. At the same time, Singapore has complemented national military measures with joint military exercises conducted with other states in the region and close links to outside powers (notably Australia and the United States).

Singapore has been a leader in the development of regional institutions, particularly the Association of Southeast Asian Nations (ASEAN). ASEAN reduces the likelihood of military conflict among its members by reinforcing norms of territorial integrity and peaceful resolution of disputes and
by information regarding the intentions and behavior of other members. ASEAN has a respectable record of conflict avoidance, if not conflict resolution among its members. ASEAN elaborated institutions that moved from an intergovernmental model to a transgovernmental one; the scope of cooperation also widened to encompass a large number of issue-areas. ASEAN has also aimed to deepen economic cooperation, particularly through the ASEAN Free Trade Area (AFTA) agreed in 1992. During the Asian financial crisis that began in 1997, however, ASEAN was widely viewed as ineffectual, incapable of forging a consensus for collective action among its members.

Since Singapore’s economic interdependence with its immediate neighbors is deeper than its economic links with other ASEAN members, managing that interdependence in the interests of national security has become a central part of the city-state’s security portfolio. Malaysia is Singapore’s top trading partner, and Singapore is Malaysia’s second largest partner, after the United States. As the region recovered from the Asian economic crisis, the volume of trade between Singapore and Malaysia increased 34 percent in 2000. Interdependence is not limited to trade: Singapore is Malaysia’s top ASEAN investor and its fourth largest foreign investor.

As Singapore confronted both economic and security dilemmas in the early 1990s, the creation of a growth triangle with Malaysia and Indonesia became a centerpiece of its external economic strategy, one with clear security implications. Growth triangles have been interpreted differently in different parts of Asia, but all have centered on the cooperative economic development of border regions by three sovereign entities. Some have been primarily market-driven, as was the link between Singapore and Johor before the growth triangle was established. The Johor-Singapore-Riau triangle, however, was “largely attributable to high-level official and bureaucratic guidance...” The growth triangle initiative was perceived as Singaporean in origin by those in the region. Singapore’s motivation was primarily economic: lowering the costs of transactions among the three countries (or parts of those countries) in the interests of both Singaporean and foreign investors. Facing increasing land and labor costs, Singapore
would be able to transfer its labor-intensive industries into the growth triangle rather than investing in more distant locations, such as Vietnam or south China.

In addition to the strong economic rationale for the growth triangle, however, a broader security goal is also mentioned:

In addition to economic benefits, some perceive that there is a security angle in the Growth Triangle concept... If Johor and Batam [Indonesia] were more intricately related with Singapore in their economic development, the two countries would have greater incentive to remain on “friendly” terms with Singapore.\(^{50}\)

In addition to enhanced security through greater interdependence, the growth triangle might provide Singapore with a second security gain: diversification. Connected to Singaporean investment in the infrastructure of Indonesia’s Batam island (part of the growth triangle) is the development of an alternative to Malaysia for the city-state’s water supply.\(^{51}\) Concentration of trade and investment on its immediate neighbors could also reduce the leverage of Singapore’s principal trading and investment partners: the United States and Japan.

The Singaporean model of growth triangle development clearly aimed at two of the effects by which greater interdependence could enhance Singapore’s security. First, the existence of larger trade and investment stakes between Singapore and its neighbors would shift the cost-benefit calculus of any politician contemplating measures that would worsen relations, including the use or threat of military force. Not only would the economic benefits of the Singapore connection be at risk, the attitudes of other investors would also be affected. In addition, interdependence could influence political coalitions in neighboring countries. As Deputy Prime Minister Lee Hsien Loong put it:

One way to make these policies less dependent on who is in charge, and insulate them from domestic political pressures, is to institutionalize the linkages and benefits of economic cooperation. We need to create vested interests in keeping the projects going... These will
be powerful incentives for governments in both countries to maintain good relations with each other.\textsuperscript{52}

In other words, domestic political support could evaporate for any government that threatened Singapore and the economic interests linked to Singaporean trade and investment.

What the growth triangle and the larger pattern of economic interdependence could not promise was a basis for active linkage on the part of Singapore. The triangle represented only a share of the overall economic exchange among the three economic partners, and Singapore did not enjoy clear asymmetric bargaining power in those overall relationships. Singapore combined the institutionalization of interdependence with its neighbors with a renewed emphasis on regionalization of its economic ties during the 1990s. Once again, diversification was deployed as a hedge against the development of unforeseen asymmetries in its relations with Malaysia and Indonesia.\textsuperscript{53} Explicit linkage was also prevented by the possibilities for political backlash in Singapore's neighbors. Although the Malaysian and Indonesian leadership endorsed the growth triangle initiative, Malaysia's enthusiasm was tempered and concentrated in the state government of Johor. Singapore tended to define the growth triangle in ways that made interdependence appear a confirmation of a hierarchical division of labor: Singapore supplied capital and management know-how; Johor and the Riau islands provided cheap land and labor. The impression of a Singapore-dominated regional structure was only deepened by the weakness of the third leg on the triangle, between Malaysia and Indonesia.\textsuperscript{54} Unlike a free trade area, the growth triangle differentiated among regions of Malaysia and Indonesia in their relations with a foreign state. The enthusiasm of Johor (which fulfilled Singapore's hopes of creating vested interests in the triangle), caused unease in the rest of Malaysia, particularly when combined with the influx of Singaporean capital and Singaporean businessmen across the causeway and the purchase of land in Malaysia by Singaporeans.\textsuperscript{55}

By the late 1990s, references to the growth triangle in either Singapore
or Malaysia became increasingly rare. Although economic interdependence contributed to stability in the relations between Malaysia and Singapore, it had not produced more institutionalized means of resolving conflicts in a routine manner. Relations between the two governments worsened during the Asian economic crisis in 1997-98. Singapore’s dependence on Malaysia for water remained a persistent point of friction that eluded formal agreement. The transfer by Singapore of its immigration officials from the downtown Tanjong Pagar railway station to a new station on the border was resisted by Malaysia. The resulting stalemate produced two different sites for customs and immigration. During the economic crisis, Malaysia unilaterally declared illegal the trading of Malaysian shares on the Central Limit Order Book, an over-the-counter market based in Singapore. Malaysia also refused to participate in joint defense exercises under the Five Power Defense Arrangement.

These issues were finally resolved in an agreement reached on 4 September 2001. Only Lee Kuan Yew, Singapore’s Senior Minister, and Malaysian Prime Minister Mahathir Mohamad could conclude the difficult and lengthy negotiations. On nearly every issue, other than the price of water, Singapore agreed to the Malaysian position. Both the preceding history of politicized economic conflict and the final resolution of this round of disputes illustrated the strengths and weaknesses of economic interdependence as a contributor to national security. The eruption of these conflicts demonstrated a point made by critics of economic interdependence as a dampener of conflict: many points of tension and political conflict arose from the high level of economic interdependence. Deepening economic interdependence in the interests of national security might serve to expand the number and range of disputes in the future. The disposition of these disputed issues in the 2001 agreement also appears to confirm that asymmetric interdependence matters: Singapore’s greater wealth and its role as a source of investment could not overcome its dependence on Malaysia in certain critical areas, particularly water.

That evaluation may be inaccurate, however. The principal reason for Singapore to accept a bargain that was admitted to be unbalanced was its
concern over the evolution of politics in Malaysia after Mahathir. The future leadership in Malaysia could be dominated by the Islamic Party or be incapable of implementing a negotiated bargain because of political weakness. This calculation about the future seems to have been more important to the shape of the final bargain than the underlying asymmetries in interdependence between the two economies.  

While the number of disputes and the difficulty of their resolution may be an undesirable outcome of growing economic interdependence, the probability that any of those disputes might intensify into military conflict has probably decreased with deepening economic interdependence. Malaysian Defense Minister Syed Hamid Albar, for example, responded incredulously when the possibility of war was raised: “Armed conflict? No way. Malaysia had never considered such a possibility.” Nevertheless, Singapore’s reliance on economic interdependence faces particular obstacles in ensuring national security given its security aims. The principal security threat emanating from its neighbors is a shift in domestic political coalitions toward a configuration (Islamic or Malay/Indonesian nationalist) that would move to manipulate economic asymmetries or even threaten the use of military force. Economic interdependence creates domestic constituencies that are likely to resist such policy changes, stabilizing regional relations. In this case, however, the ethnic divide may weaken interdependence effects: Singaporean ties to Indonesia and Malaysia are concentrated in the Chinese communities in those countries. Interdependence stabilizes state-to-state relations but it can produce unforeseen changes in domestic politics, including backlash against its growth. Positive spillover effects into the realm of national security will require careful political management as well as demonstrable joint economic gains. Nevertheless, it is not clear that any part of Singapore’s security portfolio would be particularly effective in insuring against a security threat that emerges from domestic political change.

Part One: The Security Environment Around the Korean Peninsula
Taiwan: Managing Interdependence in the Interests of Survival

Unlike Singapore, Taiwan faces a clear threat that China will use military force to achieve its goal of imposing Chinese sovereignty. The 1995-96 Taiwan Strait crisis peaked with Chinese missiles fired into the waters around Taiwan and US aircraft carriers deployed to the region. Tensions surged again in 1999 following missile deployments in Fujian province, opposite Taiwan, and remarks by Taiwan President Lee Teng-hui that future relations should be conducted on a state-to-state basis. China regards Taiwan as a renegade province; unification remains a top goal of the Chinese leadership, one that has a broad domestic constituency. The Chinese government has repeatedly declined to remove the threat of force from its bargaining over the future of the island.

Unlike South Korea, which also faces a heavily armed adversary, Taiwan’s rival is both militarily threatening and economically dynamic. This combination has created the unusual situation of rapidly growing economic interdependence across the Taiwan Strait that the Taiwanese government has attempted to manage in the interests of national security. The Taiwanese private sector has been eager to trade and invest on the mainland (in contrast to South Korea’s firms); the Taiwanese government, unlike either the Singaporean or South Korean governments, has not until recently encouraged economic exchange as a means of increasing national security.

Despite this stance by the Taiwanese government, levels of economic interdependence with China grew rapidly after 1985. Before China instituted its economic reforms in the late 1970s, the state of war between the two sides limited trade between Taiwan and the mainland to less than $50 million, largely items for which Taiwan could not find alternative sources, such as traditional Chinese medicines. China’s opening to the international economy and its program of internal economic reforms in the early 1980s produced a first surge of indirect trade (largely through Hong
Kong): by 1985, trade was estimated to exceed $1.1 billion. Domestic political change on Taiwan produced a further ratcheting up of economic exchange and travel in the late 1980s. Responding to the opinions of an increasingly influential middle class, the Taiwan government endorsed the principle of "no contact, no encouragement, and no intervention," effectively legitimizing indirect trade with China. The lifting of martial law in 1987 led to a further reduction in restraints on cross-Strait trade, individual visits, and unofficial sports and cultural exchanges. A higher level of political mobilization by economic interest groups became possible in Taiwan.

Appreciation of the new Taiwan dollar against the US dollar in the late 1980s reinforced a pattern of trade and investment with China that persisted in the 1990s. Taiwan exported manufactures and imported principally raw materials. Investments initially were overwhelmingly small-scale ventures in light manufacturing or tourism, concentrated in coastal areas (particularly Fujian province, directly opposite Taiwan) or special economic zones. As it was for Hong Kong and South Korea, China became an irresistible economic hinterland, offering low-cost land and labor; investment in the mainland in turn spurred exports from Taiwan to provide inputs to the new factories in China. Taiwan had, in effect, transferred a part of its labor-intensive manufacturing sectors across the Taiwan Strait.

By the late 1990s, Taiwan's exports to the mainland had burgeoned. Although statistics were notoriously unreliable, since all trade was indirect, the growth was both unmistakable and unbalanced: Taiwan's exports to the mainland were approximately six times those of China to Taiwan. The even greater imbalance between Taiwanese and mainland investment flows was owed in part to the restrictive policies of Taiwan's government as it attempted to manage levels and composition of economic interdependence between the two sides. Taiwan's annual level of foreign direct investment in China had multiplied more than tenfold in the seven years after 1990, reaching $2.92 billion in 1998. In the past two years, an estimated $10 billion in Taiwanese investment reached the mainland. China was first among destinations for Taiwanese overseas investment.
Equally important has been a shift in the composition of Taiwanese investment in the late 1990s. The high-technology core of Taiwanese industry has transferred a growing share of its manufacturing to the mainland. The investment accelerated after a serious earthquake on Taiwan in 1999. An estimated one-half of Taiwan’s high-technology products are now made on the mainland. The scale of investments has grown and is likely to grow even more rapidly following announced changes in Taiwan’s government policies. Morris Chang, a leading figure in the Taiwanese semiconductor industry, has predicted that the sector cannot remain competitive without increasing its base in China. Accompanying this shift in the composition of Taiwanese investment has been movement within China toward Shanghai and central China. The number of Taiwanese resident on the mainland has increased to accompany this wave of investment: 250,000 Taiwanese are now estimated to live in Shanghai; many more live or visit in southern China.66

The scale of these trade and investment flows is particularly striking in light of continued military tension and political conflict across the Taiwan Strait and failure to negotiate direct transport and communications links between the two territories. The two governments have diverged in their reading of the implications of deepening economic interdependence for their foreign policy goals. The Chinese government has taken a consistently pro-interdependence line since the beginning of its economic reforms. Economic integration complements China’s overall reform strategy since the late 1980s of attracting foreign investment. Tying Taiwan to the mainland by any means, including trade and investment, also fits China’s primary goal of reunification. At a minimum, the Chinese leadership views economic interdependence as a bar to Taiwanese independence through two of the interdependence effects: linkage and changing the domestic political calculus.

China began targeting Taiwanese investors with special incentives in the late 1980s, offering special incentives for Taiwanese businesses. This targeting took place at the national, provincial, and ministry levels.67 More recently, after the election of Chen Shui-bian as president of Taiwan, the
Chinese government has used explicit carrots and sticks to discourage business support for Taiwanese independence and the Democratic Progressive Party (DPP). Taiwanese political figures that accept the one China principle (or who are not members of the DPP) have been welcomed to Beijing. Apart from the explicit (and sometimes counter-productive) attempt to link economic benefits to political behavior, Beijing appears to count on Taiwanese business, increasingly tied to the mainland, to exert its influence against independence and in favor of reunification. The model in mind may be that of Hong Kong, where the business elite was one of the most influential foes of those defending Hong Kong democracy and autonomy. Recent signs suggest that this strategy has had some success. Taiwanese businessmen called on the government to lift its ban on their participation in mainland political bodies like the National People’s Congress.

If China encouraged economic interdependence with Taiwan as an instrument for promoting its goal of reunification, the Taiwanese government viewed the same trends with growing concerns for national security and autonomy. Belated and unsuccessful efforts to regulate and control rapidly growing trade and investment across the Taiwan Strait were put in place. Early on, the government’s efforts were hampered by several weaknesses: the absence of inducements to register with the government, the inability of the government to define its national security concerns with any clarity (the new rules seemed instead to place economics and politics on a separate track), and the absence of a single government entity to oversee the many dimensions of Taiwan’s relations with China. Nevertheless, into the 1990s, under its “go slow, be patient” policy, Taiwan’s government placed significant and unpopular barriers in the way of businesses operating on the mainland. Investment caps tended to affect the largest and most visible Taiwanese corporations.

The Taiwan government also encouraged overseas investment diversification through its “go south” policy. Manufacturers were steered to alternative low-wage countries, such as Vietnam. Taiwan signed bilateral investment agreements with a number of Southeast Asian countries and of-
ferred loans for infrastructure investment that would make them more attractive investment locations. Even after the Asian economic crisis of 1997-98, the Taiwan government attempted to revive the policy, emphasizing that depreciated Asian currencies made Southeast Asia an even more attractive site for investment.72

The election of Chen Shui-bian of the DPP as president of Taiwan on 18 March 2000 might have produced strengthened measures to restrain economic interdependence across the Taiwan Strait in the interests of national security, reinforcing the policies of Chen’s predecessor, Lee Teng-hui. Instead, Chen took immediate steps to placate Beijing, issuing assurances that his government would not push for independence in the absence of Chinese use of force and favoring the “three links” with the PRC (transport, communications, and trade). In his unwillingness to accept China’s interpretation of the one China principle, however, Chen held firm. Since acceptance of the principle was China’s prerequisite for opening negotiations, little progress was made in reducing the political barriers to deeper economic interdependence. China grudgingly accepted the “mini-three links” between the offshore islands of Kinmen and Matsu and the mainland in early 2001, but that modest step had only symbolic significance.

Chen’s stance on relations with the mainland reflected a convergence among Taiwanese political parties on mainland policy. That convergence in turn resulted from the views of business interests increasingly tied to China and an electorate that was by and large contented with the status quo. Concerns over interdependence effects on national security had declined in salience across the political spectrum. All of the presidential candidates in 2000 accepted a modified two-state formula for relations with the mainland and favored further relaxation of government controls over economic ties with China.73 A growing economic crisis in the Taiwanese economy was created by the collapse of the high-tech boom in 2000. By 2001, pressure for further unilateral relaxation of government restraints on economic interdependence had mounted. A special advisory committee appointed by Chen recommended in August 2001 a series of deregulatory
measures, including further loosening of restrictions on Taiwanese investment in China and Chinese investment in Taiwan’s stock and property markets. If China cooperates, the panel also recommended a trial program to allow mainland tourists to come to Taiwan. The panel also urged aggressive pursuit of the three direct links with the mainland, but their implementation requires cooperation from China. The old policies of “no haste” were replaced with one of “active opening” with “effective management.”

By late 2001, both China and Taiwan had endorsed deeper economic integration across the Taiwan Strait, although China insisted on acceptance of the one China principle by both sides before negotiations to that end could begin. Since the Chinese leadership seeks reunification on the basis of “one country, two systems,” and Taiwan’s electorate endorses either the status quo or independence by a large majority, the two sides have clearly made different calculations of interdependence effects.

Throughout the 1990s, Taiwan attempted to construct linkage between deeper economic engagement and changes in Beijing’s policies, specifically a renunciation of the threat or use of force against Taiwan, an end to efforts to isolate Taiwan internationally, and democratization and political liberalization in China. China rejected such an exchange, since the Taiwan government did not control additional economic benefits that would equal the political concessions demanded of Beijing. Taiwan’s asymmetrical dependence on the mainland—approximately 20 percent of Taiwanese exports went to the mainland in the mid-1990s, compared with 3 percent of mainland exports going to Taiwan—awarded China a substantial bargaining chip. The Taiwan government could not credibly implement a linkage strategy in any case, since it could not control or even monitor economic transactions with the mainland. Unlike South Korean business in the case of the Soviet Union or North Korea, the Taiwanese manufacturing sector was eager to undertake trade and investment on the mainland at existing levels of political risk and uncertainty. From the point of view of China, larger flows of trade and investment were difficult to imagine in the wake of political concessions.
If Taiwan cannot hope to implement a strategy of active linkage that will shift Chinese policy in the desired directions, it does seem to rely on what might be called "passive linkage" to deter the Chinese use of force. Removing the remaining restrictions on Taiwanese trade and investment on the mainland will remove a source of asymmetry in economic links between the two sides. Direct trade links with China could reduce the levels of direct investment by Taiwanese manufacturers. Chinese investment and tourism on Taiwan will create "economic facts" that would alter the calculus of any Chinese government that was contemplating the use of military force. (The contrast between this type of linkage and active linkage to induce policy change is analogous to the contrast between deterrence and compellence.) Taiwan's inability to exert control over its private economic agents would no longer be of importance: more economic interdependence would simply reinforce the status quo more effectively. Using economic interdependence in this way redefines Taiwan as the status quo party in the relationship. Apart from the small minority of Taiwanese who desire independence in the short-run, attachment to the status quo accurately describes the attitudes of the Taiwanese electorate. The accuracy of Taiwanese calculations regarding the passive and relatively symmetric effects of economic interdependence was demonstrated during the 1990s. At the time of president Lee's use of the "state to state" formula in 1999, military tensions increased; the stock markets on either side of the Taiwan Strait suffered sharp drops. The Chinese response to Chen Shui-bian's election in 2000 also suggested the stabilizing influence of growing economic interdependence. Despite some strident statements by Chinese leaders before the election, Chen's election and inauguration were not greeted by military threats or actions.

Interdependence effects through domestic political change, a second avenue of influence, also seem to award advantages to the mainland. Democratization in Taiwan amplifies the influence that can be exerted by interests engaged economically with China. Taiwan-linked interests on the mainland, on the other hand, must attempt to influence policy in an authoritarian setting, one whose institutions are less likely to reflect their
economic importance (and more likely to amplify the voice of hardliners in the military and security bureaucracies). China has already attempted to manipulate business interests in order to dampen support for the DPP and Taiwanese independence. The mainland can also wait for deepening economic interdependence to produce what Orville Schell has called the “Hong Kong-ization of Taiwan-mainland relations.” The economic asymmetry in trade and investment links would be reflected in an asymmetry in political effects, magnified by institutional differences.

Taiwan and China are wagering on the arrival of different coalitional changes that will transform relations between the two societies. Chinese interests will be served if economic interdependence and multiple channels of contact with the mainland produce a relative decline in those clinging to an exclusive Taiwanese identity and an increase in those who identify with China. Taiwan, on the other hand, must bet that China will over time and under the influence of opening to the international economy shift politically toward a dominant coalition that is less centered on the military and nationalist hardliners. Over time, the Chinese leadership may discover that their hold on power owes less to nationalist appeals and more to the satisfaction of economic demands. If successful economic strategy requires peaceful resolution of its differences with Taiwan and moderation of nationalist demands, Taiwan will have won its wager.

Taiwanese trade and investment in the mainland economy is likely to grow rapidly, particularly following the establishment of the three links and the lifting of residual Taiwanese restrictions on economic exchange. The interdependence effects that are likely to follow from this deepening of economic integration seem to favor Chinese aims rather than Taiwanese. Such a conclusion ignores the possibility of counter-strategies undertaken by Taiwan’s government. In several respects Taiwan’s situation resembles that of North Korea: maintaining autonomy in the face of both perceived military threat and the economic dynamism of a much larger neighbor. Taiwan, however, has many more counter-strategic options than North Korea. Two are particularly important. The Taiwanese government could encourage a third transformation of its economy, promoting services
in place of technology-intensive manufacturing. Liberalization of the Taiwanese economy in the interests of such transformation would not only reduce the attraction of cheap land and labor on the mainland; it would also diversify Taiwan's economic partners through inward foreign investment. A second counter-strategy is already in place: internationalization. Entry into the WTO will constrain overt linkage strategies on the part of both China and Taiwan, an outcome that will favor Taiwan, as it has favored small, open economies in the past. Many of the obstacles to economic exchange imposed by Taiwan will end under WTO rules. At the same time, the transformation of the Chinese economy will only accelerate as the WTO accession agreement takes hold.

**Economic Interdependence and National Security: Modifications and Conclusions**

South Korea, Singapore, and Taiwan have accelerated or restrained economic interdependence in the interests of reducing threats to their security. Their decade-long record forces modifications in a simple model of interdependence effects and produces tentative conclusions regarding the scale of those effects. Although most of the empirical work on interdependence takes trade as its centerpiece, these cases demonstrate interdependence in the late 20th and early 21st century is driven primarily by foreign direct investment. Investment has grown more rapidly than trade in this region and others; it has demonstrated stability in times of economic crisis. Investment interdependence is likely to have different linkage and political effects than trade interdependence. For example, investment implies the cross-border movement of personnel, creating a possibility for political agency that is absent in trade links. As production networks replace direct investment in certain sectors, interdependence effects are likely to shift once again. As one moves from trade to investment to production networks, the ability of governments to exert leverage through economic interdependence is likely to decline.
A simplified model of interdependence effects concentrates on bilateral links and their consequences. In these cases the multilateral setting was important in at least two respects. Coordination with other governments who were trading partners with the target state could increase leverage. In the absence of coordination less interdependence with others would strengthen bilateral linkage effects. At the same time, political and coalitional effects would only be enhanced by the multiplication of those trading and investing in the target economy. Multilateral institutions, particularly the WTO, could weaken unilateral policies of linkage. In addition to a particular bilateral relationship, governments could be constrained by reputational concerns vis-à-vis other trade and investment partners. Although bilateral models may be a necessary simplification, their predictions will be more accurate if the multilateral context is examined.

Finally, the intergovernmental character of most interdependence models is undermined by these cases. In order to implement a successful interdependence strategy, governments must strike bargains with their own private sectors. Corporations may successfully resist efforts by governments to construct linkage strategies, as they did in the Taiwanese case. The reverse influence effect is also important: domestic political change that results from interdependence is highly dependent on the ability of private agents to influence government policies in the desired direction.

These cases also point to several tentative conclusions regarding interdependence effects and their place in the international politics of the region. Linkage strategies—manipulating economic interdependence to reduce the threat or use of military force—were highly dependent in these cases on an initial upward shift in the value placed upon economic growth and an opening to the international economy by political elites. Before China and the Soviet Union had embarked on new policies of economic reform, efforts at linkage by states in the Pacific region were likely to fail. In similar fashion, Kim Dae-jung’s government in South Korea argued that economic engagement without conditions would create an essential North Korean constituency for further economic reform and opening.

After economic interdependence had been assigned a positive value,
linkage bargains could be struck that depended, as Wagner has pointed out, not only on the gains to be made economically on either side and on asymmetries in economic relations, but also on the possibility of striking a political bargain that would make the partners better off than a simple bargain over the economic terms of exchange. China and Malaysia were in far stronger positions to resist efforts at linkage than the Soviet Union and Indonesia. China had enjoyed rapid success in its own economic reforms; its growth rate during the 1980s and 1990s was one of the highest in the world. Its leadership believed, perhaps mistakenly, that its future economic potential (whatever its present poverty) made it an irresistible lure to Western capitalists. Malaysia was also a rapidly growing economy. Both countries had a diversified set of international economic partners, which made bilateral manipulation of interdependence difficult. This disparity in economic bargaining power was not a perfect predictor of linkage success, however: in some cases, whatever the economic asymmetry and the gains to be made through expanded interdependence, the political price asked was too high for agreement. China's initial resistance to recognizing South Korea and its continued insistence that force might be employed to reunify China and Taiwan also suggest powerful political barriers to linkage strategies.

Strategies linking economic interdependence and policy change in the target state were sometimes undermined by the second interdependence effect: domestic political change, the creation of interests in both countries with an interest in expanded economic transactions. The bargaining strength that the government possessed vis-à-vis domestic constituents was critical in determining whether it could execute a successful strategy of linking economic interdependence to other foreign policy goals. The contrast of South Korea with Taiwan is instructive in this regard. In its bargaining with the Soviet Union, the South Korean government could assume that its capitalists would follow—not precede—their moves: the political risks for businessmen in dealing alone with the Soviets were simply too high. The risk calculations of Taiwanese manufacturers in China was very different, and the Taiwan government had little success in regulating
their “mainland fever” in the interests of its own bargaining with the People’s Republic. Since Singapore was not attempting an explicit linkage policy but rather a tacit one, a careful coordination with the private sector was less important.

These differences in public-private relations were exacerbated by endogenous changes in the political system that simultaneously weakened the coherence of the state and its predominance over civil society. In South Korea and especially in Taiwan, interdependence was politically popular: the response of the Taiwanese population to the removal of their isolation from China was similar to that of West Germans during the period of Ostpolitik. Because civil society had a greater influence on state policy and valued the new links so highly, the government’s bargaining position was inevitably weakened.

None of these governments embraced the third interdependence effect—a permanent transformation in the likelihood that their larger neighbors would use military force—although some aimed at such a transformation in the longer term. Economic interaction did not create a security community in any of these cases. The high level of military threat across the Taiwan Strait seems to demonstrate the reverse: economic interdependence could deepen in the presence of high levels of militarized conflict, and its deepening did not seem reduce that conflict. Even in this case, however, war has not occurred, and the response of China to the election of Chen Shui-bian suggests that economic interdependence may have a stabilizing influence on bilateral relations. As the Kim Dae-jung government discovered, governments that were the target of an interdependence strategy aimed at transformation might view it as threatening. Transformation could be interpreted as movement from one dominant political coalition to another. The prospective loser in such a scenario had substantial incentives to reverse the progress of interdependence.

Despite the failure of rapidly growing economic interdependence to produce a decisive and permanent turn away from the threat or use of military force, economic interdependence remained an important instrument in the strategic portfolios of these governments. Whether economic inter-
dependence would retain that place in the future was less certain. Any evaluation of the independent contribution of interdependence to particular outcomes is difficult. Endogenous changes, such as democratization and economic liberalization, also influenced external orientations. A more useful set of speculations concerns the future and systemic implications of such strategies in the Pacific region. Even if growing economic interconnections in the region do not completely overcome longstanding threats of military conflict, growing economic interdependence could continue to offer states, under certain circumstances, new means to accomplish their foreign policy goals.

Three concurrent trends work against the strategic use of interdependence, however: growing diversification in trade and investment links, which makes bilateral manipulation increasingly difficult, liberalization of economies and polities in the region, which renders government control and regulation of economic transactions increasingly difficult, and the growing role of global and regional institutions, which constrain the use of economic interdependence in bilateral bargaining. Those trends suggest a curvilinear relationship between growing economic interdependence and its use as an instrument of national security: rising as economies open but governments retain instruments to manage their external transactions, and then declining as economies continue to liberalize and democratize. Economic interdependence will continue to influence international relations in the region, but individual national strategies may have a diminishing effect on its future.

**Notes**

3. Kenneth Waltz, *Theory of International Politics* (Boston, Massachusetts: Little,
Brown, 1979).


7. Waltz, *Theory of International Politics*, 1979, p. 158. The foreign policy and military elites of Europe, in most cases from traditional sectors little touched by international economic interaction, were insulated politically from interests that would lose most heavily in war. This was particularly the case in the less industrialized and authoritarian empires of central and east Europe. The political costs incurred from economic disintegration were also relatively low: populations did not hold their governments responsible for economic management and welfare as they would after 1945. Richard Rosecrance, “International Theory Revisited,” *International Organization*, 35, 4 (Autumn 1981), p. 699; Rosecrance, *Rise of the Trading State*, p. 150.


13. Ibid., p. 694.


204 Part One: The Security Environment Around the Korean Peninsula


5. Strategic Uses of Economic Interdependence 205


30. In 1999 the number of South Koreans visiting the North for business or other cooperation purposes was 40 percent higher than the total for the nine years to 1997 (ibid., p. 131).


33. Ibid., p. 68.

34. "The increasing influence of reform-minded soft-liners and technocrats in the North Korean power hierarchy is sure to help the country begin to dismantle its Stalinist regime" (ibid., p. 111).


36. See the analysis of the summit results in ibid., pp. 22-29.


38. Noland, Avoiding the Apocalypse, p. 133.

39. Yong-Sup Han, "The Kim Dae-Jung Government’s Unification Policy: Will the Sunshine Effect Change in North Korea?" Korea and World Affairs (Fall 1999), p. 338.


41. Noland, Avoiding the Apocalypse, p. 359.


54. As one Malaysian put it, “There is no triangle as such, rather a growth area focused on Singapore. This is a project with specific Singapore objectives.” Michael Vatikiotis. “Search for a Hinterland.” *Far Eastern Economic Review*, 3 January 1991, p. 35.

55. “At the introduction of the Growth Triangle concept, approaches were made to the state government rather than the federal government. This, in part, explains the cautious attitude the federal government has adopted since then.” Lee, ed., *Growth Triangle*, p. 63, pp. 69-70.


59. S. Jayasankaran, "Under the Gun."


64. In 1990, estimates on Taiwan exports to the Mainland ranged from $4.39 billion to $7.81 billion. Taiwan exports to the Mainland peaked in 1997, with estimates ranging from $22.46 billion to $27.58 billion, before dropping off in 1998 to $19.86-23.95 billion. (Figures based on statistics found at the Mainland Affairs Council webpage: www.mac.gov.tw.) China's exports to Taiwan have also grown rapidly from a much lower level: 1990, about $1.0 billion, rising to $3.87 billion by 1998. Sources: Yuh-jiun Nancy Lin, "A Review of Cross-Strait Trade Development," Issues and Studies (April 1996), pp. 56-57; China Monthly Statistics (Beijing: China Statistical Information and Consultancy Center, 1999, no. 1).


68. Jia Qing-guo, "Taiwan's Presidential Election Outcome: Implications for Cross Straits Political and Security Relations," in Taiwan Presidential Elections and Democratization in Asia, Report on the Workshop held at the East-West Center, 20-22


73. An excellent analysis of changing party positions on cross-strait relations is given by Yu-Shan Wu, “Gauging Cross-Strait Tension: Strategic Triangle and Power-Maximizing Model,” in *Taiwan Presidential Elections*, pp. 130-142.


75. President Lee Teng-hui set these conditions in his inaugural speech of May 1990.


78. On production networks in the Asian electronics industry, see Michael Borrus, Dieter Ernst, and Stephan Haggard, eds., *International Production Networks in Asia: Rivalry or Riches?* (New York: Routledge, 2000).

5. Strategic Uses of Economic Interdependence 209
What Is Korea to the US?

Fifty-seven years after World War II ended, the Korean peninsula remains divided. More than a decade since the end of the global Cold War, Seoul and Pyongyang are locked in a local version of mutual assured destruction (MAD). The overwhelming conventional force capability held by South Korea and the US is checked by North Korea's ability to wage unconventional wars and to exploit Seoul's geographic vulnerability. Despite the September 11 attacks on America and the "axis of evil" designation, the Pyongyang regime still sustains itself on an aid-based economy and has even begun to adopt some measures of economic reform.

What is so unique about Korea—the Korean peninsula to be more precise? Among the three major legacies of the bipolar world, Vietnam became united more than a quarter century ago, and Germany was unified soon after East European Leninist systems disintegrated. Yet North Korea has defied many expectations about its viability. It survived not only the Fukuyaman "end of history" but also the anticipated crisis of succession following Kim Il Sung's death in 1994. Judging from the way it has been
managing its relationship with the US, North Korea may be able to dodge even the hardest blows to come from the Bush administration.

South Korea has not done its part to end the division on the peninsula. When East Germany was merged into the West, the Korean government and people were busy worrying about the astronomical costs to accrue from a similar feat in Korea. While the nuclear weapons crisis peaked in the summer of 1994, Seoul tried hard to dissuade Washington from launching a preemptive attack on the Yongbyon area. From 1998, Kim Dae-jung struck a harmonious chord with the Clinton administration in supporting the North Korean regime. Kim has also been trying hard to persuade the Bush administration about the virtues of his “sunshine policy.”

In a similar vein, the four surrounding powers—the US, Japan, China, and Russia—have done little to change the status quo on the Korean peninsula. Behind the rhetoric of not opposing a unified Korea, they were primarily concerned with the upsetting influence of unification on the regional balance of power while they were maneuvering for positions of strength.

From this background emerges a picture of how the Pyongyang regime has evaded pressures of Korean integration. Militarily, it relied on asymmetric warfare capability to assure stalemate on the peninsula. Its weapons of mass destruction and their delivery system would survive an all-out conventional attack from the US-South Korean combined forces and bring devastation to the South. Even the forward deployment of its forces could be seen as a signal that Pyongyang’s leaders would rather kill and get killed than fight to win a protracted war of attrition. Once the local balance of terror was established, the Pyongyang regime began its “diplomacy of extortion”—the ultimate form of asymmetric diplomacy. And it worked because Seoul and Washington chose to accommodate Pyongyang even in the absence of reciprocation.

Sitting at the opposite end of the local MAD system, South Koreans would dare neither contain nor neglect the North. Neo-containment would increase tension on the Korean peninsula and force Seoul to spend more on armaments. A posture of “benign neglect” would not be acceptable either, since the American and Japanese firms would exploit what little
opening North Korea may afford them and dominate the North Korean market. The sensible choice for Seoul was hence to play along and engage Pyongyang.

President Clinton’s North Korea policy was also based on the principle of engagement, due mainly to the China factor. Inasmuch as China was becoming important as America’s rival and partner, Washington was hardly in a position to encourage a German-style absorptive unification in Korea. Moreover, accommodating Pyongyang fit the internationalist orientation espoused by the Clinton administration.

In contrast, President Bush parted ways with his predecessor. After spending about half a year to review the Korean situation, his administration decided to resume dialogue with Pyongyang although the tone and terms began to sound far more business-like than before. Yet it did not spell out America’s foreign policy goals toward North Korea. Hard to tell was whether such non-revelation was a purposeful act for strategic ambiguity or caused by the ongoing power struggle between the hard- and soft-liners in the administration. What did matter was that Pyongyang interpreted it as Washington’s retrogression to the era of global Cold War. After all, the Koreans—North and South—became euphoric about rapprochement after the first-ever inter-Korean summitry in June 2000 and anticipated unconditional support from Washington, which would not come.

Washington wants to discuss with Pyongyang the issues of weapons of mass destruction, long-range missiles, conventional forces, and North Korea’s compliance with the International Atomic Energy Agency (IAEA) inspection as required by the Agreed Framework. Now that Pyongyang seems eager to talk with Washington, the dialogue will go on, although it may take a long time before these complicated issues can be resolved. Trying to resolve the issues as the talks progress is one thing, while it is another to have a prioritized set of foreign policy objectives to guide the process of resolution. Unclear at this time is Washington’s ultimate goals in dealing with Pyongyang. Does it wish North Korea eventually absorbed into the South? Does it want Kim Jong-il replaced as in the case of Iraq’s
Saddam Hussein? Does it desire North Korea to follow China’s model of reform in which Kim Jong-il becomes Korea’s Deng Xiaoping? Or does it like to see the Pyongyang regime muddle through so that Washington will not “run out of enemies” before completing a new world order under American hegemony? For leverage in negotiations, the US needs to mix a goal-driven pro-active approach with re-active responses. Unfortunately, Washington appears to be somewhat lacking in the former. In the long run, the imbalance might cause not only incoherence in America’s policy but also North Korea’s miscalculations.

The ambiguity in Washington’s posture toward Pyongyang has clouded its relationship with Seoul during the last two years. This is because the only major change that took place in the triangular relationship among the US and the two Koreas was the election of George W. Bush as president at the end of 2000. And it appears that confusion and uncertainty in the Washington-Seoul relationship will not dissipate any time soon.

The purpose of this paper is to draw a picture of what Korea is to the US and what the US may want from Korea. To better understand America’s position, it helps to see things from an American perspective. Whenever possible, attempts are made to “simulate” the views held by the American public and leadership. The substance of our discussion will deal with the political dynamics of the relationship. Of the many arenas of interaction, politics not only sets the basic parameters of the relationship but also has been the most critical determinant of the Washington-Pyongyang-Seoul relationship since 1945. Once the picture is constructed, major issues can be addressed and Washington’s likely foreign policies may be examined in reference to their impact on the bilateral relationship. The time frame of our analysis is set for the next five years to coincide with Seoul’s presidential election cycle. It is chosen because the next critical variable to emerge in the triangular relationship will be who gets elected as the South Korean president in December 2002.

To approach our research question in a systematic and comprehensive manner, we begin with an examination of the three theaters of America’s international interactions: global, regional, and peninsular.
The Global Dimension of Forging a New World Order

To many, the end of the global Cold War was supposed to mean the beginning of Pax Americana. Yet the sole remaining military superpower was unable to build a unipolar world order. For example, the Gulf War did not destroy Saddam Hussein’s dictatorship in Iraq, military actions in the Balkans failed to end many ethnic conflicts, and the complex engagement of Pyongyang has yet to produce a system of lasting peace in Korea. Instead of moving to an integrated system under American hegemony, the world saw a gradual division into three major blocs of America, Europe, and Asia-Pacific.

In the American bloc, the US continued to exercise what came close to hegemonic control. But in the other two, stories were quite different. Europeans made giant strides toward the eventual target of building a “United States of Europe” whose size and capability would exceed those of the US. With regard to military security affairs, the US remained a dominant player in Europe, especially with the expansion of the North Atlantic Treaty Organization (NATO). Outside the realm of security, however, Washington was not in a superordinate position in Europe. The Atlantic partnership could thus be characterized as one of hegemonic cooperation, in which the Europeans recognized Washington’s supremacy but maintained a mostly reciprocal partnership. In the Asia-Pacific region, the US was involved in the game of hegemonic competition. The big powers in East Asia needed America’s presence to enhance the global stature of their region in general and to have Washington serve as a balancer among them in particular. Despite increasing contacts and exchanges, the Sino-US relationship combined the elements of both competition and cooperation. Regardless of the economic recovery, or perhaps to boost one, Japan’s leaders seemed to be leaning toward military assertiveness, which would in turn cause more friction than cohesion in the Washington-Tokyo relationship. And it was no secret that Russia’s Putin was trying hard to
restore the northern triangle (Russia, China, and North Korea) with which to expand its sphere of influence and possibly undermine America’s.

Then came the September 11 attacks on America and the ensuing war on terrorism. The tragic devastation notwithstanding, the event provided the Bush administration with a momentum to push for American hegemony. The Afghan expedition was completed and Iraq was openly considered the next target of US preemptive strike. Although many of America’s friends in Europe and the Middle East were reluctant to support another war against Iraq, the Bush administration went ahead with the attack as part of its global campaign against terror.

How would the American design of attaining global hegemony affect the Korean peninsula? Despite Pyongyang’s attempts to distance itself from international terrorism, it is still a member of the “axis of evil” and on the US Department of State’s list of states sponsoring terrorism. As such, North Korea cannot be ruled out as a possible target of an American preemptive strike. Surely, Washington would have to think twice before taking action because North Korea is very different from Iraq. Unlike Iraq, North Korea has a heavyweight sponsor—China—in the backyard, and South Korea is not an East-Asian Israel—an ally to be preserved. A preemptive attack on North Korea would mean an all-out war, destroying both Koreas and igniting a fierce struggle between Washington and Beijing over the Korean peninsula. But would the US give up the option of preemptive attack on North Korea? We think not, because it is such a powerful stick with multiple utilities. It can be wielded against Pyongyang even while the bilateral talks continue, used as a lever against Seoul, and included as a critical element in its global war on terrorism. Simply put, there is no pressing reason for the Bush administration to soften its attitude toward Pyongyang.

**The Regional Dimension of Hegemonic Competition**

Whereas global systemic change accelerated with the September 11 at-
tacks on America, Northeast Asia has been undergoing a Copernican change in international relations since the Soviet empire disintegrated over a decade ago. Northeast Asia saw mainly two mechanisms of power management during the global Cold War period. One was part of the worldwide bipolar divide in which the northern triangle of Moscow, Beijing, and Pyongyang was balanced, in the shape of an hourglass, against the southern triangle of Washington, Tokyo, and Seoul. The other was a regional power relationship among the big three—the US, the former Soviet Union, and China. Now that the former Soviet Union/Russia has been eclipsed and the bipolar constellation has withered in Northeast Asia, what has replaced the old configuration of power?

The southern triangle of the US, Japan, and South Korea is still active and, if anything, getting more cohesive albeit in the context of America’s unipolar ambition and the containment of China’s hegemonic rise. With a diplomacy of extortion, North Korea has successfully made the US come to its door and contributed to the birth of the Washington- Pyongyang-Seoul triangle. Yet the most noteworthy development is the rise of the Washington-Beijing-Tokyo triangle. While filling the void left by Russia’s decline, the new big-power triangle is rapidly becoming the dominant framework of international politics in Northeast Asia.

It has been observed that the Washington-Beijing-Tokyo triangle of the 1990s is different from its predecessor consisting of the US, the former Soviet Union, and China! The Washington-Moscow-Beijing triangle tended to be driven by the “two-against-one” process that was inherently conflict prone. In contrast, the new one may have shown a more reciprocal behavioral pattern with potentially less conflict. What is definitely clear is that the US is in the driver’s seat of the triangle and it may be able to steer in the direction it wants the triangle to go.

Then how would Washington view the relationship between this big-power triangle and the smaller one consisting of the US and the two Koreas? Although it is a complex question requiring an equally complex answer, the first cut could be something like the following. For starters, the US would utilize both triangles to advance its interests in Northeast...
Asia. Being the “manager” of the two triangles, Washington would try to harmonize them for maximum efficacy in foreign policy. It would use one triangle in resolving the issues of the other—especially its relationship with Beijing and Tokyo for the problems on the Korean peninsula. At the same time, Washington would find that one triangle could constrain its moves in the other. Regarding Korean unification, for instance, Washington could allow neither an absorption by the south nor a military takeover by the north. The former would upset the U.S-China relationship while the latter would weaken the US-Japan alliance. Consequently, Washington would remain utterly timid as far as the issue of Korean unification is concerned. The Korean peninsula is too important a buffer zone for the big-power triangle in Northeast Asia, and it will continue to be treated like one for a long time to come.

The Peninsular Dimension of Power Management

Turning to the Korean peninsula as a theater of American foreign policy, the US has been practicing a two-Korea policy ever since the global Cold War ended—Washington’s official refusal notwithstanding. Compared with the power configuration during the global Cold War era in which the northern triangle (the former Soviet Union, China, and North Korea) was pitted against its southern counterpart (the US, Japan, and South Korea), the newly formed structure resembled an isosceles triangle consisting of the US and the two Koreas—with Washington at the apex. The new setup was a challenge to both Seoul and Washington. Especially to South Korea, it represented a sea of change.

In contrast to the budding link between the US and North Korea, the Washington-Seoul relationship has endured more than a half-century of intense interactions. Through trial and error, the structural foundation for cooperation has hardened in virtually all issue areas. Politically, they share the same ideology of liberal democracy—even more so now as a result of Seoul’s democratic maturation. Militarily, the mutual security pact has
provided South Korea with a protective umbrella and the US with a valuable foothold in the Asian continent. Economically, the US has helped South Korea grow within its global network of hegemonic stability, especially during the Cold War period. And socio-culturally, many South Koreans have been socialized with the American way of thinking, resulting in their preference for individualism and liberalism.

Inasmuch as the South Koreans have depended on the US from the early stage of nation building and the bilateral relationship has since been largely amicable, one might assume that there should be little room for animosity between Washington and Seoul. Such an assessment is correct up to a point: there is hardly any deep hostility undergirding the relationship. As in any bilateral relations, however, both cooperation and conflict may coexist. With the phenomenal growth in South Korea's national capability during the last two decades, the possibility of friction saw a commensurate increase. As Seoul grows in strength, domestically and internationally, it would seek more equal and equitable treatment from Washington. Having been accustomed to the pattern of a patron-client relationship, on the other hand, Washington could be a little reticent in acceding to Seoul's demands. Unquestionably, such structural transition is the potential source of friction. Add to it the emergence of the new Washington-Pyongyang-Seoul triangle and one can see why South Koreans have become uncomfortable with the US.

From the conclusion of the Agreed Framework in October 1994 to President George W. Bush's inauguration in January 2001, the US and North Korea were, with a little exaggeration, in an almost honeymoon-like relationship. It was not because the Americans and North Koreans had suddenly found warm affinity in each other. Instead, it was the cold reality of international politics that brought them together. Fearful of following the footsteps of East Germany, North Korea had to find a protector from the much richer and stronger neighbor to the south. As the Soviet Empire had disintegrated and China was engaged in a two-Korea policy with ever-increasing economic ties with South Korea, Pyongyang was left with no choice but to turn to the last of the big three, the US, for support. From
Washington’s standpoint, it was imperative to maintain stability in the Korean peninsula because the Cold War had ended at the global level without being accompanied by the same at the regional level in Northeast Asia. The calculated risk taken by Pyongyang over nuclear weapons development provided a “natural” setting in which it was able to invite Washington to a face-to-face meeting. Having identified “Yankee imperialism” as the source of all harm done to North Koreans, Pyongyang could not approach Washington directly for support—hence the nuclear diplomacy in which the latter would come to Pyongyang’s doorstep. This meeting of the minds is best illustrated by contrasting America’s accommodation of North Korea with its punishment of Iraq, though both harbored a similar design for nuclear weapons development.

The Washington-Pyongyang relationship was not all smooth sailing, however. There were numerous hiccups as Pyongyang practiced the art of brinkmanship. The gravest concern was over the mistrust about Pyongyang’s pledge to freeze its nuclear activities as well as its continued development, deployment, and foreign sales of medium- to long-range missiles. America’s utmost foreign policy priority in the post-Cold-War era was to block the proliferation of weapons of mass destruction (WMD) and their delivery systems. By skillfully playing the issue—it is doubtful whether Pyongyang would ever give up these ultimate instruments of foreign policy and survival—Pyongyang was able to dangle Washington at the end of a fishing pole. Compared to the WMD and the delivery systems, other bilateral issues seemed to pale, and saw some active cooperation between the two sides. Visible progress was made with regard to the issue of the return of the remains of American servicemen who perished in North Korea: several of those missing in action (MIA) have been returned already and the search is sustained with US financial support. On economic assistance, North Korea was the largest recipient of US aid in Northeast Asia to the tune of over 200 million dollars per year. Although North Korea is still on Washington’s list of states that sponsor international terrorism, Pyongyang has not been accused of committing any such acts in the recent past.2
At any rate, there exist no grounds to suspect that US foreign policymakers may want to alter their attitude toward the two Koreas and a de facto two-Korea policy. If anything, the Bush administration is likely to strengthen such a tendency in order to serve its regional and global foreign policy goals. After all, the two Koreas are relatively small players, whereas the Korean peninsula has a huge strategic value. So why would Washington upset the power balance in Korea that might be detrimental to its management of the relationship with China and Japan? Now that the global, regional, peninsular backgrounds of Washington’s foreign policy have been sketched, let us move to the question of individual players—specifically, President Bush and the next Korean president.

President Bush as a Variable

Even before the 2000 presidential race was over, there was much speculation about Bush’s policy orientations toward the Korean peninsula. Would Bush seek a radical departure from the Clinton-Gore line toward Korea? If so, in what direction and to what extent? These were challenging questions for which apparently no definitive answers were available in candidate Bush’s briefing notes. Presidential debates did not produce any clues either. The first debate on 3 October 2000 was mainly on domestic issues, and the only foreign policy issue—the revolution in Yugoslavia—brought out the identical response from both Bush and Gore of not committing US troops. The second held on October 11 saw an extensive coverage of foreign affairs but no major deviation from the published platforms of the two camps: Gore showing an internationalist perspective while Bush a more conservative line of overseas engagement. Further reducing the contrast, Bush was quick to cite several foreign policy actions taken by the Clinton administration, from the military involvement in the Balkans to the Middle East peace efforts and the financial bailout of Mexico, which he said he strongly supported. At one point Bush even commented that military force should be used abroad “to help over-
throw a dictator...when it’s in our best interests” without any further elaboration. He also reaffirmed the need to continue America’s military presence in Korea not only for the stability of the peninsula but also for that of the region. The third and last debate on October 17 saw the candidates spar mainly over such domestic issues as tax cuts, welfare, and education while not going beyond the re-articulation of their foreign policy stances. On foreign policy, Bush said as much:

Our nation needs to be credible and strong. When we say we’re somebody’s friend, everybody’s got to believe it. Israel is our friend, and we will stand by Israel. We need to reach out to moderate Arab nations as well, to build coalitions to keep the peace. It must be in our vital interest whether we ever send troops. The mission must be clear. Soldiers must understand why we are going. The force must be strong enough so that the mission can be accomplished. And the exit strategy needs to be well defined. I’m concerned that we’re overdeployed around the world. You see, I think the mission has somewhat become fuzzy. There may be some moments when we use our troops as peacekeepers, but not often.5

To figure out America’s post-election policy toward Korea, therefore, we were reduced to the task of guessing—making informed speculations utilizing what we know about foreign policy stances and decision-making styles of the two candidates. A look at the foreign policy orientations of the two political parties was also an integral part of this intellectual process.

For coherence and parsimony, we chose a premise to guide the analysis. It was that no matter who would get to occupy the Oval Office in January 2001, his policy would be dictated by the twin goal of keeping peace on the Korean peninsula and sustaining Washington’s influence therein. The former would involve the prevention of turmoil, if not the promotion of an atmosphere of reconciliation between the two Koreas. In contrast, the latter would require the act of “playing godfather” to both Koreas albeit at the risk of appearing to practice a divide-and-rule policy. Within the framework set by these fundamental objectives, there could be differences—some in nuances and others in substance—between the two
candidates.

The average American voter seemed to know little about foreign policy postures of either Al Gore or George W. Bush. Campaigns staged over many months had not led to a crystallization of each candidate's position on many foreign policy issues. There were two reasons to the lack of clarity. The first and foremost was that, during the campaign, there surfaced hardly any pressing foreign policy issues in which one candidate would differ from the other. Even on a few issues of import, Gore and Bush did not disagree much. Both expressed a generally positive outlook toward America's trade with China, were on the same side of the intervention in Kosovo, and shared a similar perspective on the Middle East peace process. There were some differences about the dealings with Russia and missile defense (MD), but they were not big enough to sway voters' decisions.

The second reason why the candidates did not pay much attention to foreign policy issues was that each had different challenges. Bush's challenge was to demonstrate that he had more than an affable personality; he had to prove that he knew what was going on. Unfortunately, the test was more on his command of domestic issues than international problems. Gore faced the opposite challenge: nobody would question his grasp of policy but many had lingering reservations about his personality. To run a democratic polity which is also the most powerful in the world, a US president needs not only an intellectual capacity to understand the basic issues but also a personality that would help orchestrate activities of the many players in a very complex decision-making structure. That neither Gore nor Bush was seen to fulfill these two requirements must have been one of the contributing factors to the tightness of the race. Although foreign policy had been placed in the backburner of the election politics, it was nonetheless critical to be able to tell with some authority how each candidate would govern in foreign policy. Perhaps a most comprehensive public debate on the subject held was that organized by the American Enterprise Institute. It consisted of two panels—one on each contender—such that the "insiders" in the camp would describe each candi-
date’s foreign policy and respond to the criticisms from “independent” observers. Candidate Bush was profiled using the discussion that took place in one of the two panels.

Whereas the panel on Gore’s foreign policy defined his doctrine as “forward engagement,” the Bush panel did not produce any such code word. Instead, it attempted to debunk a popularly held view about Bush’s three-part foreign policy of strengthening America’s military, scaling back military commitments abroad, and focusing on the big powers. Acknowledging the existence of three strains of foreign policy thinking in the Republican Party—isolationist, realist, and moralist—the panel placed Bush somewhere between the realist and moralist school. Bush was viewed to possess a Reaganite tendency to invoke American primacy and American principles. At the same time, he was seen to have inherited a Bushite, more realistic, vision of foreign affairs. The panel declined to identify the then Texas governor with the isolationist school and predicted that the Republican Party would make a return to internationalism should Bush get elected. As to Bush’s emphasis on relations with the big powers, the panel cited his web site to highlight the differences between the Bush camp and the Clinton-Gore administration. For example, China is seen as America’s competitor and not a strategic partner, Russia is important primarily for security reasons and not for its democratizing potential, and India must be watched carefully as a rising power.

With regard to Bush’s personality and decision-making style, the panel was in agreement that he would provide the big picture and then delegate the details to his staff à la Ronald Reagan. But unlike Reagan, Bush would check the results. In his relationship with the advisers, it was noted that Bush could be quite impatient. But again, he would test the new ideas before implementing them—a typical CEO-style management. Because of Bush’s penchant for drawing big pictures and delegating the details to the staff, his lack of knowledge in world affairs would not hamper him in conducting international relations.

In general, President Bush’s foreign policy behavior toward Korea had been consistent with the AEI panel’s observations—until the September 11
attacks on America. Upon inauguration, he announced that he would not automatically follow the Clinton-Gore line in dealing with the Pyongyang regime. He took his time in letting his national security team review America’s posture toward Korea. In the meantime, Bush was busy championing the “US-first-ism” in not so subtle terms. Then came the catastrophic terrorism committed against the US. While waging the war against terror, Bush clearly became more Reaganite than Bushite. Perhaps he had wanted to follow the former tendency to begin with, but we will see more of it in the future. When applied to the Korean peninsula, such a tendency will have a forceful impact that may not be coterminous with the intentions of either Korea. Imagine President Bush mobilizing America’s mighty foreign policy resources to handle the two Koreas with the power of Reaganite ideology. Now, that should be reason enough for both Pyongyang and Seoul to raise their alert status, if not shudder with the fear of power politics combined with a moralistic bent.

While President Bush was likely to push his Reaganite agenda in his interactions with the two Koreas, the Washington-Pyongyang-Seoul triangle would encounter a new variable with potentially critical influence. That was the question of who would get to interact with Washington’s Bush and Pyongyang’s Kim Jong-il as South Korea’s next president.

Seoul’s Next President as a Variable

In December 2002, South Koreans would choose a new leader. Even as World Cup fever had not begun to subside, the country was once again drawn into the vortex of presidential politics. The election would mark the end of the Kim Dae-jung (DJ) era that would highlighted the first-ever lateral transfer of power from the ruling to an opposition party, an “early graduation” from the IMF-led regime of financial bailout, and DJ’s visit to Pyongyang for the historic inter-Korean summit meeting. DJ’s presidency will also be remembered for a multitude of graft scandals involving his family and confidants as well as diplomatic frictions with the Bush ad-
ministration regarding his policy toward North Korea. DJ’s “sunshine policy” of engaging North Korea did make an indelible footprint in Korea’s contemporary history culminating in the June 15 joint communiqué. Nevertheless, the policy of wholesale engagement has been under attack for the size of the aid given to the North and the Pyongyang regime’s reluctance to return Seoul’s favor.

There are many reasons why the 2000 summit meeting has not led the way to a full-fledged rapprochement between the two Koreas. Of them, two seem to stand out. One can be attributed to the unique structure of the inter-Korean relationship, and the other to the timing of the summitry. For starters, it would be a mistake to treat the North-South relationship as one between two “normal” states. For a considerable time to come, North Korea will remain preoccupied with the task of survival—of the regime and the system. Without such an obsession, the Democratic People’s Republic of Korea would have disappeared from the world atlas long ago. By maintaining a local Cold War on the Korean peninsula, Pyongyang has been able to sustain its viability as a state. With the threat of a nuclear weapons development program, it exercised diplomatic brinkmanship toward Washington, the result of which was the 1994 Agreed Framework that Pyongyang boasted unabashedly to be a diplomatic coup. It was the election of George W. Bush that put a damper on Pyongyang’s attempt at a repeat performance—this time, using the card of long-range missiles and the proliferation of its technology. Until the day it can feel secure, the Pyongyang regime will refrain from making any moves that might jeopardize its viability. The North Korean leaders would demand and receive aid from the South, but would be reluctant to promise a lasting peace, reform, or opening that might dent the North Korean system. This is why one needs to think of Seoul’s assistance to Pyongyang as a form of “peace insurance.” Should the North Korean threat dissipate, Seoul would cancel the insurance; Pyongyang hence would have to maintain a certain level of tension, if for no other purpose than to collect the insurance premium. The problem is that many South Koreans tend to forget such structural peculiarities in the inter-Korean relationship. Of course, the jury is still out.

226 Part One: The Security Environment Around the Korean Peninsula
about the issue of whether the Kim Dae-jung administration paid too much for insurance.

Another reason why the summit meeting has failed to produce a sea of change in inter-Korean relations can be found in when it took place. In South Korea's five-year single term presidency, the mid-point signals the beginning of lame duck phenomena. As such, the best a president can do in the second half of his term in office is to complete the projects begun during the first half. Unfortunately, DJ won the invitation to Pyongyang at the turning point of the two halves. One cannot tell if Kim Jong-il, well versed in Seoul's electoral cycle and its implications, did the high-powered political calculus to choose the timing. What is certain, however, is that DJ’s approval rating began to nosedive from the time of the summit and never recovered. With decreasing popularity, DJ was unable to mobilize the level of political support required to follow through with what he agreed in the 6.15 declaration.

The challenge lies in the post-DJ inter-Korean relationship. Will the North-South contacts and exchanges DJ nurtured with all his political stock blossom into rapprochement? Or will Pyongyang succeed in muddling through so that the two Koreas may coexist amidst tension? In the worst possible scenario, will a situation develop in which one side may have to take over the other? Indeed it is difficult to tell which of the three is likely to happen. The difficulty is complicated by the unfortunate fact that the two Koreas cannot solve by themselves the problems lying between them. Instead, all four major powers in Northeast Asia—including the non-residential player, the United States—have a stake in the Korean peninsula, and they would not shy away from meddling in Korean affairs. In addition, changes in the global system will also impact the two Koreas in political, economic, security, and even human rights-related areas. We do not intend to address developments on all three geographical dimensions, but to deal with the implications of just one event at the peninsular level. That is, how Seoul’s presidential election would affect inter-Korean relations. More specifically, it seeks to examine the North Korea policy of those who were likely to run in the December 2002 presi-
idential election. Three major candidates were selected for close scrutiny: Roh Moo-hyun of the Millennium Democratic Party, Lee Hoi-chang of the Grand National Party, and the third candidate who might emerge.

**Roh Moo-hyun: Ambiguity as a Potential Weapon**

Roh (pronounced “Noh”) Moo-hyun emerged victorious from the first-ever serial primary elections held in the history of Korean party politics, defying the earlier prediction that Rhee In-je would be a shoo-in as the candidate of the ruling Millennium Democratic Party. Roh’s rise gave birth to a new political term called Nopoong (literally Roh’s wind) that swept him onto the pedestal. While there are many conjectures about Nopoong’s genesis, some compelling ones include (1) the younger generations’ burning desire for new politics, (2) Roh’s fan club named Nosamo (“Association of those who love Roh Moo-hyun”) and its active participation in the primary process, especially using the mobilizing power of cyber communities,9 (3) the regional sentiment of the Younghonam people (covering the southeastern and southwestern areas of the ROK, which have monopolized the presidency since Park Chung-hee’s military coup in 1961) that they cannot hand over political power to an outsider, and (4) the tacit accommodation of such a sentiment by Kim Dae-jung with his roots in Honam and former president Kim Young-sam (YS) who still is considered to have strong influence in Youngnam.

Simply put, Roh Moo-hyun owes his Cinderella story to the combined support of the younger generations that constitute about 72 percent of the electorate10 and the people of the Younghonam area. About the latter, a more accurate depiction should be that the Honam people who had realized that they did not have their own regional candidate with any realistic chance of winning the presidential election and thus adopted Roh from Youngnam. If this observation has credence, it will not be easy for Roh to formulate his North Korea policy with much autonomy.

First, Roh’s main support group consists of those in their twenties through forties who are highly nationalistic in their collective attitude but are quite international, if not global, in personal orientation. While they
would join street demonstrations to denounce the cultural insensitivity of US forces in Korea, they would gladly invest their resources in language (English) training in the US for themselves and their children. These younger generations have learned about the Korean War, even the Vietnam War, from textbooks, and thus hold a view of the North different from that of the older generation who suffered personally from the war’s devastation and the pain of separated families. In a similar vein, young voters tend to suspect that the North Korean threat has been exaggerated, especially by the authoritarian regimes that had to use national security as a legitimating device. From the perspective of one single nation of Koreans, they are sympathetic to the residents of North Korea struggling for survival in miserable conditions. Nevertheless, public opinion surveys have revealed consistently that most young people in the South do not feel obligated to shoulder the astronomical burden of absorptive unification. Roh’s challenge is, therefore, how to deal with the cognitive duality of younger generations so that he can forge a consensual policy toward North Korea.

Second, if President Kim Dae-jung felt that Rhee In-je might not “protect” him once he left the Blue House, it is possible that he came to a tacit understanding with Kim Young-sam in pushing a Youngnam candidate. But the combined support of DJ and YS, if true, may work as a double-edged sword for Roh Moo-hyun in his policymaking toward North Korea. It goes without saying that DJ would want Roh to inherit his sunshine policy or for a minimum to maintain its basic premises. But Kim Young-sam may be in a quite different frame of mind, as many Youngnam people perceive that they have been relatively deprived under the DJ administration. Considering himself the “boss” who should galvanize the anti-DJ mood prevalent among the Youngnam people, YS would want Roh to put the brakes on the DJ-style “give only” policy toward Pyongyang. Roh would find it extremely challenging to walk a tight rope between his two political mentors.

Third, another source of tension Roh will find in his decision-making toward North Korea will be Roh Moo-hyun himself. Even without touching upon the issue of alleged pro-North-Korean activities undertaken by his

6. The Political Dynamics of US-Korean Relations: An American Perspective 229
father-in-law during the Korean War, Roh’s behavior has been characterized as “anti-establishment,” “radical,” and “left-leaning.” Inasmuch as two-thirds of the South Korean population is considered to place itself in the middle or middle-right of the left-right ideological divide, they will surely try to constrain Roh’s decision latitude in dealing with North Korea.

Perhaps for these reasons, Roh Moo-hyun did not pronounce his own North Korea policy early. As such, it was difficult to predict what his policy to Pyongyang would be. It was possible that Roh would adopt the policies favored by his supporters with a dualistic attitude to the North—help the residents of North Korea but not to the extent that the financial burden becomes unbearable. Given his somewhat anti-establishment attitude, however, it was possible that he would lean more toward the nationalistic side of the duality. Alternatively, Roh could opt for a set of hard-line policies toward Pyongyang in order to offset his image as a “left-leaning” radical. The third and most likely choice was for Roh to make superficial remarks on the subject until he won the election. As president, then he could test the domestic and international waters before making his own voice about North Korea. Absence of a clear-cut policy toward North Korea could make Roh look like an opportunist. Such a posture could, however, become an asset for Roh since his ambiguity would put Pyongyang, Washington, and other surrounding powers on their toes. Their first reaction would be an attempt to influence Roh to choose the policy direction they prefer. They would offer Roh a supportive environment that he could exploit in building his North Korea policy.

Lee Hoi-chang: the Essence of Strategic Engagement

South Korea’s single term presidency encourages discontinuity in policy rather than continuity. The new president would have to differentiate himself from the predecessor not only to win the election but also to sustain his popularity. This trend has become deeply entrenched especially because there has been no successful president in recent history. It did not seem to matter whether he was elected indirectly according to the old system or directly by the new rules introduced after the 1987 Democratization
Movement. Two former presidents—Chun Doo-hwan and Roh Tae-woo—were in jail simultaneously at one time for amassing illegal slush funds; Kim Young-sam saw his second son imprisoned owing to involvement in a graft scandal and took the blame for the 1997 financial crisis; and now two of Kim Dae-jung’s sons are in prison on multiple charges of corruption. Under these circumstances, it is only natural to expect that DJ’s successor will try to distance himself from DJ and what DJ has stood for.

As foreign policy could not escape the pattern of such systemic breaks, Roh Tae-woo’s northward diplomacy of normalizing relations with former eastern bloc countries was not kept up by his successor Kim Young-sam and Kim Young-sam’s foreign policy attuned mainly to public opinion was tossed out by Kim Dae-jung. By extension, it can be presumed that Lee Hoi-chang (HC) of the opposition Grand National Party would feel free or even compelled to discard DJ’s sunshine policy, should he get elected. Nevertheless, it must be emphasized that HC’s policy to North Korea was not radically different from DJ’s wholesale engagement. Political rhetoric surely makes it sound as though HC condemns DJ’s sunshine policy. Examined closely, however, one finds that HC’s “strategic engagement” was a form of sunshine policy in which Seoul saves face, if not trying to hold an upper hand.

It has been long recognized that DJ’s sunshine policy is a misnomer, because it is not necessarily intended to de-cloak North Korea as in the original fable by Aesop. Rather, it is a policy of supporting North Korea—both the regime and the nation. Lee Hoi-chang has made it clear that through strategic engagement he would continue to offer assistance to North Korea. In his engagement policy, however, HC would like to incorporate the following elements: enhanced transparency in the making of Seoul’s North Korea policy, national consensus about the nature and scope of support for North Korea, assurance of verification in inter-Korean relations, and reciprocity for Seoul’s economic aid with a Pyongyang gesture or promise of peace on the Korean peninsula. Taken together, these elements would make HC’s strategic engagement an upgraded version of DJ’s
sunshine policy.

*The Third Candidate: Possible Scenarios*

In case a third candidate emerges, what kind of policies would he or she choose toward North Korea? How would they differ from the policies of Roh Moo-hyun and Lee Hoi-chang? To answer this question, it must be determined who such a candidate might be. It is too early to tell whether a third candidate would be able to enter the presidential race. Moreover, the power struggle in Seoul's political arena is so fierce and complicated that one cannot make even a preliminary list of possible contenders. Nevertheless, it is plausible to envision two circumstances under which a third candidate becomes a significant player. One is a race among Roh Moo-hyun, Lee Hoi-chang, and a third candidate, whereas the other is a contest between the Millennium Democratic Party and the Grand National Party in which one or more candidates are replaced. Strictly speaking, the latter does not involve a third candidate, as it will end up being a two-way race. But in terms of the cast on the stage, there will be a third or even fourth player.

For the three-way race, there are two possible developments. One is the repeat of the 1997 election involving Rhee In-je. As he did in 1997, Rhee may leave the ruling party—this time, the Millennium Democratic Party—to run as an independent. The act would surely mean political suicide for Rhee, which he should be fully aware of. But it cannot be ruled out completely, politics being an addiction that often makes a man lose his head. Adding fuel to Rhee's political ambition, the Millennium Democratic Party has seen a precipitous drop in its popularity and is plagued by internal power struggle. Should the demand increase within the party to replace Roh Moo-hyun, Rhee In-je may stage a palace coup to win the party's endorsement. So far, Roh has survived a major crisis caused by the miserable defeat in the local elections held on June 13, 2002. Should his party lose again in the National Assembly by-elections scheduled for August 8 and public opinion polls show Roh continuously lagging behind Lee Hoi-chang, the party leadership will be forced to re-
place Roh with someone who could win the presidential election. If and when that happens, Roh will most likely leave the Millennium Democratic Party and run as the candidate of the new party that he will form. Whether Roh or Rhee shall end up leaving the ruling party, it will be a three-way race of Lee Hoi-chang, Roh Moo-hyun, and Rhee In-je. How would Rhee In-je manage inter-Korean relations in the remotely possible case that he becomes president?

Rhee calls himself a “centrist conservative,” although many place him on the slightly left-hand side of Lee Hoi-chang. While serving as Minister of Labor under Kim Young-sam, for example, Rhee favored partial pay without work. But he also “wants to build a country best suited for entrepreneurship.” Rhee is a novice in foreign policy, like Roh Moo-hyun and Lee Hoi-chang for that matter. His international experience includes short visits to China and Russia along with some time spent in Washington after losing the 1997 presidential election. About North Korea, he argues, “we need to worry about North Korea no longer...all we have to worry about is its military capability.” Is it naiveté or unbridled optimism about his ability to engineer change in the North? Rhee is a strong believer in policy coordination with the US but lacks experience in dealing with the Americans. Although he has not articulated his North Korea policy, his stance is “DJ’s sunshine policy plus some elements of reciprocity”—not much different from Lee Hoi-chang’s strategic engagement.

Other than Rhee In-je, either Chung Mong-joon or Park Keun-hye—both young in their early fifties and serving in the National Assembly—may become the third candidate, although the odds are long for each. There are two possible scenarios in which either Chung or Park may become a candidate. The first has Rhee In-je leaving the Millennium Democratic Party to form a coalition of centrists and center-rightists. He will try to draw to his side Chung, Park, and even Kim Jong-pil of the United Liberal Democrats. Once the coalition is formed, Rhee will most likely become a “kingmaker,” realizing that the stigma of a spoiler he earned in the last election will not enable him to win the presidency. Who will be the presidential candidate of such a coalition? Given Kim
Jong-pil’s advanced age and dwindling support for his party, it will have to be either Chung or Park.

In order for this scenario to become reality, there are two prerequisites. One is the dramatic rise in Chung’s popularity driven by the stellar performance of the Korean national soccer team in the 2002 FIFA Korea-Japan World Cup games. As the head of the Korean National Soccer Association and FIFA’s vice president, Chung was instrumental in attracting the World Cup games to Korea and successfully managing the month-long celebration. By reaching the semi-finals, the first time ever for an Asian nation, the Korean team put the entire nation into soccer fever and has helped unify the national energy into one direction. With proper moves, the energy is there for the two younger politicians to tap, Chung in particular.

Another prerequisite is the rising sense of frustration expressed by younger voters against old-style politics. They should aggregate and articulate their wish to usher in an era of new and clean politics. Though somewhat muted during the World Cup games, there are definite signs of popular movement for new politics. As evidence, one needs to see no farther than how Nopoong was whipped up and then met a subsequent setback when Roh Moo-hyun tried to get the backing of Kim Young-sam—one of the three Kims constituting the old guard. The almost total defeat of the ruling Millennium Democratic Party in the June 13 local elections should also be considered a stern warning from the electorate that politicians should clean up their act. Can Chung and Park satisfy the voters’ desire to see a revolutionary change in Korean politics? The answer is a cautious “yes,” despite the fact that Park is the first daughter and one-time surrogate first lady of Park Chung-hee, a dictator who brought industrialization to Korea, while Chung is the sixth son of Chung Joo-young, the founder of the Hyundai Group, which helped the dictator in spearheading South Korea's industrialization. Both Chung and Park belong to the generation that has received normal education—a notable fact compared with a majority of older politicians without much formal schooling. Park has nurtured an independent mind and a coherent worldview during the many
years of solitude since her father’s assassination in 1979; she can talk and write on her own instead of reading the scripts written by aides. Chung has earned a bona fide Ph.D. from an American university and the reputation of having successfully run a chaebol corporation.

Both Chung Mong-joon and Park Keun-hye will attempt to harmonize Seoul’s policy toward Washington with that toward Pyongyang. They have seen the problems in DJ’s sunshine policy caused by placing the inter-Korean agenda above the Seoul-Washington relationship. They also understand the potential danger of toting Washington’s line without considering the unique structural constrains of the inter-Korean relationship. At the same time, they realize that they have to factor in the dualistic orientation of younger generations—nationalistic in the collective setting but internationalist as individuals—not only to win the election but also to form a national consensus in the policy toward North Korea. As both Chung and Park have been groomed in an essentially conservative setting, however, their North Korea policy is likely to be similar to Lee Hoi-chang’s.

Moving to the second situation in which a “third” player could play a pivotal role, it is possible to envision a two-way race with a change of candidate or candidates. In the Grand National Party, Lee Hoi-chang appears to have solidified his position as presidential candidate. Not only did HC win the primary elections hands-down, but also he has restructured his party so that it works full-time in a campaign mode. In addition, the Grand National Party has been gaining strength not necessarily through its own efforts but owing to the scandals surrounding DJ’s family and the internecine conflict within the Millennium Democratic Party. Nothing being final in Korean politics until it is finalized, a last-minute mishap could unseat Lee Hoi-chang. There is the unresolved issue of HC’s alleged involvement in one of the corruption scandals that have been rocking Seoul’s political arena. In addition, there still looms the danger of a new disclosure about the alleged draft dodging by his son. Any of the two could severely compromise HC’s image as a man of high moral standard, which in turn might jeopardize his candidacy.\(^\text{19}\)

The picture is more complex in the Millennium Democratic Party. Roh
Moo-hyun has survived the party’s devastating loss in the 6.13 local elections and put off the “test of fire” until the National Assembly by-elections of August 8, 2002. As the party continues to slip in popular support, however, Roh cannot be assured of his candidacy after the 8.8 by-elections. Should Roh fade away from the scene, the Millennium Democratic Party would be forced to field a new candidate. Although the chances are very slim, Rhee In-je might emerge as the party’s choice as described above. A more plausible development would be for the party to go for either Chung Mong-joon or Park Keun-hye. It might even try to bundle the two together—Chung as presidential candidate and Park as prime minister designee. In order not to alienate Rhee and his supporters in the Choongchung area, the party leadership could ask him to take charge of the bundling. At any rate, the two-way races imaginable at this time do not include any new names—hence no new North Korea policies to discuss.

**Conclusion**

Whoever was to become the next president, he would have no option but to engage the North. Including engagement, there are roughly three courses of action Seoul can take toward Pyongyang. One is the proactive isolation of Pyongyang in the international community to induce an early demise of the North Korean regime and, if possible, the system itself. The other is to hold an attitude of benign neglect and let Pyongyang go it alone in its plan to build a *kangsung daegook*—a militarily powerful and economically prosperous state.

The strategy of isolation is fraught with the danger of a suicidal war initiated by North Korea. Pyongyang’s cornered regime would not exit alone, but try to go down together with the South, which should bring irreparable devastation to the entire Korean peninsula. Unquestionably, the combined forces of South Korea and the US will eventually win the all-out war, but the victory will become meaningless if the Koreans will have to rebuild a nation from the ashes. The second alternative of leaving North Korea alone is not likely to be beneficial to South Korea either. If
little or no assistance is forthcoming from Seoul, Pyongyang will have to rely more heavily on Washington and Tokyo to sustain its aid-based economy. And that would allow multinational corporations of the US and Japan to establish strong footholds in North Korea. As North Korea becomes a forward base of these firms in their launch toward the larger markets of China, not only will South Korean corporations be left out of the new economic frontier but also the peninsula will remain divided for a long time to come.

Therefore, Seoul cannot but stay the course of supporting North Korea, whether the policy may be called strategic engagement or something else. Even though there will be some nuanced differences depending upon who gets elected, they would not matter too much in the long run. Furthermore, the new president will certainly try to go beyond DJ’s sunshine policy. Doing so will serve the best interests of both the president and the nation: he will help himself in popularity while the nation will gain a higher level of recognition in the international community. Parenthetically, the next several years will provide Seoul with a window of opportunity to upgrade its engagement policy toward Pyongyang. The window is being provided by a Bush administration that is bent on pressuring Pyongyang as part of its global plan of power management. By employing a “good cop, bad cop” strategy, Seoul may be able to persuade Pyongyang to become its “agent” in negotiating with Washington. Such combined efforts of South Korea and the US will have the long-term effect of weaning North Koreans from their dependence on a diplomacy of extortion. In the process, they may also learn to live in peace and prosperity with their brothers to the South.

**American Foreign Policy toward Korea: A Forecast**

So far, we have examined the US-Korean relationship in the context of America’s foreign policy arenas—global, regional, and peninsular. Moreover, we have tried to look at the individual level determinants of
Washington’s Korea policy by analyzing President Bush as the preeminent foreign policy actor. We also investigated how Seoul’s next president might interact with Washington and Pyongyang. Now it is time to put our observations together so that we can make some generalizations about how the US would act toward the two Koreas.21

Toward North Korea: Turn the Tables on Kim Jong-il

During the last months of the Clinton administration, it seemed as though Pyongyang was on its way to win the ultimate prize of diplomatic recognition from Washington. Riding the momentum of the June summit with South Korean President Kim Dae-jung, North Korea’s Kim Jong-il vigorously pushed for an early resolution of the matter. The flurry of meeting between the representatives of the two countries were building to a crescendo and resulted in the visit to the US by a closest confidant of Kim Jong-ils. Vice Marshall Jo Myong-rok, the first deputy chairman of the National Defense Commission chaired by Kim Jong-il himself, visited Washington as Kim’s special envoy and met with President Clinton and his cabinet members from October 9 to 12, 2000. The image of Jo clad in the colorful military uniform shaking hands with President Clinton sent a loud message to the television viewers in the world—including those in North Korea—that North Korea had changed and become a partner of the US.22

Although Kim’s letter to Clinton delivered by Jo allegedly did not contain any path-breaking proposal, Jo’s visit signified that Pyongyang would like to go far as possible in normalizing diplomatic relations with Washington before Clinton left office. At one time, it appeared that Clinton might visit Pyongyang as early as November 2000. It was speculated that Clinton would wish to accelerate the normalization with North Korea, so that he could offset the lack of progress in brokering the Middle East peace process, another area that he hoped to leave as his legacy. A successful negotiation with North Korea would have helped Gore in his presidential election campaign. Arguably, it was thought to benefit Bush’s foreign policy, should he get elected. Despite the campaign rhetoric of
sounding tough to Pyongyang, Bush should have known that no US president could deviate much from the basic policy of engaging North Korea. Whether it was a “forward engagement” as seen by Gore or a “competitive engagement” as sometimes attributed to Bush, the bottom line was that it was not in America’s interest to treat Pyongyang like Baghdad. A president Bush would honor the *fait accompli*, while trying to make the relationship somewhat more reciprocal. All in all, prospects looked indeed rosy for Washington-Pyongyang rapprochement.

All that diplomatic courtship between Kim Jong-il and the Clinton administration became history after Bush got elected. But does it mean that the American attitude toward North Korea has changed for good? Would Washington treat Pyongyang as an “evil on the axis” to be destroyed? The answer is a cautious “no” judging from what has transpired to date between the two. Surely America has shown its willingness to wield a powerful stick against North Korea. Simultaneously, Washington has left its door open for a negotiated settlement—on the condition that Pyongyang accept Washington’s terms. In a sense, the Bush administration has turned the tables on the Pyongyang regime. While Kim Jong-il—and his late father—enjoyed the fruits of a diplomacy of extortion with asymmetric threat, Bush has made it clear that it is the big power that should use its might to deter or compel a small power. To Bush, it should mean a return to normalcy, although it must have come as a shock to Kim Jong-il who had been “spoiled” by Clinton and Kim Dae-jung. A consummate realist, Kim Jong-il seems to be adjusting to the changed circumstances—albeit at a measured pace. Japanese Prime Minister Koizumi’s visit to Pyongyang in mid-September also provided Kim with an added channel to send the message of rapprochement to the US.

All in all, the isosceles triangle appears to back on its original setup in which the US wields dominant influence over the two Koreas. And the pattern is likely to continue during the next five years.

*Toward South Korea: Allow a More Equal Partnership?*

America’s swing to big-power-ism and pursuit of unilateral hegemony
affects its relationship with Seoul in two opposing ways. For those South Koreans who are conservative and anti-Pyongyang, the Bush presidency is truly god-sent. To them the opportunity has presented itself to undo all the wrongs that Kim Dae-jung has committed in inter-Korean relations. Even though this group is small and consists mostly of the elderly, its powerful voice will rise, echoing the Bush line. To the majority of the Koreans belonging to the twenty-to-forty-something generations, however, the Korean nation may come ahead of the Seoul-Washington relationship. As mentioned earlier, the younger people suffer from a cognitive duality of being nationalistic in the group setting and internationalist as individuals. Unfortunately, many bilateral issues pending between the US and South Korea provide them with the venting grounds for their group orientation toward Washington.

As to the revision of the Status of Forces Agreement (SOFA), for example, many South Korean civic groups have argued that it is a vastly unequal treaty when compared with the similar arrangements the US maintains with Germany and Japan—especially in the legal jurisdiction over the American forces stationed there. A revelation in 2000 that the American military secretly released toxic substances such as formaldehyde and waste oil into sources of drinking water have greatly angered South Korean citizens. Despite a first-ever apology made by the commander-in-chief of the US forces in Korea, civic groups demanded a structural change in the ways these matters were handled. Further fueling the military-related conflict between Seoul and Washington were the issues of the Nokpeun-ni massacre of South Korean civilians by American troops during the Korean War and the live fire practice at the Maehyang-ni range which sparked protests from nearby residents for disturbing their normal life pattern. Many South Koreans believed that these issues epitomized the unequal relationship between the two countries. They were mad at not only the US for a lack of sensitivity but also the Korean government for not standing up more forcefully against the Americans.

Such perception of "Uncle Sam, the whale, bullying a small Korean shrimp" has not been limited to the military area. Although they acknowl-
edged the need to open their market for survival in the era of globalization, many South Koreans tended to resent pressures coming from the US government as a thinly veiled attempt to allow American firms an increased penetration into their fragile economy. Even in the area of energy supply, the most vital commodity for a resource-poor country, a view has prevailed in South Korea that Washington was responsible for foiling Seoul’s efforts to reduce its external dependence in nuclear fuel supply for electricity generation. This perspective was undoubtedly derived from a simple comparison with Japan, another erstwhile client of the US, which was allowed to become a first-rate producer of nuclear-generated electric power with Washington’s blessing. Their argument was hence simple and straightforward: Why not a similar treatment to South Korea in, for instance, plutonium reprocessing?

In the future, the Bush administration will face increasing challenges from South Korea—especially from the ever-growing civic movements—in all areas of interaction for a more equal relationship or a less unequal one. South Koreans have the of firm conviction that Washington will have to accommodate such demands, as it cannot ignore the magnitude of growth the South Koreans have achieved during the last decade, economically and politically. And it was expected of Clinton to engineer a step level, not incremental, improvement in the bilateral relationship with the Kim Dae-jung government. A freedom fighter who owes his life to the US government, Kim struck an almost perfect harmony with the Clinton administration with his championship of capitalism and liberal democracy. The Nobel Peace Prize he won was supposed to work as an added incentive for Kim to pursue simultaneously these two often-conflicting goals. Kim would leave the Blue House soon, but the supporters of his sunshine policy would keep demonstrating their independent attitude toward the US.

How will the Bush administration fare against the self-assertive voices of South Korean civic groups? While the structural transition demanded by a rising power is too forceful for any American president to ignore, it may be conjectured that the Republican government will be able to manage the Washington-Seoul relationship without causing major friction. During the
Cold War era, it was mostly the Republican governments that upheld the grand strategy of containment with more vigor and provided their allies with a firmer commitment of protection than the Democratic Party. In the post-Cold-War era, however, the Democrats were more internationalist in overseas involvement through peaceful means. As the September 11 terror ushered in a post-post-Cold-War era, theoretically at least, the Republicans can turn the clock back. But the changed reality in the global system would make it difficult for a Republican administration to pursue a policy of neo-containment.

South Koreans will have to do their part if their country is to become a more equal partner of the US. A heightened status does not come with demands only—albeit backed by a structural change. It is achievable when they become willing to share the burden associated with a higher status. Fully cognizant of this mechanism, Washington will not fail to ask Seoul for increased burden sharing in the bilateral relationship.

In Inter-Korean Relations: Transition from a Ringmaster to a Broker?

Having looked at Washington’s ties with Pyongyang and Seoul separately, it is time to examine America’s role in inter-Korean relations. To repeat the obvious, the US is the most central player in the bilateral link between the two Koreas. In many ways, the US is an “outside insider” in Korean affairs, and its role has been evolving through different phases in the triangular relationship. During the global Cold War era, the US practiced a strategy of extended—remote—deterrence on the Korean peninsula in which the North was the enemy to deter and the South an ally to protect. Though the nature of deterrence has changed over time, the basic mission of preventing war on the peninsula remains intact. During the ten years from the end of the global Cold War, Washington’s top priority was to block the proliferation of the weapons of mass destruction along with their delivery systems and the maintenance of the status quo on the Korean peninsula. With the policy of soft landing through engagement, Washington officially embraced Pyongyang with the Agreed Framework in 1994 and has since adopted a de facto two-Korea policy. From 1994 to
the end of 1997, Washington encountered some difficulties in managing
the triangular relationship because the Kim Young-sam administration in
the south was meandering in its northward policy. With President Kim
Dae-jung in office from 1998, the only concern was over how to syn-
chronize the race to Pyongyang by Seoul and Washington. With the new
millennium, joint efforts made by the US and South Korea began to bear
fruits in the form of détente on the Korean peninsula—most notably the
June 2000 summitry.

America’s role during the Cold War was that of a deterrer. During the
1990s it acted like a “ringmaster” or conductor in charge of orchestrating
the Korean affairs. What then would be its future role in the Korean pen-
insula? For quite some time, American policymakers and intellectuals were
groping for a new grand strategy fit for the post-Cold-War world, and they
have yet to come up with one. The task became more complicated with
America’s global war on terrorism. As there exists no grand strategy with
which to shape America’s Korea policy, Washington’s role in Korea will
most likely take shape through trial and error. And there is one area from
which the US government can start. Since Washington provided leadership
in the historic opening in inter-Korean dialogue, it makes sense for the US
to help sustain the momentum until a permanent peace regime takes root
on the peninsula. For that purpose, the US will be called upon to play the
role of a broker between the two Koreas. It would mark a departure from
role of a ringmaster that the US was playing in the 1990s. As ringmaster,
the US wielded the dominant influence in inter-Korean relations; as brok­
er, it is expected to dominate less but to mediate more.

America’s brokering will be appreciated by the two Koreas, especially
after the establishment of diplomatic relations between Pyongyang and
Washington. Kim Jong-il will see the normalization with the US as the
culmination of his diplomatic maneuvers and use it as a launching pad for
further expansion of international contacts. South Koreans will also inter-
pret it as the beginning of a new era in Northeast Asia in which the two
Koreas and the four surrounding powers would interact in a business-like
manner. Despite the position of strength it will continue to enjoy, the US
will nevertheless be considered not as a dictatorial hegemon but as a facilitator for the system’s smooth operation.

The presence of American forces will be a manifestation of the facilitating role the US will play for not only the two Koreas but also for the region as a whole. The concept of dual deterrence—preventing either side from launching an attack—seems to gain a region-wide acceptance, even in North Korea whose leaders would like to view US troops as a peacekeeping force.26 To South Korea, US ground troops are a concrete testament of America’s security commitment, while to the US, they are proof that it wishes to remain an Asian power. With the convergence of interests among the three players, US forces in Korea will become a valued asset for all. This is one reason why the Bush administration has emphatically endorsed the continued stationing of American troops in the Korean peninsula.

Another area in which the US can work as a facilitator is the provision of economic aid to North Korea. Up until now, most assistance to Pyongyang has been given on a bilateral basis—the major exception being the ongoing construction of two light-water reactors in Shinpo under the auspices of the Korean Peninsula Energy Development Organization (KEDO). Even the food aid of the UN World Food Program (WFP) is in essence bilateral in that it provides the donor with an international organizational channel. When Pyongyang establishes diplomatic ties with Washington, and with Tokyo, it would be desirable to put more focus on multilateral arrangements. By coordinating their contribution, the donors can avoid duplication in their efforts and prescribe the course of economic reconstruction best suitable for Pyongyang. They can also minimize the costs of competing against each other for the concessions that North Korea would offer in return for assistance.

Initially North Korea would prefer bilateral deals to a multilateral framework for the obvious advantage of being able to play one donor off against another. As Pyongyang learns that in due time the donors would decide not to fall prey to its tactics of divide and rule, it would favor an international consortium in which the US is involved either directly or
indirectly. This is because Pyongyang understands that the US harbors no territorial ambition in Northeast Asia and it would check the potentially threatening inroads of South Korea, Japan, and even China. How would the Bush administration manage the intricate politics of multilateral aid to North Korea? We believe that it would do well because America's interests could be maximized, along with those of other donors, through a multilateral framework. A good model for Bush would be Clinton's leadership in setting up KEDO or his father's work in amassing the multilateral force in the Gulf War.

Notes

1. For a cogent argument in this line of thinking, see Zhang, Ming, and Ronald N. Montaperto. *A Triad of Another Kind: The United States, China, and Japan.* New York: St. Martin's Press, 1999.

2. In this context, the US-North Korea joint statement against terrorism issued on October 6, 2000, should be considered a giant leap forward. It will serve as a stepping-stone toward the removal of North Korea from the list and an eventual normalization of diplomatic relations.


4. As to America's role in the world in the post-Cold-War era, Bush said, "We can't be all things to all people in the world. I think that's where the vice president and I begin to have some differences. I am worried about overcommitting our military around the world. I want to be judicious in its use." To this, Gore countered "...this is an absolutely unique time in world history. We have a fundamental choice to make. Are we going to step up to the plate as a nation, the way we did after World War II?" (ABC TV News live coverage of the second presidential debate, Winston-Salem, North Carolina, October 11, 2000).

5. ABC TV News live coverage of the third presidential debate, St. Louis, Missouri, October 17, 2000.

6. The panel on "How Would Al Gore Govern in Foreign Policy?" was presented on June 14, 2000, and consisted of Leon Fuerth (Office of the Vice President), former Senator Dale
Bumpers (Arent, Fox, Kinter, Plotkin and Kahn), former Director of Central Intelligence R. James Woolsey (Shea and Gardner), former Congressman Steven Solarz (APCO Associates), Doyle McManus (Los Angeles Times), and Carla Anne Robbins (Wall Street Journal). The Panel on “How Would George W. Bush Govern in Foreign Policy?” was presented on June 22, 2000, with panelists such as former Deputy Chief of Staff in the Bush White House Robert Zoellick (Belfer Center for Science and International Affairs, Harvard University), former Assistant Secretary of Defense for International Security Policy Richard Perle (American Enterprise Institute), Robert Kagan (Carnegie Endowment for International Peace), Ivo Daalder (Brookings Institution), Georgie Anne Geyer (Syndicated Columnist), and Carla Anne Robbins (Wall Street Journal). E.J. Dionne (Washington Post) and David Brooks (Weekly Standard) moderated both panels. Transcripts of the panel discussion are available at www.aei.org/past_event/conf0614.htm and www.aei.org/past_event/conf0622.htm.

7. DJ’s obsession with the sunshine policy, his success in policy coordination with the Clinton-Gore administration, and the personal achievements—the summitry and the Nobel Peace prize in particular—seemed to have clouded his judgment when the Bush administration took over. It had taken a while and two meetings before he was able to restore a more normal relationship with George W. Bush.


9. Nosamo, with its nationwide network, dominated and controlled the mood at every stop in the primary process that lasted for more than 40 days. Nosamo, the key force behind Roh’s victory, is a community that exists primarily in cyberspace although it consists of real people, has a core of committed leadership, and flexes its muscle by political involvement. As of April 2002, it boasts a membership of 35,000 and is reportedly adding 500 to 1,000 to its roster every day. Considering that Nosamo became active from June 2000, it has indeed come a long way.

10. The information is from the Central Election Management Commission on the 2000 National Assembly election.

11. Born in 1946 in Kimhae, South Kyoungsang province, Roh Moo-hyun is a self-made man. His formal education ended at Pusan High School for Commerce—a technical school whose graduates rarely go to a college. Studying alone, he passed the bar examination in 1975, became a judge in 1977, and then retired the following year to practice law. In 1981 Roh turned himself into a human rights lawyer defending oppressed people. He entered politics in 1988 by getting elected as a National Assemblyman. Roh has had a rocky career
in politics before settling in the Millennium Democratic Party.

12. These ideological labels may hinder Roh’s efforts to coordinate his North Korea policy with the Bush administration. A recent incident involving an aide shows how cautious Roh is in approaching Washington. Roh Moo-hyun had to fire Lee Choong-yul, his special assistant in international affairs, after he revealed what he had reportedly told American officials on his trip to Washington which began on April 13, 2002. In an interview with the very popular Internet media *Oh My News* on April 30, 2002, Lee revealed that he had told the staffers at Congress and the Departments of State and Defense to stay out of the presidential race in Korea although the Republican Party may not favor Roh (*The Korea Times*, Chicago edition, May 1, 2002).

13. Lee Hoi-chang was born in 1935 in Seoheung, Hwanghae Province, while his father was serving as a prosecutor. His family is known for its “aristocratic lineage” rooted in Choongchung province. He graduated from Seoul’s elite Kyounggi High School and the prestigious College of Law, Seoul National University. Lee also spent some time at Berkeley and Harvard. He passed the bar exam and served in the judiciary branch for 26 years from 1960 before getting drafted into the executive branch. Chosen by YS as prime minister in 1993, he served only for four months owing to his attempted independence from YS. Lee labels himself a “reformist conservative,” although the meaning of this is unclear. Despite a “reformist” self-characterization, Lee’s ideological orientation is not center-left but center-right.


15. Born in 1948 in Nonsan, South Choongchung Province, to a poor farmer, Rhee In-je struggled to get the “pipeline education.” Rhee attended Nonsan Middle School before transferring to Kyoungbok High School in Seoul, a school of high esteem but thought to be a cut below Kyounggi High School by status-conscious Koreans. He graduated from the College of Law of Seoul National University in 1972 and passed the bar examination seven years later. For a brief period (1981-1983) he served as a judge before opening his own law practice. Like Roh Moo-hyun, he entered politics in 1988 by getting elected to the National Assembly. In 1993 Rhee was appointed by Kim Young-sam to the post of Minister of Labor and in 1995 got elected as governor of Kyounggi Province. After losing the 1997 presidential election as a third-party candidate, in 2000 Rhee returned to the National Assembly and joined the Millennium Democratic Party.


and earned a B.A. in economics from Seoul National University in 1975. Chung graduated from MIT's business school in 1980 before receiving a Ph.D. in international politics from The Johns Hopkins University in 1993. At the age of 31 he became the CEO of Hyundai Heavy Industries and began his career in business. In 1987 Chung became the chairman of the company and a year later entered the National Assembly as an independent from Hyundai's home base in Woolsan. From the early 1980s, he showed interest in sports-related activities and in 1980 was elected as the president of the Korean National Soccer Association—unquestionably the most prestigious and powerful sports organization in South Korea. A four-term national assemblyman, he has been given credit for his efforts in 1996 to host the 2002 FIFA World Cup soccer games.

18. Park Keun-hye was born in 1952 in Koomi, North Kyoungsang Province, as the first child of Park Chung-hee. A graduate of Sungshim Girls’ High School in Seoul, she earned a B.S. in electronic engineering from Sokang University. In 1974 when her mother was assassinated, Park Keun-hye began to play the role of the “first lady” at the young age of 22. Since her father’s assassination in 1979, Park had devoted herself to philanthropic activities until she was drafted in 1998 by the Grand National Party to run, and win, in a National Assembly by-election.

19. Early this year at a debate sponsored by Kwanhoon Club (the most influential association of journalists), Lee Hoi-chang declared that he would give up his presidential candidacy if it were proven that his son evaded conscription through illegal means.

20. In this context, one should note the warm reception North Korea’s Kim Jong-il gave to Park on May 13, 2002, when she visited Pyongyang. A behind-the-scenes but important player in South Korean politics, Kim has been shrewd in influencing Seoul’s political landscape.

21. These generalizations should in no way be considered exhaustive—even comprehensive. Instead, they are to serve as a guide for future analyses on the foreign policy interaction among Washington, Pyongyang, and Seoul.

22. In an immediately preceding meeting with Secretary of State Albright, Jo was in civilian clothes. His hurried change into military uniform for the meeting with Clinton must be one of preplanned moves to get maximum propaganda effect.

23. In one of the darkest moments in his life, Kim Dae-jung was kidnapped by Korean CIA agents from a Tokyo hotel during his exile in 1973 and was about to be dumped into the East Sea (Sea of Japan) when the US CIA intervened with an aircraft hovering over the boat carrying Kim with a threat to sink it should Kim be thrown overboard. Three days after that encounter, he was released near his home in Seoul.

24. The importance of Kim Dae-jung’s leadership cannot be overemphasized in policy
coordination with the US. It is because there exist strong conservative voices in Seoul ac-
cussing that Kim as president may have put his personal interests ahead of the nation’s.

While conceding that the Nobel Prize will work as a positive factor in the Korean détente,
they are quick to point out the astronomical amount of economic and diplomatic resources
required to bring about the inter-Korean summitry, which has subsequently led to Kim’s
prize. These resources had to come out of the pockets of South Korean taxpayers who have
hardly recovered from the 1997 financial crisis. The conservatives seem to believe that
Seoul could have engaged Pyongyang at lesser costs and under the terms it can manage, if
not dictate. The upshot, therefore, is that after Kim’s departure, there may be a swing back
to the more measured approach to engagement.

25. For an interdisciplinary analysis of the triangular relationship among the US and the
two Koreas, see Park, Tong Whan (ed). The U.S. and the Two Koreas: A New Triangle.

26. Even from the late 1960s, Pyongyang tended to acknowledge the role of dual de-
terrence played by the American troops in Korea. Especially at times of crises instigated by
North Korea—the 1968 attack on Seoul’s presidential palace, the 1974 assassination of
South Korea’s first lady, and the 1983 Rangoon massacre of the presidential
staff—Pyongyang appeared to look upon the US to prevent a South Korean retaliation. This
tendency became more pronounced in the early 1990s following the German unification,
and the officials began to make public statements cautiously implying the utility of the US
troops in serving Pyongyang’s security interests. It was Kim Yong-sun who in 1992 showed
the first official sign of Pyongyang’s softening attitude toward the American troops in his
talk with the State Department officials. Then Kang Suk-ju made a direct reference to “dual
deterrence” in his negotiations over the nuclear freeze. In 1994 Kim Il Sung himself
showed a willingness to tolerate the presence of American forces until both Koreas reduce
their respective forces to the level of 100,000. In the same vein, Rhee Jong-hyuck made a
statement in 1996 that the US forces might serve as temporary peacekeeping forces on the
Korean peninsula. And finally, Kim Jong-il himself is said to have told Kim Dae-jung at the
summit that “U.S. forces in Korea are necessary and help maintain the stability of Northeast
The US security commitments to its allies in East Asia, including Japan, South Korea, and Taiwan, are the foundation for peace and stability in that region. The nature of US security commitments to these three countries is presumably all based upon the logic of extended deterrence. Inherent in any extended deterrence situation is the question of whether commitments are credible, because the \textit{ex ante} incentives to make the promises or threats do not necessarily match the \textit{ex post} incentives to carry them out. For the defender successfully to deter a potential aggressor, the defender's commitment to protect the ally from the adversary must be well-defined and credible. The US experience in the Korean War serves as a classical case of failure of extended deterrence: it was believed that the communists felt free to attack because in previous official declarations the US had seemed to exclude South Korea from the list of nations to whose defense it was committed.

However, in the cross-strait dispute, the US has, for decades, resorted to ambiguity to prevent a hostile confrontation from occurring between China and Taiwan. Why does the deterrence situation in the Taiwan Strait warrant a different response? Why must the US pursue a strategy almost completely inconsistent with the strategy used to deter the communists in the Korean peninsula? In this paper, I study why the US security commit-
ments to Taiwan and South Korea are different, though the security situations in the Korean peninsula and in the Taiwan Strait are seemingly the same.

**Literature Review**

The issue of commitment credibility has received a great deal of attention in the deterrence theory literature (Schelling, 1960, 1966; George and Smoke, 1974; Snyder and Diesing, 1977; Powell, 1990; Zagare, 1990; Fearon, 1997). Although the existing studies on credible commitments have produced a parsimonious and deductive logic of credible commitments, these studies are limited in their conception of commitment itself (George and Smoke, 1974). The existing literature on commitment, especially the game-theoretic models, assumes that a country can choose only between committing or not committing to defend a protégé. However, a more reasonable assumption is that, depending upon the calculation of its interests, available means, and the level of costs and risks of upholding the commitment, the defender first chooses among different levels of commitment. The commitment level the defender chooses will have effects on the potential challenger’s perception of the credibility of that commitment. Too high a level of commitment can be counterproductive (or incredible), because the higher the level of commitment, the higher the cost associated with carrying out the threat and thus the less incentive to carry it out. Conversely, if the level of commitment is too low, the enemy might question the resolve of the defender, and the protégé might also question the ally’s commitment. So the question we seek to answer is not simply whether the US is committed to the defense of South Korea and Taiwan. Instead, the question should be about both the level of the US’s commitments to defend South Korea and Taiwan and the credibility of these commitments.

While many studies have focused on the general theoretical literature examining commitments and commitment credibility, the empirical liter-
ature on the US commitment to South Korea and Taiwan has made considerably less progress. In the case of the US-South Korea relations, most monographs and edited volumes deal with general issues of the US-Korea relations (Bandow and Carpenter, 1992; Kwak, 1982; Lee, 1988, 1993; Scalapino and Han, 1986). Nam’s (1986) study of the US commitment to South Korea is the first systematic study of this subject, but it covers only the period up to the 1970s. Morgan’s (1998) study explicitly deals with the issue of the US extended deterrence commitment to South Korea during and after the Cold War, but the credibility issue does not receive much attention in this study.

The paucity of studies on commitment credibility also applies to the case of the US commitment to Taiwan. Studies that concentrate on the US commitment to Taiwan are almost nonexistent, despite the large number of studies on general US-Taiwan relations and Taiwan questions in US-China relations (Holmes and Przystup, 1988; Myers, 1989; Yang, 1997; Hao, 1997; Harding, 1992, 1999). There are a few studies on the issue of the US strategic ambiguity toward China and Taiwan (Hickey, 1999; Kau, 1999; Yang, 1998; Yu, 1998) that have some relevance to the issue of the US commitment to Taiwan.

More surprisingly, given the similarities of these two nations in terms of their security situations, there exists in the current literature a glaring absence in comparative studies of Taiwan’s and South Korea’s security situations. In this paper, I will develop game-theoretic models to explain why the US commitments to Taiwan and South Korea are different.

**Extended Deterrence in the Korean Peninsula**

In a typical extended deterrence model, a defender sets forth a clearly specified commitment to protect its ally, and the adversary assesses whether or not it believes the defender’s commitment to be credible and chooses whether or not to attack the defender’s ally. If the adversary chooses to attack, the defender then decides whether or not to honor its commitment.
In deterrence situations such as these, the defender's primary objective is to find ways to increase the credibility of its defense commitment. If the defender can achieve this objective, then it is likely to be able to achieve deterrence.¹

In the Korean peninsula, if North Korea were to take military action against South Korea, the US would have to decide whether to help defend South Korea. To represent this strategic interaction formally, the game begins with North Korea deciding between attacking or not attacking South Korea. If North Korea decides not to attack South Korea, the game ends. If North Korea decides to attack, the US then decides between assisting South Korea or not. To capture the uncertainty in their interactions and to determine how the structure affects optimal strategies, in Figure 4, I assume that North Korea assesses probability $p$ that the US is strong and probability $1-p$ that it is weak. The strategic interactions between North Korea and the US can be represented by the extensive-form game outline in the figure.

For North Korea, its most preferred outcome is attacking and the US not defending South Korea. Its least preferred outcome is attacking but the US defending South Korea. For the US, its most preferred outcome is to maintain the status quo regardless of its type. If the US is strong, it prefers defending South Korea to not defending; but if the US is weak, it prefers not defending to defending. Our extended deterrence model implies that North Korea will attack South Korea if the following conditions are satisfied:

- if North Korea believes that the US is likely to be weak,
- if the cost to North Korea is low if it attacks and the US decides to defend South Korea, and
- if the gain to North Korea is high if it attacks and the US decides not to defend South Korea.

Therefore, the lessons that we can learn from this model are: (1) for the US to successfully deter North Korea from attacking South Korea, the US

---

¹ Footnote may be needed for this sentence to provide context or further information. However, the context of the footnote is not specified in the given text.
needs to convince North Korea that the US is most likely to be strong, and (2) the US will impost extremely high cost on North Korea if it chooses to attack South Korea.

Dual Deterrence in the Taiwan Strait

One of the most puzzling aspects of US foreign policy toward the security issue in the Taiwan Strait is the notion that peace and stability can somehow be brokered by deliberately increasing the level of uncertainty in a stressful crisis situation. At first glance, such a policy strikes one as being, at best, unlikely to succeed and, at worse, dangerously risky and irresponsible. Yet, this is precisely the nature of the policy that dictates
the content of US commitments in the dispute over the official status of Taiwan. The policy at issue—the policy often referred to as “strategic ambiguity”—has for decades sought to balance competing US interests in both China and Taiwan and, at the same time, maintain credibility, peace, and stability in the region.

Some regard strategic ambiguity as a Clinton administration creation. Others view strategic ambiguity as a twenty-year-old policy guideline that emerged from the institutional matrix defined by the 1972 Shanghai Communiqué, the 1978 Joint Communiqué on the Establishment of Diplomatic Relations between the United States of America and the People’s Republic of China, the 1979 Taiwan Relations Act (TRA), and the 1982 United States-China Joint Communiqué on United States Arms Sales to Taiwan. While some may argue that the Clinton administration’s policy toward the Taiwan Strait issue largely follows a strategic ambiguity approach, the policy of strategic ambiguity itself “is certainly not,” in the words of Georgetown University historian Nancy Bernkopf, “a Clinton policy, and it is not a Democratic policy.” Indeed, strategic ambiguity is not even a policy that is unique to the policy framework of the TRA and the three communiqués. According to Bernkopf:

[The concept of] strategic ambiguity goes back to the Eisenhower administration. It began with President Dwight D. Eisenhower and [Secretary of State John Foster] Dulles not wanting the Chinese to know what we were going to do in the Taiwan Strait.3

During the 1950s the United States became involved in a dispute between China and Taiwan over the official status of some of Taiwan’s offshore islands. The new PRC government wanted to liberate all of China, which meant that the Communists hoped to wrest Taiwan and its offshore islands from Nationalist occupation. Chiang Kai-shek’s Nationalist government, which had recently retreated from China’s mainland to Taiwan, viewed its stay on Taiwan as only temporary and hoped to create an opportunity to launch an attack on the Communists in an attempt to reclaim rule over all China. Throughout President Eisenhower’s administration, US
commitment to defend Taiwan was never in question. The US, which was intent on containing the expansion of communism, considered it in its own security interests to keep Taiwan in the friendly hands of the ROC government. The sensitive issue for the US, the predicament that Eisenhower later referred to as a “horrible dilemma,” was whether or not the US would commit itself to the defense of Taiwan’s offshore islands. The Nationalists claimed that the loss of the offshore islands to China would result in widespread defections of frustrated Taiwanese to the Communist government on the mainland. Facing what he considered to be the real possibility that PRC occupation of the offshore islands might threaten a Communist takeover of Taiwan, Eisenhower did not believe that a foreign policy, which would essentially cede the offshore islands to China, would be in the US’s best strategic interests in that part of the globe. On the other hand, however, the US was feeling fatigued from World War II and the Korean War, and so Eisenhower was careful not to risk becoming involved in an unpopular military conflict with China by over-committing the US to the defense of the offshore islands.

Given Nationalist motivations, even limited US involvement brought about an especially high danger of the US becoming embroiled in an undesirable conflict. From a Nationalist perspective, two critical factors were necessary for a successful mainland recovery attempt: (1) ROC occupation of military outposts on the strategically located offshore islands and (2) US assistance. Thus, in addition to the direct threat posed by the expansionist-minded communists, Chiang Kai-shek and his Nationalist military also threatened to upset the delicate security balance by taking advantage of the US presence to provoke China. Eisenhower had to find a policy that would deter China from launching a full-scale attack on the offshore islands while simultaneously restraining Chiang from taking any actions that would embroil the US in a confrontation with China.

The resultant solution was a policy that Secretary of State Dulles later described as “deterrence by uncertainty.” During the months that spanned the height of the 1954-55 Quemoy crisis, the US strove to send signals that instilled conflicting beliefs about US intentions. US actions gave
China the impression that the US was committed to the defense of Quemoy and Matsu while, at the same time, convincing Chiang that the US had no intention of coming to the aid of the offshore islands, especially if a PRC attack on the islands was a response to some kind of Nationalist provocation. While never specifying the conditions under which the US would interpose its military into the conflict, the Eisenhower administration consistently expressed its grave concern regarding the crisis in the Taiwan Strait and then affirmed its commitment to protect US interests with whatever means necessary. Remarkably, to this day "no one can be sure whether or not the US would have responded militarily to an invasion of the offshore islands, and whether or not the US would have used nuclear weapons."6

Many aspects of the US-PRC-ROC relationship have changed since the Eisenhower administration. In the two decades that followed the 1950s Quemoy crisis, both the US and China placed the Taiwan issue lower on their priority list in order to promote Sino-US relations in other, more urgent areas. Although the 1972 Shanghai Communiqué did bring about the immediate abrogation of Eisenhower’s 1954 Mutual Defense Treaty with the ROC, and although the Taiwan issue was still a source of tension between the two countries, President Richard Nixon’s visit to Beijing symbolized the beginning of a new, more productive US-PRC relationship. The US-PRC-ROC relationship underwent its most dramatic transition in 1978 when President Jimmy Carter decided to normalize relations with China. This meant, among other things, that the US would recognize “the People’s Republic of China as the sole legal government of China” and acknowledge that both China and the ROC affirm that Taiwan is part of China. In normalizing diplomatic relations with China, the US reduced its relationship with Taiwan to an informal cultural and trade relationship and eventually abrogated the 1954 Mutual Defense Treaty.

In addition to suffering the severance of official diplomatic relations with the US, Taiwan has also undergone significant transformations in other areas. In the 1950s, Taiwan was a dictatorship firmly committed to the recovery of the mainland. In recent years, however, Taiwan’s political
landscape has transformed. Instead of plotting a way to reestablish ROC rule over all of China, politicians and citizens of a democratic Taiwan, who now feel more at liberty to discuss politically sensitive issues, hotly debate the desirability of Taiwan's official "one China" policy. Beijing now feels threatened by the possibility that a democratic Taiwan might choose to declare independence or make moves toward independence that China finds unacceptable to their conception of "one China."

Although some of the specific preferences of those involved in the Taiwan Strait dispute may have changed, it is our position that the critical factors that give rise to the hostile cross-strait environment remain essentially the same today as they were during the Eisenhower administration. Although China no longer professes to seek the communist liberation of Taiwan, it still regards unification as one of its highest priorities and continues to believe that it, as the legitimate government of all China, may use whatever means necessary to preserve its territorial sovereignty. Now democratic, Taiwan no longer wants to attack and recover China. Nevertheless, Taiwan's intense interest in the independence issue poses a similar threat to China today as did Taiwan's mainland recovery objective in the 1950s. And, for its part, the US continues to believe that it has an interest in the maintenance of peace and stability in the Taiwan Strait.

If the US used Eisenhower's ambiguous posturing along with the vague language of the 1954 Mutual Defense Treaty and joint Congressional Resolution to reduce tensions in the Taiwan Strait during the 1954-55 Quemoy crisis, then how has US foreign policy, which no longer recognizes those devices used in the 1950s, evolved over the years to accommodate both the changes and the persistent similarities of the US-PRC-ROC relationship? In the decades since the Eisenhower administration, several important events occurred that, when taken together, enable the US to maintain flexibility through ambiguity. The key pieces of this policy framework are the 1979 Taiwan Relations Act, the 1972 Shanghai Communiqué, the 1978 Normalization Communiqué, and the 1982 Joint Communiqué.

The three propositions that can be derived from this policy framework
are (1) the US acknowledges, or is merely cognizant of, the Chinese position that there is only one China and Taiwan is a part of China, (2) the US agrees that the differences between China and Taiwan are China’s internal affairs and should be resolved by the Chinese themselves, and (3) the US insists, however, that when China and Taiwan define their relationship, it must be done so peacefully. US policy does not stipulate what types of arrangements between China and Taiwan might be acceptable to the government of the US, nor does US policy declare what Taiwan’s global position, form of government, or socio-economic system should be. Rather, US policy toward the Taiwan issue, at its most basic level, reiterates the US’s long-standing interest that the issue be resolved peacefully and that the US be able to continue to carry out its own interests in both regions.

The three communiqués and the TRA cumulatively provide a strategically ambiguous framework in which the US can adapt to a range of eventualities that might surface in the sensitive Taiwan issue. The policy’s ambiguity derives from its contradictory appearance. On the one hand it maintains that China is the sole legal government of China and acknowledges that both China and Taiwan agree that China includes Taiwan. Moreover, the US also agrees with China that the Taiwan issue and its resolution is a domestic issue that should be resolved between Chinese on both sides of the Strait. Yet, on the other hand, US foreign policy seems to contradict itself by insisting that the US may choose to interfere in what it has already determined to be a domestic Chinese issue. That is, the US insists that any solution must be achieved peacefully and reserves for itself the right to defend Taiwan if it so chooses.

The policy is puzzling. Assuming that it considers the US a formidable military opponent, China must think twice before using military might to enforce its view that Taiwan is part of China. And, for its part, Taiwan should not take for granted that the US will defend it, especially if a conflict occurs and the US believes that Taiwan was responsible for initiating it.

In the following, I set forth a game that captures the strategic interaction of the three players involved in the Taiwan Strait conflict. The game theo-
retic analysis will reveal the conditions under which the policy of strategic ambiguity can secure peace and stability in the Taiwan Strait.

In the case of the Taiwan issue, as we saw in the 1954 and 1996 crises in the Taiwan Strait, both China and Taiwan could be the first mover; successful deterrence thus requires that the US achieve a dual deterrence objective. That is, the US must not only prevent China from attacking Taiwan, but it must also discourage Taiwan from provoking China. Can the US deter both China and Taiwan from making a move that will upset the peaceful status quo by simply choosing to make a weak or strong commitment? Intuitively, if the US’s commitment is too low, then China will, like the extended deterrence situation, still choose to attack Taiwan. If the US’s commitment level is too high, however, then Taiwan will, under the blanket coverage of the US, choose to provoke China.

To model this strategic situation formally, in Figure 5, we present a dual deterrence model in which the US chooses between making a strong or weak commitment to defend Taiwan. If the US makes a weak commitment, then China chooses whether or not it will attack Taiwan. If it attacks, then the US must decide whether or not it will defend Taiwan. If, on the other hand, the US makes a strong commitment to defend Taiwan, then Taiwan must decide between provoking or not provoking the mainland. In order to satisfy both of its dual deterrence objectives simultaneously, the US needs a third move that will afford it some middle ground between making a strong or weak commitment. So instead of only having two moves, we assume that the US has a third move—ambiguity.

Figure 5 represents the extended form version of the dual deterrence game wherein the US decides whether or not to make an ambiguous, weak, or strong commitment to defend Taiwan. If the US selects the ambiguity route, then nature selects randomly with equal probability between China and Taiwan to be the next mover. If China is chosen by nature to move next, then it chooses between attacking or not attacking Taiwan, followed by a decision by the US as to whether or not it will defend Taiwan. If, on the other hand, Taiwan is chosen by nature to be the next mover, then it will choose between provoking and not provoking China. The US
Figure 5. Deterrence with Ambiguity
must then decide whether or not it will defend Taiwan when China responds to Taiwan’s provocation. Since the US will defend Taiwan if it is strong and will not defend if it is weak, the game can be reduced by deleting the dominated moves by the US at the end of the game.

Outcomes can be divided into two groups depending upon whether or not the status quo is disturbed. If the status quo is maintained, the US, it is assumed, is indifferent as to the level of the commitment it makes to Taiwan. If the status quo is disturbed, the US prefers not to be blamed for the outcome. If the US makes an ambiguous commitment, it cannot be held responsible if either Taiwan or China decides to upset the status quo. China prefers the outcome of attacking Taiwan, without the US intervening, to the status quo of attacking Taiwan while the US intervenes. Taiwan prefers provoking under the defense coverage of the US to the status quo and provoking without the US’s protection.

Given the preferences of the US, it is trivial to show that an ambiguous commitment is the weakly dominant strategy for the US because the US could not do better by choosing either a weak or strong commitment regardless of what Taiwan and China choose to do afterward. Once the US makes the ambiguous commitment, then China and Taiwan, both of which are now uncertain about how the US will respond to their actions, are faced with a decision as to whether or not they will choose to provoke the other. To deter Taiwan from provoking China, the US should not give Taiwan the impression that the US will assist Taiwan if Taiwan is attacked by China in response to a Taiwanese declaration of independence. To deter China from attacking Taiwan, the US should convince China that, whatever the solution, the US places such a premium on the peaceful resolution of the cross-strait dispute that the US will be more than likely to defend Taiwan if China attacks unprovoked. How, then, can the US simultaneously discourage each side from deviating from the status quo?

There are two ways that the US can try to satisfy the requirement of the ambiguity move. It can try to find a level of commitment that is neither too high nor too low. Such a commitment level could conceivably exist, and it could successfully deter China from attacking Taiwan while also preventing

---

7. U.S. Security Commitments to South Korea and Taiwan: Extended Deterrence versus Dual Deterrence 263
Taiwan from declaring independence. The drawback, however, is that even the slightest error in the determination or declaration of the ideal commitment level would likely lead to a dangerous outcome. If the US selects a commitment level that is even slightly too high, it will provide Taiwan with an incentive to advance toward independence. Too low a commitment, however, risks giving China the interpretation that the US is not committed to the defense of Taiwan. In both cases, the margin for error is small and the US runs the risk of being responsible for triggering a military escalation. Most criticisms of US strategic ambiguity correctly perceive that war through misinterpretation of intent is a definite possibility.

The alternative method of creating ambiguity is for the US to work to instill asymmetrical beliefs about the US commitment. The US can succeed in preserving the status quo if it effectively convinces China that it will defend Taiwan while simultaneously persuading Taiwan that the US will not come to its aid if it is attacked because it declared independence.

In the 1954 Quemoy crisis, President Eisenhower tried to convince China that it would defend the offshore islands if China attacked while, at the same time, trying to convince Taiwan that it would not defend the offshore islands. Since the Eisenhower administration, the US has leaned upon the language of the TRA and three communiqués to convince China that the US is committed to the defense of Taiwan while simultaneously trying to convince Taiwan that it will not defend it in the event that it provokes China through a declaration of independence. Although the US has been successful, instilling conflicting beliefs in the minds of China and Taiwan is difficult to achieve. But once it is achieved, the ambiguity strategy can be a successful solution for a dual deterrence situation.

Conclusion

In this paper, we learn that the strategic interactions in the Korean peninsula can best be represented by an extended deterrence model. In such a deterrence situation, the US’s primary objective is to find ways to in-
crease the credibility of its defense commitment and to ensure that it has the military capability to impose heavy cost on North Korea if North Korea chooses to upset the status quo. If the US can credibly achieve these objectives, then North Korea can be successfully deterred from attacking South Korea.

The strategic interactions in the Taiwan Strait, however, are different. Unlike in the Korean Peninsula, even the protégé, Taiwan, potentially has a move to upset the status quo. So to deter both China and Taiwan from deviating from the status quo, the US cannot be explicit about the conditions under which it will defend Taiwan. Ambiguity, as in the seemingly inconsistent claims of the 1954 Mutual Defense Treaty, 1954 joint Congressional Resolution, the TRA and three communiqués, enables the US to instill in the disputants enough doubt about its intentions to dissuade either side from taking the risk of calling the US’s bluff.

More importantly, the comparative analysis of the US’s security commitments to South Korea and Taiwan helps us see that the study of extended deterrence should not only cover the dimension of signaling credibility of commitment, but also consider “the scope, desirability, form, and appropriateness of a deterrent relationship among the US, a potential aggressor, and a third nation” (George and Smoke, 1974). As illustrated by the deterrence situations in the Korean Peninsula and in the Taiwan Strait, credibility of commitment is only one of the essential components of a successful deterrence. The form of the commitment is another essential component that has to be integrated into the analysis.

Notes

1. There is an extensive literature on extended deterrence. For reviews and references, please refer to Bueno de Mesquita and Lalman, 1992; George and Smoke, 1974; O’Neill, 1994; Zagare and Kilgour, 2000.
3. Ibid.
4. Ibid., p. 463.
5. Quoted by Gordon H. Chang and He Di, p. 1511.
7. That is, the US may be blamed if the status quo is disturbed because the US over-committed to Taiwan and it emboldened Taiwan to provoke the adversary, or, alternatively, the US could bear the responsibility for a conflict that occurred because it under-committed to Taiwan and China seized the opportunity to attack.

References


Freeman, Chas. W., Jr. “Preventing War in the Taiwan Strait: Restraining Taiwan—and Beijing,” *Foreign Affairs*, 77, 4 (July/August 1998): 6-11.


Lin, Changsheng. "China’s Ballistic Missile Development and Taiwan’s Security," paper prepared for the Conference on "War and Peace in the Taiwan Strait," Program in...


_____ . "The United States and Asia in 1995: The Case of the Missing President," *Asian


